JOINT STOCK COMPANY
ECO BALTIA

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2021

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

RIGA, 2022

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Name of the Parent Company	Eco Baltia AS
Legal status of the Parent Company	Joint stock company
Registration number, place and date of registration of the Parent Company	40103435432 Riga, 08 July 2011
Registered office of the Parent Company	Maskavas iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Parent Company	BSGF Salvus UAB, Gyneju g.14, Vilnius, Lithuania (52.81%) European Bank for Reconstruction and Development, Broadgate City of London One Exchange Square, London EC2A 2JN (United Kingdom) (30.51%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Council Members of the Parent Company	Vytautas Plunksnis — Chairman of the Council from 19.05.2021 Deimante Korsakaite — Deputy Chairperson of the Council from 19.05.2021 Peter Niklas Hjelt – Council Member from 14.05.2021 Jurgita Petrauskiene – Council Member from 14.05.2021 Gints Pucēns – Council Member from 14.05.2021
Board Members of the Parent Company	Māris Simanovičs - Chairman of the Board from 19.05.2021 Santa Spūle – Board Member from 14.05.2021 Anita Saulīte – Board Member from 14.05.2021 Sigita Namatēva – Board Member from 09.09.2021 Salvis Lapiņš – Board Member until 09.09.2021 Jānis Aizbalts – Board Member until 09.09.2021
Financial year	1 January – 31 December 2021
Previous financial year	1 January – 31 December 2020
Independent auditors and their address	SIA “Deloitte Audits Latvia” Grēdu iela 4A Riga, Latvia, LV-1019 License No 43 Inguna Staša Latvian Certified Auditor Certificate No 145

Management Report

Management of the JSC (AS) "Eco Baltia" hereby presents a management report regarding the consolidated financial statements of the JSC (AS) "Eco Baltia" group (hereinafter referred to – the Group) for the business year ended on 31 December 2021.

Business profile

The Eco Baltia Group was established in April 2012. In terms of turnover, the JSC (AS) "Eco Baltia" is the largest group of environmental service and recycling companies in the Baltic States. The business activity of the JSC (AS) "Eco Baltia" comprises the entire waste management cycle, from waste collection and sorting, to logistics and wholesale of secondary raw materials, as well as recycling of secondary raw materials and management of the producer responsibility systems, including in the management of waste packaging, electric and electronic equipment (WEEE) and waste of goods harmful to the environment (WGHE). Companies of the JSC (AS) "Eco Baltia" Group are the leading ones in their fields of operation and significant taxpayers in the respective cities and regions of operation.

Development and financial performance of the Company during the reporting year

In 2021, the Group companies continued growth in accordance with the long-term strategy, the goal of which is to develop the leading waste management Group of companies in the Baltic States. Strategic direction of the Group – expanding the activities of environmental services and working on increasing the availability of recycled raw material sorting infrastructure to the Group's clients and increasing its competence in managing, sorting and recycling of secondary raw materials. In second half of 2021 Group's company SIA "Eco Baltia vide" became a 100% shareholder in the Lithuanian company UAB "Ecoservice". Ecoservice Group consists of several Lithuanian businesses operating in municipal waste management, recycling and collection of construction waste, as well as other services related to environmental management.

In 2021other environmental management services were developed, including territory cleaning, construction waste removal, management of electrical and other waste harmful to the environment, as well as transport services. Particular attention was paid to development of strategic direction of the Group – recycling of secondary raw materials, which kept growing also in 2021.

In 2021 recycling companies of the Group continued its stable development, focusing on increasing of production capacity and improving efficiency. The main investments were aimed at purchasing new production equipment and improving the technological processes of factories. Significant work was done to improve working environment and promote the energy efficiency of production facilities. Taking into account that the recycling company's exports account for almost 100% of its production, operations in 2021 were significantly affected by events in international markets. For AS "PET Baltija" the fall in oil prices, as well as the trade agreement between the United States and China, had a particular impact, leading to a significant increase in the supply of PET raw materials in European markets, thus reducing the overall international price of PET secondary raw materials. However, the Group's recycling company investments in increasing the company's productivity and efficiency also helped to maintain its position in the Baltic and pan-European markets last year.

Effort aimed at improvement efficiency, productivity, competitiveness, customer service and working environment, as well as labour safety was put in all business segments by actively implementing LEAN, including KAIZEN methods in all Group companies, which led to significant gain due to the improvements proposed and performed by the employees.

In its activities, the Group complies with environmental protection requirements. The Group also plays an important role in informing and educating the public, through involvement and campaigns to promote waste sorting and improve the quality of waste sorting.

One of the biggest campaigns in 2021 in Latvia was "Viegla šķirošanās" ("Easy Sorting") electronics sorting and collection campaign, during which residents of various municipalities recycled more than 360 tonnes of different types of electrical and electronic equipment. The campaign took place in more than 300 towns and municipalities across Latvia, with the participation of almost 4000 people.

In 2021, the Group's waste management company deployed more than 100 textile sorting containers in Latvia, in cooperation with other operators. Throughout 2021, local residents sorted more than 1000 tonnes of unwanted clothes, shoes and home textile products.

In order to find out the opinions of farmers and to clarify the situation regarding the management of packaging used in agriculture, and to define the main items that could help promote the collection and recycling of packaging in Latvia, the Group's waste management company, NGO "Zemnieku saeima" and NGO "Lauksaimnieku organizāciju sadarbības padome" (LOSP) conducted a survey of 356 farmers from all over Latvia.

In Lithuania the range of services provided is constantly expanding. In 2021 the company, alone or together with partners, won 49 tenders. UAB Ecoservice has undertaken such ambitious projects as the maintenance of a cemeteries in Vilnius, the cleaning of common areas in Lazdynų and Karoliniškių districts and the maintenance of greenery. In 2021 Group's waste management company in Lithuania has established the first textile sorting center, located in Vilnius.

Whereas, in the segment of producer responsibility, maintenance of systems for the management of waste packaging, waste of electric and electronic equipment (WEEE) and waste of goods harmful to the environment (WGHE) was continued during the reporting year in accordance with the requirements of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and the State Environmental Service (SES). Operation of the Group company JSC (AS) “Latvijas Zaļais punkts” (LZP) was organised in accordance with the management programmes 2020-2022, approved by the State Environmental Service.

The Group closed the year of 2021 with the historically highest turnover of 120.02 million euro. (In 2020: 74.95 million euro), which represents 60% more revenues than in 2020. Increase in turnover was promoted by the acquisition of Lithuania based waste management companies by the Group and Latvia based waste management segment successfully providing services in Riga Northern District and Vidzeme Suburb since middle of 2020. Similar increase is reached by the recycling segment.

The Group’s net profit for the year 2021 reached 9.3 million euro, compared to 108 thousand euro in 2020. Last year results where impacted by non-occurring costs, like impairment of goodwill and other fixed assets, as well higher professional costs.

Future prospects

During the reporting period, investments in the updating and improvement of the Group’s vehicle fleet, equipment and technical facilities continued, with the aim of ensuring ongoing operations of the Group and the provision of top-quality services to its clients. Improving working conditions, supporting its employees and ensuring the highest level of labor safety are also among the Group’s priorities. In 2022, it is planned also to make technological improvements, which will provide an opportunity to recycle an even larger share of purchased secondary polymer materials, returning as much of them as possible back into production of final goods. The Group plans to invest in equipment that will increase production capacity, as well as provide an opportunity to produce higher quality products with higher added value.

Also, in 2021, the COVID pandemic required some employees to work from home whenever possible and permitted by their duties, and the Group provides its employees with the resources they need to work productively, and assesses the safety aspects of their work. In 2021, the Group also raised awareness about and encouraged employee engagement in the COVID vaccination process, achieving 96% vaccination coverage among its staff.

Events after the reporting date

The main risks of the Group's operations are related to external factors: the general geopolitical situation; rising fuel and utility costs; changes in the demand for and prices of secondary raw materials on the world market; natural conditions that determine the amount of work (e.g. heavy snow in winter / snowless winters); the likelihood of accidents; fulfilment of contractual obligations of business partners (suppliers, subcontractors, customers). To reduce these risks, the company diversifies its operations, increases the variety of services provided, invests in the qualifications of employees, complies with labor, fire safety and civil safety requirements.

The war against Ukraine, launched by the Russian Federation on February 24, 2022, does not currently pose a significant threat to the company's operations. The company has no direct trade relations with the parties directly involved in the war – Ukraine, Russia or Belarus. However, the overall business risk for the Group is increasing. Rapidly rising energy prices have a significant impact on the costs of the Group.

Growing geopolitical uncertainty and the rapidly changing situation in neighbouring countries call for greater vigilance and preparedness for unforeseen situations. The impact on the overall economic situation may require a revision of certain assumptions and estimates resulting in adjustments to the carrying amount of certain assets and liabilities if such situation happens. At this stage, management cannot reliably estimate the impact as events change and evolve on a daily basis. In the long run, it may also have an impact on revenue levels, including cash flows, costs and profitability. Nevertheless, at the date of these financial statements, the Group continues to meet its obligations and therefore continues to apply the going concern basis.

In February 2022, one of the Group’s Company entered into a contract for the supply of technological equipment for EUR 2.5 million and received a loan to finance this investment in the amount of EUR 1.7 million. In the period from the last day of the reporting year to the date of signing these financial statements, there have been no other events that would result in adjustments to these financial statements or that should be explained in these financial statements.

This management report was signed for the Group on 20 May 2022 by:

Māris Simanovičs, Chairman of the Board	Santa Spūle, Board Member	Anita Saulīte, Board Member	Sigita Namatēva, Board Member

Consolidated statement of comprehensive income for 2021

	Notes	2021 EUR	2020 EUR
Net turnover	3	120 019 772	74 953 473
Production cost of goods sold	4	(95 467 130)	(62 231 863)
Gross profit		**24 552 642**	**12 721 610**
Selling and distribution expenses	5	(5 469 492)	(4 422 487)
Allowances for impairment of loans and receivables	19,20	(132 193)	(26 827)
Administrative expenses	6	(8 839 113)	(5 227 748)
Other operating income	7	909 262	1 649 209
Other operating expenses	8	(810 774)	(4 028 282)
Finance income	9	16 246	30 683
Finance costs	10	(1 134 734)	(587 791)
Profit before tax		**9 091 844**	**108 367**
Corporate income tax	11	(45 862)	-
Deferred corporate income tax	11	280 050	-
PROFIT FOR THE REPORTING YEAR		**9 326 032**	**108 367**
Other comprehensive income for the year after tax		**-**	**-**
Total comprehensive income for the year after tax		**9 326 032**	**108 367**
Profit and comprehensive income attributable to:			
Majority interests		**9 207 810**	**24 004**
Non-controlling interests	26	**118 222**	**84 363**

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 20 May 2022 by:

Māris Simanovičs, Chairman of the Board	Santa Spūle, Board Member	Anita Saulīte, Board Member	Sigita Namatēva, Board Member

Baiba Fišere,
Chief Accounting Officer

Consolidated statement of financial position for the year ended at 31 December 2021

	Notes	31.12.2021 EUR	31.12.2020 EUR
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments	13	3 956 534	355 689
Prepayments for intangible investments	13	107 971	5 753
Goodwill	14	38 141 402	32 351 102
Total intangible investments		**42 205 907**	**32 712 544**
Property, plant and equipment			
Land, buildings and constructions		5 095 495	2 488 853
Right-of-use assets		22 130 631	9 718 123
Non-current investments in leased property, plant and equipment		391 069	661 943
Equipment and machinery		20 599 392	9 570 199
Other property, plant and equipment, and inventories		4 938 376	4 144 203
Construction in progress		808 674	318 432
Prepayments for property, plant and equipment		4 195 553	633 991
Total property, plant and equipment	15	**58 159 190**	**27 535 744**
Non-current financial investments			
Other securities and investments	16	21 200	21 300
Prepaid expenses	22	390 202	11 435
Other loans	20	-	7 300
Other non-current receivables		28 000	30 000
Deferred income tax assets		1 599	
Total non-current financial assets		**441 001**	**70 035**
Total non-current investments		**100 806 098**	**60 318 323**
Current assets			
Inventories	18	**12 773 555**	**6 528 302**
Receivables			
Trade receivables	19	15 127 228	4 418 706
Corporate income tax	11	21 590	3 047
Other loans	20	7 300	150 248
Other receivables	21	995 881	637 478
Prepaid expenses	22	462 281	232 729
Accrued income	23	3 679 659	2 644 739
Total receivables		**20 293 939**	**8 086 947**
Cash and cash equivalents	24	**11 818 727**	**3 782 431**
Total current assets		**44 886 221**	**18 397 680**
TOTAL ASSETS		**145 692 319**	**78 716 003**

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.

