Akciju sabiedrība ELKO GRUPA

Consolidated Annual Report

For the year ended 31 December 2022
Pepared in accordance with International Financial Reporting Standards as adopted by EU

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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General information

Group name	Akciju Sabiedrība ELKO GRUPA
Legal status of the Group	Joint Stock Company
Unified registration number, place and date of registration	000 312 956 Riga, 14 May, 1993 Re-registration in Commercial register 2 December, 2003 with re-registration number 4 000 312 956 4
Registered office	4 Toma street Riga LV-1003 Latvia
Shareholders	Ashington Business Inc. Limited (2,350,736 shares), United Kingdom Solsbury Inventions Limited (2,342,351 shares), United Kingdom 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 Nominal value of each share EUR 1
Personal non voting shares	Svens Dinsdorfs (77,326 shares) Mārtiņš Ozoliņš (12,888 shares) Vadims Rabša (25,776 shares) Nominal value of each share EUR 1
Council Members	Andris Putāns – Chairman of the Council Edgars Kvālis – Council Member Annija Reskāja – Council Member (from 12.09.2022) Ēriks Strods – Council Member Kaspars Viškints – Council Member (until 12.09.2022)
Board Members	Egons Mednis – Chairman of the Board with powers to represent the Group individually, President Svens Dinsdorfs – Board Member with powers to represent the Group individually, Chief Executive Officer Mārtiņš Ozoliņš – Board Member with powers to represent the Group individually, Acting Chief Commercial Director Vadims Rabša – Board Member with powers to represent the Group individually, Board Member, Chief Financial Officer
Procura	Uldis Menģelis – Procurator with powers to represent the Group individually, Chief Legal Officer
Reporting year	1 January – 31 December, 2022

Management report

Business activities

Akciju sabiedrība ELKO Grupa and its subsidiaries (hereinafter – the Group or ELKO) is one of the largest distributors of IT products in the Central and Eastern Europe. The Group's core business activity is wholesale distribution of IT products such as smartphones and tablets, computer desktop components and peripherals, monitors, multimedia and software products, server, network component and networking solutions, using the wide network of the ELKO Grupa subsidiaries and cooperation partners. ELKO represents a broad range of vendors from all over the world, including Lenovo, Apple, Intel, Huawei, Seagate, Western Digital, Asus, Acer, Samsung, LG and other global and local vendors.

The key to the success is ELKO's long-term strategy for cooperation with vendors developed over the years, centralized purchase system, functionality of business process management and financial management.

Financial analysis

Akciju Sabiedrība ELKO Grupa consolidated turnover during the 12 months of 2022 reached USD 1,516m (EUR 1,427m), which is a 30.83% decrease over the corresponding period in 2021 which is explained by divesting of Russian operations in April 2022. Gross profit reached USD 142.7m (EUR 134.3m), a decrease of 10.08% compared to the same period of the previous year.

The year 2022 started with the first signs of market balancing as the demand began slightly softening while supply recovered in some product categories. However, the geopolitics added unexpected turbulence and significantly affected the mindset and behaviour of all the market participants (vendors, distributors, customers and governments) in ELKO's primary markets.

Since the beginning of the war in Ukraine in late February, the Company stopped supplying goods to the Russian market following the implementation of international sanctions. In order to mitigate risks related to operations in Russia, at the end of April, the Company divested its operations in the region. Thus, the results of operations in the Russian market were consolidated into the ELKO Group only for the first four months of 2022.

While there were no sales during March in Ukraine, there was a noticeable recovery in the remaining year, allowing the Ukrainian sales office to resume operations fully and finish the year profitably, navigating between strict risk management policies to limit Group's exposure to the volatile region and new opportunities in highly demanded product categories.

Operations in other European geographies saw incremental demand in specific product categories, like drones and energy management, at the same time feeling strong inflationary pressure on consumer sentiment closer to the year's end. Some of those effects were planned, allowing us to achieve results above initial estimates. At the same time, selected markets showed signs of slowing down if compared to the heights of pandemic-driven demand.

Despite a decrease in consolidated revenue by 30.83%, the profitability remained strong throughout the year. Prudent risk management and divestment of Russian entities have noticeably improved the balance structure. Following the restructuring and optimisation of the Group's legal structure, in December 2022, ELKO Trading Malta LTD was sold, which allowed to cut costs and optimise processes within the Company.

AKCIJU SABIEDRĪBA ELKO GRUPA structure

Akciju Sabiedrība ELKO Grupa shareholdings in 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., WESTech solutions s.r.o., ELKO Trading Switzerland A.G., ELKO Marketing Ltd., ELKO Mobile Ltd., ELKO Ukraine LLC, ELKO Rus LTD (until 18.04.2022), Gandalf Distribution AB, ELKO Trading Malta LTD (until 14.12.2022), TD Absolut LLC (until 18.04.2022), Arašid spol. s r.o., Logicworks s.r.o., Westech HU Kft. (previous name: Game Distribution Kft.), SWISS spol. s r.o., SWISS CZ s.r.o., IT Smart Distribution SRL (merged in ELKOTEch Romania SRL, effective 31.05.2022), ЭЛКО Ритейл ООО (until 18.04.2022), ELKO Trading Kazakhstan LLP, ELKO Nordics Shared Services AB, ELKO Nordic AB.

Following start of war activities in Ukraine in late February 2022, shareholders of Akciju Sabiedrība ELKO Grupa has decided to divest Russian operations by means of sales 100% stake in Russian subsidiaries. The transaction became effective as of 18 April 2022. Thus, Russian subsidiaries were consolidated into Akciju Sabiedrība ELKO Grupa during first four months of 2022. Also, ELKO Trading Malta LTD, which initially was working with clients from CIS markets has been divested in the end of 2022.

Management report (continued)

Akciju Sabiedrība ELKO Grupa holds a majority shareholding in all of the above subsidiaries except ELKOTEX d.o.o. with 49% of shares, WESTech solutions s.r.o. with 25% of shares, SWISS spol. s r.o. with 26% of shares, SWISS CZ s.r.o. with 26% of shares, and Arašid CZ spol. s r.o. with 51% of shares.

Financial risk management

Multi-currency risk

The Group operates internationally and is exposed to foreign exchange risks accordingly, primarily from the US dollar, euro, Russian rouble, Romanian lei, Swedish krona and Ukrainian grivna. Foreign exchange risks arise from future multi-currency transactions and the recognition of assets, liabilities and long-term investments in a variety of currencies.

The purchase of goods is predominantly in US dollars, but sales are conducted in different currencies. In the CIS region, the main currency is US dollar and Russian rouble, but in the Baltics, trade is conducted in euros.

CEE countries Slovakia and Slovenia trade in euros, but Romania in its national currency – the Romanian lei. In the Nordic region, most sales are transacted in Swedish krona.

The Group has shareholdings 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 – the USD.

Currency risk is actively mitigated by using different bank products. The Group has centrally developed and globally applied currency risk management policies and procedures.

As the Group functional currency is US dollars, for minimizing the currency risk, financing is attracted in US dollars. The Group monitors the open foreign currency positions and if necessary acquires adequate financing instruments to minimize the risk.

Interest rate risk

The Group uses current borrowing rates for financing part of its current assets. All the borrowings are at floating rate that exposes the Group to interest rate risk.

Credit risk

Credit risk arises from the credit exposure to outstanding trade receivables. Akciju sabiedrība ELKO Grupa has implemented procedures and control mechanisms to manage credit risk. Credit risk is partly minimized through credit risk insurance and conservative credit monitoring policies. Individual risk limits are set based on internal or external ratings in accordance with the credit policy. The utilization of credit limits is regularly monitored.

Inventories

The Group determines the amount of inventories based on the expected future demand and market situation. Any changes in the demand and/ or rapid obsolescence of the products or technological changes will result in excess stock and accumulation of obsolete items. The Group makes centralized plans for purchase and sale of the products and the procedures for ordering of the goods help to decrease the inventory days. Weekly inventory analysis decreases the need to establish provisions for obsolete items. The risk related to product flow management is partially reduced through price protection arrangements under the cooperation agreements with major vendors. The agreements provide for compensation for the price reduction in case of decline of the market prices for the goods at the Group's warehouse or that are already ordered.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities. In future the Group's management plans to increase the liquidity reserve based on the expected cash flows by improving the management of working capital.

Proposed profit distribution

The Board of the Group suggests to transfer the profit of year 2022 to Retained earnings in order to support future investments and maintain financial stability.

Management report (continued)

Prospects and Events after the reporting period

The Group's performance is and will be influenced by macroeconomic, competition and political situation and developments of markets where the Group has cooperation partners.

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 continuously improves its cost control and working capital management procedures ensuring higher returns on equity.

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.

Ukraine is currently associated with increased financial and security risks, adversely affecting the Company's overall risk profile. In order to preserve the Company's hard-earned financial credibility and solid credit profile in markets outside Ukraine, the Company has taken the decision to divest the Ukrainian entity and and on February 20, 2023 the sale of company was completed.

Otherwise, there have been no subsequent events after the last date of the reporting period that would have a significant effect on the Company's financial position as of 31 December 2022.

