Akciju Sabiedrība ELKO Grupa

Unified registration number: 40003129564

Annual report for the year ended 31 December 2021
(29th financial year)
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY THE EU
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2022

The annual report was reviewed and approved
by the general shareholders' meeting on 25 April 2022

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General information

Name of the company	Akciju Sabiedrība ELKO Grupa
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	000312956 Riga, 14 May 1993 Registration with the Commercial Register on 2 December 2003 unified registration number 40003129564
Address	Toma iela 4 Riga LV-1003 Latvia
Shareholders	Ashington Business Inc. Limited (2,350,736 shares), UK Solsbury Inventions Limited (2,342,351 shares), UK Eurotrail SIA (1,302,762 shares), Latvia Whitebarn SIA (1,302,762 shares), Latvia KRM Serviss SIA (1,274,223 shares), Latvia Solo Investīcijas IT SIA (1,211,956 shares), Latvia The par value per share is EUR 1.
Personal non-voting shares	Svens Dinsdorfs (77,326 shares), Latvia Mārtiņš Ozoliņš (12,888 shares), Latvia Vadims Rabša (25,776 shares), Latvia Nominal value of each share EUR 1 The par value per share is EUR 1.
Council Members	Andris Putāns –Chairman of the Council Edgars Kvālis – Council Member Kaspars Viškints – Council Member Ēriks Strods – Council Member
Board Members	Egons Mednis – Chairman of the Board with powers to represent the Company individually, President Svens Dinsdorfs – Board Member with powers to represent the Company individually, CEO Mārtiņš Ozoliņš - Board Member with powers to represent the Company individually, Deputy Commercial Officer Vadims Rabša – Board Member with powers to represent the Company individually, CFO
Proctor	Uldis Menģelis – Proctor with powers to represent the Company individually, Principal Lawyer
Responsible for accounting	Olga Ivanova, Chief Accountant
Reporting year	1 January - 31 December 2021
Auditors	Ernst & Young Baltic SIA License No 17 Muitas iela 1A, Riga Latvia, LV-1010 Iveta Vimba Latvian Certified Auditor Certificate No 153

Management report

Business profile

Akciju Sabiedrība ELKO Grupa (hereinafter - the Company) is one of the largest distributors of IT products in the Baltic countries and Eastern and Central Europe. The Company's core business activity is the wholesale distribution of computer desktop components and peripherals, portable computers, monitors, tablets, multimedia and software products, as well as server, network component and networking solutions, using the wholesale network of the ELKO Grupa subsidiaries and cooperation partners. The Company represents a broad range of well-known IT vendors from all over the world, including Lenovo, Acer, Intel, Seagate, Western Digital, Asus, Microsoft, etc.

The key to the success of Akciju Sabiedrība ELKO Grupa as the parent is its long-term strategy for cooperation with vendors developed over the years, the centralized purchase system, functionality of business process management and financial management.

Financial analysis

The turnover of Akciju Sabiedrība ELKO Grupa for the year 2021 was EUR 754.6 million, up by 20.5% from the year 2020. The turnover growth is mainly related to the overall increase in market activity as well as to the Company's ability to expand the range of its products so as to promptly respond to the market changes.

The Company earned a profit of EUR 44.97 million in 2021. Compared to the year 2020, the net profit grew by EUR 35.9 million, chiefly because of increased turnover and larger dividends that in 2021 totaled EUR 39.4 million, compared to EUR 8.4 million in 2020.

Throughout 2021, the second full year of Covid-accelerated digital transformation, we observed stable and strong demand from the market in key product segments, while supply remained challenging due to accumulating effects of the component shortage, lack of production capacity and strained logistics from the Far East. Strong competition among distributors for high-demand products resulted in an increase of prepayments made to suppliers to secure product availability. Drastic local policies for containing Covid, especially in China, significantly affected logistic capacities, causing a notable increase in transit volumes, nearly doubling that of the 2020 levels. Vendors' efforts to meet production targets in combination with strained logistics resulted in uneven delivery schedules and not meeting customer demands in several product categories. As a result, the overall inventory levels put pressure on the balance sheet, maximizing utilization of external financing while leaving some growth opportunities untapped due to the lack of product availability by the end of the year. Nevertheless, this challenging environment created a multitude of opportunities for improving profitability, which resulted in gross profit growth of 37%.

Future prospects

The performance of Akciju Sabiedrība ELKO Grupa is and will be influenced by the macroeconomic, political and overall competitive situation and the development of markets the Company operates in. The key factors driving the Company's growth is the increasing demand in the regions within the scope of the Company's operation and the Company's ability to adapt effectively to the rapid changes in the demand of IT market players (vendors) and the market for new products. The other driving factors contributing to the Company's successful development include the inflow of the EU Structural Funds and the enhancement of local productivity of the companies incorporated in the Baltic countries and Eastern Europe.

In 2022, the Company will continue developing and optimizing its product portfolio, thus enabling improvement of its performance.

In view of the existing credit risk and IT industry risk, the Company's management has defined as its key priority the working capital management. The Company reviews its credit policy and customer payment terms on a regular basis, specifically focusing on inventory turnover.

Considering the Company's sound financial position and its leading position on the IT distribution market, the Company's management believes that there are strong grounds for subsequent successful operations of the Company.

Management report (cont'd)

Subsequent events

Starting from late 2020 until the report issuing date, the global economy is struggling with the consequences of the COVID-19 pandemic.

As a result of the pandemic, many businesses experience decrease in operations, which lead to layoffs and decline in consumption.

Additional information about the situation caused by the pandemic is provided in Note 37 'Events after the end of the reporting period'.

Akciju Sabiedrība ELKO Grupa structure

The Akciju Sabiedrība ELKO Grupa Group comprises the following subsidiaries: ELKO Lietuva UAB, ELKOTEX d.o.o., ELKO Eesti OU, ELKO Polska Sp.z.o.o., ELKOTech Romania SRL, WESTech spol. s r.o., WESTech CZ s r.o., ELKO Trading Switzerland A.G., ELKO Marketing Ltd., ELKO Mobile Ltd., ELKO Ukraine LLC, ELKO Rus LTD, Gandalf Distribution AB, ELKO Trading Malta LTD, TD Absolut LTD, Arašid spol. s r.o., Logicworks s.r.o., Game Distribution Kft. and IT Smart Distribution SRL.

The subsidiary WESTech spol. s r.o. owns 51% shares in Swiss Spol s r.o.and SWISS CZ s.r.o., where Akciju Sabiedrība ELKO Grupa indirectly holds 26%.

Akciju Sabiedrība ELKO Grupa has majority shareholding in all subsidiaries.

Financial risk management

Multi-currency risk

Akciju Sabiedrība ELKO Grupa operates internationally and is therefore exposed to foreign currency risk arising primarily with respect to the US dollar, Russian rouble and Ukrainian hryvnia. Foreign currency risk arises from future multi-currency transactions and recognition of assets, liabilities and long-term investments.

The US dollar is predominantly used by the Company for purchasing goods from vendors, and as well as for selling to its subsidiaries. Sales to Baltic customers are carried out in the euro.

The Company has shareholding in foreign currencies and is therefore exposed to foreign currency risk when financial assets and liabilities denominated in foreign currencies are translated into the presentation currency, i.e., the euro.

The revenue of the Company is mainly derived in the US dollar. Accordingly, the Company raises financing also in the US dollar and acquires adequate financing instruments to minimize foreign currency risk.

Interest rate risk

Akciju Sabiedrība ELKO Grupa uses current borrowings to finance part of its current assets. Some borrowings are at floating rates, thereby exposing the Company to interest rate risk.

Credit risk
Akciju Sabiedrība ELKO Grupa manages credit risk by means of respective procedures and control mechanisms.

Inventories

Akciju Sabiedrība Elko Grupa determines the amount of inventories based on the expected future demand and market saturation. Any changes in the demand and/or rapid obsolescence of the products or technological changes will result in excess stock and/or allowances to be established for obsolete items. The Company makes centralized plans for the purchase and sale of products, and the procedures adopted for the ordering of goods help decrease inventory days at warehouses. The weekly inventory analysis decreases the need for allowances for obsolete items.

The risk related to product flow management is partially reduced through price protection arrangements under cooperation agreements with major vendors. The agreements provide for compensation for the price reduction in case of a decline of market prices for goods which are still kept at the Company's warehouse or have already been ordered.

Management report (cont'd)

Liquidity risk

The liquidity risk management policy adopted by the Company provides for the maintenance of sufficient cash and an adequate amount of committed credit facilities with credit institutions. The management of Akciju Sabiedrība Elko Grupa intends to increase liquidity reserves on the basis of expected cash flows by managing working capital in a more effective manner.

Events after the end of the reporting period

The existing financing provided by the syndicate of banks matures on 31 July 2022. Negotiations on extending funding have already started.

In the light of war in Ukraine and imposed sanctions, a continued presence in the Russian market is associated with both financial and reputational risks. Therefore, the shareholders of Akciju Sabiedrība Elko Grupa decided to alienate the Russian branch through a sale of 100% stake in all legal entities in Russia.

The process has already begun and could take about 3 months. During this time, both legal and operational separation will take place. In the future, the Russian branch will go on operating separately and independently. It is expected that the Russian related branch will cease to be consolidated into ELKO Group starting from Q2 2022.

Divesting of the Russian branch will not adversely influence the operations of ELKO Group as the former was self-sufficient financially and was not financed by ELKO Group. Besides, the Russian branch did not have any central distribution agreements, thus its divesting will not cause losing the supply of goods for ELKO Group.

Divesting of the Russian branch will have a positive effect on bank covenant compliance as well as it will decrease risks associated with the CIS region. Therefore, it is not expected that the financial institutions providing financing for ELKO Group will decrease the currently available financing limits which similar as in previous years are subject to prolongation in July 2022.

Except as disclosed above and in the financial statements, as of the last day of the reporting year there have been no events which could produce a material impact on the Company's financial position as at 31 December 2021.

Profit distribution proposed by the Board

The Board has suggested that the profit earned by the Company for the year 2021 should be transferred to retained earnings for investments and maintaining financial stability of the Company.

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Egons Mednis

Chairman of the Board,
President

Riga, 22 April 2022

The Annual Report will be approved at the shareholders' meeting on 25 April 2022.

Chairman of the shareholders' meeting ____________________
Andris Putāns

Statement of Management's Responsibility

The Board of Akciju Sabiedrība Elko Grupa confirms that based on the information available at the time of the preparation the financial statements give a true and fair view in all material aspects of the financial position of the Company as at 31 December 2021 and of its operations for the year then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. During the preparation of the financial statements the management:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- followed the going concern principle.

The Board of Akciju Sabiedrība Elko Grupa is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Company and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the EU.

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Egons Mednis
Chairman of the Board

22 April 2022

Financial statements

Statement of comprehensive income

	Notes	2021	2020
		EUR	EUR
Revenue from contracts with customers	5	754,620,606	600,184,430
Cost of sales	6	(735,026,065)	(585,918,913)
Gross profit		**19,594,541**	**14,265,517**
Distribution costs	7	(4,095,224)	(3,432,938)
Administrative expense	8	(13,880,476)	(12,750,571)
Other operating income	9	10,167,637	12,157,098
Other operating expense	10	(1,661,439)	(5,329,363)
Operating profit		**10,125,039**	**4,909,743**
Finance income	11	40,172,498	8,653,008
Finance costs	12	(5,328,200)	(4,499,648)
Profit before tax		**44,969,337**	**9,063,103**
Corporate income tax		-	-
Net profit for the year		**44,969,337**	**9,063,103**
Other comprehensive income		-	-
Total comprehensive income		**44,969,337**	**9,063,103**

The accompanying notes on pages 13 to 52 form an integral part of these financial statements.