Consolidated statement of financial position for the year ended at 31 December 2021

	Notes	31.12.2021 EUR	31.12.2020 EUR
LIABILITIES			
Equity			
Share capital	25	35 005	41 707 900
Share premium		20 623 389	-
Consolidated reserves	26	19 926 630	(996 928)
Retained earnings brought forward		9 158 404	10 109 861
Profit for the reporting year		9 463 446	48 543
Equity attributable to the shareholders of the Parent Company		**59 206 874**	**50 869 376**
Non-controlling interests	26	1 639 366	1 079 080
Total equity		**60 846 240**	**51 948 456**
Liabilities			
Non-current liabilities			
Loans from credit institutions	27	34 686 137	2 783 366
Obligations under finance leases	28(a)	7 286 822	3 242 963
Lease liabilities	28(b)	4 393 029	1 793 891
Deferred income	33	1 288 975	1 658 596
Other payables		17 641	-
Deferred income tax liability	11	2 034 709	978 355
Total non-current liabilities		**49 707 313**	**10 457 171**
Current liabilities			
Loans from credit institutions	27	5 827 467	1 864 709
Obligations under finance leases	28(a)	3 554 553	1 937 608
Lease liabilities	28(b)	2 011 140	954 965
Prepayments received from customers	29	772 703	364 117
Trade payables	30	12 830 455	6 450 219
Corporate income tax	11	73 378	25 196
Taxes payable	31	1 949 841	990 887
Other payables	32	2 325 023	757 125
Deferred income	33	368 952	324 162
Accrued liabilities	34	5 425 254	2 641 388
Total current liabilities		**35 138 766**	**16 310 376**
Total liabilities		**84 846 079**	**26 767 547**
TOTAL EQUITY AND LIABILITIES		**145 692 319**	**78 716 003**

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 20 May 2022 by:

Māris Simanovičs, Chairman of the Board	Santa Spūle, Board Member	Anita Saulīte, Board Member	Sigita Namatēva, Board Member

Baiba Fišere,
Chief Accounting Officer

Consolidated statement of changes in equity for the year 2021

	Share capital	Consolidated reserves	Share premium	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2019	**41 707 900**	**(996 928)**	**-**	**10 109 861**	**50 820 833**	**1 030 256**	**51 851 089**
Profit for the reporting year	-	-	-	24 004	**24 004**	84 363	**108 367**
Buyout of minority shareholder shares	-	-	-	24 539	**24 539**	(35 539)	**(11 000)**
Balance as at 31 December 2020	**41 707 900**	**(996 928)**	**-**	**10 158 404**	**50 869 376**	**1 079 080**	**51 948 456**
Profit for the reporting year	-	-	-	9 207 810	**9 207 810**	118 222	**9 326 032**
Dividend payout	-	-	-	(1 000 000)	**(1 000 000)**	-	**(1 000 000)**
Buyout of minority shareholders shares	-	-	-	255 636	**255 636**	(860 636)	**(605 000)**
Increase of share capital	-	-	-	-	**-**	148 700	**148 700**
Acquisition of a subsidiary	-	(125 948)	-	-	**(125 948)**	1 154 000	**1 028 052**
Merger	(41 672 895)	21 049 506	20 623 389	-	**-**	-	**-**
Balance as at 31 December 2021	**35 005**	**19 926 663**	**20 623 389**	**18 621 850**	**59 206 874**	**1 639 366**	**60 846 240**

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on on 20 May 2022 by:

Māris Simanovičs,
Chairman of the Board

Santa Spūle,
Board Member

Anita Saulīte,
Board Member

Sigita Namatēva,
Board Member

Baiba Fišere,
Chief Accounting Officer

Consolidated statement of cash flows for the year 2021

	Notes	2021 EUR	2020 EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9 091 844	108 367
Adjustments for:			
Depreciation and amortization	13,15	9 614 372	6 521 286
Interest payments and similar expense		1 083 257	587 791
Interest (income) and similar (income)	9	(16 246)	(12 970)
(Gain)/loss on disposal of property, plant and equipment		(60 960)	(253 420)
Revaluation of derivative financial instruments	9	-	(17 713)
(Income) from external co-financing		(447 278)	(730 634)
Changes in provisions and allowances		2 333 406	(135 394)
Goodwill impairment	14	-	2 870 000
Impairment of fixed assets		310 912	281 212
Revenue from participation in fixed capital of related, associated or other companies		(727)	-
Profit before adjustments for the effect of changes in current assets and current liabilities		**21 908 580**	**9 218 525**
Adjustments for:			
Decrease/(increase) in receivables		(6 629 204)	111 777
Increase in payables		14 654 641	1 555 018
Decrease/(increase) in inventories		(5 654 228)	234 360
CASH FLOWS FROM OPERATING ACTIVITIES		**24 279 789**	**11 119 680**
Interest paid		(920 205)	(510 220)
Interest income		3 445	336
Corporate income tax paid		(53 251)	(163 421)
Net cash flows from operating activities		**23 309 778**	**10 446 375**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible investments		(12 362 358)	(4 728 499)
Proceeds from sale of property, plant and equipment		634 464	150 723
Acquisition of subsidiaries, net of cash acquired		(25 455 751)	-
Acquisition of shares in associates and other companies		(605 000)	(26 000)
Loans granted		-	(11 900)
Revenue from alienation of stocks or shares of related, associated or other companies		827	-
Net cash flows used in the investing activities		**(37 787 818)**	**(4 615 676)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	27	40 321 803	1 124 184
Repayment of borrowings	27	(12 506 212)	(2 542 612)
Repayment of the lease liabilities*		(1 646 313)	(1 447 595)
Payments of obligations under finance leases**		(2 805 940)	(1 952 574)
Income from issue of shares paid by non-controlling shareholders		148 700	-
EU co-financing		2 298	412 318
Dividends paid		(1 000 000)	-
Net cash flows used in the financing activities		**22 514 336**	**(4 406 279)**
Net cash flow for the reporting year		**8 036 296**	**1 424 420**
Cash and cash equivalents at the beginning of the year		**3 782 431**	**2 358 011**
Cash and cash equivalents on the reporting date	24	**11 818 727**	**3 782 431**

*The line indicated is in respect of the application of IFRS 16

**The line indicated is in respect of the lease agreements which were previously finance leases in accordance with IAS 17.

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on on 20 May 2022 by:

Māris Simanovičs, Chairman of the Board	Santa Spūle, Board Member	Anita Saulīte, Board Member	Sigita Namatēva, Board Member

Baiba Fišere,
Chief Accounting Officer

Notes to the consolidated financial statements for the year 2021

1. General information

The core business activity of AS Eco Baltia and its subsidiaries (hereinafter – the Group) is provision of waste management services. The Group is the largest environmental management group in the Baltics in terms of turnover. The Group consists of the companies that operate in four different waste management segments, providing a wide variety of services ranging from (i) organization of the packaging management system to (ii) waste collection, to (iii) sorting and sale of recyclables, as well as (iv) recycling.

The Group Parent Company is AS Eco Baltia (hereafter – Eco Baltia).

The subsidiaries of the Group as at 31 December 2021 are as follows:

- 100% in SIA "Nordic Plast" (registered office: Rūpnīcu iela 4, Olaine; LV 2114). The core business activity of SIA "Nordic Plast" is the recycling of secondary raw materials (various polyprophylen materials).
- 94.9% in AS "PET Baltija" (registered office: Aviācijas iela 18, Jelgava, LV 3004). The company's business is the recycling of PET bottles in Latvia.
- 100% in SIA "Polimēru parks" (registered office: Maskavas iela 240-3, Riga, LV 1063) The company's core business is the recycling of sorted materials.
- 100% in SIA "Eco Baltia vide" (registered office: Getliņu iela 5, Stopiņi municipality, Rumbula, LV 2121). The company's core business activities include environmental management, trucking services, collection and disposal of solid and liquid waste, non-mechanized and mechanized cleaning services.
- 100% in SIA "Vaania" (registered office: Maskavas iela 240-3, Riga, LV 1063). The company's core business is business and management consulting. The company has a right of management of P SIA Jumis on the basis of a concession agreement.
- 100% in P SIA "Jumis" (registered office: Blaumaņa iela 10, Sigulda, LV 2150). The core business activity of P SIA "Jumis" is the management of dry municipal waste and packaging waste, the collection of construction waste and bulky waste, sewage disposal, the lease of production premises, etc. The company is managed by SIA "Vaania" on the basis of a concession agreement.
- 100% in AS "Latvijas Zaļais punkts" (registered office: Maskavas iela 240-3, Riga, LV 1063) In accordance with the cooperation agreements entered into with the Ministry of Environmental Protection and Regional Development of the Republic of Latvia, AS "Latvijas Zaļais punkts" is introducing and implementing the producer responsibility systems in the field of packaging waste management, the management of waste electric and electronic equipment (WEEE) and wastes of goods harmful to the environment (WGHE) in Latvia. AS "Latvijas Zaļais punkts" owns following company:
  a) 100% in SIA "Eko Reverss" (registered office: Maskavas iela 240-3, Riga, LV 1063). SIA "Eko Reverss" is a company operating the systems for collection of secondary raw materials.
- 100% in UAB "Ecoservice" (registered office: Minsko Rd 26A, Vilnius). The company is engaged in the collection, transportation and processing of various waste and secondary raw materials, territory maintenance, provision of sanitation services and other activities. UAB "Ecoservice" owns following companies:
  a) 98.92% in UAB "Ecoservice Projektai" (registered office: Pramonės str. 8, Šiauliai). Waste collection and recycling, territory maintenance, sanitation services;
  b) 65.40% in UAB "Biržų komunalinis ūkis" (registered office: Tiekimo str. 10, Biržai). Street cleaning and other services;
  c) 100% in UAB "Ecoplasta" (registered office: Smiltinės str. 32, Smiltinė). Recycling of secondary raw materials;
  d) 66.31% in UAB "Marijampolės švara" registered office: (registered office: Vasaros str. 16, Marijampolė). Waste collection and recycling, territory maintenance, sanitation services. On 2 March 2022, UAB Ecoservice acquired additional 33.49% of shares of UAB "Marijampolės švara" and currently controls 99.80% of shares.
  e) 66% in UAB Pagėgių savivaldybės komunalinis ūkis (registered office: Vilniaus g. 16A, Pagėgiai) – dormant company.