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Egons Mednis
Chairman of the Board,
President
Riga, 21 April, 2023

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Statement of Directors' Responsibility

The Board of Akciju sabiedrība ELKO Grupa confirms that based on the information available at the time of the preparation of the financial statements, the consolidated financial statements give true and fair view in all material aspects of the financial position of the Group as of December 31, 2022 and of its financial operations for the year ended 31 December, 2022. The consolidated 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 has:

- on consistent basis applied appropriate accounting methods;
- has provided well-grounded and prudent conclusions and evaluations;
- has followed the going concern principle.

The Board of Directors of Akciju sabiedrība ELKO Grupa is responsible for the maintenance of proper accounting records so that at the appropriate moment the financial records would show the true and fair view of the financial position of the Group and would ensure the possibility for the management to prepare the financial statements accordance with International Financial Reporting Standards as adopted by the European Union.

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Egons Mednis
Chairman of the Board,
President
Riga, 21 April, 2023

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Consolidated financial statements

Consolidated statements of comprehensive income

	Note	2022 USD'000	2021 USD'000	2022 EUR'000	2021 EUR'000
Sale of goods	6	1,515,644	2,191,031	1,427,484	1,852,109
Cost of sales	7	(1,372,911)	(2,032,306)	(1,293,144)	(1,717,934)
Gross profit		**142,733**	**158,725**	**134,340**	**134,175**
Other operating income	8.1	14,536	5,507	14,076	4,655
Selling and distribution costs	7	(9,918)	(15,565)	(9,327)	(13,157)
Administrative expenses	7	(56,843)	(64,097)	(53,829)	(54,183)
Other operating expenses	8.2	(29,946)	(10,786)	(28,404)	(9,119)
Operating profit		**60,562**	**73,784**	**56,856**	**62,371**
Finance income		822	448	768	378
Finance expenses		(12,523)	(15,087)	(11,742)	(12,753)
Finance income/ (expenses) – net	9	**(11,701)**	**(14,639)**	**(10,974)**	**(12,375)**
Profit before tax from continuing operations		**48,861**	**59,145**	**45,882**	**49,996**
Income tax expense	11	(8,498)	(14,727)	(7,897)	(12,449)
Profit (loss) for the year from continuing operations		**40,363**	**44,418**	**37,985**	**37,547**
Attributable to:					
Equity holders of the Company		36,747	40,141	34,553	33,932
Non-controlling interests		3,616	4,277	3,432	3,615
		40,363	**44,418**	**37,985**	**37,547**
Earnings per share (basic and diluted) for profit attributable to the equity holders of the Company	12	**3.71**	**4.05**	**3.49**	**3.43**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations		(4,473)	(4,744)	6,224	4,754
Total comprehensive incomes for the year		**35,890**	**39,674**	**44,209**	**42,301**
Attributable to:					
Equity holders of the Company		32,513	36,691	40,187	38,608
Non-controlling interests		3,377	2,983	4,022	3,693
		35,890	**39,674**	**44,209**	**42,301**

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Egons Mednis Chairman of the Board	Olga Ivanova Chief accountant

21 April 2023

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Consolidated statements of financial position

	Note	31.12.2022 USD'000	31.12.2021 USD'000	31.12.2022 EUR'000	31.12.2021 EUR'000
ASSETS					
Non-current assets					
Intangible assets	14.1	2,029	1,518	1,902	1,341
Property, plant and equipment	15.1	5,314	6,545	4,982	5,779
Right-of-use assets	15.2	19,838	22,166	18,599	19,571
Goodwill	14.1&21	2,044	2,202	1,917	1,944
Investments in associates	14.2	2,946	-	2,762	-
Non-current loans	16	-	562	-	496
		32,171	**32,993**	**30,162**	**29,131**
Current assets					
Inventories	17	142,103	319,490	133,230	282,086
Current income tax receivable		1,017	970	953	856
Short term loans	16	842	-	789	-
Trade and other receivables and prepayments	18	255,328	373,551	239,415	329,817
Derivative financial instruments	25	-	-	-	-
Cash deposits	19	3,131	956	2,935	844
Cash and cash equivalents	19	24,830	40,053	23,280	35,364
		427,251	**735,020**	**400,602**	**648,967**
Total assets		**459,422**	**768,013**	**430,764**	**678,098**
EQUITY					
Issued capital	20	11,251	11,251	9,901	9,901
Share premium	20	5,996	5,996	4,974	4,974
Translation reserve	20	(14,200)	(9,966)	7,518	1,884
Retained earnings		120,113	116,715	93,106	92,721
Equity attributable to equity holders of the Parent Company		**123,160**	**123,996**	**115,499**	**109,480**
Non-controlling interests in equity		**18,504**	**18,002**	**17,348**	**15,894**
Total equity		**141,664**	**141,998**	**132,847**	**125,374**
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings	22	21,412	22,919	20,075	20,236
Interest-bearing loans from related parties	22	40,984	19,619	38,425	17,322
Lease liabilities	15.2&22	16,113	18,704	15,107	16,515
		78,509	**61,242**	**73,607**	**54,073**
Current liabilities					
Trade and other payables	23	141,929	315,069	133,069	278,182
Contract liabilities	23	13,190	12,787	12,365	11,290
Interest-bearing loans and borrowings	22	74,516	222,003	69,862	196,011
Interest-bearing loans from related parties	22	-	331	-	292
Lease liabilities	22	4,167	4,271	3,907	3,771
Income tax payable		2,298	7,087	2,154	6,257
Provisions		3,096	3,211	2,903	2,835
Derivative financial instruments	25	53	14	50	13
		239,249	**564,773**	**224,310**	**498,651**
Total liabilities		**317,758**	**626,015**	**297,917**	**552,724**
Total equity and liabilities		**459,422**	**768,013**	**430,764**	**678,098**

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Egons Mednis
Chairman of the Board, President

Olga Ivanova
Chief accountant

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Consolidated statement of changes in equity

	Attributable to equity holders of the Parent Company						
	Issued capital	**Share premium**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Balance at 1 January 2021	**11,251**	**5,996**	**91,886**	**(6,516)**	**102,617**	**16,475**	**119,092**
Other comprehensive income	-	-	-	(3,450)	(3,450)	(1,294)	(4,744)
Employee shares	-	-	-	-	-	-	-
Profit for the year	-	-	40,141	-	40,141	4,277	44,418
Total comprehensive income for 2021	**-**	**-**	**40,141**	**(3,450)**	**36,691**	**2,983**	**39,674**
Dividend(note 13)	-	-	(15,312)	-	(15,312)	(1,456)	(16,768)
Balance at 31 December 2021	**11,251**	**5,996**	**116,715**	**(9,966)**	**123,996**	**18,002**	**141,998**
Balance at 1 January 2022	**11,251**	**5,996**	**116,715**	**(9,966)**	**123,996**	**18,002**	**141,998**
Other comprehensive income	-	-	-	(4,234)	(4,234)	(239)	(4,473)
Profit for the year	-	-	36,747	-	36,747	3,616	40,363
Total comprehensive income for 2022	**-**	**-**	**36,747**	**(4,234)**	**32,513**	**3,377**	**35,890**
Dividend(note 13)	-	-	(33,349)	-	(33,349)	(522)	(33,871)
Disposal of subsidiary (note 14.2)	-	-	-	-	-	(2,353)	(2,353)
Balance at 31 December 2022	**11,251**	**5,996**	**120,113**	**(14,200)**	**123,160**	**18,504**	**141,664**

Consolidated statement of changes in equity (continued)

	Attributable to equity holders of the Parent Company						
	Issued capital	**Share premium**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Balance at 1 January 2021	**9,901**	**4,974**	**71,542**	**(2,792)**	**83,625**	**13,426**	**97,051**
Other comprehensive income	-	-	-	4,676	4,676	78	4,754
Employee shares	-	-	-	-	-	-	-
Profit for the year	-	-	33,932	-	33,932	3,615	37,547
Total comprehensive income for 2021	**-**	**-**	**33,932**	**4,676**	**38,608**	**3,693**	**42,301**
Dividend(note 13)	-	-	(12,753)	-	(12,753)	(1,225)	(13,978)
Balance at 31 December 2021	**9,901**	**4,974**	**92,721**	**1,884**	**109,480**	**15,894**	**125,374**
Balance at 1 January 2022	**9,901**	**4,974**	**92,721**	**1,884**	**109,480**	**15,894**	**125,374**
Other comprehensive income	-	-	-	5,634	5,634	590	6,224
Profit for the year	-	-	34,553	-	34,553	3,432	37,985
Total comprehensive income for 2022	**-**	**-**	**34,553**	**5,634**	**40,187**	**4,022**	**44,209**
Dividend(note 13)	-	-	(34,168)	-	(34,168)	(490)	(34,658)
Disposal of subsidiary (note 14.2)	-	-	-	-	-	(2,078)	(2,078)
Balance at 31 December 2022	**9,901**	**4,974**	**93,106**	**7,518**	**115,499**	**17,348**	**132,847**

Retained earnings are USD 120,113 thousand or EUR 93,106 thousand (31.12.2021: USD 116,715 thousand or EUR 92,721 thousand), of which USD 77 thousand or EUR 63 thousand) (31.12.2021: USD 77 thousand or EUR 63 thousand) are statutory reserves and are not available for dividend distribution.