Egons Mednis
Chairman of the Board,
President

Olga Ivanova
Chief Accountant

22 April 2022

Statement of financial position

	Notes	31.12.2021	31.12.2020
ASSETS		**EUR**	**EUR**
Non-current assets			
Intangible Assets:			
Concessions, patents, licenses, trademarks and similar rights		357,755	331,539
Total intangible assets:	13	357,755	331,539
Property, plant and equipment:			
Leasehold improvements	14	219,808	153,911
Equipment and machinery	14	95,528	21,869
Communications and IT equipment	14	462,417	626,020
Other fixtures and fittings, tools and equipment	14	118,031	137,190
Right-of-use assets	14.1	11,709,110	12,764,848
Construction in progress	14	181,115	63,899
Total property, plant and equipment:		12,786,009	13,767,737
Non-current financial assets:			
Investment in related companies	15	10,660,379	9,989,906
Total non-current financial assets:		10,660,379	9,989,906
Total non-current assets:		**23,804,143**	**24,089,182**
Current assets			
Inventories:			
Finished goods and goods for sale	16	59,455,970	39,800,766
Prepayments for goods		4,827,887	5,565,342
Total inventories:		**64,283,857**	**45,366,108**
Receivables			
Trade receivables	17	24,761,996	23,036,919
Receivables from related companies	34	102,078,793	53,955,860
Other receivables	18	2,075,464	1,729,465
Total receivables:		128,916,253	78,722,244
Prepaid expense and prepayments	19	1,077,374	520,065
Current financial assets:			
Current loans to related companies	34	9,230,470	3,789,718
Short-term deposits	20	844,160	3,615,920
Total current financial assets:		10,074,630	7,405,638
Cash and cash equivalents:	22	2,050,508	3,512,787
Total current assets:		**206,402,622**	**135,526,842**
TOTAL ASSETS		**230,206,765**	**159,616,024**

Statement of financial position

	Notes	31.12.2021	31.12.2020
EQUITY AND LIABILITIES		**EUR**	**EUR**
Equity:			
Share capital	23.1	9,900,780	9,900,780
Share premium	23.2	4,973,947	4,973,947
Reserves			
Other reserves		102,457	102,457
Retained earnings			
a) brought forward		2,004,093	5,693,703
b) for the year		44,969,337	9,063,103
Total equity:		**61,950,614**	**29,733,990**
Liabilities:			
Non-current liabilities:			
Debt securities	24	20,000,000	-
Other loans	25	17,321,784	15,997,368
Lease liabilities	14.1	10,866,864	11,882,883
Total non-current liabilities:		48,188,648	27,880,251
Current liabilities:			
Loans from credit institutions	26	39,928,518	30,436,630
Other loans	25	1,292,439	6,294,515
Lease liabilities	14.1	1,207,362	1,141,959
Loans from related companies	34	13,000,000	13,000,000
Contract liabilities		557,223	655,393
Trade payables		59,258,843	47,091,853
Payables to related companies	34	367,867	775,827
Taxes payable		307,982	1,076
Other liabilities	27	414,997	286,728
Accrued liabilities	29	3,719,545	2,233,652
Derivative financial instruments	21.1	12,727	84,150
Total current liabilities:		**120,067,503**	**102,001,783**
Total liabilities:		**168,256,151**	**129,882,034**
TOTAL EQUITY AND LIABILITIES		**230,206,765**	**159,616,024**

The accompanying notes on pages 13 to 52 form an integral part of these financial statements.

Egons Mednis	Olga Ivanova
Chairman of the Board, President	Chief Accountant

22 April 2022

Statement of changes in equity

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2019, EUR	**9,784,790**	**4,973,947**	**-**	**9,161,742**	**23,920,479**
Dividends distributed *	115,990	-	-	(3,468,039)	**(3,352,049)**
Increase/decrease in reserves	-	-	102,457	-	**102,457**
Profit for the year	-	-	-	9,063,103	**9,063,103**
Balance as at 31 December 2020, EUR	**9,900,780**	**4,973,947**	**102,457**	**14,756,806**	**29,733,990**
Dividends distributed **	-	-	-	(12,752,713)	**(12,752,713)**
Profit for the year	-	-	-	44,969,337	**44,969,337**
Balance as at 31 December 2021, EUR	**9,900,780**	**4,973,947**	**102,457**	**46,973,430**	**61,950,614**

The accompanying notes on pages 13 to 52 form an integral part of these financial statements.

***** In 2020, the Company's shareholders decided to distribute dividends from retained earnings amounting to USD 4,000,000 and EUR 115,990 (USD 4,142,331.33) (EUR 0.34 per share).
** In the reporting year, the Company's shareholders decided to distribute dividends from retained earnings amounting to USD 15,000,000 (EUR 12,492,712.58) and EUR 260,000 (USD 312,182) (EUR 1.30 per share). Of the dividends distributed, EUR 260,000 were paid out, the rest were recorded as a loan from the shareholders.

Egons Mednis

Chairman of the Board, President

Olga Ivanova

Chief Accountant

22 April 2022

Statement of cash flows

	Notes	2021 EUR	2020 EUR
Cash flow to / from operating activities			
Profit before tax		**44,969,337**	**9,063,103**
Adjustments for:			
Amortization and depreciation	13, 14,14.1	1,973,248	1,782,749
Changes in provisions and allowances		3,116,036	1,227,260
(Profit) or loss from fluctuations of currency exchange rates		2,509,790	(3,008,570)
Income from dividends	11	(39,372,473)	(8,056,117)
Penalties paid		7,793	10,852
Interest income	11	(500,581)	(284,236)
Interest expense	12	2,747,547	4,499,648
Gain/ loss on financial instruments (net)		(71,423)	77,710
		15,379,274	**5,312,399**
Changes in working capital			
Decrease/ (increase) in trade receivables		(48,609,424)	24,248,330
(Increase)/ decrease in inventories		(18,917,749)	(6,232,720)
Increase/(decrease) in trade and other payables		11,031,676	894,574
Cash generated from operations		**(41,116,223)**	**24,222,583**
Interest received		204,826	38,050
Interest paid		(7,793)	(10,852)
Net cash flows to/ from operating activities		**(40,919,190)**	**24,249,781**
Cash flows to/ from investing activities			
Acquisition of shares in related companies	15	(60,653)	26,000
Purchase of property, plant and equipment and intangible assets		(805,875)	(851,413)
Change in deposits made		2,872,894	(1,966,605)
Interest received		295,744	246,161
Dividends received		38,291,256	8,056,117
Net cash flows to/ from investing activities		**40,593,366**	**5,510,260**
Cash flows to/ from financing activities			
Proceeds from borrowings/repayment of borrowings		2,949,481	(12,879,014)
Repayment of borrowings		(18,838,501)	(8,856,192)
Lease payments (principal)	14.1	(1,479,444)	(1,459,143)
Debt securities (bonds) issued		20,000,000	-
Interest paid (on securities)		(463,333)	-
Interest paid		(3,044,658)	(4,159,874)
Dividends paid		(260,000)	(4,932)
Net cash flows to/ from financing activities		**(1,136,455)**	**(27,359,155)**
Net cash flow for the year		**(1,462,279)**	**2,400,886**
Cash and cash equivalents at the beginning of the reporting year		3,512,787	1,111,901
Cash and cash equivalents at the end of the reporting year		**2,050,508**	**3,512,787**

The accompanying notes on pages 13 to 52 form an integral part of these financial statements.

Egons Mednis	Olga Ivanova
Chairman of the Board, President	Chief Accountant

22 April 2022

Notes to the financial statements

1. Corporate information

The joint stock company ELKO Grupa (the Company), registered office: Riga, Toma iela 4, unified registration number 40003129564, was established on 14 May 1993. The core business activity of the Company comprises the wholesale and distribution of IT products and the management of subsidiaries.

The financial statements of the Company for the year ended 31 December 2021 were approved by a resolution of the Company's Board on 25 April 2022.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Company's financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of presentation

These financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that are measured at fair value.

The Company's functional currency is the U.S. dollar. The Company has decided on euro (EUR) as the presentation currency in the financial statements as required for filing purposes according to Latvian legislation. The financial statements cover the period 1 January 2021 through 31 December 2021.

In determining the functional currency, the Company has considered the following factors:
(a) the currency:
(i) that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and
(ii) of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services;
(b) the currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled);
(c) the currency in which funds from financing activities (e.g., from issuing debt and equity instruments) are generated;
(d) the currency in which receipts from operating activities are usually retained.

The following additional factors were considered in determining the functional currency of a foreign operation and whether its functional currency is the same as that of the Company:
(a) whether the activities of the foreign operation are carried out as an extension of the Company, rather than being carried out with a significant degree of autonomy;
(b) whether transactions with the Company constitute a high or low proportion of the foreign operation's activities;
(c) whether cash flows from the activities of the foreign operation directly affect the cash flows of the Company and are readily available for remittance to it;
(d) whether cash flows from the activities of the foreign operation are sufficient to service the existing and normally expected debt obligations without funds allocated by the Company.

These are separate financial statements of the Company. The consolidated financial statements have been prepared separately. The consolidated statements will be issued on 25 April 2022, and are available on the Company's website www.elkogroup.com

The statement of comprehensive income has been prepared according to the function of expense method.

The statement of cash flows has been prepared under the indirect method.

2.2. Foreign currency translation

As the presentation currency differs from the Company's functional currency, it translates its results and financial position into the presentation currency. Based on IAS 21 "The Effects of Changes in Foreign Exchange Rates", the results and financial position of an entity shall be translated into a different presentation currency using the following procedures:
(a) assets and liabilities for each statement of financial position presented (including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

2.2. Foreign currency translation (cont'd)

(b) income and expenses for each statement presenting profit or loss and other comprehensive income (including comparatives) shall be translated at exchange rates at the dates of the transactions; and
(c) all resulting exchange differences shall be recognized in other comprehensive income.

The currency exchange rate used for accounting purposes is the euro foreign exchange reference rate published by the European Central Bank; if a specific foreign currency has no such euro foreign exchange reference rate published by the European Central Bank, the Company applies the relevant market euro exchange rates published in periodicals or on websites of financial data providers recognized by the global financial market.

Transactions in foreign currencies are translated into the euro at the exchange rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the exchange rate published by the European Central Bank at the last day of the reporting year. Currency exchange gains or losses arising on settlements of transactions in foreign currencies and the translation of monetary assets and liabilities denominated in foreign currencies are reported in the statement of profit or loss for the respective period.

Non-monetary assets and liabilities that are initially measured at cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non-monetary assets and liabilities measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items the increase of decrease in the fair value of which is recognized in other comprehensive income or through profit or loss respectively).

	31.12.2021 EUR	**31.12.2020 EUR**
1 EUR	1.00000	1.00000
1 USD	1.13260	1.22710
1 CHF	1.03310	1.08020
1 RUB	85.30040	91.46710
1 RON	4.94900	4.86830
1 SEK	10.25030	10.03430
1000 KZT	487.7900	516.1300

2.3. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from contracts with customers
The Company is in the business of providing IT products and solutions. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in all of its revenue arrangements.
The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Sale of goods
Revenue from the sale of goods is recognized when the control of the goods has passed to the buyer, usually on delivery of the goods to end customer. The goods on which the control has not been passed to client are recognized as consignment stock and revenue is recognized only when the respective goods are sold to the end customers.