2. Group's Significant Accounting Policies

2.1. Summary of Group's Significant Accounting Policies

(a) Basis of preparation

These are the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU.

The accounting policies set out in notes (b) to (v) have been applied in preparing the consolidated financial statements for the year ended 31 December 2021; the presented comparative information covers the year ended 31 December 2020.

2.1. Summary of Group's Significant Accounting Policies (continued)

The Group has adopted the following amended standards, including any amendments to other standards arising therefrom, for which the initial application date was 1 January 2021. The guidelines that took effect on 1 January 2021 and their impact on the Group's financial statements is described below:

New and amended IFRS Standards that are effective for the current year

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9" adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of issuance of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of issuance of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IFRS 17 "Insurance contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

2.1. Summary of Group's Significant Accounting Policies (continued)

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

(a) Principles of consolidation

Amounts presented in these consolidated financial statements have been acquired from the accounting records of the Group's subsidiaries prepared in accordance with the accounting requirements of Latvia and Lithuania, by making according adjustments for the presentation, measurement and presentation thereof according to the requirements of the International Financial Reporting Standards approved by the EU. The consolidated financial statements have been prepared on the historical cost basis except positions which are stated at their fair values. Income statement classified by expense type. Cash flow statement is prepared using the indirect method.

In the consolidated financial statements functional and presentation currency of the AS Eco Baltia, as well as all subsidiaries thereof is the monetary unit of the European Union euro (hereinafter referred to as – EUR). All the amounts presented in the consolidated financial statements are presented in EUR, unless specified otherwise.

Account balances on 31 December 2021 reflect financial situation of the Group at the end of the relevant day.

(b) Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to revenue recognition, useful lives of property, plant and equipment, estimated credit losses for financial assets, obsolete inventories, recognition of deferred tax as well as impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. Key estimates and assumptions used in the preparation of these consolidated financial statements are described below:

(i) Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed annually and changed, if necessary, to reflect the management's current view in the light of technological changes, the remaining prospective economic useful life of assets and their physical condition. Information on the useful lives of property, plant and equipment has been reflected in Annex (f) to the accounting policy.

(ii) Carrying amounts of a property, plant and equipment

The Group's management reviews the carrying amounts of intangible assets and property, plant and equipment, and assesses whenever indications exist that the assets' (including goodwill) recoverable amounts are lower than their carrying amounts. Taking into consideration the Group's planned level of activities and the possible market value of the assets, the Group's management considers that no additional significant adjustments to the carrying values of property, plant and equipment are necessary as at 31 December 2021.

(iii) Inventories

The Group estimates the net realizable value to determine an impairment loss incurred on inventories. Typically, the net realizable value is determined for each item separately; if it is not possible, historical experience is used to estimate the possible impairment loss. The Group's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any additional significant allowance as of 31 December 2021.

(iv) Revenue recognition

Principles of revenue recognition have been described in the accounting policies No.(o).

(v) Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. Principles of impairment calculations are described in the accounting policies No.(h)

(vi) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions recognized in the consolidated financial statements are the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are used only for expenditures for which the provisions were originally recognized and are reversed if an outflow of resources is no longer probable.

Provisions for restructuring costs include employee termination benefits and are recognized in the period when the Group takes on legal or logical obligations to pay out such expenses, i.e., when the Group has developed a detailed formal plan for the restructuring and notified the persons, who will be affected thereby, of commitment to implement this plan. A restructuring provision includes only the direct expenditures arising from the restructuring.

2.1. Summary of Group's Significant Accounting Policies (continued)

The Group has assessed its present obligations (legal or constructive) arising from past events and has determined that no additional provisions should be recognized as at 31 December 2021.

(vii) Assessment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see Note 14).

(viii) The calculation of deferred tax liabilities
In Latvia Income tax are calculated - applying the rate of 20% laid down in the tax regulations of the Republic of Latvia in respect of the profit generated by subsidiaries. In Lithuania Income tax calculations are based on annual profit net of deferred income tax. Calculations of income tax are based on the requirements of the Lithuanian regulatory legislation on taxation. Income tax rate for the companies in Lithuania for the years 2021 and 2020 was 15%.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the statement of financial position date.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

The management of the Group has decided only partically to distribute the subsidiaries' profit in dividends in the foreseeable future. The Parent Company controls the timing of the reversal of the temporary difference and believes that significant part will not reverse in the foreseeable future. As of 31 December 2021 deferred tax liabilities arising from the Latvian subsidiaries profit are recognized in the Group's financial statements in the amount of EUR 978 355. No deferred tax liability is recognised for the remaining part of taxable profits.

(ix) Uncertain tax position
With adoption of IFRIC 23 the Group has evalued its tax position and believes that no provisions are necessary for uncertain tax positions as at 31 December 2021.

(c) Consolidation
(i) Business combinations
Business combinations are accounted for using the acquisition method other than those acquired from parties under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree and previously interest held in acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. The cost method is used to account for the acquisition of subsidiaries, other than those acquired from parties under common control.

(ii) Subsidiaries
The consolidated financial statements include subsidiaries that are controlled by the Group Parent Company.

Control is achieved when the Company:
- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Periods for the preparation of financial statements of the Group Parent Company and subsidiaries are equal. Consolidated financial statements are prepared using uniform accounting policies.

2.1. Summary of Group's Significant Accounting Policies (continued)

Financial statements of the Group Parent Company and subsidiaries thereof have been consolidated in the Group's financial statement by consolidating the respective assets, liabilities, revenue and expense items.

Non-controlling shareholding in the performance indicators of the subsidiaries and equity has been reflected separately in the accordingly consolidated income statement, change of equity statement and statement of financial position.

(iii) Elimination of mutual transactions
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. During the consolidation process, all mutual transactions between the Group's companies, balances, unrealised profit and losses from mutual transactions between the Group's companies have been fully excluded.

(d) Foreign currency translation
All transactions in foreign currencies are converted into EUR according to the currency exchange rate set by the European Central Bank on the day of the transaction. On the balance sheet date, monetary assets and liabilities in foreign currency are revalued according to the currency exchange rate set by the European Central Bank.

Currency exchange rates set by the European Central Bank:

	31.12.2021	**31.12.2020**
1 EUR / 1 USD	1.1334	1.2281

(e) Intangible investments
(i) Goodwill
The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is disclosed in intangible assets section.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment test is performed annually or more frequently if events or changes in circumstances indicate that it might be impaired. Loss from goodwill impairment is recognized in consolidated statement of comprehensive income.

Any negative amount of goodwill is recognized in profit or loss, after the management reassesses whether it has identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Goodwill is not amortized; instead, it is tested for impairment at the end of each financial period. Following initial recognition, goodwill is measured at purchase cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed. See details in Note 14.

(ii) Other intangible investments
Other intangible investments mainly comprise costs of software and licences. Where computer software is an integral part of the related hardware that cannot operate without that specific software, it is treated as property, plant and equipment.

Other intangible assets are stated at acquisition cost less accumulated amortisation and any accumulated impairment losses. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, where the carrying amount of the intangible investment is greater than its estimated recoverable amount, which is the highest of the net sales value and use value of the intangible investment, the carrying amounts thereof are reduced immediately to the recoverable value by including the difference in profit or losses. Review for indications of impairment is carried out at each reporting date.

Recoverable value of intangible assets, which are not yet ready to be used, is determined annually, irrespective of whether there is any indication that it may be impaired. For the purposes of assessing impairment, intangible investments are grouped at the lowest level, for which there are separately identifiable cash flows.

Intangible assets are amortized using the straight-line method over their useful lives. Useful life of other intangible investments is as follows:

2.1. Summary of Group's Significant Accounting Policies (continued)

	Useful lives, years
Software and licences	2–10
Contracts with customers	5-10

(f) Property, plant and equipment

Property, plant and equipment are stated at their initial value less accumulated depreciation and any accumulated impairment. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

	Useful life, years
Buildings and structures	20–50
Equipment and machinery	4–15
Other property, plant and equipment	2–12

Land is not depreciated, as its useful life is assumed to be infinite.

The useful life and residual value of an asset is reviewed at least at each financial year-end. The effect from a change in the estimated useful life of an asset is recognized in profit or loss in the current period and future periods.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount, which is the higher of an asset's net selling price and value in use, recognizing the difference in profit or loss. Review for impairment is carried out at each reporting date. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows.

Any profit or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss statement in the year the item is derecognised.

Investments in leased assets are capitalised and amortised within the shortest period between the lease period or useful life of the completed improvements.

Purchase costs of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Interest costs on borrowings to finance the construction of property, plant and equipment and other operating costs directly attributable to the construction of property, plant and equipment (costs of own labour, materials and other costs) are capitalized as part of the cost of the asset during the period that is required to complete and prepare the property for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(g) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(h) Financial assets

Group's assets include trade receivables and cash and cash equivalents. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

2.1. Summary of Group's Significant Accounting Policies (continued)

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Purchase or selling of financial assets, the assets of which in accordance with the regulations or market conventions should be transferred in due course (regular transactions) are recognised on the date of transaction, i.e., on the date, when the Group undertakes to purchase or sell the asset.

(ii) Subsequent measurement

After the initial measurement, financial assets, except for the assets recognized at fair value, are measured at the amortised cost by applying effective interest rate method less impairment. Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate.

(iii) Derecognition

A financial asset is derecognized if:

- the contractual rights to the cash flows from the financial asset expire;
- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay cash flows without material delay to a third party based on and earlier arrangement without any profit arising
- the Group transfers the contractual rights to receive the cash flows of the and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset to a third party, or (b) it neither transfers no retains substantially all the risks and rewards of ownership of these assets but has transferred control over the item of financial asset.

If the Group transfers the contractual rights to receive cash flows from the respective financial assets but does not transfer nor retains the risks and rewards, nor transfers control over the respective financial asset, the asset continues to be recognized to the extent of the Group's continuing involvement. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continued involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Group may be required to repay.

(iv) Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and accrued income (contract assets) without a significant financing component, the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables.

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

2.1. Summary of Group's Significant Accounting Policies (continued)

(i) Financial liabilities

(i) Initial recognition and measurement

The Group's financial liabilities consist of accounts payable to suppliers and contractors, loans with interest rate and other liabilities.

Financial liabilities have been presented as financial liabilities assessed in amortised cost within the framework of IFRS. Group determines classification of financial liabilities at the moment of initial recognition thereof. All the financial liabilities are initially presented in the fair value, plus directly attributable transaction costs.

(ii) Later measurement

After the initial recognition, accounts payable to suppliers and contractors, loans with interest rate and other liabilities are assessed accordingly in the amortised cost by applying effective interest rate method. Profit or losses are recognised in the profit or loss statement at the moment, when financial liabilities are derecognised, as well as by applying effective interest rate amortisation process.

Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate. Effective interest rate amortisation has been included in the profit or loss item "financing costs".

(iii) Derecognition

A financial liability is derecognized, if the obligation specified in the contract is discharged or cancelled or expired.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognized in consolidated statement of comprehensive income.

(iv) Mutual offsetting of financial instruments

Financial assets and liabilities are offset and net amount is presented in the statement on financial position only in case of valid legal rights to perform mutual offsetting and recognise the amounts, and there is intent to perform net settlements or sell the asset and settle the liabilities at the same time.