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Egons Mednis
Chairman of the Board,
President

Olga Ivanova
Chief accountant

21 April 2023

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Consolidated statement of cash flows

Operating activities	Note	2022 USD'000	2021 USD'000	2022 EUR'000	2021 EUR'000
Profit before tax from continuing operations		48,861	59,145	45,882	49,996
Non-cash adjustments to reconcile profit before tax to net cash flows					
Depreciation of property, plant and equipment	15.1	2,177	2,511	1,887	2,217
Amortisation of intangible assets	14.1	400	469	375	414
Finance income	9	(822)	(448)	(768)	(378)
Finance costs	9	12,523	15,087	11,742	12,753
Fair value (gain)		39	(89)	37	(71)
Movements in provisions and allowances		20,838	1,157	19,939	1,161
Share of net profit of associate and a joint venture		(2,863)	-	(2,556)	-
Loss on disposal of subsidiary		2,861	-	3,528	-
Gain on disposal of property, plant and equipment		(78)	(27)	(74)	(23)
Working capital adjustments:					
Increase/(Decrease) in trade and other receivables		52,138	(52,308)	26,195	(68,092)
Decrease/(Increase) in inventories		20,632	(131,668)	502	(129,024)
(Decrease)/ Increase in trade and other payables		(68,313)	63,614	(35,433)	84,601
Interest received		822	448	768	378
Interest paid	9	(12,523)	(15,087)	(11,742)	(12,753)
Income tax paid		(10,714)	(15,171)	(9,902)	(12,689)
Net cash flows (used in)/ operating activities		**65,978**	**(72,367)**	**50,380**	**(71,510)**
Investing activities					
Proceeds from sale of property, plant and equipment		80	-	73	-
Purchases of property, plant and equipment	15.1	(1,569)	(3,453)	(1,471)	(3,049)
Purchases of intangible assets	14.1	(1,410)	(920)	(1,322)	(812)
Net cash outflow on disposal of subsidiary	14.2	(12,635)	-	(11,935)	-
Acquisition of a subsidiary		(16)	(2,548)	(15)	(2,160)
Proceeds from cash deposits		2,175	(3,481)	2,039	(3,073)
Net cash flows (used in)/from investing activities		**(13,376)**	**(10,402)**	**(12,631)**	**(9,094)**
Financing activities					
Bonds received		-	23,162	-	20,000
Proceeds from/repayment of bank overdrafts, net		(59,273)	65,324	(41,721)	68,232
Payment of principal portion of lease liabilities	15.2	(4,472)	(4,997)	(4,292)	(4,273)
Dividends paid to equity holders of the parent		(428)	(312)	(396)	(260)
Dividends paid to the Minority shareholders		(522)	(1,456)	(490)	(1,225)
Net cash flows (used in) / from financing activities		**(64,695)**	**81,721**	**(46,899)**	**82,474**
Net increase in cash and cash equivalents		**(12,092)**	**(1,048)**	**(9,149)**	**1,870**
Cash and cash equivalents at beginning of the year		40,053	41,101	35,364	33,494
Cash and cash equivalents at end of the year		**27,961**	**40,053**	**26,215**	**35,364**

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Egons Mednis
Chairman of the Board, President

Olga Ivanova
Chief accountant

21 April 2023

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Notes to the consolidated financial statements

1 General information

Akciju sabiedrība ELKO Grupa and its subsidiaries (hereinafter – the Group or ELKO) is one of the largest distributors of IT products in the Central and Eastern Europe. The Group's core business activity is wholesale distribution of IT products such as smartphones and tablets, computer desktop components and peripherals, monitors, multimedia and software products, server, network component and networking solutions, using the wide network of the ELKO Grupa subsidiaries and cooperation partners. ELKO represents a broad range of vendors from all over the world, including Lenovo, Apple, Intel, Huawei, Seagate, Western Digital, Asus, Acer, Samsung, LG and other global and local vendors.

The Parent Company is a joint stock company incorporated and domiciled in Latvia with company's registered office at Toma str, 4, Riga, LV-1003, Latvia. These consolidated financial statements have been prepared and approved for issue by the Management on 21 April 2023 and signed on its behalf by the Chairman of the Board and President Egons Mednis.
The financial statements are subject to the approval of the shareholders in general meeting.
The Parent Company has the following participating interests in its subsidiaries:

Name	Country	Participating interest in share capital of subsidiaries	
		31.12.2022	31.12.2021
		%	%
ELKO Eesti OU	Estonia	100%	100%
ELKO Lietuva UAB	Lithuania	100%	100%
ELKO Marketing Limited	Cyprus	100%	100%
ELKO Trading Switzerland AG	Switzerland	100%	100%
ELKOTech Romania SRL	Romania	100%	100%
ELKO Ukraine LLC	Ukraine	100%	100%
Gandalf Distribution AB	Sweden	100%	100%
ELKO RUS Limited [1]	Russia	-	100%
TD Absolut Llc. [2]	Russia	-	100%
ELKO Polska Sp. z o.o.	Poland	100%	100%
ELKO Trading Malta Limited [3]	Malta	-	100%
ELKOTEX d.o.o.[4]	Slovenia	49%	51%
WESTech s.r.o.	Slovakia	51%	51%
ELKO Mobile Limited	Cyprus	51%	51%
WESTech CZ s.r.o.	Czech Republic	50.49%	50.49%
ARAŠID spol. s r.o.[5]	Slovakia	51%	51%
SWISS spol s.r.o.[6]	Slovakia	26%	26%
IT Smart Distribution SRL [7]	Romania	-	100%
Logicworks s.r.o.	Czech Republic	72.25%	72.25%
ЭЛКО Ритейл ООО [8]	Russia	-	100%
Westech HU Kft. (previous name:Game Distribution Kft.) [9]	Hungary	100%	100%
ELKO Trading Kazakhstan LLP [10]	Kazakhstan	100%	-
ED Nordic AB [11]	Sweden	100%	-
ELKO Nordics Shared Services AB [12]	Sweden	100%	-

[1] In April 2022 Akciju Sabiedrība ELKO Grupa sold its investment in ELKO RUS Limited. Loss from sale of it is presented in equity movement.
[2] In April 2022 Akciju Sabiedrība ELKO Grupa sold its investment in TD Absolut LLC. Loss from sale of it is presented in equity movement.
[3] In December 2022 Akciju Sabiedrība ELKO Grupa sold its investment in Elko Trading Malta Limited.
[4] In January 2022 Akciju Sabiedrība ELKO Grupa sold 2% of its investment in ELKOTEX d.o.o. and became a minority shareholder of the company.
[5] Parent has control over ARAŠID spol. s r.o. through controlling interest owned by its subsidiary – WESTech spol.s.r.o.

1 General information (continued)

[6] Parent has control over SWISS spol. s r.o. through controlling interest owned by its subsidiary – WESTech spol.s.r.o.
[7] In May 2022 IT Smart Distribution SRL was merged with ELKOTech Romania SRL as the result of the company reorganization.
[8] In April 2022 Akciju Sabiedrība ELKO Grupa sold its investment in ЭЛКО Ритейл ООО. Parent had control over ЭЛКО Ритейл ООО through controlling interest owned by its subsidiary – ELKO RUS Limited.
[9] Parent has control over Westech HU Kft. (previous name Game Distribution Kft.) through controlling interest owned by its subsidiary – WESTech spol.s.r.o.)
[10] In April 2022 Akciju Sabiedrība ELKO Grupa founded ELKO Trading Kazakhstan LLP.
[11] In March 2022 Akciju Sabiedrība ELKO Grupa acquired 100% of shareholding in ED Nordic AB.
[12] In March 2022 Akciju Sabiedrība ELKO Grupa founded ELKO Nordics Shared Services AB.

Akciju Sabiedrība ELKO Grupa holds a majority shareholding in all of the above subsidiaries except ELKOTEX d.o.o. with 49% of shares, WESTech solutions s.r.o. with 25% of shares, SWISS spol. s r.o. with 26% of shares, SWISS CZ s.r.o. with 26% of shares, and Arašid CZ spol. s r.o. with 51% of shares.
Logicworks s.r.o., Westech HU Fft. are not consolidated because we consider them immaterial.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in EUR and USD and all values are rounded to the nearest thousand (€/USD'000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is

2.1 Basis of preparation (continued)

Business combinations and goodwill (continued)

not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the Group recognizes bargaining purchase amount in profit and loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.2 Foreign currency translation

The Group's functional currency is U.S. dollars. The company has decided, in addition to functional currency, also to present the financial statements in presentation currency euro (EUR) as required for filing purposes according to Latvian legislation.
In determination of functional currency Group 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 labour, 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 (ie 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 Parent:

(a) whether the activities of the foreign operation are carried out as an extension of the Parent, rather than being carried out with a significant degree of autonomy.

(b) whether transactions with the Parent are a high or a 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 Parent and are readily available for remittance to it.