Sale of IT products
Revenue from sale of IT products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 90 days upon delivery.
The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties. In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

2.3. Revenue recognition (cont'd)

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of IT products provide customers with a right of return (only in case of, price protection and volume rebates. However, those right as only granted if and only in the amount of received rights from supplier. Therefore, the rights of return and volume rebates do not give rise to variable consideration.

(ii) Significant financing component
Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranty obligations
The Company typically provides warranties for general repairs of defects that existed at the time of sale, mostly only in amount and for the term provided by vendor.
In the case, when warranty is provided outside the warranty provided by supplier, these assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section w) Provisions.

Contract balances
Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies for financial assets in Section 2.5. The Company disclosed trade and other receivables and prepayments under the trade receivables caption (Note 17).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made. Company recognizes advances received from customers as Contract liability. or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. Company identified prepayments received from customers as a contract liability.

Rendering of services
The Company concluded that revenue for transportation and marketing services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another entity would not need to re-perform the services that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits at the time they are supplied.

Interest income and expense
For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the statement of comprehensive income as finance income.

Dividends
Revenue is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividends.

Other income
Income from penalties charged to clients is recognized at the moment of receipt. Penalties represent mostly customer charges for late payments.

2.4. Taxes

Income taxes
Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the consolidated 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.

Starting from 1 January 2018, additional income taxes that arise from the distribution of dividends have been recognized at the same time as the liability to pay the related dividend is recognized No provision is recognized for income tax payable on a dividend distribution before dividends are declared but information on the contingent liability is disclosed in the notes to the consolidated financial statements.

Value added tax
Revenues, expenses and assets are recognized net of the amount of value added tax except:

- When value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.5. Financial instruments – initial recognition and subsequent measurement

2.5.1. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.3 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

The Company does not hold financial assets at fair value through OCI, therefore this category is not described further.

2.5.1. Financial assets recognition (cont'd)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.
The Company's financial assets at amortized cost includes trade receivables.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This category includes derivative instruments.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired

  Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.
In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Significant accounting judgments, estimates and assumptions (Note 4)
- Trade receivables (Note 17)

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
Based on the historical experience the Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.5.2. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.
Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has designated derivative financial instruments as financial liability as at fair value through profit or loss.

Debt securities
A debt security confirms the issuer's debt obligations to security holders. It is an interest-bearing loan. The principal amount is taken as the basis for calculating the interest payment and is repaid on the maturity date. Coupon rate is the interest rate paid by a company to a security holder twice a year. For further information see Note 24.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.
This category generally applies to interest-bearing loans and borrowings. For more information, refer to Notes 25 and 26.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.6. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization is calculated on a straight-line basis over the estimated useful life of an asset to write down its cost to the estimated residual value at the end of the useful life, applying the following amortization rates fixed by the management:

Licenses	20% per annum

2.7. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. The cost includes expenditure that is directly attributable to the acquisition of assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of an asset to write down its cost to the estimated residual value at the end of the useful life, applying the following depreciation rates fixed by the management:

	% per annum
Vehicles	25
Communication devices	50
Computers and data storage devices	50
Other plant and equipment	25
Leased assets	20 – 30

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Subsequent costs are added to the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. These costs are written off over the remaining useful life of the relevant asset. Current repair and maintenance costs are charged directly to the statement of comprehensive income in the period when incurred.

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

2.8. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:
• Building and warehouse premises – 5-14 years
If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Otherwise, depreciation is calculated using the contract term.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.12 Impairment of non-financial assets.

Lease liabilities

The Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.
Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

When calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
The Company's lease liabilities are included in Lease liabilities (see Note 14.1).

Short-term leases and leases of low-value assets

The Company applies the short-term and low value lease recognition exemption to its short-term and low value leases of vehicles and some premises (i.e., those leases whose lease term is 12 months or less starting with 1 January 2020 and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.9. Investments in subsidiaries

Investments in subsidiaries (i.e., where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated at cost less impairment losses.

When there is objective evidence that investments in subsidiaries are impaired, the impairment loss is measured as the difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is determined as the higher of an investment's fair value less costs to sell and its value in use. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the impairment since the last impairment loss was recognized.

2.10. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. In 2021 and 2020, the Company had no borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

2.11. Inventories

Inventories are recognized when the supplier has issued an invoice and relevant liabilities towards the supplier have been recognized. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. When the net realizable value of inventories is lower than their cost, impairment allowances are established to write down inventories to their net realizable value.

2.12. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices of the shares of listed subsidiaries or other available fair value indicators.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. The statement of cash flows has been prepared under the indirect method with corrections made in order to reconcile earnings from operating activities with cash flow from operating activities, investing activities and financial activities.

2.14. Share capital and dividend distribution

Ordinary shares are classified as equity instruments. The Company has issued only ordinary shares and personal non-voting shares.

2.15. Related parties

If a person has ability to control other person or has impact on decisions regarding finances or operating activities, parties are considered related parties. Related parties are defined as subsidiaries and associates of the Company as well as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise significant influence or control.

2.16. Provisions

Provisions are recognized when the Company 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. When the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

2.17. Warranties

The Company's vendors generally warrant the products distributed by the Company and allow returning defective products, including those that have been returned to the Company by its customers. Based on the past experience and the contractual agreements with vendors, the Company assesses that the receipt of the reimbursement from vendors is virtually certain. The Company does not independently warrant the products it distributes.

2.18. Vendor programs

The Company receives funds from vendors in a form of credit notes for price protection, product rebates, marketing and other product promotions as well as investments in infrastructure, which, depending on the type of the program in question are booked either as decrease of the cost value of the inventory, recognized directly in the statement of profit or loss as decrease of cost of sales or recognized as other revenue. Some of these programs may extend over one or more reporting periods. Rebates or other vendor incentives are recognized as earned based on sales of respective products or as services are provided in accordance with the terms of the related program.

2.19. Off-balance sheet commitments and contingencies

In the ordinary course of business, the Company is involved in off-balance sheet financial instruments comprising financial guarantees. Such financial instruments do not involve outflow of the Company's economic benefits; thus, they are not recorded as liabilities. The methodology for provisioning against off-balance sheet financial commitments and contingent liabilities is consistent with that described in the section "Provisions" below. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are only disclosed in the notes to the financial statements where an inflow of resources embodying economic benefits is probable and are never recognized in the financial statements.

2.20. Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments)**
  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. The amendments had no impact on the financial statements of the Company.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  The amendments had no impact on the financial statements of the Company, as there are no such changes in its lease agreements.

B) Standards issued but not yet effective and not early adopted

- **Amendment in 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**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management has assessed these amendments and concluded that implementation thereof does not have an effect on the Company's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the Covid-19 pandemic, the Board has deferred the effective date by one year, i.e., 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required.
The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.
The management has assessed these amendments and concluded that implementation thereof does not have an effect on the Company’s financial statements.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

  The management has assessed these amendments and concluded that implementation thereof does not have an effect on the Company’s financial statements.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendments)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The management has assessed these amendments and concluded that implementation thereof does not have an effect on the Company’s financial statements.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The management has not assessed this amendment yet.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments have not yet been endorsed by the EU. The management has not assessed this amendment yet.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments have not yet been endorsed by the EU. The management has not assessed this amendment yet.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgments and estimates, which have the most significant effect on the amounts recognized in the financial statements:

4.1 Currency

The management has stated that the Company's functional currency is the U.S. dollar as financing activities and the purchase of goods from vendors are in U.S. dollars.

4.2 Vendor programs

The Company has to estimate the amount of credit notes due from vendors at the date of the statement of financial position based on the available information and past experience. In several vendor programs the size of the rebate is dependent on the performance of other distributors and is known exclusively by the vendor.

An estimate of a receivable from vendors in relation to the vendors programs as at 31 December 2021 amounted to EUR 15,083 thousand (202: EUR 810,233 thousand) based on the individual vendor agreements.

4.3 Impairment of inventories

The Company is subject to the risk that the value of its inventory will decline as a result of price reductions by vendors or technological obsolescence. It is the policy of most of the Company's vendors to protect distributors from the loss in value of inventory due to technological change or the vendors' price reductions. In 2020, no impairment of inventory was recognized.

4.4 Warranty provisions

The Company's vendors generally warrant the products distributed by the Company and allow returning defective products, including those that have been returned to the Company by its customers. Based on the past experience and the contractual agreements with vendors, the Company assesses that receipt of the reimbursement from vendors is virtually certain. The Company does not independently warrant the products it distributes. Historically the Company has not incurred any significant service warranty costs.

4.5 Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of transportation and marketing services
The Company concluded that revenue for transportation and marketing services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another entity would not need to re-perform the services that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

The Company determined the input method to be the best for measuring progress of the transportation and marketing services because there is a direct relationship between the Company's effort (i.e., labor hours incurred) and the transfer of service to the customer. The Company recognizes revenue on the basis of the labor hours and third party expense expended on the total expected labor hours and third party expense to complete the service.

Principal versus agent consideration
Considering credit risk and the consideration under the contract, the Company is exposed to significant risks and rewards associated with the sale of IT products to its customers and thus accounts for the contracts as a principal.

4.6 Allowances for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).
The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in IT retail sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.
The debtor balances 180 and more days overdue are considered to be default. As most of the debtors are insured, default rate is calculated taking into consideration insurance limits and own risk of 10%.

4.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices of the shares of listed subsidiaries or other available fair value indicators.

The Company assessed all its non-financial assets as at 31 December 2021 and concluded that no additional impairment allowances were required.

4.8 Fair value of financial instruments

The Company measures financial instruments such as derivatives at fair value at each balance sheet date. Fair-value related disclosures for financial instruments are summarized in the note 33.
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 Company.

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 best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 identical 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.

For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis, the Company determines whether any transfers have occurred between the hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.9 Control over related companies

Control is achieved, when the Company has:
- existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Based on criteria above the Company has assessed that the it has control over Swiss spol s.r.o. and ARAŠID spol. s r.o (26% and 51% respectively) through controlling interest owned by its subsidiary – WESTech s.r.o.

4.10 Determining the lease term of contracts with renewal and termination options – Company as a lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).
The Company has not included the renewal period as part of the lease term for leases of the office building and warehouse premises as the agreements cover quite a long term and their renewal period would relate to the time in which the Company's activities cannot be reasonably forecast.

4.11 Sub-lease

The Company has concluded sub-lease agreements for its office building. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

4.12 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.
The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. Revenue from contracts with customers

	2021	**2020**
	EUR	**EUR**
Wholesale of computer components	754,311,030	599,878,749
Other sales income	309,576	305,681
	754,620,606	**600,184,430**

Results for the year 2021*:

	Latvia	**Other countries ***	**Total**
	EUR	**EUR**	**EUR**
Wholesale of computer components	71,325,521	771,406,695	842,732,216
Other sales income	-	309,576	309,576
Discounts granted	(1,294,869)	(87,126,317)	(88,421,186)
Net turnover	**70,030,652**	**684,589,954**	**754,620,606**

* Sales to a particular country are attributed depending on the buyer's country of residence.

Results for the year 2020*:

	Latvia	**Other countries ***	**Total**
	EUR	**EUR**	**EUR**
Wholesale of computer components	65,542,262	623,466,013	689,008,275
Other sales income	-	305,681	305,681
Discounts granted	(1,085,690)	(88,043,836)	(89,129,526)
Net turnover	**64,456,572**	**535,727,858**	**600,184,430**

* Sales to a particular country are attributed depending on the buyer's country of residence.