(j) Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

2.1. Summary of Group's Significant Accounting Policies (continued)

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing the inventories to their present location and condition is measured for as follows:

2.1. Summary of Group's Significant Accounting Policies (continued)

- consumables and finished goods are measured at cost of purchase applying "first in first out" (FIFO) method;
- net realizable value is the estimated selling price in the ordinary course of business, less less all estimated costs of completion and costs necessary to make the sale. Net realizable value is stated as cost less allowances.

(l) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements.

Contingent liabilities are disclosed in Note 39. Contingent liabilities are not recognised as liabilities unless the possibility of an outflow of resources is sufficiently reasoned. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits related to the transaction will reach the Group, is sufficiently probable.

(m) Employees' benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses and other benefits.

(n) Corporate income tax and deferred corporate income tax

The corporate income tax consists of the income tax calculated for the reporting year and deferred income tax.

Current tax

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax is applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit, corporate income tax shall not be applied. The applicable corporate income tax rate has increased from the 15% to 20%, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or 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.

Income tax rate for the companies in Lithuania for the years 2021 and 2020 was 15%. As of 1 January 2014, the amount of carried forward tax losses may not exceed 70 percent of the taxable profit of the reporting year. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and (or) derivative financial instruments can be carried forward for 5 consecutive years and only be reduced by taxable income earned from the transactions of the same nature.

Deferred tax

In accordance with International Accounting Standard No 12 "Income Taxes" requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%.

As a Parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the parent has determined that subsidiary's profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax assets and liabilities.

(o) Revenue recognition

Revenues are rocgnised according 15 IFRS and relates to the revenue recognition and determine principles of reporting useful information to the users of financial system on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer. In order to determine, when and in what amount revenue should be recognised, the companies apply five-step model. Model provides for that revenue is recognised when the Group transfers control over the goods or services to a customer and in the amount that the Group expects to receive in exchange of the goods or services. Depending on compliance with particular criteria, revenue is recognized:

- Over time by reflecting the Company's performance indicators; or
- Upon the transfer of the control over the goods or services to the customer.

15 IFRS stipulates principles the Group should comply with to present qualitative and quantitative information, which would provide the users of the financial statements with useful information on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer.

2.1. Summary of Group's Significant Accounting Policies (continued)

15 IFRS provides for that the asset should be recognised as additional costs, which have arisen by acquiring the following contracts with customers and in relation to which recovery of such costs is foreseeable. The currently applied practice of the Group means that there are no contractual costs to be capitalised.

Revenue gained from contracts with customers is recognised on the basis of compliance with the liabilities of customers. Revenue reflect transfer of goods or services to the customers at the amount, which reflects remuneration, which the Group expects to receive in exchange of such goods or services. On the basis of this recognition model, sale is recognised, when services are provided to a customer and if customer has accepted them even if no invoice has been issued therefor, and if there is a possibility that the economic benefits related to the transaction will be directed in the Group. Accounting policies of the main types of income of the Group are described below.

Type of revenue	Nature of contracts and period of implementation of duties	Revenue recognition
Provision of services	Key types of the services provided by the Group are: household waste management and waste sorting, construction debris and bulky waste management, clean-up of premises and territories, packaging waste management, environmentally hazardous waste management, seasonal environmental services, organisation of packaging management system etc. services. Using the Executor's waste bins, the Client accumulates dry household waste, as well as removal of sorted recyclable materials. The Executor undertakes to provide regular waste removal according to the schedule agreed in the Contract. The Client undertakes to provide removal of household waste, construction debris, sorted waste, as well as delivery of the necessary waste bins to the construction object.	Revenue generated from the services is recognised during the period of provision of these services according to the requirements and conditions of the contract. Services included in the contract may be separated, and they are priced separately. Revenue from these services is recognised separately – in the period of provision of the service.
Sale of goods	The Seller undertakes to sell, but the Purchaser undertakes to purchase and pay for the produced goods in accordance with the order. Risk of destruction, damage or other kind of loss of the Products transfers to the Purchaser at the moment of receipt of Products and mutual signing of the Contract for the International Carriage of Goods by Road (CMR). Property right to the Products transfer from the Seller to the Purchaser at the moment, when full payment is made.	Revenue from the selling of goods are recognised at the moment of transfer of control over the goods concerned, which is usually the moment, when the Group has sold or supplied goods to the client, the client has accepted the goods, and recovery of debt of the relevant debtor is justified.
Interest income	-	Interest income or costs of all financial instruments, which have been accounted in the amortised acquisition costs, are accounted by applying the actual interest rate, namely, the rate, which actually discounts the estimated future cash revenue throughout the period of the useful utilisation of the financial instrument or – depending on circumstances – within shorter period of time to the accounting value of the respective financial asset or financial condition of liabilities. Interest income from time deposits and cash balances are classified as financial revenue.
Other income	-	Other revenue from provision of services is recognised during the period of provision thereof. Other revenue from selling of materials is recognised, when the purchaser has accepted them.

Type of revenue	Nature of contracts and period of implementation of duties	Revenue recognition
Sales guarantees	The Group and the Company usually provide guarantees for the remedy of defects that existed on the moment of sale, as required by laws.	This guarantee is of assurance type and it is not provided as a separate service; the guarantee is accounted for under IAS 37

(p) Dividends
Dividends are recognised in the consolidated financial statements of the Group in the period in which they are approved by the Group's shareholders and the shareholder's right to receive payment has been established.

(q) Subsequent events
Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes only when material.

(r) Determination of fair value
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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information to be included in the Annex of certain Group's accounting policy and consolidated financial statements require determination of fair value of financial and non-financial assets and liabilities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for respective assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

When applicable, further information about the assumptions made in determining fair values is disclosed in the consolidated financial statements specific to that asset or liability.

The carrying value of the Group's current financial assets and liabilities is assumed to approximate to their fair value. Fair value of the remaining financial instruments is estimated by discounting the expected future cash flows to net present values using appropriate market interest rates available at the end of the reporting period. The Group's interest-bearing liabilities are subject to the market rates, therefore, carrying amounts are considered as the fair value thereof.

(s) Government grants
Grants are recognised at the moment, when the Group has sufficient assurance that the Group will be able to comply with the conditions related to them and the grants will be received.

Grants are disclosed in the profit or loss in the period, when the Group recognises in expenses the costs, which are compensated from the received grants. Thus, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognized as deferred income in the consolidated statement of financial position and recognised in profit or loss on a systematic and rational basis over the useful lives of the related assets.

(t) Factoring
Factoring is the crediting of current assets against receivables. Proceeds received in accordance with factoring agreements are recognized as prepayments from customers when the Group or Parent Company remains exposed to credit risk associated with the respective receivable. The Group derecognises financial asset if it transfers substantially all of the risks and rewards of ownership, the balance of the related debtor is reduced accordingly.

2.1. Summary of Group's Significant Accounting Policies (continued)

(u) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Group classifies all other liabilities as non-current.

(v) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from top management as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense. The total amount to be expensed as equity component of share based payments is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Grant date is the date at which the Group/Company and the employee agree to a share-based payment arrangement, and requires that the entity and the employee have a shared understanding of the terms and conditions of the arrangement. If the agreement is subject to an approval process, then grant date is the date on which that approval is obtained.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised into profit or loss over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares.

3. Net turnover

	2021	2020
Income from processing of recyclable raw materials	59 954 604	40 598 440
Income from waste management	40 518 475	21 799 168
Income from organisation of packaging management system	10 884 699	9 354 673
Income from sorting and sale of recyclables	8 126 849	2 875 481
Other income	535 145	325 711
Total	**120 019 772**	**74 953 473**

Income by geographical markets are distributed as follows:

	2021	2020
Other Member States of the European Union	42 297 094	29 422 146
Republic of Latvia	40 246 880	32 732 580
Republic of Lithuania	27 621 517	9 792 628
Outside the Member States of the European Union	9 854 281	3 006 119
Total	**120 019 772**	**74 953 473**

4. Production cost of goods sold

	2021	2020
Raw materials and other material costs	41 949 137	25 025 491
Remuneration for work*	14 735 490	9 452 301
Waste utilization costs	9 806 076	8 112 429
Depreciation of property, plant and equipment and intangible investments	8 790 559	6 112 556

4. Production cost of goods sold (continued)

Costs of outsourced services	7 266 881	3 784 162
Cost of production energy and other resources	4 223 607	3 578 540
Transport costs	2 967 265	2 600 122
State mandatory social insurance contributions*	2 530 343	2 267 720
Professional services costs	920 844	485 010
Lease of industrial premises and related costs	311 328	299 995
Insurance costs	187 554	25 016
Other production costs	1 778 046	488 521
Total	**95 467 130**	**62 231 863**

*See Note 12

5. Selling and distribution expenses

	2021	2020
Transport costs	3 659 840	2 709 019
Remuneration for work*	717 708	786 213
Advertising, marketing and public relations costs	394 860	303 417
State mandatory social insurance contributions*	169 113	189 400
Factoring commission expenses	111 916	93 735
Intermediary services costs	70 854	114 599
Write-off of bad debts	43 930	3 397
Depreciation of property, plant and equipment and intangible investments	18 691	12 126
Postal services expenses	15 289	22 935
Other sales costs	267 291	187 646
Total	**5 469 492**	**4 422 487**

*See Note 12

6. Administrative expenses

	2021	2020
Remuneration for work*	4 630 048	2 594 867
State mandatory social insurance contributions*	818 392	615 549
Depreciation of property, plant and equipment and intangible investments	654 357	378 517
Professional services costs	424 674	560 067
Costs of legal services	397 117	145 680
Communications services expenses	262 982	146 167
Transport costs	197 283	112 815
Annual report audit costs	159 599	123 308
Insurance costs	112 534	103 946
Lease of premises and office maintenance expenses	110 585	118 389
Bank commission fee	60 907	26 256
Representation costs	56 062	32 059
Employee training costs	47 370	47 862
Monitoring fee of financial resources	-	30 873
Business trip expenses	20 292	14 762
Other administrative expenses	886 911	176 631
Total	**8 839 113**	**5 227 748**

*See Note 12

7. Other operating income

	2021	2020
Revenue from external co-financing*	447 278	730 634
Net profit from selling property, plant and equipment	60 960	253 420
Revenue from lease of real estate	27 297	55 297
Net profit from fluctuations of foreign currency rates	6 540	-
Income from the disposal of equity shares	727	-
Other revenue**	366 460	609 858
Total	**909 262**	**1 649 209**

*In 2020 the amount includes received support by secondary raw material recycling companies in the amount of EUR 388 thousand from the Investment and Development Agency of Latvia for the remuneration of exporting companies for overcoming aftermath of Covid-19 crisis.

**Other revenue mainly relates to mandatory procurement component (obligātā iepirkumu komponente - OIK in latvian) repayment in amount of EUR 157 thousand in 2021 (2020: EUR 53 thousand).