(d) whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the Parent.

Transactions and balances

As the presentation currency differs from the Group'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 (ie including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

2.2 Foreign currency translation (continued)

(b) income and expenses for each statement presenting profit or loss and other comprehensive income (ie 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.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Group's functional currency U.S. dollars at the European Central Bank rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised as gain or loss.
Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group 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 recognised:

Revenue from contracts with customers
The Group is in the business of providing IT products and solutions. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group 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 3. Revenues from contracts with customers are disclosed in Note 6.

Sale of goods
Revenue from the sale of goods is recognised when the control of the goods have 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 respecitve goods are sold to the end customers.

Sale of IT products
Revenue from sale of IT products is recognised 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 Group 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 Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Rendering of services
The Group generates income from providing marketing and transport agency services that are sold separately from IT products. These services can also be obtained from other providers and do not significantly customise or modify IT products. These services are provided based on agreed time and material costs incurred or as a fixed-price contract. Revenue from fixed-price contracts for delivering transportation services is recognised over time using input method to measure the progress towards complete satisfaction of the service.

2.3. Revenue recognition (continued)

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Group 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 recognised 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 Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group 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 Group 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 ouside 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 Group'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 accounting policies of financial assets in Note 2.5. Trade receivables consist of trade receivables, accrued income, and debt on factoring as disclosed in Note 18.

The Group splits trade receivable balances in two portfolios based on a business model.
· Trade receivables from contracts with customers within a business model with the objective to hold financial assets in order to collect contractual cash flows are accounted at amortized cost and reviewed for impairment as disclosed in Note 2.5.
· Trade receivables from contracts with customers held with the only objective of selling the financial assets are accounted for at FVTPL (factoring with non-recourse).
Proceeds received in accordance with factoring agreements are recognized as prepayments from customers when the Group remain exposed to credit risk associated with the respective debtor. When credit risk remains with the contracting party or the factor, the proceeds are netted against the respective debtor balance in full.

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

Interest income
For all financial instruments measured at amortised 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 finance income in the statement of comprehensive income.

2.3. Revenue recognition (continued)

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

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

2.4 Taxes

Income taxes

Based on Corporate Income Tax Law of the Republic of Latvia legal entities are not required to pay income tax on earned profits.. Corporate income tax is paid on distributed profits and deemed profit distributions at 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.

For other copmanies within the Group current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

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.

Deferred tax assets and liabilities

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Corporate income tax on profits and deferred income tax expense or benefit of subsidiaries located in countries mentioned below, as well as corporate income tax on dividends and deferred income tax expense on dividends of Latvian entities are reported in the consolidated statement of profit or loss.

The corporate income tax rates in the major jurisdictions where the Group Companies are operating are:
Latvia – 25%
Russia – 20%
Ukraine – 18%
Slovakia – 21%
Romania – 16%
Cyprus – 12.5%
Switzerland – 14%
Kazakhstan – 20%
Slovenia – 19%

2.4 Taxes (continued)

Deferred tax assets and liabilities (continued)

Sweden – 20.6%
Czech Republic – 19%
Malta – 35%

The consolidated financial statements include the current and deferred income tax of Russia, Slovenia, Slovakia, Czech Republic subsidiaries. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

Tax loss carry forward periods
Latvia – 5 years
Russia – ulimited period, but cannot exceed a cap (50% of the tax base of the current period)
Ukraine – indefinite
Slovakia – 4 years
Romania – 7 years
Cyprus – 5 years
Switzerland – 7 years
Malta – indefinite
Sweden - indefinite
Poland – 5 years,but the deduction is restricted to 50% of the loss incurred.
Czech Republic - 5 years

Indirect taxe (Sales tax)
Revenues, expenses and assets are recognised net of the amount of sales tax except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised 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 sales tax included.

The net amount of sales 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

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group 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 componentor for which the Group 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 amortised 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 Group'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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised 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

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

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Group's financial assets at amortised cost includes trade receivables.

2.5 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

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 amortised 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 recognised 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 derecognised when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 recognised to the extent of the Group's continuing involvement in the asset.
In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Disclosures for significant assumptions Note 3
- Trade receivables, including contract assets Note 18

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.5 Financial instruments – initial recognition and subsequent measurement (continued)

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 recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group'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 Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.
Gains or losses on liabilities held for trading are recognised 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 Group has not designated derivative financial instruments as financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised 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 amortisation 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 Note 22.

Factoring
A factoring transaction is a funding transaction where the Group transfers to the factor claim rights from a debtor for a determined reward. The Group alienates the rights to receivables due at a future date according to invoices. The Group's factoring transactions comprise factoring transactions with recourse (the factor is entitled to selling the overdue claim back to the Group). The factoring expenses comprise the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest expenses depending on the duration of the payment term set by the debtor. Factored accounts receivable with recourse are recorded under current borrowings and trade receivables captions in the financial statements. The Group derecognises the borrowings and the trade receivables at the moment when the debtor settles the liability with the factor. The factoring transactions with non-recourse are derecognized in the moment of trade receivables' sale to the factor.

Derecognition
A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.5 Financial instruments – initial recognition and subsequent measurement (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts, interest rate and currency swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Fair value of financial instruments
The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair-value related disclosures for financial instruments are summarised in the note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

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.

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Property	20 years
Communication and computer engineering	2 years
Other	4-5 years
Leasehold improvements	3-5 years

2.6. Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.7 Leases

The Group 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises 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 recognised, 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:

• Buildings 2 to 14 years

If ownership of the leased asset transfers to the Group 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.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.11(s) Impairment of non-financial assets.

Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group 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 Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 22).

2.7 Leases (continued)

Short-term leases and leases of low-value assets

The Group 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 that have a lease term of 12 months or less from the 1 January 2022 date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group 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 recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.8 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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. In 2021 and 2022 the Group had no acquisition, construction or production of assets qualifying for capitalization of borrowing costs attributed.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lifes of intangible assets are assessed at 5 years.

Intangible assets with finite lifes are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the the statement of profit or loss when the asset is derecognised.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of goods comprises acquisition costs, additional expenses related to transportation, import duties, duties for environmental protection and insurance as well as any discounts and allowances granted by vendors. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Estimated selling price is based upon an aging analysis of the inventory on hand, technological obsolescence, the nature of vendor relations and assumptions about future demand. The inventories are recognized at the moment when the invoice by the vendor is issued and the liability to the vendor is recognized.

2.11 Impairment of non-financial assets

The Group 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 Group 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 or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of profit or loss.

Goodwill is tested for impairment annually as at 31 December or when circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.12 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

2.13 Share capital and dividend distribution

Ordinary shares are classified as equity. The Parent Company has issued ordinary shares and personnell non voting shares. All issued shares are fully paid. There are no share options in any of the years presented.

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements in the period, in which the dividends are approved by the Parent's shareholders.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss 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 recognised as a finance cost.

2.15 Warranties

The Group's vendors generally warrant the products distributed by the Group and allow returning defective products, including those that have been returned to the Group by its customers. Based on the past experience and the contractual agreements with vendors, the Group assesses that the receipt of the reimbursement from vendors is virtually certain.

2.16 Vendor programs

The Group receives funds from vendors in a form of credit notes for price protection, product rebates, marketing and other product promotions. The credit notes for price protection are booked as decrease of the cost value of the inventory. The credit notes for rebates are recognized directly in the statement of comprehensive income as decrease of cost of sales. The credit notes for marketing and other product promotion are 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.

2.17 Going concern

After comparatively rapid growth in 2021 of , ELKO Group has shown drop in sales in 2022 which is mainly explained by change in corporate structure of the Group. Following war activities which started in February 2022, Russian division has been divested effective from April 2022. Also, ELKO Trading Malta LTD, which initially was working with clients from CIS markets has been divested in the end of 2022. CEE region in 2022 has shown considerable growth.

The main factor affecting revenue growth is shortage of goods on the market due to decreased production volumes. This factor has a negative effect on revenue, but at the same time is viewed as a possibility for further increase of gross profit.

To ensure the ability to operate on going concern basis, the Group's management has identified the following main areas to be monitored – FX risk, maintenance of financing facilities and geopolitical risk related to war activities in Ukrain.

Since the Group currently is already hedging its position and the costs of hedge are passed to customers the Group does not expect to have any significant impact on its operation and net results due to sudden changes in currency rates.

Additionally to the mentioned identified risks, in light of war in Ukraine and imposed sanctions, a continued presence in the Russian market is associated with both financial and reputational risks. Therefore, shareholders of Akciju sabiedrība ELKO Grupa have decided to alienate the Russian division through a sale of 100% stake of all legal entities in Russia. The process has been completed at the end of April 2022 meaning that Russian division has been consolidated into EKLO Group only during first four months of 2022.

Divesting of Russian division did not adversely influence operations of ELKO Group as Russian division was financially self-sufficient and was not financed by ELKO Group. Besides, Russian division was not holding any central distribution agreements, thus divesting of Russian division did not lead to loose of supply of goods for ELKO Group.