The main customers of the Company are related parties whose mutual transactions comprise 62% (in 2020: 59%) of the total net turnover. Company's net turnover is mostly generated by transactions with the Central and Eastern European and Nordic customers (see Note 34). The Company does not have a single customer in the Baltic region with transactions comprising 10% of its turnover generated in the Baltic.

There were no performance obligations that would not have been fulfilled by 31 December 2021.

6. Cost of sales

	2021 EUR	2020 EUR
Acquisition cost of goods sold	845,339,155	693,919,988
Delivery of purchased goods	6,383,616	4,292,722
Non-refundable taxes paid on the acquisition of goods	938,387	768,993
Discounts received	(117,635,093)	(113,062,790)
	735,026,065	**585,918,913**

7. Distribution costs

	2021 EUR	2020 EUR
Delivery of sold goods	1,519,309	1,307,414
Warehouse expenses	377,698	344,179
Distribution of goods	1,759,117	1,501,603
Advertising	386,256	225,907
Loss on warranty replacement	19,697	22,124
Other distribution costs	33,147	31,711
	4,095,224	**3,432,938**

8. Administrative expense

	2021 EUR	2020 EUR
Wages and salaries	7,409,288	6,697,761
Office maintenance	421,079	420,159
Statutory social insurance contributions	1,743,968	1,643,800
Professional fees*	517,691	521,549
Depreciation and amortization (Notes 14 and 14.1)	1,973,249	1,782,757
Recruitment and training expense	63,825	65,889
Bank charges	424,170	299,202
Transport expenses	180,441	232,802
Business trips	53,550	57,344
Communications expense	179,447	174,482
Computer maintenance expense	181,056	126,787
Write-offs of doubtful and bad receivables	245	65,008
Receivables insurance	343,790	208,222
Other administrative expense	204,683	202,126
Other staff costs	183,994	252,683
	13,880,476	**12,750,571**

* The total fee paid to the firm of certified auditors for the statutory audit for the year 2021 and consulting services totaled EUR 144,970 and EUR 39,376 respectively.

9. Other operating income

	2021	2020
	EUR	EUR
Income from services provided*	3,559,981	6,374,898
Income from management services**	6,301,397	5,780,638
Currency exchange gain, net	305,669	-
Other income	590	1,562
	10,167,637	**12,157,098**

* Including EUR 2,265,404 income from marketing activities (2020: EUR 1,974,544).
** The Company issues invoices to the subsidiaries for the purchase of goods and administrative services.

10. Other operating expense

	2021	2020
	EUR	EUR
Advertising contracts with subsidiaries	112,678	85,579
Donations	1,000	6,500
Penalties	7,793	10,852
Corporate income tax	42,222	15,568
Other expense	143,494	76,027
Tax paid abroad, net*	1,354,252	22,197
Currency exchange loss *	-	5,112,640
	1,661,439	**5,329,363**

* Corporate income tax paid/withheld on dividends received and interest on loans to non-residents.

11. Finance income

	2021	2020
	EUR	EUR
Interest income from intra-group current loans	295,743	246,161
Dividends from the subsidiary ELKO Marketing Ltd	-	6,526,117
Dividends from the subsidiary WESTech Spol s.r.o.	1,020,000	1,530,000
Dividends from the subsidiary ELKO Trading Malta LTD	7,390,428	312,655
Late payment interest	204,832	38,050
Dividends from the subsidiary ELKO Trading Switzerland AG	4,621,872	-
Dividends from the subsidiary Elko Rus LTD	10,671,207	-
Dividends from the subsidiary TD ABSOLUT LTD	15,413,966	-
Dividends from the subsidiary ELKOTECH d.o.o.	255,000	-
Income from change in allowances	299,437	-
Interest accrued on bank account balances	13	25
	40,172,498	**8,653,008**

12. Finance expense

	2021 **EUR**	**2020** **EUR**
Interest on loans from credit institutions	2,380,870	2,545,659
Interest on loans from related companies	398,750	399,021
Interest on lease liabilities	316,951	339,749
Interest on shareholder loans	1,035,806	1,215,219
Interest on debt securities	1,146,097	-
Loan interest payments	49,726	-
	5,328,200	**4,499,648**

13. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Total
Cost		
As at 1 January 2020	544,115	544,115
Disposals	198,000	198,000
As at 31 December 2020	742,115	742,115
Amortization		
As at 1 January 2020	349,676	349,676
Charge for the year	60,900	60,900
As at 31 December 2020	410,576	410,576
Net carrying amount as at 31.12.2020	331,539	331,539
Cost		
As at 1 January 2021	742,115	742,115
Disposals	115,088	115,088
As at 31 December 2021	857,203	857,203
Amortization		
As at 1 January 2021	410,576	410,576
Charge for the year	88,872	88,872
As at 31 December 2021	499,448	499,448
Net carrying amount as at 31.12.2021	357,755	357,755
Net carrying amount as at 31.12.2020	331,539	331,539

The cost of fully amortized intangible assets at 31 December 2021 was EUR 313 thousand (31 December 2020: EUR 305 thousand).

14. Property plant and equipment

	Leasehold improvements	Equipment and machinery	Other fixtures and fittings, tools and equipment	Communications and IT equipment	Prepayments for property, plant and equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
As at 1 January 2020	231,020	99,642	311,990	2,393,621	169,950	3,206,223
Additions	38,874	26,243	35,462	684,751	261,899	1,047,229
Sold	-	-	-	-	-	-
Disposals	-	-	(2,418)	(24,180)	(367,950)	(394,548)
Write-offs	-	-	-	(5,974)	-	(5,974)
As at 31 December 2020	269,894	125,885	345,034	3,048,218	63,899	3,852,930
Depreciation						
As at 1 January 2020	66,646	99,642	162,016	2,080,315	-	2,408,619
Charge for the year	49,337	4,374	48,246	369,402	-	471,359
Disposals	-	-	(2,418)	(24,180)	-	(26,598)
Write-offs	-	-	-	(3,339)	-	(3,339)
As at 31 December 2020	115,983	104,016	207,844	2,422,198	-	2,850,041
Net carrying amount as at 31 December 2020	153,911	21,869	137,190	626,020	63,899	1,002,889
Cost						
As at 1 January 2021	269,894	125,885	345,034	3,048,218	63,899	3,852,930
Additions	112,443	90,831	34,160	340,244	350,993	928,671
Sold	-	-	-	(2,431)	-	(2,431)
Disposals	-	-	-	(30,377)	(233,777)	(264,154)
Write-offs	-	-	(4,807)	(1,728)	-	(6,535)
As at 31 December 2021	382,337	216,716	374,387	3,353,926	181,115	4,508,481
Depreciation						
As at 1 January 2020	115,983	104,016	207,844	2,422,198	-	2,850,041
Charge for the year	46,546	17,172	50,914	502,129	-	616,761
Sold	-	-	-	(1,146)	-	(1,146)
Disposals	-	-	-	(30,377)	-	(30,377)
Write-offs	-	-	(2,402)	(1,295)	-	(3,697)
As at 31 December 2021	162,529	121,188	256,356	2,891,509	-	3,431,582
Net carrying amount as at 31 December 2021	219,808	95,528	118,031	462,417	181,115	1,076,899
Net carrying amount a s at 31 December 2020.	153,911	21,869	137,190	626,020	63,899	1,002,889

The cost of fully amortized intangible assets at 31 December 2021 was EUR 2,816 thousand (31 December 2020: EUR 2,315 thousand). All the Company's property, plant and equipment are located in Latvia.

14.1 Leases

Company as a lessee

The Company has lease contracts for the office building and warehouse space with lease terms of 14 and 5 years respectively. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Concerning the warehouse premises, the Company is restricted from assigning and subleasing the leased asset, at the same time, sub-lease of the office building is permitted and executed.
Both contracts include extension and termination options, which were not taken into account calculating lease terms, as the extension option falls outside the time period for which the Company is able to reasonably forecast its operations.
The Company also has certain leases of vehicles with lease terms of 12 months or less and with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Premises EUR	Total EUR
As at 1 January 2021	**12,764,848**	**12,764,848**
Additions	211,877	211,877
Depreciation charge	(1,267,615)	(1,267,615)
As at 31 December 2021	**11,709,110**	**11,709,110**
As at 1 January 2020	**13,792,711**	**13,792,711**
Additions	222,627	222,627
Depreciation charge	(1,250,490)	(1,250,490)
As at 31 December 2020	**12,764,848**	**12,764,848**

Set out below are the carrying amounts of lease liabilities (included under other loans) and the movements during the period:

	2021 EUR	2020 EUR
As at 1 January 2021	**13,024,842**	**13,921,609**
Additions	211,877	222,627
Accretion of interest	316,951	339,749
Payments	(1,479,444)	(1,459,143)
As at 1 January 2021	**12,074,226**	**13,024,842**

Incremental borrowing rate used in lease liability calculation is 2.5%.

Below disclosed the maturity analysis of lease liabilities:

	31.12.2021			31.12.2020		
	Non-current portion EUR	Current portion EUR	Total EUR	Non-current portion EUR	Current portion EUR	Total EUR
Accrued lease liabilities	10,866,864	1,207,362	12,074,226	11,882,883	1,141,959	13,024,842
	10,866,864	1,207,362	12,074,226	11,882,883	1,141,959	13,024,842

The following are the amounts recognized in profit or loss:

	2021 EUR	2020 EUR
Depreciation expense of right-of-use assets	1,267,615	1,250,490
Interest expense on lease liabilities	316,951	339,749
Expense relating to short-term and low value leases (included in cost of sales)	204,815	262,928
Total amount recognized in profit or loss	**1,789,381**	**1,853,167**

The Company considers as short-term those lease agreements that provide the lessor the option to terminate the agreement within 1 year without substantial penalties. The Company does not have any plans not to extend and terminate any lease agreement.

14.1 Leases (cont'd)

Company as a lessor
The Company has concluded several sub-lease agreements on its office building with different terms of the lease from 1 to 13 years. Rental income recognized by the Company during the year was EUR 332,770 (2020: EUR 277,919).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	31.12.2021	31.12.2020
	EUR '000	EUR '000
Maturing:	314	224
Within one year	953	723
After one year but not more than five years	689	805
More than five years	**1,956**	**1,752**

15. Investments in related companies

Information about investments in subsidiaries

Company	Carrying amount of equity interest in subsidiaries		Equity interest in subsidiaries	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	%	%
ELKO Eesti AS	100,164	100,164	100	100
WesTech s.r.o	9,361	9,361	51	51
ELKOTEX d.o.o.	80,933	80,933	51	51
ELKO Lietuva UAB	2,501	2,501	100	100
ELKO Trading Switzerland AG	60,757	60,757	100	100
ELKO Marketing Ltd	2,436	2,436	100	100
Elko Trading Malta LLD	253	253	100	100
ELKO Polska Sp.Z.o.o.	1,166	1,166	100	100
TD Absolut LLC	1,709,500	1,709,500	100	100
Gandalf Distribution AB	4,227,889	4,227,889	100	100
ELKO Ukraina LLC*	11,808	24	100	0.1
ELKO Mobile Ltd **	799,682	799,682	51	51
ELKO Mobile Ltd **	(799,682)	(799,682)	51	51
ELKO RUS LTD***	84,692	35,823	100	100
ELKOTech Romania SRL****	4,368,919	3,759,099	100	100
	10,660,379	**9,989,906**		

* On 31 March 2021, Akciju Sabiedrība Elko Grupa acquired 99.9% of the shares in ELKO Ukraina LLC from the subsidiary ELKO Marketing Ltd.