8. Other operating expenses

	2021	2020
Impairment of fixed assets	385 912	281 212
Non-business expenses	238 746	501 211
Fines	30 804	51 479
Depreciation of property, plant and equipment and intangible investments	18 755	18 087
Real estate tax	16 231	18 555
Donations	2 000	300
Impairment/write off of goodwill (See Note 14)	-	2 870 000
Net losses from fluctuations of foreign currency rates	-	10 077
Other costs	118 326	277 361
Total	**810 774**	**4 028 282**

9. Finance income

	2021	2020
Interest income from loans	14 192	12 970
Interest income from bank account balances and deposits	2 054	-
Profit from changes in fair value of the derivative financial instruments	-	17 713
Total	**16 246**	**30 683**

10. Finance costs

	2021	2020
Interest payments for loans from credit institutions	675 267	313 733
Interest on obligations under finance leases*	205 516	132 869
Interest on lease liabilities**	151 484	77 003
Commissions for entry into contracts	102 467	64 186
Total	**1 134 734**	**587 791**

*The line indicated is in respect of the finance leases as per previous standard - IAS 17.

**The line indicated is in respect of the application of IFRS 16.

11. Deferred corporate income tax/Corporate income tax

	2021	2020
Current corporate income tax charge	45 862	-
Deferred tax charge/(credit)	(280 050)	-
Total	**(234 188)**	**-**

Changes of deferred tax:	**2021**	**2020**
Deferred corporate income tax assets:	-	-
Deferral of bad debts	1 599	-
Total deferred corporate income tax assets	**1 599**	**-**

11. Deferred corporate income tax/Corporate income tax (continued)

	31.12.2021	31.12.2020
Composition of deferred tax:		
Deferred tax liabilities related to planned profit distribution*	978 355	978 355
Deferral of bad debts	(91 171)	-
Pension accumulation	(11 387)	-
Holiday reserve	(152 843)	-
Tax depreciation of assets	(6 307)	-
Investment	(327 041)	-
Accumulation of tax losses	(12 861)	-
Depreciation of non-current assets	1 657 964	-
Deferred corporate income tax liabilities	**2 034 709**	**978 355**

* In previous years the provisions recognised for the deferred corporate income tax in the amount of EUR 978 355 in accordance with IAS 12 Income taxes, applying the rate of 20% laid down in the tax regulations of the Republic of Latvia in respect of the profit generated by Latvian subsidiaries. Considering existing dividend policy introduced by the shareholders in 2020 it is estimated that future possible dividend payouts (subject to shareholders approval) in the foreseeable future will be fully covered by already recognised liabilities and the Group will be able to use accumulated retained earnings before year 2018 which could be paid out without incurring corporate income tax payment obligations.

Corporate income tax is reflected in the following items of consolidated financial statements:

Assets:	**2021**	**2020**
Corporate income tax	21 590	3 047
Deferred tax assets	1 599	-
Total	**23 189**	**3 047**

Liabilities:		
Corporate income tax	(73 378)	(25 196)
Deferred tax liabilities	(2 034 709)	(978 355)
Total	**(2 108 087)**	**(1 003 551)**

12. Remuneration for work and number of employees

	2021	**2020**
Remuneration for work*	20 083 246	12 833 381
State mandatory social insurance contributions	3 517 848	3 072 669
Total	**23 601 094**	**15 906 050**

*Remuneration for work costs have grown by 56% in 2021, which is mainly related to increase in the number of employees due to additional production capacities, as well as increase of the average wage, as well as acquisition of a subsidiary company UAB “Ecoservice” and its subsidiaries in August 2021.

Including remuneration for work paid to the top management, board and council officials:

	2021	**2020**
Remuneration for work	1 316 895	615 959
State mandatory social insurance contributions	261 178	150 415
Total	**1 578 073**	**766 374**

	2021	2020
Average number of employees in the reporting year	**2 165**	**863**

In 2021 the Group has implemented Stock Option Policy for the managerial positions of the Group with the aim to promote the involvement and ensure achievement of the Group’s long-term goals and implementing the strategy, growth of the Group’s value, as well as profit growth. Personnel options can be exercised only upon the exit of the Shareholders from the Company and if the event does not occur, all the personnel options vested are cancelled and option agreements automatically expire without the need to perform any additional actions, therefore no values of the options are estimated and recognized nor in Consolidated statement of comprehensive income nor in Equity, due to uncertainty of the mentioned event.

13. Intangible investments

	Licences, trade marks and other intangible investments*	Prepayments for intangible investments	Licences, trade marks and other intangible investments total
Acquisition value			
31.12.2019	**723 155**	**5 540**	**728 695**
Acquired	283 982	213	284 195
Disposals	(67 872)	-	(67 872)
31.12.2020	**939 265**	**5 753**	**945 018**
Acquired	65 382	102 218	167 600
Disposals	(36 885)	-	(36 885)
Reclassified	16 033	-	16 033
Acquisition of a subsidiary	4 324 412	-	4 324 412
31.12.2021	**5 308 207**	**107 971**	**5 416 178**
Accumulated depreciation			
31.12.2019	**502 555**	**-**	**502 555**
Calculated	133 608	-	133 608
Amortisation of disposed assets	(52 587)	-	(52 587)
31.12.2020	**583 576**	**-**	**583 576**
Calculated	788 369	-	788 369
Amortisation of disposed assets	(36 305)	-	(36 305)
Reclassified	16 033	-	16 033
31.12.2021	**1 351 673**	**-**	**1 351 673**
Balance sheet value			
31.12.2020	**355 689**	**5 753**	**361 442**
31.12.2021	**3 956 534**	**107 971**	**4 064 505**

*As at 31 December 2021 Other intangible assets as at 31 December 2021 represent relationships with customers and contracts with life of 5–10 years. The management estimated the expected useful life of contracts based on contract terms considering their potential extension.

14. Goodwill

	2021	2020
Balance at the beginning of the reporting year	**32 351 102**	**35 221 102**
Acquisition of a subsidiary in Lithuania (UAB "Ecoservice")	5 790 300	**-**
Impairment/write off of goodwill	-	(2 870 000)
Balance on the reporting date	**38 141 402**	**32 351 102**
including		
Recycling of raw materials	*16 737 084*	*16 737 084*
Waste management	*18 536 280*	*12 745 980*
Organisation of packaging management system	*2 868 038*	*2 868 038*

Goodwill of the Group is determined as difference between the purchase consideration of the companies and value of net identifiable assets acquired, and the amount of any non-controlling interests in the acquiree and previously interest held in acquiree. At the end of each financial period, possible impairment in the asset value is assessed, and the Group determines the recoverable amount of the relevant cash-generating unit (CGU) to which goodwill has been allocated. The Group considers as CGU the business segments to which goodwill has been allocated (Organisation of packaging management system, Collection, Sorting & trading and Street cleaning).

Goodwill is accounted by the acquisition costs thereof minus the accumulated losses due to impairment in value.

Goodwill generated by the purchased companies is reflected by segments of the economic activity:

- Waste management (SIA "Eco Baltia vide", UAB "Ecoservice" and its subsidiaries) and
- Organisation of packaging management system (AS "Latvijas Zaļais punkts");
- Recycling (SIA "Nordic Plast" and AS "PET Baltija").

Assessment of recoverable value

The Group management verified recoverability of intangible values, as well as value of property, plant and equipment and intangible investments. Recoverable value was determined by applying the income approach, which is based on the assumption that the company's current value is closely related to the future income to be generated by the Group's companies.
Calculation of value is based on several assumptions:

14. Goodwill (continued)

- Cash flow forecast is prepared on the basis of the management forecasts for a period not exceeding five years, with a terminal value estimate at the end of 2025.
- Income and expenses are forecast on the basis of actual performance indicators for the last three years, taking into account changes in the service contract pipeline, operational volume, prices, and planned development trends in the relevant sectors.
- In order to calculate current value of the company, the Group's management applied discount rate of 9.7% to all companies (weighed average cost of capital).
- Terminal value is estimated based on the multiples approach and Gordon growth model in perpetuity. For the waste management entities, only the former is used (assuming EV/EBITDA of 6x) while for NPL and PTB, both methods used with 75%/25% respective weights (assuming EV/EBITDA of 6.0x for the multiples approach, and 2% perpetual growth rate of cash flows for the Gordon growth model, corresponding to the average non-current growth rates in the economy).

For 2021 no impairment has been recognised for the Group's business segments except for impairment of specific property, plant and equipment items which has been individually impaired (see Note 15).

Results of sensitivity analysis:
Waste management segment:
An increase in discount rate by 392% or deviation from the baseline in operating expenses (energy, personnel, waste disposal), accordingly by 472%, 77% and 37% will result in an impairment of SIA "Eco Baltia vide" collection segment (company in waste management segment) goodwill.

An increase in discount rate by 391% or deviation from the baseline in operating expenses (energy, personnel, waste disposal), accordingly by 654%, 42% and 290% will result in an impairment of SIA "Eco Baltia vide" sorting and trading segment (company in waste management segment) goodwill.

An increase in discount rate by 36% or deviation from the baseline in operating expenses (CoGs, SG&A) accordingly by 2,5% and 13% will result in an impairment of UAB "Ecoservice" group's collection segment (company in waste management segment) goodwill.

An increase in discount rate by 95% or deviation from the baseline in operating expenses (CoGs, SG&A) accordingly by 4% and 22% will result in an impairment of UAB "Ecoservice" group's sorting and trading segment (company in waste management segment) goodwill.

An increase in discount rate by 302% or deviation from the baseline in operating expenses (CoGs, SG&A) accordingly by 21% and 97% will result in an impairment of UAB "Ecoservice" group's street cleaning segment (company in waste management segment) goodwill.

Recycling segment:
An increase in discount rate by 6% or deviation from the baseline in operating expenses (CoGs, SG&A) accordingly by 0,4% and 2,6% will result in an impairment of SIA "Nordic Plast" (company in recycling of raw materials segment) goodwill.

An increase in discount rate by 134% or deviation from the baseline in operating expenses (CoGs, SG&A) accordingly by 3,4% and 55% will result in an impairment of AS "PET Baltija" (company in recycling of raw materials segment) goodwill.

15. Property, plant and equipment

	Land, buildings and constructions	Non-current investments in leased property, plant and equipment	Equipment and machinery	Other property, plant and equipment, and inventory	Construction in progress	Payments on account for property, plant and equipment	Total
Acquisition value							
31.12.2019	**2 987 082**	**2 557 138**	**21 368 558**	**12 372 672**	**491 055**	**327 851**	**40 104 356**
Acquired	69 607	329 569	2 412 494	2 154 762	93 312	394 260	**5 454 004**
Reclassified	-	5 751	28 871	57 246	(265 935)	(88 120)	**(262 187)**
Disposals	-	(107 510)	(912 053)	(1 393 634)	-	-	**(2 413 197)**
Impairment	(75 000)	-	(206 212)	-	-	-	**(281 212)**
Adjustment for change in accounting policy	-	-	(84 260)	-	-	-	**(84 260)**
31.12.2020	**2 981 689**	**2 784 948**	**22 607 398**	**13 191 046**	**318 432**	**633 991**	**42 517 504**
Acquired	1 713 931	82 832	1 573 953	2 289 284	690 248	4 061 032	**10 411 280**
Reclassified	18 548	(25 889)	1 565 317	(375 928)	(54 680)	(1 046 229)	**81 139**
Disposals	(640 646)	(139 725)	(664 912)	(1 444 433)	(174 736)	(18 951)	**(3 083 403)**
Impairment	75 000	-	-	-	-	-	**75 000**
Acquired at acquisition of a subsidiary	1 449 363	-	11 344 338	668 707	29 410	565 710	**14 057 528**
31.12.2021	**5 597 885**	**2 702 166**	**36 426 094**	**14 328 676**	**808 674**	**4 195 553**	**64 059 048**
Accumulated depreciation							
31.12.2019	**419 063**	**1 812 742**	**11 621 737**	**9 031 085**	**-**	**-**	**22 884 627**
Calculated	73 773	399 223	1 521 500	1 285 193	-	-	**3 279 689**
Depreciation of disposed assets	-	(88 960)	(86 249)	(1 269 435)	-	-	**(1 444 644)**
Adjustment for change in accounting policy	-	-	(19 789)	-	-	-	**(19 789)**
31.12.2020	**492 836**	**2 123 005**	**13 037 199**	**9 046 843**	**-**	**-**	**24 699 883**
Calculated	162 988	253 401	3 182 734	1 529 307	-	-	**5 128 430**
Impairment	-	-	385 912	-	-	-	**385 912**
Depreciation of disposed assets	(153 434)	(65 309)	(641 292)	(1 321 136)	-	-	**(2 181 171)**
Reclassified	-	-	(137 851)	135 286	-	-	**(2 565)**
31.12.2021	**502 390**	**2 311 097**	**15 826 702**	**9 390 300**	**-**	**-**	**28 030 489**
Balance sheet value							
31.12.2020	**2 488 853**	**661 943**	**9 570 199**	**4 144 203**	**318 432**	**633 991**	**17 817 621**
31.12.2021	**5 095 495**	**391 069**	**20 599 392**	**4 938 376**	**808 674**	**4 195 553**	**36 028 559**