Divesting of Russian division had positive effect on bank covenants compliance as well as decreased risks associated with CIS region. Therefore, there is no expectations that financial institutions, providing financing for ELKO Group will decrease currently available financing limits which similar as in previous years are subject for prolongation in July 2023.

These consolidated financial statements for the year ended 31 December 2022 are prepared on going concern basis, consistently applying International Financial Reporting Standards as adopted by the European Union.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgments and estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1 Currency

The Management have evaluated that The Group's functional currency is U.S. dollars as financing activities and the purchase of goods from vendors is by the Parent Company in U.S. dollars, the sales from the Parent Company to its subsidiaries are done in U.S. dollars. The sales to customers are carried out by the subsidiaries in the respective local currencies, except for Elko Trading Switzerland AG and Elko Trading Malta, whose sales are done in U.S. dollars.

3.2 Control of subsidiaries

Group consolidate all entities, over which it has a control. Group has a control, when:
- it has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
-has an exposure, or rights, to variable returnsfrom its involvement with the investee;
-has an ability to use its power over the investee to affect the amount of returns.

Based on criteria above the Group have assessed that the group has control over Swiss spol s.r.o., SWISS CZ s r.o, ARAŠID spol. s r.o, WESTech solutions s.r.o. (26%, 26%, 51% and 25% respectively) through controlling interest owned by its subsidiary – WESTech s.r.o. Group became as minority shareholder of the ELKOTEX d.o.o.

Logicworks s.r.o.,Westech HU Kft.(previous name Game Distribution Kft.) are not consolidated because we considered them immaterial.

For the list of entities included into the consolidated Group see Note 1.

3.3 Vendor programs

The Group 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 of 31 December 2022 amounted to USD 3,328 thousand or EUR 3,120 thousand (31.12.2021: USD 17,083 thousand or EUR 15,083 thousand) based on the individual vendor agreements. Vendor programs are recognized as decrease in trade payables (Note 23).

3.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 11).

3.5 Impairment of inventories

The Group 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 Group's vendors to protect distributors from the loss in value of inventory due to technological change or the vendors' price reductions. In 2022 impairment on inventory in amount of USD 6,057 or EUR 5,678 was recognized (see Note 17).

3.6 Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group 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 Group has several lease contracts that include extension and termination options. The Group 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 Group 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 customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of premises with shorter non-cancellable period. The Group typically exercises its option to renew for office and warehouse premises. However, for stores this option is not always executed, as it depends on store profitability and possibility to change for better location. Each rent agreement has been evaluated individually by the Group in this regard.

3.7 Sub-lease classification

The Group has concluded several sub-lease agreements of its premises. The Group 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.

3.8 Leases - Estimating the incremental borrowing rate

The Group 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 Group 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 Group '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 Group 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).

3.9 Warranty provisions

The Group does not independently warrant the products it distributes. Historically the Group has not incurred any significant service warranty costs. The costs are incurred along the process of handling the returned goods. A provision for these assurance-type warranties estimated costs is recorded at the time of sale and periodically adjusted to reflect actual experience.

3.10 Revenue from contracts with customers

The Group 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 Group concluded that revenue for transportation and marketing services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that

3.10 Revenue from contracts with customers (continued)

another entity would not need to re-perform the services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.
The Group determined that the input method is the best method in measuring progress of the transportation and marketing services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours and 3rd party expense expended relative to the total expected labour hours and 3rd party expense to complete the service.

Principal versus agent considerations
Based on the existence of credit risk and the nature of the consideration in the contract, Group has an exposure to the significant risks and rewards associated with the sale of IT products to its customers and accounts for the contracts as if it is a principal.
The Group's sales to CIS and other countries are performed to the end customers using a number of intermediaries. The customers perceive the Group as a seller of the goods, the intermediaries in substance do not assume general inventory risk and usually the payments are made by the intermediaries to the Group after the intermediaries have received cash from the customers. Based on the above the management has concluded that the intermediaries act as agents and the Group recognizes revenue after the intermediaries have sold goods to the customers. The goods that have been legally sold but for which no revenue is yet recognized are included in Inventories as consignment inventories (Note 17).

3.11 Allowance for expected credit losses of trade receivables and contract assets

The Group 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 Group's historical observed default rates. The Group 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 analysed.
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 Group'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. Default rates for Companies with debtor insurance policy is calculated taking into consideration insurance limits and own risk. For Companies with no debtor insurance policy default rate is 100%.

3.12 Related party transaction compliance

The Group has a significant number of intra-group transactions. Group's entities are operating in the IT distribution/whosale industry and operate as distributors, wholesalers and limited risk wholesalers. Being present in various jurisdictions, Group's entities must comply with respective country's tax legislation and rulings. In order to meet the requirements of different jurisdictions, pricing models are evaluated on a regular basis for compliance.

3.13 Goodwill impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.1 and note 22 for the newly acquired Companies.

3.14 Bonds

In February 2021, Akciju Sabiedrība ELKO Grupa has issued 20 million EUR five years, non-secured bonds with coupon rate 6 p.a. payable semiannually. Bonds were listed on the Nasdaq First North in second quarter of 2021.

In accordance with the terms of the agreement, the Akciju Sabiedrība ELKO Grupa paid a commission fee to the bond's issuers - Signet banka AS and Callidus Capital SIA. The commission fee for the bond issue is written off until the maturity of the bonds using the straight-line method.

Bonds issued at the end of the reporting year are stated at their nominal value. The fair value of the bonds is discussed in Note 26.

3.15 Investments in associate

In January 2022, Akciju Sabiedrība ELKO Grupa sold 2% of its investment in ELKOTEX d.o.o. and became as minority shareholder of the company with owned 49%.
Investment in accociate is presented in financial statements by fair value at the acquisition date.

Akciju Sabiedrība ELKO Grupa has presented it's share of profit of an associate using the equity method under IAS 28 Investments in Associates.

4 Changes in accounting standards

4.1 Changes in accounting policies 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 Group/Company as of 1 January 2022:

- **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 previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly 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 any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes 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. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
  - **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 amendments had no impact on the financial statements of the Group.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  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 amendment had no impact on the financial statements of the Group, as there were no such amendments in leasing contracts.

Standards issued but not yet effective and not early adopted

- **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. Management has assessed the amendment and concluded that it does not have an impact on the Group's financial statement.

- **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, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed the amendment and concluded that it does not have an impact on the Group's financial statement.

- **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. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. 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. Management has not assessed this amendments yet.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. Management has not assessed the impact of amendment yet.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Management has not assessed the impact of amendment yet.

- **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. Management has not assessed the impact of amendment yet.

5 Financial risk management objectives and policies

5.1 Financial risk factors

The Group's activities provide exposure to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance management of the Group both under policies approved and separate decisions made by the Board of Directors. It identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

5.1.1 Market risk

Geopolitical risk

Following war activities in Ukraine which started in 2022, vast amount of limitations on export to Russia have been imposed on big number of product groups, including IT products. Besides, export control activities, financial institutions also started limiting money transfers from Russia. In order to minimize geopolitical and image risks associated with operations in Russia, shareholders of ELKO Group decided to divest Russian division by means of sales of stock in ELKO RUS Limited and TD ABSOLUT LLC.

Also, as a result of war activities in Ukraine, economics of the later has dropped down considerably. Local currency has devaluated considerably. During February and March 2022 sales in Ukraine were ceased. Starting from April 2022 operations of ELKO subsidiary in Ukraine resumed. As a result of thorough net working capital optimization in Ukraine, ELKO Group in 2022 managed to minimize total exposure to the market.

Ukraine is currently associated with increased financial and security risks, adversely affecting the Company's overall risk profile. In order to preserve the Company's hard-earned financial credibility and solid credit profile in markets outside Ukraine, the Company has taken the decision to divest the Ukrainian entity and and on February 20, 2023 the sale of company was completed.

Shortage in supply of IT goods which was observed though first three quarters of 2021, improved in Q4 2021 The same tendency was observed in 2022. War activities in Ukraine did not led to disruptions in supply chains. On opposite, as big volume of goods meant for Russian market was reoriented for supply to other markets, that even more positively influenced IT products availability.

Through the entire 2022, Group has implemented risk mitigation actions. To mitigate foreign currency translation risks the Group was purchasing the financial derivatives.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising primarily with respect to the Russian rouble, Ukrainian hryvna and Euro currencies changes towards the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The purchase of goods from vendors is predominantly done in US dollars. The sales from the Parent Company to subsidiaries are done in US dollars. The sales to customers are carried out by the subsidiaries in the respective local currencies, except for ELKO Trading Switzerland AG and ELKO Trading Malta LTD whose sales are done mostly in US dollars. Although the subsidiaries carry out the sales in the local currencies, the prices in the market tend to follow the purchasing currency i.e. US dollars, ELKO Trading Switzerland AG and ELKO Trading Malta LTD sales in US dollars and its significant weight in the Group's sales result in the fact, that trade payables and receivables have very similar structure in terms of currency composition (Notes 18 and 23).

To mitigate foreign currency translation risks the Group is purchasing financial derivatives. The financial derivatives are mainly bought to mitigate risks from USD/RUB, USD/EUR and USD/UAH currency pair fluctuations.