** As at 31 December 2018, an allowance for the investment in ELKO Mobile Ltd of EUR 799,682 was established.

***On 21 April 2021, the share capital of ELKO RUS LTD was increased by EUR 4,500,000.

****On 21 December 2021, the share capital of ELKOTech Romania was increased by RON 3,018,000 by issuing additional 3018 shares.

15. Investments in related companies (cont'd)

Information about subsidiaries

Company	Address	Equity 31.12.2021 EUR	Equity 31.12.2020. EUR
ELKO Trading Switzerland AG	c/o Domanda Verwaltungs GmbH, Grafenaustrasse 5, 6302 Zug, Switzerland	6,642,752	9,500,543
ELKO Marketing Ltd	Nafpliou 15, 1st floor, Flat/Office 102, P.C. 3025, Limassol, Cyprus	248,253	252,917
ELKO Eesti OU	Pärnu mnt 141, Kesklinna district, Tallinn city, Harju county, 11314, Estonia	119,790	90,383
ELKO Lietuva UAB	Lithuania, Kaunas, Algirdo g. 32A	84,277	73,908
ELCO LLP	Kazakhstan, 050000 Almaty, Medeuskiy district, Akhmedyarova street 25A, 5th floor	-	(649,218)
ELKOTech Romania SRL	18 Copilului Street, 1st floor, district 1, Bucharest, Romania	3,685,898	2,545,750
ELKO Ukraine LLC	Kozatska Street, building 120/4, letter Zh, 03680, Kiev, Ukraine	909,623	(1,041,057)
ELKO RUS LTD	143441, Moscow, Krasnogorsky region, Putilkovo, 69 km MKAD, office 506 , Russian Federation	16,388,530	18,621,263
Gandalf Distribution AB	Kyrkogatan 3, 222 22 Lund, Sweden	8,912,504	5,881,915
ELKOTEX d.o.o.	ulica Magistrova 1, 1000 Ljubljana, Slovenia	4,240,647	3,164,327
WESTech Spol s.r.o.	Slovakia, Bratislava, Stara Vajnorska 17	29,846,886	26,971,672
ELKO Mobile Ltd	Nafpliou 15, 2nd floor, 3025, Limassol, Cyprus	(7,233,508)	(6,841,305)
ELKO Polska Sp.Z.o.o.	ul. Wrocławska 7, miesjc. Bielany Wrocławska 7, kod-55-040, poczta Bielany Wrocławska, Poland	82,592	59,494
Elko Trading Malta LTD	4 Cresta Court, Triq Abate Rigord TA'XBIEX 1127, Malta	6,538,189	6,682,016
TD Absolut LLC	Warshaw highway, house 138, 117519 Moscow, Russian Federation	15,026,437	19,289,009

Profit/ (loss) for the year

Company	Address	2021 EUR	2020 EUR
ELKO Trading Switzerland AG	c/o Domanda Verwaltungs GmbH, Grafenaustrasse 5, 6302 Zug, Switzerland	1,205,746	1,183,436
ELKO Marketing Ltd	Nafpliou 15, 1st floor, Flat/Office 102, P.C. 3025, Limassol, Cyprus	(24,669)	(1,644,433)
ELKO Eesti OU	Pärnu mnt 141, Kesklinna district, Tallinn city, Harju county, 11314, Estonia	29,407	26,189
ELKO Lietuva UAB	Lithuania, Kaunas, Algirdo g. 32A	27,192	33,996
ELCO LLP	Kazakhstan, 050000 Almaty, Medeuskiy district, Akhmedyarova street 25A, 5th floor	-	(6,360)
ELKOTech Romania SRL	18 Copilului Street, 1st floor, district 1, Bucharest, Romania	575,110	81,832
ELKO Ukraine LLC	Kozatska Street, building 120/4, letter Zh, 03680, Kiev, Ukraine	1,990,463	23,404
ELKO RUS LTD	143441, Moscow, Krasnogorsky region, Putilkovo, 69 km MKAD, office 506 , Russian Federation	11,357,523	9,756,653
Gandalf Distribution AB	Kyrkogatan 3, 222 22 Lund, Sweden	3,186,806	1,847,124
ELKOTEX d.o.o.	ulica Magistrova 1, 1000 Ljubljana, Slovenia	1,355,793	928,905
WESTech Spol s.r.o.	Slovakia, Bratislava, Stara Vajnorska 17	4,875,214	7,647,626
ELKO Mobile Ltd	Nafpliou 15, 2nd floor, 3025, Limassol, Cyprus	171,002	105
ELKO Polska Sp.Z.o.o.	ul. Wrocławska 7, miesjc. Bielany Wrocławska 7, kod-55-040, poczta Bielany Wrocławska, Poland	23,741	37,413
Elko Trading Malta LTD	4 Cresta Court, Triq Abate Rigord TA'XBIEX 1127, Malta	6,217,171	6,087,589
TD Absolut LLC	Warshaw highway, house 138, 117519 Moscow, Russian Federation	4,788,064	2,436,657

Equities of subsidiaries are translated into the euro at the exchange rate published by the European Central Bank at the last day of the reporting year. Financial results of subsidiaries are reported in the euro, applying the average exchange rate set by the European Central Bank for the reporting year.
Financial results and equities of subsidiaries are presented corresponding to the equity interest held by Akciju Sabiedrība Elko Grupa.

16. Finished goods and goods for sale

	31.12.2021	31.12.2020
	EUR	EUR
Goods at warehouses	33,356,333	20,374,160
Goods in transit	26,099,637	19,426,606
	59,455,970	**39,800,766**

All inventories of Akciju Sabiedrība Elko Grupa, except for the goods to which legal title has not yet passed from vendors to the Company, and goods in transit have been pledged for the benefit of lenders (see Note 33).
Company has assessed NRV of goods and concluded that no impairment allowances for goods are required.

17. Trade receivables

	31.12.2021 EUR	31.12.2020 EUR
Trade receivables, gross	24,807,472	23,229,233
ECL allowances	(45,476)	(192,314)
	24,761,996	**23,036,919**

Trade receivables are non-interest bearing and are generally due in 30 - 90 days.

Balances of trade receivables subject to credit risk as at 31 December 2021 according to the provision matrix:

Contract assets	**No past due**	**<30 days**	**30–60 days**	**61–90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**>181 days**	**Total**
EUR									
Expected credit loss rate	0.1%	0.6%	11%	23%	28%	32%	36%	36%	0.2%
Estimated total gross carrying amount at default	22,894,335	1,834,487	24,850	5,355	43,525	4,300	44	575	24,807,472
Expected credit loss	17,570	10,261	2,727	1,246	12,057	1,390	16	209	45,476

As at 31 December 2020:

Contract assets	**No past due**	**<30 days**	**30–60 days**	**61–90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**>181 days**	**Total**
EUR									
Expected credit loss rate	0.1%	1.8%	17%	27%	35%	0%	55%	55%	0.8%
Estimated total gross carrying amount at default	22,730, 042	196, 061	28,196	4,932	972	-	2,687	266, 339	23,229,233
Expected credit loss	33,149	3,494	4,884	1,333	336	-	1,489	147,625	192,314

18. Other receivables

	31.12.2021	31.12.2020
	EUR	EUR
VAT overpaid in the Netherlands (see Note 28)	1,485,468	1,399,846
VAT overpaid in Latvia (see Note 28)	-	113,712
Overpayment of statutory social insurance contributions (see Note 28)	-	2,552
Overpayment of corporate income tax (see Note 28)	-	75,633
Single tax account	41,601	-
Overpayment of personal income tax (see Note 28)	-	978
Prepayments/overpayments to suppliers	548,395	136,744
	2,075,464	**1,729,465**

19. Prepayment expense and prepayments

	31.12.2021	31.12.2020
	EUR	EUR
Factoring insurance	181,203	-
Prepayments	234,261	160,033
Commission on bond issue*	421,758	-
Other expense	240,152	360,032
	1,077,374	**520,065**

* In 2021, the Company issued bonds of EUR 20 million with a maturity date of 12 February 2026. In accordance with the terms of the agreement, Akciju Sabiedrība Elko Grupa paid a commission to Signnet banka AS and Callidus Capital SIA, the arrangers of the bond issue. The commission is written off until the maturity date on a straight-line basis (see Note 24).

20. Short-term deposits

	31.12.2021	31.12.2020
	EUR	EUR
Short term deposits	844,160	3,615,920
	844,160	**3,615,920**

On 28 September 2021, AS Luminor Bank, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee of EUR 800,000 securing the liabilities to LENOVO (SINGAPORE) PTE LTD. Akciju Sabiedrība Elko Grupa placed a security deposit of USD 400,000 which was returned on 17 March 2022.

On 10 December 2018, AS Luminor Bank, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee of EUR 761,250 securing the liabilities under the lease agreement signed with Corum Origin. When entering into the agreement, Akciju Sabiedrība Elko Grupa placed a security deposit of EUR 380,625 for the above mentioned bank guarantee.

On 21 April 2020, the Company and OP Corporate Bank plc entered into Financial Pledge Agreement NO 598001-91936569/2 for a guarantee of USD 200,000 according to Pledge Agreement No 598001-91936569; the guarantee is valid until 7 May 2021. On 13 August 2020, the amendments to the agreement were signed extending the guarantee amount to USD 500,000 and setting financial collateral of USD 125,000 (as at 31 December 2020: EUR 101 866.19). On 10 December 2020, the guarantee was extended until 1 May 2022.

On 11 September 2020, AS Luminor Bank issued a guarantee to Lanner Electronics INC. When entering into the agreement, Akciju Sabiedrība Elko Grupa placed a security deposit of USD 750 000 for the above mentioned bank guarantee, which was returned on 15 July 2021.

20. Short term deposits (cont'd)

On 12 March 2019, AS Luminor Bank, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities under the lease agreement with P14 SIA. When entering into the agreement, Akciju Sabiedrība Elko Grupa placed a security deposit of EUR 63 224, which was returned on 10 June 2021.

On 29 September 2020, OP Corporate Bank plc, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee of USD 2,700,000 securing the liabilities towards ROBOROCK (HK) LIMITED. Akciju Sabiedrība Elko Grupa provided financial collateral of USD 384,000, which was returned on 30 June 2021.

21. Derivative financial instruments

In 2021, a forward exchange contract for the sale of EUR 3.13 million and PLN 5.99 million (EUR 1.3 million) against USD was signed with a weighted average maturity of 19 days (EUR 19.78 million were sold in 2020). The fair value of forward exchange contracts is calculated using market rates (see Note 36).

21.1 Financial liabilities

	2021	2020
	EUR	**EUR**
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges		
- forward exchange contract	(12,727)	(84,150)
Total financial instruments at fair value through profit or loss	(12,727)	(84,150)
Total financial liabilities	**(12,727)**	**(84,150)**

In 2021, derivatives were held for trading.

When determining the fair value, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. For the fair value of derivative financial instruments, see also Note 36.

22. Cash and cash equivalents

	31.12.2021	31.12.2020
	EUR	**EUR**
Cash at bank	2,050,508	3,512,787
	2,050,508	**3,512,787**

23. Share capital and reserves

23.1 Share capital

As at 31 December 2021, the Company's registered and paid-in share capital was EUR 9,900,780 (31 December 2020: EUR 9,900,780) and consisted of 9,784,790 dematerialized ordinary registered shares and 115,990 dematerialized employee registered shares (31 December 2020: 9,784,790 dematerialized ordinary registered shares and 115,990 dematerialized employee registered shares). The par value per share is EUR 1.00 (31 December 2020: EUR 1.00).