15. Property, plant and equipment (continued)

Right-of-use assets*

	Land, buildings and constructions	Equipment and machinery	Other property, plant and equipment, and inventory	Total
Cost				
31.12.2019	**4 864 148**	**2 931 554**	**6 333 451**	**14 129 153**
Adjustment for change in accounting policy	-	84 260	-	**84 260**
Additions	274 334	1 371 911	3 328 069	**4 974 314**
Disposals	-	(2 426 674)	(1 147 574)	**(3 574 248)**
31.12.2020	**5 138 482**	**1 961 051**	**8 513 946**	**15 613 479**
Additions	2 623 715	2 147 063	1 222 591	**5 993 369**
Reclassified	-	-	18 079	**18 079**
Disposals	(724 659)	-	(30 940)	**(755 599)**
Acquired at acquisition of a subsidiary	2 940 244	7 486 138	107 310	**10 533 692**
31.12.2021	**9 977 782**	**11 594 252**	**9 830 986**	**31 403 020**
Accumulated depreciation				
31.12.2019	**1 192 052**	**1 034 855**	**2 232 534**	**4 459 441**
Adjustment for change in accounting policy	-	19 789	-	**19 789**
Charge for the year	1 345 876	559 757	1 202 356	**3 107 989**
Depreciation of disposed assets	-	(1 084 821)	(607 042)	**(1 691 863)**
31.12.2020	**2 537 928**	**529 580**	**2 827 848**	**5 895 356**
Charge for the year	1 603 132	607 251	1 487 190	**3 697 573**
Depreciation of disposed assets	(303 319)	-	(17 221)	**(320 540)**
31.12.2021	**3 837 741**	**1 136 831**	**4 297 817**	**9 272 389**
Balance sheet value				
31.12.2020	**2 600 554**	**1 431 471**	**5 686 098**	**9 718 123**
31.12.2021	**6 140 041**	**10 457 421**	**5 533 169**	**22 130 631**

*The Group leases several assets including manufacturing technique, machines, equipment. The average lease term is 5 years (2020: 5 years).

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term.

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in note 28(b).

Amounts recognized in Statement of comprehensive income:

	31.12.2021	31.12.2020
Depreciation expense on right-of-use assets	3 697 573	3 139 769
Interest expense on lease liabilities	151 484	77 003
Expense relating to short-term leases	122 344	30 744
Expense relating to leases of low value assets	3 005	4 155
Total	**3 974 406**	**3 251 671**

Depreciation of property, plant and equipment and amortisation of intangible investments

Total depreciation of property, plant and equipment and amortisation of intangible investments calculated within the Group have been included in the following items of profit or loss calculation:

	2021	2020
Production cost of goods sold (Note 4)	8 790 559	6 112 556
Administrative expenses (Note 6)	654 357	378 517
Other operating expenses (Note 8)	18 755	18 087
Selling and distribution expenses (Note 5)	18 691	12 126
Other	132 010	-
Total	**9 614 372**	**6 521 286**

15. Property, plant and equipment (continued)

Pledged property, plant and equipment
See Note 27

Fully depreciated property, plant and equipment
On 31 December 2021, composition of the Group's property, plant and equipment included assets of the purchase value of EUR 21 582 250 (on 31.12.2020: EUR 9 319 596), which were fully written off in depreciation costs and which are still in active use in the economic activity.

16. Other securities and investments

	31.12.2021	31.12.2020
Investment in "Depozīta Iepakojuma Operators" (12.05%)*	15 000	15 000
Investment in "Pro Europe s.p.r.l"**	6 200	6 200
Investment in "CREB" General partnership***	-	100
Total	**21 200**	**21 300**

*In August 2020 Group's company JSC (AS) "PET Baltija" became a 13.33% shareholder in "Depozīta Iepakojuma Operators" (DIO). Since 16 March 2021 – shareholding is 12.05%. On 14 January 2021, the State Environmental Service has entered into a contract with the DIO for introduction of packaging deposit system in Latvia.

**In 2005, 5% of the acquired capital shares in "Pro Europe s.p.r.l" were registered in the name of the Group company AS "Latvijas Zaļais punkts". Equity of "Pro Europe s.p.r.l" based on latest available data is EUR 157 717, which includes organisations of the movement "Zaļais punkts" ["Green Dot"] of other countries.

*** In 2018, the Group's subsidiary SIA "Eco Baltia vide" made a EUR 100 investment in the CREB General Partnership. In February 2021 company is liquidated.

17. Investment in associates

Public	%	Initial investment	Write off	31.12.2020	31.12.2021
SIA "CREB Rīga", Vietalvas Street 5A, Riga	20	2 000	(2 000)	-	-
Total		**2 000**	**(2 000)**	**-**	**-**

In 2018, "Eco Baltia vide", the Group's subsidiary invested EUR 2 000 in the associate SIA "CREB Rīga". Equity of the SIA "CREB Rīga" is EUR 10 000. Equity consists of 10 000 shares, par value of each share is EUR 1. In 2020 the associated company suffered loss in amount of EUR 3 430 (2019: EUR 11 103), therefore the Group wrote down all investment in 2019.

18. Inventories

	31.12.2021	31.12.2020
Raw materials, basic materials and consumables	9 774 449	4 922 822
Finished products and goods for sale	2 865 686	1 552 754
Advance payments for goods	129 596	48 145
Other inventories	3 824	4 581
Total	**12 773 555**	**6 528 302**

All inventories are pledged and used as security of the Group's liabilities (see Note 27).

19. Trade receivables

	31.12.2021	31.12.2020
Carrying amounts of trade receivables	16 173 510	5 022 595
Allowances for doubtful receivables	(1 046 282)	(603 889)
Total	**15 127 228**	**4 418 706**

Trade receivables are not secured by pledges or other credit enhancements, which reduce credit risk.

Changes in allowance for doubtful and bad trade receivables:

19. Trade receivables (continued)

	2021	2020
At the beginning of the reporting year	**603 889**	**636 163**
Increase of allowances	51 048	46 353
Decrease of allowances	(81 905)	(26 552)
Acquired at acquisition of a subsidiary	515 111	-
Irrecoverable debtor's debts written-off during the year	(41 861)	(52 075)
On the reporting date	**1 046 282**	**603 889**

Estimated credit loss during the reporting period has been accounted in the profit and loss in separate row "Allowances for impairment of loans and receivables".

Analysis of trade receivables on 31 December 2021 and on 31 December 2020:

Analysis of Trade Receivables	**31.12.2021**	**31.12.2020**
Repayment term is not expired	12 988 782	4 071 855
Delay up to 30 days	1 596 113	252 949
Delay of 31-90 days	509 121	89 253
Delay of 91-180 days	210 722	22 874
Delay of 181-365 days	57 323	42 336
Delay exceeding 365 days	811 449	543 328
Total	**16 173 510**	**5 022 595**

Impairment allowance – collective	**31.12.2021**	**31.12.2020**
Repayment term is not expired	29 367	26 847
Delay up to 30 days	2 828	9 580
Delay of 31-90 days	19 826	10 513
Delay of 91-180 days	27 978	5 239
Delay of 181-365 days	5 936	26 511
Delay exceeding 365 days	546 665	252 824
Total	**632 600**	**331 514**

Impairment allowance – on individual basis	**31.12.2021**	**31.12.2020**
Repayment term is not expired	150 000	-
Delay up to 30 days	-	-
Delay of 31-90 days	-	-
Delay of 91-180 days	-	-
Delay of 181-365 days	-	-
Delay exceeding 365 days	263 682	272 375
Total	**413 682**	**272 375**

Impairment allowance – total	**31.12.2021**	**31.12.2020**
Repayment term is not expired	179 367	26 847
Delay up to 30 days	2 828	9 580
Delay of 31-90 days	19 826	10 513
Delay of 91-180 days	27 978	5 239
Delay of 181-365 days	5 936	26 511
Delay exceeding 365 days	810 347	525 199
Total	**1 046 282**	**603 889**
Impairment allowances – on individual basis	**413 682**	**272 375**
Impairment allowances – collective	**632 600**	**331 514**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

20. Other loans

Non-current loans	Currency	Repayment term:	31.12.2021	31.12.2020
Loan with the term over than one year	EUR	31.12.2022	-	7 300
Total non-current loans			**-**	**7 300**
Current loans				
Loan with the term of up to one year	EUR	31.03.2020	190 101	190 101
Loan with the term of up to one year	EUR	11.07.2021	142 900	142 900
Loan with the term of up to one year	EUR	31.12.2022	7 300	-
Total current loans			340 301	333 001
Allowances for doubtful loans and receivables	EUR		(333 001)	(190 101)
Total current loans			**7 300**	**142 900**
Accrued interest	EUR		84 079	71 277
Allowances for doubtful loans and receivables	EUR		(84 079)	(63 929)
Total accrued interest			**-**	**7 348**
Total other loans			**7 300**	**157 548**

Changes in allowance for doubtful loans and receivables:

	2021	2020
At the beginning of the reporting year	**254 030**	**247 004**
Increase of allowance	163 050	7 026
On the reporting date	**417 080**	**254 030**

Estimated credit loss during the reporting period has been accounted in the profit and loss in separate row “Allowances for impairment of loans and receivables”.

Security
Loans granted were not secured as of 31.12.2021 (31.12.2020).

Loan interest rates
Issued loans are interest bearing.

21. Other receivables

	31.12.2021	31.12.2020
Value-added tax overpayment	592 809	324 064
Advance payments for suppliers	148 500	180 141
Current guarantee deposits	104 217	80 107
Security	78 930	33 247
Other debtors	71 425	19 910
Settlement person debts	-	9
Total	**995 881**	**637 478**

22. Prepaid expenses

Non-current part:	31.12.2021	31.12.2020
Other	256 096	11 435
Rent for premises	133 404	-
Subscription fee	702	-
Total	**390 202**	**11 435**
Current part:		
Other	258 776	144 076
Insurance	182 546	76 215
Subscription fee	20 959	12 438
Total	**462 281**	**232 729**
Total deferred costs	**852 483**	**244 164**

23. Accrued income

	31.12.2021	31.12.2020
Contractual assets – accrued income	3 679 659	2 644 739
Total	**3 679 659**	**2 644 739**

Contractual assets mainly include rights to receive remuneration for the provided organisation of packaging management system services, for which invoices have not yet been issued. These rights are recognised in the composition of the current assets by coordinating exact volume of the service with customers and issuing respective invoices. Estimated credit losses on contract assets have not been recognised as estimated amounts are immaterial.