5.1.1 Market risk (continued)

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk in the amount of USD 63,565 thousand or EUR 59,596 thousand as at 31 December 2022 (31.12.2021: USD 96,254 thousand or EUR 84,985 thousand).

The following table demonstrates the sensitivity to a reasonably possible change of the US dollar exchange rate to other currencies used by the Group, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of monetary assets, liabilities and translation of equities in subsidiaries). Considering that Group has hedged its foreign currency exchange risks, actual forecasted risk exposure is close to 0.

Increase / decrease in US dollar rate to EUR	**Effect on profit USD ('000)**	**Effect on equity USD ('000)**
2022		
+10%	(4,67)	5,834
-10%	4,67	(5,834)
2021		
+10%	(3,391)	3,614
-10%	3,91	(3,614)

Increase / decrease in US dollar rate to EUR	**Effect on profit EUR ('000)**	**Effect on equity EUR ('000)**
2022		
+10%	(4,433)	5,470
-10%	4,433	(5,470)
2021		
+10%	(2,970)	2,945
-10%	2,910	(2,945)

Increase / decrease in US dollar rate to UAH	**Effect on profit USD ('000)**	**Effect on equity USD ('000)**
2022		
+10%	(4,576)	(4,576)
-10%	4,576	4,576
2021		
+10%	(2,742)	(2,742)
-10%	2,742	2,742

Increase / decrease in US dollar rate to UAH	**Effect on profit EUR ('000)**	**Effect on equity EUR ('000)**
2022		
+10%	(4,343)	(4,343)
-10%	4,343	4,343
2021		
+10%	(2,449)	(2,449)
-10%	2,449	2,449

5.1.1 Market risk (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's current borrowings to finance a part of its working capital needs, which exposes the Group's income and operating cash flows towards the changes in market interest rates. Borrowings are taken in a form of credit lines. During 2022, the Group's borrowings at variable rates were predominantly denominated in US dollars, Russian roubles and Euro (Note 22).

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

	Increase / decrease in basis points	Effect on profit before tax (USD'000)
2022	+10	(55)
	-10	55
2021	+10	(164)
	-10	164
	Increase / decrease in basis points	**Effect on profit before tax (EUR'000)**
2022	+10	(52)
	-10	52
2021	+10	(145)
	-10	145

5.1.2 Credit risk

Credit risk is managed on a Group basis by implementing centralised procedures and control. Credit risk arises from the credit exposure to outstanding trade receivables and other receivables (Note 18). The Group minimizes these risks through credit risk insurance and conservative credit policy. Individual risk limits are set based on internal or external ratings in accordance with the credit policy. The utilisation of credit limits is regularly monitored.

The maximum exposure as at 31 December 2022 is USD 256,347 thousand or EUR 240,340 thousand (31.12.2021: USD 374,521 or EUR 330,673 thousand).

There is no single end-customer or group of end-customers that exceed 10% of total Group sales.

As at 31 December, 2022 the Group's credit risk exposure to its cooperation partners in CIS region was 15.06% of total trade receivables (31.12.2021 22%).

Top 10 end-customers constitute approximately 20.0 % of total sales (2021: 20.3%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 180 days and are not subject to enforcement activity. The Group does not hold collateral as security. The credit insurance is considered integral part of trade receivables and considered in the calculation of impairment.

5.1.2 Credit risk (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2022						**Trade receivables**			
			Days past due						
Contract assets	**Current**	**<30 days**	**30–60 days**	**61–90 days**	**91- 120 days**	**121-150 days**	**151-180 days**	**>181 days**	**Total**
USD000									
Expected credit loss rate	0.40%	2.30%	8.70%	13.60%	29.70%	20.60%	56.40%	1.80%	**1.13%**
Estimated total gross carrying amount at default	131,832	10,756	2,167	569	292	271	209	45,269	191,365
Expected credit loss	583	248	189	78	87	56	118	806	**2,165***

31 December 2022						**Trade receivables**			
			Days past due						
Contract assets	**Current**	**<30 days**	**30–60 days**	**61–90 days**	**91- 120 days**	**121-150 days**	**151-180 days**	**>181 days**	**Total**
EUR000									
Expected credit loss rate	0.40%	2.30%	8.70%	13.60%	29.70%	20.60%	56.40%	1.80%	**1.13%**
Estimated total gross carrying amount at default	123,602	10,084	2,031	533	274	254	196	42,442	179,416
Expected credit loss	547	232	178	73	81	52	111	756	**2,030**

*In addition individual provision for debtor with residual balance of USD 21,946 thousand (EUR 20,573 thousand) as at 31 December 2022 was made for the part of the debt amount. Respectivelly, total provisions as of 31.12.2022 are amounted to USD 24,111 thousand (EUR 22,606 thousand).
The debtor is related to sales at the end of 2021, where complications with debt collection have arisen due to changes in the geopolitical situation. Therefore, the management decided to create provisions for the part of the debt, which at the year end amount to USD 21,769 thousand or EUR 20,408 thousand.

5.1.2 Credit risk (continued)

31 December 2021							**Trade receivables**		
		Days past due							
Contract assets USD000	**Current**	**<30 days**	**30–60 days**	**61–90 days**	**91- 120 days**	**121-150 days**	**151-180 days**	**>181 days**	**Total**
Expected credit loss rate	0.5%	1.4%	3.8%	3.1%	4.5%	0.4%	57.9%	14.6%	**1.1%**
Estimated total gross carrying amount at default	236,828	36,567	15,275	3,285	7,405	2,704	53	4,954	307,071
Expected credit loss	1,211	523	575	103	330	11	31	724	**3,508***

31 December 2021							**Trade receivables**		
Contract assets	**Current**	**<30 days**	**30–60 days**	**61–90 days**	**91- 120 days**	**121-150 days**	**151-180 days**	**>181 days**	**Total**
EUR000									
Expected credit loss rate	0.5%	1.4%	3.8%	3.1%	4.5%	0.4%	57.9%	14.6 %	**1.1%**
Estimated total gross carrying amount at default	209,101	32,286	13,487	2,900	6,538	2,387	47	4,374	271,120
Expected credit loss	1,069	462	507	91	291	10	27	639	**3,097**

*In addition individual provision for debtor with residual balance of USD 1,949 thousand (EUR 1,648 thousand) was made for the whole residual debt amount. Respectivelly, total provisions as of 31.12.2021 are amounted to USD 3,643 thousand (EUR 3,216 thousand).

5.1.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group’s liquidity reserve on the basis of expected cash flows.

5.1.3. Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 based on contractual undiscounted payments in USD'000:

Year ended 31/12/2022	On demand	< 3 months	3 to 12 months	1 to 15 years	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Non-current borrowings	-	-	-	57,177	57,177
Bonds	-	-	-	21,332	21,332
Current borrowings	-	3,210	75,473	-	78,683
Trade and other payables	-	155,119	-	-	155,119
Derivative financial instruments	-	53	-	-	53
Total financial liabilities	**-**	**158,382**	**75,473**	**78,509**	**312,364**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on contractual undiscounted payments in USD'000:

Year ended 31/12/2021	On demand	< 3 months	3 to 12 months	1 to 15 years	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Non-current borrowings	-	-	-	38,590	38,590
Bonds	-	-	-	22,652	22,652
Current borrowings	-	7,966	218,639	-	226,605
Trade and other payables	-	327,856	-	-	327,856
Derivative financial instruments	-	14	-	-	14
Total financial liabilities	**-**	**335,836**	**218,639**	**61,242**	**615,717**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 based on contractual undiscounted payments in EUR'000:

Year ended 31/12/2022	On demand EUR'000	< 3 months EUR'000	3 to 12 months EUR'000	1 to 15 years EUR'000	Total EUR'000
Non-current borrowings	-	-	-	53,607	53,607
Bonds	-	-	-	20,000	20,000
Current borrowings	-	3,010	70,760	-	73,770
Trade and other payables	-	145,433	-	-	145,433
Derivative financial instruments	-	50	-	-	50
Total financial liabilities	**-**	**148,493**	**70,760**	**73,607**	**292,860**

5.1.3. Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on contractual undiscounted payments in EUR'000:

Year ended 31/12/2021	On demand EUR'000	< 3 months EUR'000	3 to 12 months EUR'000	1 to 15 years EUR'000	Total EUR'000
Non-current borrowings	-	-	-	34,072	34,073
Bonds	-	-	-	20,000	20,000
Current borrowings	-	7,034	193,041	-	200,075
Trade and other payables	-	289,472	-	-	289,472
Derivative financial instruments	-	12	-	-	12
Total financial liabilities	**-**	**296,518**	**193,041**	**54,072**	**543,632**

5.1.4 Legislative risk

Starting war in Urkraine, the Group faced many risks, which might disturb normal business flow would it stay in Russia and Ukraine. Therefore, the Group has decided to exit these markets to minimize the risks.
As for the European markets, legislative risk is medium, as tax legislation and rulings are not the subject to frequent change and legislative risks are easily manageable. To mitigate risks, management of the Group is closely monitoring the canges in legislation in all countries, where the Group is operating.