23.2 Share premium

In 2005, the share capital was increased by attracting new shareholders. As a result of the share capital increase and attraction of new shareholders, share premium of EUR 4,973,947 was recognized.

24. Debt securities

On 12 February 2021, the Company issued bonds for EUR 20 million maturing on 11 February 2026 (ISIN code: LV0000870079). The bonds bear a fixed interest rate (coupon) – 6% p.a. At the end of the reporting year, the debt securities (bonds) issued were stated at their nominal value. The fair value of the bonds is disclosed in Note 35.

25. Other loans

	31.12.2021			31.12.2020		
	Non-current portion	**Current portion**	**Total**	**Non-current portion**	**Current portion**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Loans from shareholders *	17,321,784	292,439	17,614,222	15,997,368	6,294,515	22,291,883
Other loans**	-	1,000,000	1,000,000	-	-	-
	17,321,784	**1,292,439**	**18,614,222**	**15,997,368**	**6,294,515**	**22,291,883**

*On 23 December 2019, the Company received a loan from its shareholders for a total amount of USD 33,430,554.15. The loan bears interest at 5% and matures on 31 December 2023. On 15 September 2020, new loan agreements were signed with the shareholders for USD 4,000,000 under the same conditions. On 22 April 2021, new loan agreements were signed with the shareholders for USD 15,000,000 under the same conditions. The loans mature on 31 December 2023.
** On 2 February 2021, the Company received a loan from LSK spo.s.r.o. amounting to EUR 2,000,000. The loan bears interest at 3% per annum. As at 31 December 2021, the outstanding loan amount was EUR 1,000,000. The loan matures on 31 December 2022.

26. Loans from credit institutions

	31.12.2021	31.12.2020
	EUR	EUR
Credit line from Alfa Bank*	6,092,177	4,727,713
Credit line from AS Luminor Bank**	654,619	1,341,813
Trade payables finance program ***	17,170,789	16,161,734
Swedbank Līzings SIA, trade receivables factoring ****	3,313,195	6,024,856
Citadele Faktorings SIA, trade payables factoring *****	3,958,653	-
Credit card balance	6,649	5,940
OP Corporate Bank plz Latvia branch, trade payables factoring ******	-	2,174,574
Credit line from AS Ekspobank *******	8,732,436	-
	39,928,518	**30,436,630**

* On 30 March 2020, Akciju Sabiedrība Elko Grupa signed a credit line agreement with AS ALFA BANK, providing that the interest rate for each loan tranche is agreed on individually. The maximum credit line limit was set at USD 15,000,000. The credit line was fully repaid on 31 March 2022.

** On 29 July 2021, Akciju Sabiedrība Elko Grupa signed an agreement amending the overdraft agreement with AS Luminor Bank, dated 5 November 2015. According to the amendments, the base interest rate remained overnight LIBOR USD/EURIBOR EUR and the margin remained at 3% per annum. The maximum overdraft limit was changed to USD 14,000,000 (2020: USD 27,788,538) and EUR 5,000,000. The overdraft matures on 31 July 2022.

*** On 21 December 2015, Akciju Sabiedrība Elko Grupa signed an agreement with AG Deutsche Bank New York branch on financing the trade payables of Akciju Sabiedrība Elko Grupa. As at 31 December 2021, the total trade payables financing limit was USD 20,000,000. The agreement is valid until 17 September 2022. The base interest rate is 3-month LIBOR USD, while the margin is 3.75% per annum.

**** On 10 March 2020, Akciju Sabiedrība Elko Grupa signed an agreement with SIA Swedbank Līzings on financing the trade receivables of Akciju Sabiedrība Elko Grupa. As at 31 December 2021, the total trade receivable financing limit was EUR 10,000,000, incl. USD 1,000. The agreement is valid until 31 July 2022. The base interest rate is 3-month EURIBOR EUR, while the margin is 2.10% per annum.

***** On 10 June 2021, Akciju Sabiedrība Elko Grupa signed a factoring agreement with SIA Citadele Factoring on financing the trade payables of Akciju Sabiedrība Elko Grupa. As at 31 December 2021, the total trade payables financing limit is EUR 25,000,000. The agreement is valid until 10 February 2023. The base interest rate is 6-month LIBOR USD, while the margin is 2.5% per annum.

****** On 29 September 2020, OP Corporate Bank plz Latvia branch issued to Akciju Sabiedrība Elko Grupa an import letter of credit amounting to USD 2,668,420. The guarantee is valid until 29 January 2021.

******** 8 February 2021, Akciju Sabiedrība Elko Grupa signed a credit line agreement with AS Ekspobank. The maximum credit line limit is USD 10,000,000. The base interest rate is 3.8% per annum. The credit line is with a maturity date of 8 February 2023.

On 29 July 2021, Akciju Sabiedrība Elko Grupa signed an agreement amending the overdraft agreement with OP Corporate Bank plz Latvia branch, dated 29 July 2016. According to the amendments, the base interest rate remained 3-month LIBOR USD and the margin was reduced to 3.15% per annum (2020: 3.55%). The maximum overdraft limit remained USD 20,000,000 (2020: USD 20,000,000). The overdraft matures on 31 July 2022.

As at 31 December 2021, the effective interest rate on bank loans was 3.31% (31 December 2020: 4.906%).
For more information about the extensions of loan agreements, see Note 37 'Events after the end of the reporting period'.

27. Other liabilities

	31.12.2021	31.12.2020
	EUR	EUR
Bonuses for the reporting year	358,401	263,992
Other liabilities	56,596	22,736
	414,997	286,728

28. Taxes payable

	Corporate income tax	VAT (Latvia)	VAT (Netherlands)	Statutory social insurance contributions	Personal income tax	Unemployment risk duty	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Payable as at 31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**	-
(Receivable) as at 31.12.2019	**(149,048)**	**(100,066)**	**(2,331,618)**	**(618)**	**(1,106))**	**-**	**(2,582,456)**
Calculated for 2020	73,415	(352,026)	(4,555,752)	2,358,653	1,182,317	1,126	(1,292,267)
Refunded	-	618,623	5,487,524	-	-	-	6,106,147
Paid in 2020	-	(280,243)	-	(2,360,587)	(1,182,189)	(1,126)	(3,824,145)
Payable as at 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Receivable) as at 31.12.2020	**(75,633)**	**(113,712)**	**(1,399,846)**	**(2,552)**	**(978)**	**-**	**(1,592,721)**
Calculated for 2021	112,470	(799,141)	(4,980,249)	2,495,351	1,323,729	1,216	(1,846,624)
Refunded	-	1,235,959	4,894,636	9,647	-	-	6,140,242
Paid in 2021	(11,311)	(330,258)	-	(2,315,052)	(1,229,452)	(1,112)	(3,887,185)
Payable as at 31.12.2021	**25,526**	**-**	**-**	**187,394**	**93,299**	**104**	**306,323**
(Receivable) as at 31.12.2021	**-**	**(7,152)**	**(1,485,459)**	**-**	**-**	**-**	**(1,492,611)**

The tax table transcript does not include data on natural resources tax.
* Overpaid taxes are disclosed as other receivables (see Note 18).

29. Accrued liabilities

	31.12.2021	31.12.2020
	EUR	EUR
Vacation pay reserve	593,635	510,813
Other accrued expense	547,449	474,562
Interest accrued on loans from related companies	100,507	100,232
Interest accrued on loans from shareholders	2,003,854	1,148,045
Interest accrued on securities issued	474,100	-
	3,719,545	**2,233,652**

30. Changes in financial liabilities from financing activities

	01.01.2021	Cash flow	Change in fair value	Other	31.12.2021
	EUR	EUR	EUR	EUR	EUR
Other loans (non-current portion)	27,880,251	(13,948,924)	-	14,257,321	28,188,648
Loans from credit institutions (current portion)	30,436,630	9,491,888	-	-	39,928,518
Debt securities	-	20,000,000	-	-	20,000,000
Other loans (current portion)	7,436,474	(5,294,515)	-	357,842	2,499,801
Loans from related companies	13,000,000	-	-	-	13,000,000
Derivative financial instruments	84,150	-	(71,423)	-	12,727
Total	**78,837,505**	**10,248,449**	**(71,423)**	**14,615,163**	**103,629,694**

31. Average number of employees

	2021	2020
Average number of employees during the reporting year:	280	261

32. Management compensation

	2021	2020
	EUR	EUR
Board Members		
- Salaries	232,986	220,106
- Statutory social insurance contributions	54,961	53,024
	287,947	**273,130**

The Board and Council Members do not receive remuneration for their functions in the Board and Council of the Company. Remuneration disclosed in Note 32 represents salaries paid for the execution of official duties under employment contracts.

33. Pledges, guarantees and contingencies

On 14 December 2017, Akciju Sabiedrība Elko Grupa issued a guarantee to Schneider Electric IT Logistics Europe Ltd on the liabilities of the subsidiary ELKOTech Romania SRL amounting to EUR 500,000. On 28 November 2021, the amount was increased to EUR 750,000. The guarantee is valid until 27 November 2021.

On 14 December 2017, Akciju Sabiedrība Elko Grupa issued a guarantee to Schneider Electric IT Logistics Europe Ltd on the liabilities of the subsidiary IT Smart Distribution SRL amounting to EUR 350,000. The guarantee is valid until 31 July 2022.

On 29 April 2015, Akciju Sabiedrība Elko Grupa issued a guarantee to Banca Transilvania S.A. on the liabilities of the subsidiary ELKOTech Romania SRL. On 6 August 2019, the guarantee was amended setting its amount at RON 44,627,950. The guarantee is valid until the liabilities are fully settled.

On 4 November 2021, Akciju Sabiedrība Elko Grupa signed an agreement with OTP Bank PJSC on reducing the amount of the guarantee issued on 1 April 2016 on the liabilities of the subsidiary Elko Ukraine LLC to UAH 300,000,000 UAH and extending its maturity until 20 May 2026.

On 4 November 2021, Akciju Sabiedrība Elko Grupa signed an agreement with OTP Bank PJSC on increasing the amount of the guarantee issued on 1 April 2016 on the liabilities of the subsidiary Elko Ukraine LLC to UAH 40,000,000 and extending its maturity until 20 May 2026.

On 12 June 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Lenovo PC HK Ltd on the liabilities of the subsidiary ELKO Rus amounting to USD 20,000,000. On 28 May 2020, the guarantee was amended extending its maturity until 9 June 2023.

On 26 May 2020, AS Swedbank, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities of the subsidiary Elko Ukraine LLC towards PJSC Credit Agricole Bank. On 9 August 2021, the guarantee amount was increased to USD 4,000,000. The guarantee is valid until 11 May 2022.

On 30 April 2020, OP Corporate Bank PLC, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities of the subsidiary Elko Ukraine LLC towards Asus Global PTE. LTD amounting to USD 200,000. On 14 August 2020, the amount was increased to USD 500,000. The guarantee is valid until 1 May 2023.

On 11 September 2020, Luminor Bank AS, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities of the Company towards Lanner Electronics INC. amounting to USD 1,500,000. The guarantee expired on 3 February 2021.

On 28. October 2020, Akciju Sabiedrība Elko Grupa entered into an agreement with AS Citadele Banka on issuing and servicing of guarantees. The agreement expired on 27. October 2021. As at 31 December 2020, the guarantees issued by AS Citadele Banka totaled USD 5,266,897. According to the agreement, the respective amount was repaid in 2021.

On 2 June 2010, AS Swedbank, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities of the Company towards Intel Corporation (UK) Ltd amounting to USD 1,000,000. The bank guarantee is valid until 31 December 2022.