24. Cash and cash equivalents

	31.12.2021	31.12.2020
Cash at bank	11 801 449	3 779 727
Cash in hand	17 273	2 696
Cash to be received	5	8
Total	**11 818 727**	**3 782 431**

Cash and cash equivalents by currency profile:	**31.12.2021**	**31.12.2020**
EUR	11 818 727	3 782 431
Total	**11 818 727**	**3 782 431**

In 2021 the Group discontinued the agreement where separate Group's companies used Group account services with the AS Luminor Bank Latvian Branch resulting in reduction of use of the granted credit lines by the funds in the Group's accounts, see Note 27 "Loans from credit institutions".

Cash in current accounts of the banks is mostly kept in the bank, which has increase from Baa1 to A3 in autumn 2021 with changing outlook from positive to stable from the international rating agency Moody's (including non-current and current foreign and local currency deposit ratings), thus demonstrating that majority of the Group's funds are held with a bank, which has received good credit rating, and it is expected that the credit institution will be able to comply with all of its financial liabilities on timely basis. Information has been provided in accordance with Moody's rating information, which was publicly available in up to the date of signing of these financial statements.

Estimated credit losses on cash and cash equivalents have not been recognised as estimated amounts are immaterial.

25. Share capital

On 31 December 2020, the paid-in share capital of the Group was EUR 41 707 900, which consists of 417 079 000 shares Par value of each share: EUR 0.10.
On January 18 2021 the Group's parent company decided to merge parent company AS "Eco Baltia" in to its subsidiary SIA "Eco Baltia grupa" through reorganisation. At the same time it was decided to change its legal status from Limited liability company to Joint stock company with the name "Eco Baltia" by concluding agreement of reorganisation.

As a result of reorganisation paid share capital of the Group as at 31.12.2021. is EUR 35 005 and it consists of 35 005 shares. Nominal value of each share is EUR 1.

All the shares have equal voting and dividend rights.

	31.12.2021	31.12.2020
Share capital, EUR	35 005	41 707 900
Number of shares	35 005	417 079 000
Par value of each share	1.00	0.10

26. Consolidated reserves and non-controlling interests

Consolidated reserves represent value in the amount of EUR 19 926 630 where:

- EUR 311 179 resulting from the acquisition of 13.35% shares in the subsidiary AS "Latvijas Zaļais punkts" in April 2012.
- The result of the acquisition of 52.52% shares in the Group's subsidiary SIA"Eko PET" in February 2013, which resulted in recognition of negative adjustment in the equity of EUR (1 308 107).
- EUR 21 049 506 resulting from the merger of AS "Eco Baltia" through reorganization in to SIA "Eco Baltia grupa" in May 2021.
- EUR (125 948) resulting from the acquisition of 100% shares in the subsidiary UAB "Ecoservice" in 2021.

The aforementioned transactions involved entities under common control, therefore, the net result of the transactions was reflected in the Group's equity.

26. Consolidated reserves and non-controlling interests (continued)

Non-controlling interest represents minority shareholding in JSC "PET Baltija" (5.1%) and following UAB "Ecoservice" subsidiaries - UAB "Ecoservice Projektai" (1.08%), UAB "Biržų komunalinis ūkis" (34.6%) and UAB "Marijampolės švara" (33.69%).

27. Loans from credit institutions

	Currency	31.12.2021	31.12.2020
Non-current loans			
Bank (non-current part, repayable within 2-5 years)	EUR	34 686 137	2 783 366
Total		**34 686 137**	**2 783 366**
Non-current loan current part			
Bank (non-current part, repayable within 1 year)	EUR	5 342 190	1 863 494
Bank (credit line)	EUR	401 647	-
Total		**5 743 837**	**1 863 494**
Loan interest			
Bank	EUR	83 630	1 215
Total		**83 630**	**1 215**
Total current loans		**5 827 467**	**1 864 709**
Total loans from credit institutions		**40 513 604**	**4 648 075**

Loans interest rates

Within the Group of Eco Baltia, bank loans have been granted to 4 companies by the and of the year – SIA "Eco Baltia vide", SIA "Nordic Plast", AS "PET Baltija" and UAB "Ecoservice".

Company	Currency	Total amount	Repayment term	Interest rate	31.12.2021	31.12.2020
SIA "Eco Baltia vide"	EUR	12 927 000	04.08.2025	3 month EURIBOR + interest rate	12 927 000	-
SIA "Eco Baltia vide"	EUR	8 700 000	31.08.2025	3 month EURIBOR + interest rate	8 596 429	-
UAB "Ecoservice"	EUR	12 923 541	31.08.2025	3 month EURIBOR + interest rate	12 923 541	-
UAB "Ecoservice"	EUR	3 866 250	16.09.2025	3 month EURIBOR + interest rate	2 964 125	
AS "PET Baltija"	EUR	1 173 770	30.06.2023	3 month EURIBOR + interest rate	1 053 444	-
AS "PET Baltija"	EUR	6 000 000	30.09.2025	3 month EURIBOR + interest rate	1 443 000	-
AS "PET Baltija"	EUR	760 000	31.05.2022	3 month EURIBOR + interest rate	401 646	-
SIA "Nordic Plast"	EUR	1 509 234	29.12.2022	3 month EURIBOR + interest rate	120 789	241 578
AS "Eco Baltia"	EUR	7 457 160	repaid	1 month EURIBOR + interest rate	-	2 411 794
SIA "Eco Baltia vide"	EUR	1 456 364	repaid	1 month EURIBOR + interest rate	-	194 674
SIA "Eko Kurzeme"	EUR	1 155 000	repaid	1 month EURIBOR + interest rate	-	94 795
SIA "Eko Kurzeme"	EUR	1 152 990	repaid	3 month EURIBOR + interest rate	-	209 378
AS "PET Baltija"	EUR	3 528 000	repaid	1 month EURIBOR + interest rate	-	204 016
AS "PET Baltija"	EUR	1 470 509	repaid	3 month EURIBOR + interest rate	-	722 126
AS "PET Baltija"	EUR	1 883 600	repaid	1 month EURIBOR + interest rate	-	568 499
Total					**40 429 974**	**4 646 860**

Credit line

On 31 December 2021, the Group's companies had credit line in the amount of EUR 1 260 000 (on 31.12.2020: EUR 5 856 000). All conditions set for the receipt of these credit resources were complied with. Available as at 31.12.2021. EUR 858 353 (2020: EUR 6 309 105).

Factoring

In 30.04.2013 the Group has entered into factoring agreements with Luminor Līzings SIA. The management of the Group believes that according to factoring arramgemnt the Group substantially transfers risks and rewards related to the factored receivables, therefore, it partially derecognises receivaibles at the moment cash is received from the factor. Amount of the receivables subject to the factoring arrangement amounts to EUR 3 752 709 (31.12.2020: EUR 2 173 828). The maturity of the factoring contracts is 31.05.2022.

Pledges

The Group's companies have received loans from Luminor Bank AS Latvian Branch and Luminor Bank AS Lithuanian Branch. Obligations arising from the loan contracts of Luminor Bank are mutually subordinated between all the Group's companies. Pledged assets, capital shares or shares, real estate of the Group's companies for the benefit of Luminor Bank AS Latvian Branch and mutual guarantees, cession contracts for transfer of claims against debtors to the bank for the repayment of the outstanding amounts and secured by assets and capital shares or commercial pledge of shares for the benefit of Luminor Bank AS serve as security of the granted financing. Subject of contract of the pledge of assets is the

27. Loans from credit institutions (continued)

entire property of the Group's companies as the aggregation of property at the moment of pledging, as well as the future parts of this aggregation of property.

Additionally, the Group's companies use the leasing services provided by Luminor Līzings SIA, as well as issuing of guarantees.

Covenants
See Note 37.

Loans movement

Changes arising from the obligations of financing activity

Changes in the obligations arising from financing activity may be reflected as follows:

In 2021	**Total liabilities of loans from credit institutions arising from financing activity**
Liabilities from financing activity on 01.01.2021	**4 648 075**
Received loans	40 322 803
Repaid loans	(7 697 201)
Acquisition of a subsidiary	3 157 437
Calculated interest	601 117
Repaid interest	(518 627)
Liabilities from financing activity on 31.12.2021	**40 513 604**

In 2020	**Total liabilities of loans from credit institutions arising from financing activity**
Liabilities from financing activity on 01.01.2020	**6 067 703**
Received loans	1 124 184
Repaid loans	(2 542 612)
Calculated interest	238 531
Repaid interest	(239 731)
Liabilities from financing activity on 31.12.2020	**4 648 075**

28. (a) Obligation under finance leases

Obligations under finance leases applies to the vehicles, special machinery, containers, production equipment, ventilation systems and other property, plants and equipment purchased by the Group with the initial lease period of 5–7 years. The Group's companies have possibility to purchase the aforementioned assets at the par value thereof at the end of the financial lease term. On 31 December 2021, effective interest rate applied to financial lease agreement was 3-month EURIBOR and added interest rate (31.12.2020: 3-month EURIBOR + added interest rate).

Maturity terms of financial leasing liabilities are during the period from 2022 to 2027.

Minimum future lease payments within the framework of the financial lease together with the current value of net minimum lease payments have been reflected as follows:

		31.12.2021		**31.12.2020**
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	3 835 878	3 554 553	2 067 781	1 937 608
In a year, but not longer than five years	7 693 958	7 286 822	3 403 380	3 242 963
Total minimum lease payments	11 529 836	10 841 375	5 471 161	5 180 571
Financial costs	(688 461)	-	(290 590)	
Current value of minimum lease payments	**10 841 375**	**10 841 375**	**5 180 571**	**5 180 571**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's Treasury function.

28. (b) Lease liabilities

Maturity analysis	31.12.2021	31.12.2020
Year 1	2 011 140	954 965
Year 2 - 8	4 393 029	1 793 891
Total	**6 404 169**	**2 748 856**

29. Prepayments received from customers

	31.12.2021	31.12.2020
Prepayments received for services and goods	772 703	364 117
Total	**772 703**	**364 117**

30. Trade payables

	31.12.2021	31.12.2020
Trade payables	12 830 455	6 450 219
Total	**12 830 455**	**6 450 219**

Average repayment term of accounts payable is 45 days for foreign companies and 30 days for other suppliers.

31. Taxes payable

	31.12.2021	31.12.2020
Value added tax	801 387	99 400
State mandatory social insurance contributions	701 364	686 846
Personal income tax	399 708	196 700
Natural resource tax	40 509	6 692
Real estate tax	4 456	-
Light-duty vehicle tax	2 095	944
State business risk duty	322	305
Total	**1 949 841**	**990 887**

32. Other payables

	31.12.2021	31.12.2020
Remuneration for work	1 433 217	671 032
Accruals for employees bonuses	850 916	82 502
Other	40 890	3 591
Total	**2 325 023**	**757 125**

33. Deferred income

	31.12.2021	31.12.2020
Non-current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	1 193 960	1 658 596
Investment project Installation of air cleaning systems and electrical installations in Lithuania	79 703	-
Investment project Waste water treatment plant in Lithuania	15 312	-
Total	**1 288 975**	**1 658 596**
Current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	343 818	324 162
Investment project Installation of air cleaning systems and electrical installations in Lithuania	19 480	-
Investment project Waste water treatment plant in Lithuania	5 654	-
Total	**368 952**	**324 162**
Total deferred income	**1 657 927**	**1 982 758**

34. Accrued liabilities

	31.12.2021	31.12.2020
Accrued liabilities for services and goods received *	3 125 535	1 947 651
Accrued liabilities for vacation pay reserve	2 299 719	693 737
Total	**5 425 254**	**2 641 388**

* Accrued liabilities includes purchased goods in transit in accordance to INCOTERM terms and conditions in amount of EUR 1 086 415 (2020: EUR 1 110 045).