5.2. Capital management

The primary objective of the Group'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 shareholders value.

The Group 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 share capital.

	31.12.2022. USD '000	31.12.2021. USD '000	31.12.2022. EUR '000	31.12.2021. EUR '000
Parent company financials				
Share capital	11,251	11,251	9,901	9,901
Total equity	90,966	70,165	85,286	61,951
Total equity/ Share capital	**809%**	**624%**	**861%**	**626%**

According to loan agreements Group is in compliance with all covenants.

The Group monitors capital using the following ratio:

	31.12.2022. USD '000	31.12.2021. USD '000	31.12.2022. EUR '000	31.12.2021. EUR '000
Consolidated financials				
Net Debt*	129,231	242,309	121,161	217,037
Total equity	141,664	141,998	132,847	125,374
Net Liabilities/ Equity	**0.91**	**1.71**	**0.91**	**1.73**

* Net debt is equal toall borrowings less cash and deposits.

6 Sale of goods and services

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Components	320,474	676,265	301,833	571,658
Personal Computing	299,641	316,659	282,212	267,676
Mobile Communications	259,883	279,361	244,767	236,148
Home & Office Electronics, Peripherals	241,586	240,650	227,534	203,424
Software	45,413	72,114	42,772	60,959
Solutions & Value Added Services	98,438	164,961	92,713	139,443
TV Sets	39,658	112,015	37,351	94,687
Small Domestic Appliances & Other	172,998	187,739	162,935	158,699
Major Domestic Appliances	31,877	125,811	30,022	106,350
Built-In Appliances	5,676	15,456	5,345	13,065
	1,515,644	**2,191,031**	**1,427,484**	**1,852,109**

As at 31.12.2022 there are no remaining performance obligations in existing contracts.

7 Cost of sales, Selling and distribution costs and Administrative expenses

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Trade inventory sold	1,372,911	2,032,306	1,293,144	1,717,934
Employee benefit expense (Note 10)	32,220	35,434	30,537	29,953
Rent and office maintenance expenses (Note 15.2)	2,968	2,866	2,804	2,422
Warehousing expenses	2,166	5,028	2,002	4,251
Transportation expenses	6,413	7,245	6,075	6,124
Advertising costs	827	611	771	516
Professional fees	3,517	3,755	3,319	3,174
Depreciation and amortisation charges (Notes 14.1, 15.1)	6,381	7,462	6,055	6,308
Other expenses	12,269	17,261	11,593	14,592
	1,439,672	**2,111,968**	**1,356,300**	**1,785,274**

8 Other income/expenses

8.1 Other operating income

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Income from services provided*	2,298	5,301	2,143	4,480
Gain from written-off liabilities	67	113	61	95
Gain from sale of property, plant and equipment	78	24	74	21
Other income**	12,093	69	11,798	59
	14,536	**5,507**	**14,076**	**4,655**

* In 2022 has concluded sub-lease agreement for its premises and included income USD 537 thousand (EUR 510 thousand) to Income from service provided above. For more details of sub-lease see Note 15.2.
** In 2022 both results from subsidiary disposal gain and loss were netted out in position Other income. ELKO RUS Limited and TD Absolut LLC 80% of profit for period 01.05.2022_31.12.2022; ELKOTEX d.o.o. investment revaluation to fair value and 49% profit for period 01.01.2022_31.12.2022 (see note 14.2)

8.2 Other operating expenses

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Allowance for ECL (Note 18)	(20,954)	(2,259)	(19,871)	(1,910)
Provisions for old stock (Note 17)	(6,870)	(4,615)	(6,520)	(3,902)
Net loss from foreign exchange fluctuations	(2,045)	(1,396)	(1,941)	(1,180)
Net loss on finansial investments	-	(19)	-	(16)
Other expenses	(77)	(2,497)	(72)	(2,111)
	(29,946)	**(10,786)**	**(28,404)**	**(9,119)**

9 Finance income and costs

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Interest expense:				
– Bank and bond borrowings	(12,486)	(14,980)	(11,708)	(12,662)
– Other interests	(37)	(107)	(34)	(91)
Finance costs	**(12,523)**	**(15,087)**	**(11,742)**	**(12,753)**
Finance income:				
– Interest income on short-term bank deposits	457	127	424	107
– Penalties and other interest income	365	321	344	271
Finance income	**822**	**448**	**768**	**378**
Net finance costs	**(11,701)**	**(14,639)**	**(10,974)**	**(12,375)**

10 Employee benefit expense

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Wages and salaries	24,212	26,787	22,947	22,643
Social security costs	6,817	7,532	6,460	6,367
Other employment benefits	1,191	1,115	1,130	943
	32,220	**35,434**	**30,537**	**29,953**

Employees involved in the sales functions are subject to a partial variable remuneration based on the sales performance.
All personnel expenses have been charged in statement of comprehensive income and are shown in administrative expenses.

11 Income tax

Current corporate income tax

	Latvia	Lithuania	Poland	Estonia/Russia/ Kazakhstan	Ukraine	Slovakia	Slovenia/Czech Republic	Cyprus	Sweden	Romania	Switzerland	Malta
2022	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Profit/ (loss) before income tax	73,625	38	64	23,754	1,156	5,885	3,569	(54)	3,462	1,059	7,656	5,918
Income tax rate	25%	15%	9%	20%	18%	21%	19.00%	12.50%	20.60%	16%	14%	35%
Tax calculated at domestic tax rates applicable to profits in respective countries	18,406	6	26	4,750	245	1,236	678	(2)	713	159	1,072	2,071
Income tax effect from profit taxable with 0% rate	(18,406)	(6)	-	(5)	-	(221)	-	2	-	-	(1,072)	(2,071)
Utilization of previously unrecognized tax loss	-	-	-	-	(29)	-	-	-	-	-	-	-
Permanent differences:	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expense	17	-	9	134	-	379	10	-	123	46	-	-
Other	-	-	1	(30)	-	(101)	(5)	-	384	-	7	-
Income tax on dividends	-	-	-	-	-	-	-	-	-	-	-	-
Actual income tax for the reporting year:	17	-	9	4,848	216	1,293	683	-	1,220	205	7	-
Effective income tax rate	25%	15%	9%	20%	18%	21%	19.00%	13%	20.60%	16%	14%	35%
2021	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Profit/ (loss) before income tax	51,979	42	31	24,907	2,858	6,915	3,733	(5)	6,086	1,277	1,433	11,315
Income tax rate	25%	15%	9%	20%	18%	21%	19%	12.50%	22%	16%	14%	35%
Tax calculated at domestic tax rates applicable to profits in respective countries	12,995	7	3	4,980	558	1,452	716	4	1,254	199	201	3,960
Income tax effect from profit taxable with 0% rate	(12,995)	-	-	(7)	-	-	-	-	-	-	-	-
Utilization of previously unrecognized tax loss	-	-	-	-	(55)	(59)	-	(182)	-	-	(187)	-
Permanent differences:	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expense	49	2	-	792	-	402	23	-	1,324	-	-	-
Other	-	-	-	(1,485)	-	(202)	(137)	-	(262)	(110)	(7)	-
Income tax withheld on dividends	-	-	-	1,493	-	-	-	-	-	-	-	-
Actual income tax for the reporting year:	**49**	**11**	**3**	**5,773**	**503**	**1,593**	**601**	**(178)**	**2,316**	**89**	**7**	**3,960**
Reversal of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Corporate income tax charged to the statement of profit or loss:	49	11	3	5,773	503	1,593	601	(178)	2,316	89	7	3,960
Effective income tax rate	25%	15%	9%	0%	18%	21%	19%	12.50%	22.00%	16%	9%	35%

11 Income tax (continued)

	Latvia	Lithuania	Poland	Estonia/Russia/ Kazakhstan	Ukraine	Slovakia	Slovenia/ Czech Republic	Cyprus	Sweden	Romania	Switzerland	Malta
2022	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Profit/ (loss) before income tax	69,876	36	61	21,727	1,098	5,586	3,387	(51)	3,285	1,005	7,266	5,616
Income tax rate	25%	15%	9%	20%	18%	21%	19%	12.50%	20.60%	16%	14%	35%
Tax calculated at domestic tax rates applicable to profits in respective countries	17,469	5	24	4,345	232	1,173	644	(2)	677	151	1,017	1,966
Income tax effect from profit taxable with 0% rate	(17,469)	(5)	-	(6)	-	(210)	-	2	-	-	(1,017)	(1,967)
Utilization of previously unrecognized tax loss	-	-	-	-	(28)	-	-	-	-	-	-	-
Permanent differences:	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expense	16	-	9	122	-	360	10	-	116	43	-	-
Other	-	-	1	(26)	-	(96)	(5)	-	364	-	6	-
Income tax on dividends	-	-	-	-	-	-	-	-	-	-	-	-
Actual income tax for the reporting year:	16	-	8	4,434	205	1,227	648	-	1,158	195	6	-
Effective income tax rate	25%	15%	9%	20%	18%	21%	19%	12.50%	20.60%	16%	14%	35%
2021	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Profit/ (loss) before income tax	43,939	35	27	21,055	2,416	5,845	3,156	(4)	5,145	1,080	1,212	9,565
Income tax rate	25%	15%	9%	20%	18%	21%	19%	12.50%	22%	16%	14%	35%
Tax calculated at domestic tax rates applicable to profits in respective countries	10,985	7	3	4,210	472	1,228	605	4	1,060	168	170	3,348
Income tax effect from profit taxable with 0% rate	(10,985)	-	-	(6)	-	-	-	-	-	-	-	-
Utilization of previously unrecognized tax loss	-	-	-	-	(46)	(50)	-	(154)	-	-	(158)	-
Permanent differences:	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expense	41	1	-	669	-	340	19	-	1,120	-	-	-
Other	-	-	-	(1,256)	-	(170)	(116)	-	(221)	(93)	(6)	-
Income tax withheld on dividends	-	-	-	1,262	-	-	-	-	-	-	-	-
Actual income tax for the reporting year:	**41**	**8**	**3**	**4,880**	**425**	**1,347**	**508**	**(150)**	**1,958**	**75**	**6**	**3,348**
Reversal of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Corporate income tax charged to the statement of profit or loss:	41	8	3	4,880	425	1,347	508	(150)	1,958	75	6	3,348
Effective income tax rate	25%	15%	9%	0%	18%	21%	19%	12.50%	22.00%	16%	9%	35%