On 18 March 2019, Akciju Sabiedrība Elko Grupa issued a guarantee to PJSC Credit Agricole Bank securing the liabilities of the subsidiary ELKO Ukraine LLC amounting to USD 3,000,000. On 15 April 2021, the guarantee was amended increasing its amount to USD 4,000,000 and extending its maturity until 15 May 2022.

On 10 December 2018, Luminor Bank AS, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities of the Company towards Corum Origin amounting to EUR 761,250. On 30 December 2021, the bank guarantee was amended extending its maturity until 4 January 2023.

On 14 November 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Lenovo PC HK Ltd on the liabilities of the subsidiary ELKO Ukraine LLC. On 10 November 2020, the guarantee was amended setting its amount at USD 10,000,000. The guarantee is valid until the liabilities are fully settled.

On 26 July 2019, Akciju Sabiedrība Elko Grupa issued a guarantee to Lenovo PC HK Ltd on the liabilities of the subsidiary ELKOTech Romania SRL. On 21 November 2021, the bank guarantee was amended setting its amount at USD 7,000,000 and extending its maturity until 31 December 2022.

On 27 July 2011, Akciju Sabiedrība Elko Grupa issued a guarantee to Microsoft Ireland Operations Limited on the liabilities of the subsidiary ELKO Ukraine LLC. The guarantee is valid until the liabilities are fully settled.

33. Pledges, guarantees and contingencies (cont'd)

On 21 August 2020, Akciju Sabiedrība Elko Grupa issued a guarantee to ASUS Global Pte. Ltd on the liabilities of the subsidiary ELKO Ukraine LLC amounting to USD 1,000,000. The guarantee is valid until the liabilities are fully settled.

On 30 August 2021, Akciju Sabiedrība Elko Grupa issued a guarantee to DanskeBank on the liabilities of the Gandalf Distribution AB amounting to SEK 50,000,000. The guarantee is valid until the liabilities are fully settled.

On 10 November 2011, Akciju Sabiedrība Elko Grupa issued a guarantee to Unicredit Bank S.A. on the liabilities of the subsidiary ELKOTech Romania SRL. The guarantee is valid until the liabilities are fully settled.

On 15 December 2017, Akciju Sabiedrība Elko Grupa issued a guarantee to Intel Corporation (UK) Ltd on all the liabilities of the subsidiary ELKO Rus LTD. On 7 December 2020, the bank guarantee was amended extending its maturity until 31 December 2022.

On 26 June 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Acer Sales International on all the liabilities of the subsidiary ELKO Rus LTD. On 20 October 2021, the guarantee was amended extending its maturity until 31 December 2023.

On 26 June 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Acer Sales International on all the liabilities of the subsidiary ELKOTech Romania SRL. The guarantee is valid until the liabilities are fully settled.

On 14 March 2019, Luminor Bank AS, on behalf of Akciju Sabiedrība Elko Grupa, issued a guarantee securing the liabilities of the Company towards P14 SIA amounting to EUR 126,448.15. The bank guarantee is valid until 28 February 2021.

On 6 September 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Alfa Bank AS on all the liabilities of the subsidiary ELKO Rus LTD. The guarantee expired on 1 April 2022.

On 10 August 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Alfa Bank AS on all the liabilities of the subsidiary TD Absolut. The guarantee expired on 1 April 2022.

On 26 July 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to VTB Banka on all the liabilities of the subsidiary ELKO Rus LTD. The guarantee is valid until 9 December 2022.

On 26 July 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to VTB Banka on all the liabilities of the subsidiary TD Absolut. The guarantee is valid until 2 November 2022.

On 6 November 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Sberbank PJSC on all the liabilities of the subsidiary ELKO Rus LTD. The guarantee is valid until 5 November 2024.

On 6 November 2018, Akciju Sabiedrība Elko Grupa issued a guarantee to Sberbank PJSC on all the liabilities of the subsidiary TD Absolut. The guarantee is valid until 5 November 2024.

On 15 July 2021, Akciju Sabiedrība Elko Grupa issued a guarantee to Sovkombank on all the liabilities of the subsidiary TD Absolut. The guarantee is valid until 31 March 2024.

On 15 July 2021, Akciju Sabiedrība Elko Grupa issued a guarantee to Sovkombank on all the liabilities of the subsidiary ELKO Rus LTD. The guarantee is valid until 31 March 2022.

All the assets of Akciju Sabiedrība Elko Grupa have been pledged for the benefit of lenders.

34. Related party disclosures

In the reporting year, Akciju Sabiedrība Elko Grupa sold computer components and provided services to its subsidiaries worth EUR 473 million (2020: EUR 362 million). In 2021, payments for these supplies were made by the contractual due dates.

The Company had the following transactions with related parties.

Company	**Sales - goods, services, other transactions**		**Purchases - goods, services, other transactions**	
	2021 EUR	**2020 EUR**	**2021 EUR**	**2020 EUR**
WESTech Spol s.r.o. *	6,059,848	4,982,757	1,538,693	1,943,653
ELKOTech Romania SRL	33,967,614	25,751,058	907,715	743,900
ELKOTEX d.o.o. *	11,780,936	8,435,541	72,719	88,090
ELKO Lietuva UAB	-	876	647,349	611,311
ELKO Mobile Ltd	5,899	-	-	-
ELKO Trading Switzerland AG *	88,917,084	61,961,308	-	-
Elko Trading Malta LTD *	194,744,826	175,334,622	1,361,691	1,365,690
ELKO Rus LTD*	-	-	-	-
TD ABSOLUT LTD*	-	-	-	-
ELKO Eesti OU	5,561	-	533,052	468,885
ELKO Polska Sp.Z.o.o.	-	-	470,055	332,522
ELKO Ukraine LLC	27,207,696	33,340,966	-	-
ELKO Marketing Ltd *	-	-	-	-
Gandalf Distribution AB	110,641,832	52,507,302	175,060	12,440,231
ARAŠID spol. s.r.o.	-	-	372,449	421,346
AST Balts SIA	-	-	-	20,973
	473,331,296	**362,314,430**	**6,078,783**	**18,436,601**

* In 2021, there were additionally received dividends from subsidiaries amounting to EUR 39,32,473 (2020: EUR 8,368,772) (see Note 11).

Receivables and payables from transactions with related parties:

Company	**Amounts due from subsidiaries**		**Amounts due to subsidiaries**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
ELKOTech Romania SRL**	6,322,424	2,404,339	9,952	413,065
WESTech Spol s.r.o.	536,775	517,663	8,375	114,095
ELKO Eesti OU	-	-	60,955	75,410
ELKO Lietuva UAB	-	-	113,729	105,985
ELKOTEX d.o.o.	1,364,623	725,343	8,299	6,548
ELKO Trading Switzerland AG	30,486,644	13,913,614	-	-
Elko Trading Malta LTD	47,465,164	27,870,381	-	-
Gandalf Distribution AB	10,444,741	5,135,501	106,265	20,317
ELKO Polska Sp.Z.o.o.	-	-	60,292	40,407
ELKO Ukraine LLC*	5,458,422	3,389,019	-	-
	102,078,793	**53,955,860**	**367,867**	**775,827**

* Including interest payable for current loans: EUR 16,582 (2020: EUR 6,698).
** Including interest payable for current loans: EUR 60,284 (2020: EUR 48,324).

34. Related party disclosures (cont'd)

Current loans to related companies

	31.12.2021 EUR	31.12.2020 EUR
ELKOTech Romania SRL*	5,698,773	530,000
ELKO Ukraina LLC **	3,531,697	3,259,718
ELKO Mobile Ltd., carrying amount ***	7,289,141	7,010,420
Allowance for the loan to ELKO Mobile Ltd. ****	(7,289,141)	(7,010,420)
	9,230,470	**3,789,718**

* 2019 On 7 August 2019, the Company issued a loan of EUR 530,000 to its subsidiary ELKOTech Romania SRL. The loan bore interest at 6.5% and was repaid on 20 December 2021.
On 14 July 2021, the Company issued a new loan of EUR 1,900,000. The loan bears interest at 3.6% and matures on 14 July 2026.
On 30 August 2021, the Company issued an additional loan of EUR 1,650,000. The loan bears interest at 3.6% and matures on 30 June 2022. As at 31 December 2021, the outstanding loan amount was EUR 1,150,000.
On 13 November 2021, the subsidiary received a loan of USD 3,000,000. The loan bears interest at 4% and matures on 30 June 2022.

** On 22 November 2021, a loan agreement for USD 30,000,000 was signed. The loan bears interest at 6% and matures on 21 November 2022. As at 31 December 2021, the outstanding loan amount was USD 4,000,000 (EUR 3,531,697) (31 December 2020: USD 4,000,000 (EUR 3,259,718)).

*** On 9 December 2021, the Company signed amendments to the loan agreement with the subsidiary ELKO Mobile Ltd, dated 19 May 2015. According to the amendments, the maturity has been extended until 31 December 2022 and the maximum loan amount is USD 50,000,000. The loan bears interest at 6.7% per annum (2020: 6.7%).

**** As at 31 December 2018, the Company assessed the loans to subsidiaries using the Expected Credit Loss approach (ECL) and concluded that due to the sharp decrease in the business volume of Lenovo and uncertain future plans of the company, the investment in the subsidiary ELKO Mobile ltd. of EUR 9,830,701 was not fully recoverable. As a result, ECLs of EUR 7,653,826 were recognized (see Note 34). The ECL calculation included the repayment of EUR 2,176,875 received after the end of the reporting year.

Current loans from related parties

	31.12.2021 EUR	31.12.2020 EUR
Current loan from WESTech spol.s.r.o., current amount	13,000,000	13,000,000
	13,000,000	**13,000,000**

On 30 December 2021, the Company signed an agreement amending the loan agreement with the subsidiary WESTech spol.s.r.o., dated 30 December 2015. The loan maturity was extended until 31 March 2022. The maximum loan amount is EUR 7,000,000; the loan bears interest at 3% per annum.

On 30 December 2021, the Company signed an agreement amending the loan agreement with the subsidiary WESTech spol.s.r.o., dated 19 October 2017. The loan maturity was extended until 31 March 2022. The maximum loan amount is EUR 2,500,000; the loan bears interest at 3% per annum.

On 30 December 2021, the Company signed an agreement amending the loan agreement with the subsidiary WESTech spol.s.r.o., dated 1 January 2019. The loan maturity was extended until 31 March 2022. The maximum loan amount is EUR 3 500 000; the loan bears interest at 3% per annum.

34. Related party disclosures (cont'd)

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest-free (except for loans issued) and settlement occurs in cash. There have been no guarantees provided or received for any related parties receivable or payables. Loans comprise the loans issued and interest accrued thereon.

The Company assesses the receivables from the related parties each financial year through examining the financial position of the respective related party and the market in which the related party operates.

35. Fair value measurement

Fair value measurement hierarchy as at 31 December 2021:

	Measurement date	Total EUR	(Level 1) EUR	(Level 2) EUR	(Level 3) EUR
Assets measured at fair value:					
Current loans to related companies (Note 34)	31 December 2021	9,230,470	-	-	9,230,470
Liabilities measured at fair value:					
Lease liabilities under IFRS 16 (Note 14.1)	31 December 2021	12,074,226	-	-	12,074,226
Loans from credit institutions (Note 26)	31 December 2021	29,949,090	-	29,949,090	-
Debt securities - bonds	31 December 2021	20,000,000	-	20,000,000	-
Loans from related companies (Note 34)	31 December 2021	13,000,000	-	-	13,000,000

No assets or liabilities were transferred from Level 1 to Level 2.