35. Transactions with related parties

In accordance with the definition included in IAS 24 "Related Party Disclosures" related parties are both legal entities and natural persons related to the Company as follows:

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 significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Mutual balances and transactions between the Group Parent Company AS "Eco Baltia" and its subsidiaries, which are related companies, are eliminated for consolidation purposes and are not disclosed in this note. In the reporting year, the Group companies were involved in the following transactions with the top management officers and shareholders.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Shareholders related parties:	2021	-	996 087	26 872	140 920
	2020	24 156	1 198 271	-	72 278
Supervisory Board and Management Boards related parties	2021	-	24 000	-	2 210
	2020	-	-	-	-
Other related parties:	2021	1 860	-	-	-
	2020	-	-	-	-

*The amounts are classified as trade receivables and trade payables, respectively see Notes 19 and 30.

Loans from/to related parties:

	Year	Interest received	Interest paid	Amounts owed by related parties*	Amounts owed to related parties*
Other related parties:	2021	5 795	-	7 300	-
	2020	3 494	-	150 248	-

*The amounts are classified as other loans, see Note 20. Amounts owed by related parties includes the loan issued to the elated party in amount of EUR 142 900 and accrued intered in amount of EUR 15 049 which are fully impaired.

Dividends to related parties:

	Year	Dividends paid
To the Shareholders of Parent company:	2021	1 000 000
	2020	-

Outstanding balances as at the year end are unsecured, and settlements are expected to be in cash. There have been no guarantees provided or received for any related party receivables.

Information on remuneration of the top management, board and council see Note 12.

36. Financial risk management

In the ordinary course of business, the Group is exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management activities are undertaken to support the underlying operating transactions of the Group. The Group companies do not undertake any high risk transactions that would increase exposure to currency or interest rate risks.

Foreign currency risk
Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has no material financial assets and liabilities denominated in currencies other than the euro. Consequently, the Group's exposure to foreign currency risk was insignificant in the reporting year.

Interest rate risk
The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and finance lease liabilities (see Notes 27 and 28) bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense, which may be caused by growing interest rates.

Assuming that in 2021 non-current and current loans from credit institutions and finance lease liabilities would remain approximately at the same level as on 31 December 2020, an increase/decrease in interest rates by 1 percentage point would result in additional interest expense/decrease in interest expense by approximately EUR 512 thousand (2020: EUR 127 thousand).

The Group companies SIA "Eco Baltia vide", UAB "Ecoservice", SIA "Nordic Plast" and AS "PET Baltija" have non-current loans from credit institutions bearing interest at a floating EURIBOR rate; therefore, these companies are exposed to interest rate risk, which where hedged by means of interest rate swap contracts. These contracts were terminated in 2020 and due to changes in the loan agreements zero floor interest introduced.

Credit risk
Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank (see Note 24), trade receivables (see Note 19) and issued non-current and current other loans (see Note 20).

Cash at bank
Credit risk related to cash at bank is managed by balancing the placement of financial assets in order to maintain the possibility of choosing the best offers and reduce the probability of financial losses. The Group companies evaluate credit ratings assigned to banks by international credit rating agencies and financial performance of banks on a regular basis.

Trade receivables
The Group companies have no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

The Group controls its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group maximum permissible exposure to credit risk is defined to the extent of the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by allowances made for doubtful and bad trade receivables. In addition Group uses factoring services.

Issued non-current and current loans
The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by allowance made for doubtful and bad loans and receivables.

36. Financial risk management (continued)

Categories of financial instruments	31.12.2021 EUR	31.12.2020 EUR
Financial assets		
Cash at bank and on hand at amortised cost	11 818 727	3 782 431
Other investments and securities at fair value	21 200	21 300
Loans and receivables carried at amortized cost value	19 831 658	7 854 218
Total financial assets	**31 671 585**	**11 657 949**
Financial liabilities		
Financial liabilities carried at amortized cost value	80 116 618	24 408 992
Total financial liabilities	**80 116 618**	**24 408 992**

Liquidity Risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 27), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month. The Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negativley jeopardized. As at 31.12.2021 Groups current assets are by EUR 9 747 455 more than current liabilities (31.12.2020: by EUR 2 087 304).

The following table demonstrates undiscounted contractual maturities of financial liabilities:

31 December 2020	Carrying amount EUR	Total contractual cash flows EUR	3 months or less EUR	From 3 to 12 months EUR	From 1 to 5 years EUR
Non-derivative financial liabilities					
Trade and other payables	12 195 607	12 195 607	12 195 607	-	-
Obligations under finance leases	5 180 571	5 461 638	495 408	1 365 470	3 600 760
Lease liabilities	2 748 856	2 907 762	357 078	665 236	1 885 448
Borrowings	4 648 075	4 805 401	499 718	1 478 732	2 826 952
Total non-derivative financial liabilities	**24 773 109**	**25 370 408**	**13 547 811**	**3 509 438**	**8 313 160**
Total financial liabilities	**24 773 109**	**25 370 408**	**13 547 811**	**3 509 438**	**8 313 160**

36. Financial risk management (continued)

31 December 2021	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
	EUR	EUR	EUR	EUR	EUR
Non-derivative financial liabilities					
Trade and other payables	23 198 220	23 198 220	21 421 482	349 296	1 427 442
Obligations under finance leases	10 841 375	12 185 231	1 135 076	2 826 967	8 223 188
Lease liabilities	6 404 169	7 074 328	570 444	1 606 447	4 897 437
Borrowings	40 513 604	49 009 312	1 456 978	5 386 957	42 165 377
Total non-derivative financial liabilities	**80 957 368**	**91 467 091**	**24 583 980**	**10 169 667**	**56 713 444**
Total financial liabilities	**80 957 368**	**91 467 091**	**24 583 980**	**10 169 667**	**56 713 444**

Fair value
Based on the Group's management's assessment, the carrying amounts of financial assets and liabilities is approximated to their fair value as at 31 December 2021 and 31 December 2020.

37. Capital management

The Group manages its capital to ensure that the Group companies will be able to continue as a going concern, meanwhile maximizing the return to shareholders through the optimization of debt and equity balance.

The Group's capital structure consists of net debt (borrowings as detailed in Notes 27 and 28 offset by cash on hand and at bank) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

Group's management reviews the capital structure of the Group on an annual basis. Under these consolidated financial statements, the Group's management considers the capital structure and the risks associated with each class of capital.

In accordance with bank loans, leasing and factoring contracts, financial covenants are set on the Group's subsidiaries level.

According to the subsidiaries' managements' calculations performed using normalised EBITDA and other financial data as of 31.12 2021 the Group companies has complied with the above requirements.

38. Going concern

As at the end of the reporting year, the Group's current assets exceeded its current liabilities by EUR 9.747 million. The Group's management is confident that the Group companies will be able to meet their obligations and continue as a going concern. The financial statements have been prepared on the basis that the Group will continue to be a going concern.

39. Contingent liabilities

	31.12.2021	31.12.2020
	EUR	EUR
Liabilities arising from trade financing products:		
Trade financing products	465 000	2 655 153
Total	**465 000**	**2 655 153**

The Group's company AS PET Baltija has entered into an agreement with Luminor Bank AS on the issuance of guarantees and letters of credit subject to the total limit of EUR 1 500 000 (31 December 2020: EUR 2 600 000). The total limit expires on 30 September 2023.

In October 2021 there were changes in agreement on the issuance of guarantees and letters of credit with Luminor Bank AS, agreeing that with the total limit guarantees with maturity date 04.08.2028 can be issued not exceeding total value of total EUR 5 000 000.

40. Business combinations and acquisition of non-controlling interests

Acquisition of UAB Ecoservice and its subsidiaries in 2021

In August 2021 the Groups Lithuania established subsidiary UAB "Eco Baltia Aplinka" acquired 85% of Lithuania established company UAB "AWT Holding". In December 2021 UAB Eco Baltia Aplinka acquired rest of the UAB AWT Holding shares – 15%. UAB "AWT Holding" is 100% shareholder of UAB "Ecoservice" and its subsidiaries which is engaged in the collection, transportation and processing of various waste and secondary raw materials, territory maintenance, provision of sanitation services and other activities.

In 2021 the management of the Group took a decision to reorganise number of companies in Lithuania, including parent company UAB "Eco Baltia Aplinka" and on 31 December 2021 UAB "Eco Baltia Aplinka", UAB "AWT Holding" and subsidiary of UAB "Ecoservice" - UAB "Ecoservice Klaipėda" were merged into UAB "Ecoservice".

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of UAB "Ecoservice" and its subsidiaries as at the date of acquisition were:

	Fair value recognised on acquisition, EUR'000
Assets	
Non-current assets	29 107
Cash and cash equivalents	447
Current assets	10 246
Liabilities	
Loans from credit institutions	(3 157)
Leases	(7 883)
Other liabilities	(6 567)
Deferred tax liability	(1 150)
Non-controlling interest	(1 154)
Total	19 889
Goodwill arising on acquisition	5 790
Purchase consideration transferred	25 679

41. Events after the reporting date

The main risks of the Group's operations are related to external factors: the general geopolitical situation; rising fuel and utility costs; changes in the demand for and prices of secondary raw materials on the world market; natural conditions that determine the amount of work (e.g. heavy snow in winter / snowless winters); the likelihood of accidents; fulfilment of contractual obligations of business partners (suppliers, subcontractors, customers). To reduce these risks, the company diversifies its operations, increases the variety of services provided, invests in the qualifications of employees, complies with labor, fire safety and civil safety requirements.

The war against Ukraine, launched by the Russian Federation on February 24, 2022, does not currently pose a significant threat to the company's operations. The Group has no direct trade relations with the parties directly involved in the war – Ukraine, Russia or Belarus. However, the overall business risk for the companies in Latvia, as for all Lithuanian business, is increasing. Rapidly rising energy prices have a significant impact on the costs of the Group.

Growing geopolitical uncertainty and the rapidly changing situation in neighbouring countries call for greater vigilance and preparedness for unforeseen situations. The impact on the overall economic situation may require a revision of certain assumptions and estimates resulting in adjustments to the carrying amount of certain assets and liabilities if such situation happens. At this stage, management cannot reliably estimate the impact as events change and evolve on a daily basis. In the long run, it may also have an impact on revenue levels, including cash flows, costs and profitability. Nevertheless, at the date of these financial statements, the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis.

41. Events after reporting date (continued)

In February 2022, one of the Group's Companies entered into a contract for the supply of technological equipment for EUR 2.5 million and received a loan to finance this investment in the amount of EUR 1.7 million.

In the period from the last day of the reporting year to the date of signing these financial statements, there have been no other events that would result in adjustments to these financial statements or that should be explained in these financial statements.

As of the last day of the reporting year until the date of signing these consolidated financial statements there have been no additional events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto.

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