Fair value measurement hierarchy as at 31 December 2020:

	Measurement date	Total EUR	(Level 1) EUR	(Level 2) EUR	(Level 3) EUR
Assets measured at fair value:					
Current loans to related companies (Note 34)	31 December 2020	3,789,718	-	-	3,789,718
Liabilities measured at fair value:					
Lease liabilities under IFRS 16 (Note 14.1)	31 December 2020	13,024,842	-	-	13,024,842
Loans from credit institutions (Note 26)	31 December 2020	28,262,056	-	28,262,056	-
Loans from related companies (Note 34)	31 December 2020	13,000,000	-	-	13,000,000

No assets or liabilities were transferred from Level 1 to Level 2.

36. Financial risk management

Geopolitical risk

A significant part of the Group revenues is generated from sales to Russia and Ukraine (99% of sales to the CIS region is covered by Russian and Ukrainian subsidiaries).
In 2021, the same as in 2020, the world economy struggled to recover from the COVID-19 caused turmoil. The recovery progresses differently from region to region and mostly depends on measures taken to prevent the expansion of COVID-19 and availability of COVID-19 vaccines.

Moreover, as a result of the high interdependence of world economies and uneven recovery process, supply chains were disrupted leading to shortages in the supply of components and raw materials important for the production of final goods. That tendency was observed in the first three quarters of 2021. In Q4 2021, the supply of IT products showed considerable signs of recovery but as logistics was rather disrupted supply was very uneven which resulted in increasing goods in transit at the end of 2021, compared to the same period of 2020. Obviously, shortages in supply led to the increase of sales prices and profitability without increase in revenue.

On the other hand, as a result of Covid-19 outbreak, most of the countries, including Russia, implemented quarantine measures limiting public and entertainment activities for a certain time period, and making people work and study from home, which stimulated IT product demand.

In 2021, the economy of Russia showed a tendency to grow – the GDP growth was 4.7%. Net trading balances amounted to about USD 120 billion The main driver of the growth was increase in gas and oil prices when world economy started recovering after its slow down during the COVID period. Economy recovery and positive net trading balance did not result in the strengthening of local currency, the Russian ruble, which fluctuated against USD from 69.5 to 77.4 during 2021.

Through the entire 2021, the Group implemented risk mitigation actions. To mitigate foreign currency translation risks, the Group purchased financial derivatives.
In 2021, to minimize exposure to the Russian division, Elko Group distributed and received from it a considerable part of retained earnings.

Political situation in Ukraine remained stable throughout the year, which allowed for more stable economy. In 2021, despite the significant impact of Covid-19 lockdowns, Ukrainian economy, using its internal resources, managed to recover quite well. A preliminary release revealed that GDP rose 5.9% year-on-year in Q4 2021, gaining steam from 2.6% growth in Q3 and reaching the highest figure in over 10 years.

UAH/USD rate remained within the range of 26.1-28.5 with the mean of 27.3.

In 2021, the development of the economy of Ukraine resulted in the increased spending for IT products both by consumers and the state, which contributed to the performance of ELKO Ukraine LLC. For more details about post-balance events see Note 37.

Multi-currency settlement risk

Akciju Sabiedrība Elko Grupa operates internationally and is therefore exposed to foreign currency risk arising primarily with respect to the US dollar. Foreign currency risk arises from future multi-currency transactions and recognition of assets, liabilities and long-term investments.
Purchases of goods from vendors are predominantly made in the US dollar and the euro. Sales by the Company to its subsidiaries are chiefly made in the US dollar. Sales to Lithuanian and Estonian customers are carried out in the euro.
Revenue of the Company is mainly derived in the US dollar. Accordingly, the Company raises financing also in the US dollar to minimize foreign currency risk.
The following table demonstrates the sensitivity to a reasonably possible change of the US dollar exchange rate to other currencies used by the Company, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of monetary assets and liabilities).

Increase / decrease in US dollar rate to EUR	Effect on profit ('000)	Effect on equity ('000)
2021		
+10%	58	58
-10%	(58)	(58)
2020		
+10%	940	940
-10%	(940)	(940)

The Company uses derivatives, such as foreign exchange forwards to hedge risks associated with exchange rate fluctuations.

36. Financial risk management (cont'd)

Interest rate risk

Akciju Sabiedrība Elko Grupa exposure to the risk of changes in market interest rates relates primarily to the Company's short-term borrowings to finance a part of its working capital needs, which exposes the Company's income and operating cash flows towards the changes in market interest rates. Borrowings are taken in a form of credit lines. In 2021, the Company's borrowings at variable rates were predominantly denominated in US dollars (Note 26).

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's profit before tax through the impact on floating rate borrowings.

	The base rate increase/ decrease	Effect on profit before tax ('000)
2021		
	+10	+25
	-10	-25
2020		
	+10	+76
	-10	-76

Credit risk

Akciju Sabiedrība Elko Grupa pursues a conservative credit monitoring policy. According to the credit policy, individual credit limits assigned to customers are subject to careful examination, and the utilization of credits is monitored on a regular basis.

In 2013, Akciju Sabiedrība Elko Grupa entered into a cooperation agreement with the receivables insurance company Atradius Credit Insurance N.V. The agreement provides for the insurance of certain balances due from Baltic debtors to the extent of 95%.
In 2019, Akciju Sabiedrība Elko Grupa entered into a cooperation agreement with Equinox Global GmbH, a trade credit insurance company. The agreement permits certain customers to obtain higher insurance limits in addition to those already granted (assigned) by Atradius Credit Insurance N.V.

As at 31 December 2021, the maximum exposure to credit risk was EUR 78,342 thousand (31 December 2020: EUR 88,077 thousand).

The main customers of the Company are related parties whose mutual transactions comprise 62% (2020: 59%) of the total net turnover. Company's net turnover is mostly generated by transactions with the CIS and Central and Eastern European customers (see Note 34). The Company does not have a single customer in the Baltic region with transactions comprising 10% of its turnover generated in the Baltic.

Liquidity risk

The liquidity risk management policy adopted by the Company provides for the maintenance of sufficient cash and an adequate amount of committed credit facilities with credit institutions. The management of Akciju Sabiedrība Elko Grupa intends to increase liquidity reserves on the basis of expected cash flows, by managing working capital in a more efficient manner.

The earliest possible date for exercising the guarantees is at request and the maximum claim amount was EUR 118,879 thousand as at 31 December 2021.

Liquidity risk (cont'd)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2021 based on contractual undiscounted payments, EUR'000:

2021	On demand	< 3 months	3 - 12 months	1 – 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans	-	-	-	28,189	**28,189**
Bonds	-	-	-	20,000	**20,000**
Current loans	-	13,000	42,428	-	**55,428**
Trade and other payables	-	64,211	-	-	**64,211**
Other liabilities	-	415	-	-	**415**
Derivative financial instruments	-	13	-	-	**13**
Total	**-**	**77,639**	**42,428**	**48,189**	**168,256**

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2020 based on contractual undiscounted payments, EUR'000:

2020	On demand	< 3 months	3 - 12 months	1 – 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans	-	-	-	27,611	**27,611**
Current loans	-	13,000	35,967	-	**48,967**
Trade and other payables	-	52,160	-	-	**52,160**
Other liabilities	-	287	-	-	**287**
Derivative financial instruments	-	84	-	-	**84**
Total	**-**	**65,531**	**35,967**	**27,611**	**129,109**

Legal risk

For the most part, the Company's sales represent transactions with the subsidiary Elko Trading Malta, which supplies goods only to the CIS region (Russia and Ukraine). Therefore, this subsidiary is exposed to legal and business risks associated with its operations on the Russian and Ukrainian markets. Hence, the management believes that Akciju Sabiedrība Elko Grupa is exposed to legal and business risks of the Russian and Ukrainian markets through its subsidiary and the ability of Akciju Sabiedrība Elko Grupa to continue its operations and its financial position and performance could be substantially affected by changes in the interpretation and application of Russian or Ukrainian laws and regulations.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years presented.

According to legal requirements the board has to ask for shareholder meeting to deal with the capital issue if the equity of the parent company falls below 50% of the share capital.

	31.12.2021 EUR '000	31.12.2020 EUR '000
Company financials		
Share capital	9,901	9,901
Total equity:	61,951	29,734
Total equity/ Share capital	**626**	**300**

37. Events after the end of the reporting period

Financing

The existing financing provided by the syndicate of banks matures on 31 July 2022. Negotiations on extending funding have already started with OP Corporate Bank, Luminor Bank and Swedbank. Based on the negotiations with the banks, the management of the Group is convinced that the necessary financing will be extended.

Market conditions

On February 24, 2022 military conflict between Russia and Ukraine started. As a result, number of countries (including the US, UK and EU) imposed new sanctions against certain entities and individuals in Russia. Additionally, the recent events in Ukraine have created challenges to businesses located and operating there.

In the light of war in Ukraine and imposed sanctions, a continued presence in the Russian market is associated with both financial and reputational risks. Therefore, the shareholders of Akciju Sabiedrība ELKO Grupa decided to alienate the Russian branch through a sale of 100% stake in all legal entities in Russia.

The process has already begun and could take about 3 months. During this time, both legal and operational separation will take place. In the future, the Russian branch will go on operating separately and independently. It is expected that the Russian related branch will cease to be consolidated into ELKO Group starting from Q2 2022.

Divesting of the Russian branch will not adversely influence the operations of ELKO Group as the former was self-sufficient financially and was not financed by ELKO Group. Besides, the Russian branch did not have any central distribution agreements, thus its divesting will not cause losing the supply of goods for ELKO Group.

Divesting of the Russian branch will have a positive effect on bank covenant compliance as well as it will decrease risks associated with the CIS region. Therefore, it is not expected that the financial institutions providing financing for ELKO Group will decrease the currently available financing limits which similar as in previous years are subject to prolongation in July 2022.

The Group continuously improves its cost control and working capital management procedures ensuring higher returns on equity. The key factors driving the Group's growth is the increase in demand in the markets where the Group operates as well as the Group's continuous efforts on development of the offered product portfolio and maintenance of efficient and cost effective distribution channels.

The Group believes that the above-mentioned factors will help to sustain continuous growth also in the coming years, ensuring positive results of our operations.

Except as disclosed above and in the financial statements, as of the last day of the reporting year there have been no events which could produce a material impact on the Company's financial position as at 31 December 2021.

Egons Mednis
Chairman of the Board,
President

Olga Ivanova
Chief Accountant

22 April 2022

EY
Building a better working world

SIA "Ernst & Young Baltic"
Muitas iela 1A
Rīga, LV-1010
Latvija
Tālr.: +371 6704 3801
Fakss: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reģ. Nr. 40003593454
PVN maksātāja Nr. LV40003593454

SIA Ernst & Young Baltic
Muitas iela 1A
Riga, LV-1010
Latvia
Tel.: +371 6704 3801
Fax: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reg. No: 40003593454
VAT payer code: LV40003593454

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the shareholders of Elko Grupa AS

Opinion

We have audited the accompanying financial statements of Elko Grupa AS (the Company) set out on pages 8 to 52 of the accompanying Annual Report, which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

Management is responsible for the other information. The other information comprises:

- The General information about the Company as set out on page 3 of the accompanying Annual Report;
- the Management Report as set out on pages 4 to 6 of the accompanying Annual Report;
- the Statement on Management Responsibility, as set out on page 7 of the accompanying Annual Report.

Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Management Report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ERNST & YOUNG BALTIC SIA
Licence No. 17

Iveta Vimba
Member of the Board
Latvian Certified Auditor
Certificate No. 153
Riga, 22 April 2022