12 Earnings per share

The Group has no dilutive potential shares therefore diluted earnings per share are equal to basic earnings per share.

In 2020 share capital was increased and the share capital shall consist of: 9,785 thousands dematerialized ordinary registered shares with vouting rights, rights to liquidation quota and rights to receive dividends, and 116 thousands dematerialized employee registered shares without vouting rights and without rights receive liquidation quota, but with rights to receive dividends.

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary and employee shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022 USD '000	**2021 USD '000**	**2022 EUR '000**	**2021 EUR '000**
Profit attributable to equity holders of the Parent Company	36,747	40,141	34,553	33,932
Weighted average number of ordinary and employee shares in issue (thousand)	9,901	9,901	9,901	9,901
Basic earnings per share (EUR/USD per share)	3.71	4.05	3.49	3.43

13 Dividends per share

During the year the Parent Company has paid out dividends on prior year retained earnings in amount of USD 32,921 thousand or EUR 33,772 thousand (prior year 2021 USD 15,000 thousand or EUR 12,493 thousand) and USD 428 thousand or EUR 396 thousand (prior year 2021 USD 312 thousand or EUR 260 thousand) (USD 3.47 or EUR 3.45 per share).
Dividends amount paid in cash during the year 2022 was USD 428 thousand (EUR 396 thousand). Dividends amount of USD 32,921 thousand (EUR 33,772 thousand) was offsetted through loan from shareholders (see note 22).

14 Intangible assets and Investments

14.1 Intangible assets

	Software		Goodwill		Total	
At 31 December 2020	**USD '000**	**EUR '000**	**USD '000**	**EUR '000**	**USD '000**	**EUR '000**
Cost	3,592	2,973	1,823	1,486	5,415	4,459
Accumulated amortisation	(1,836)	(1,542)	-	-	(1,836)	(1,542)
Net book amount at 31 December 2020	**1,756**	**1,431**	**1,823**	**1,486**	**3,579**	**2,917**
2021						
Opening net book amount	1,756	1,431	1,823	1,486	3,579	2,917
Exchange differences	(215)	(69)	(176)	(32)	(391)	(101)
Additions	365	322	555	490	920	812
Disposals/reclasification	(27)	(24)	-	-	(27)	(24)
Changes in consolidated Group (cost)	194	171	-	-	194	171
Changes in consolidated Group (accumulated amortisation)	(86)	(76)	-	-	(86)	(76)
Amortisation charge	(469)	(414)	-	-	(469)	(414)
Closing net book amount at 31 December 2021	1,518	1,341	2,202	1,944	3,720	3,285
At 31 December 2021						
Cost	3,909	3,373	2,202	1,944	6,111	5,317
Accumulated amortisation	(2,391)	(2,032)	-	-	(2,391)	(2,032)
At 31 December 2021	**1,518**	**1,341**	**2,202**	**1,944**	**3,720**	**3,285**
2022						
Opening net book amount	1,518	1,341	2,202	1,944	3,720	3,285
Exchange differences	(277)	(178)	(249)	(112)	(526)	(290)
Additions	1,319	1,237	91	85	1,410	1,322
Disposals/reclasification	(270)	(253)	-	-	(270)	(253)
Changes in consolidated Group (cost)	333	312	-	-	333	312
Changes in consolidated Group (accumulated amortisation)	(194)	(182)	-	-	(194)	(182)
Amortisation charge	(400)	(375)	-	-	(400)	(375)
Closing net book amount at 31 December 2022	2,029	1,902	2,044	1,1917	4,073	3,819
At 31 December 2022						
Cost	5,014	4,491	2,044	1,917	7,058	6,408
Accumulated amortisation	(2,985)	(2,589)	-	-	(2,985)	(2,589)
Net book amount at 31 December 2022	**2,029**	**1,902**	**2,044**	**1,917**	**4,073**	**3,819**

Amortisation expenses of intangible assets in the amount of USD 400 thousand or EUR 375 thousand (2021: USD 469 thousand or EUR 414 thousand) have been charged in statements of comprehensive income and are shown in administrative expenses. The cost of fully amortised intangible assets at 31 December 2022 was USD 608 thousand or EUR 570 thousand (31.12.2021: USD 659 thousand or EUR 582 thousand).

All intangible assets have been pledged to secure bank credit lines (Note 22).

14.2 Investments in associates and disposals of subsidiaries

Investments in associates

In January 2022 Akciju Sabiedrība ELKO Grupa sold 2% of it's investment in ELKOTEX d.o.o. and became as minority shareholder of the company with 49% interest.
The Company's interest in ELKOTEX d.o.o. is accounted for using the equity method in the consolidated financial statements. Investment in ELKOTEX d.o.o. is initially recognised at the transaction price and is measured at fair value as at reporting date. The following accounting is based on equity method, t.i. the Group's part of the profit is accounted as increase in Investment through Profit and loss.

The following table illustrates the summarised financial information of the Company's investment in ELKOTEX d.o.o.:

	31.12.2022. USD '000	31.12.2022. EUR '000
Assets		
Current assets	9,527	8,933
Non-current assets	1,597	1,497
Current liabilities	(5,266)	(4,937)
Provisions	(392)	(368)
Equity	**5,466**	**5,125**
Company's share in equity – 49% (2021: 51%)	2,678	2,511
Goodwill	-	-
Company's carrying amount of the investment	**2,678**	**2,511**

	USD '000	EUR '000
Revenue from contracts with customers	26,166	24,822
Cost of sales	(23,074)	(21,899)
Distribution costs	(216)	(205)
Administrative expenses	(1,704)	(1,617)
Financial income	80	75
Finance costs	(24)	(22)
Other income	23	22
Profit before tax	**1,251**	**1,176**
Income tax expense	(211)	(200)
Profit for the year (continuing operations)	**1,040**	**976**
Total comprehensive income for the year (continuing operations)	**1,040**	**976**
Company's share of profit for the year	**510**	**478**
Changes in fair value recognised in profit or loss	2,436	2,284
Total investment in an associate	**2,946**	**2,762**

	Cash flows on disposal	
Consideration received in cash and cash equivalents	101	90
Less: cash and cash equivalent balances disposed of	(553)	(488)
Net cash inflow on disposal of subsidiary	**(452)**	**(398)**

The associate had no contingent liabilities or capital commitments as at 31 December 2022.

14.2 Investments in associates and disposals of subsidiaries (continued)

Acquisition and Disposal of subsidiaries

In April 2022 Akciju Sabiedrība ELKO Grupa sold 100 percent of it's subsidiaries ELKO RUS Limited and TD Absolut LLC. Sale price was calculated internally using commonly accepted aprisal model. The buyer of ELKO RUS LTD un TD ABSOLUT LLC is one of shareholders of Akciju sabiedrība ELKO Grupa holding 23.66% of shares (Note 27).

As part of the sales agreement a contingent consideration has been agreed. There will be additional cash payments in amount of 80% of the subsidiary's net profit for the period 2022-2024. Net profit data is generated from the subsidiary's signed financial statements for the full year or from operational financial statements in the case of an incomplete financial year.
As at the year end considering various scenarios the fair value of the contingent consideration was estimated to be USD 13,728 thousand or EUR 12,871 thousand. Scenarios observed, included forecasted profit of ELKO RUS Limited and TD ABSOLUT LLC for the years specified above as well as geopolitical risks associated with Russian market and probability of cash receipt.

Consequently, in the following years, the Group will remeasure that assets at fair value at each reporting date with changes in fair value recognised in profit or loss in accordance with IFRS 9.

Analysis of subsidiary's assets and liabilities over which control was lost and related cash flows is presented below.

	30.04.2022. USD '000	30.04.2022. EUR '000
Assets		
Cash and cash equivalents	9,918	9,410
Intangible assets	19	18
Trade accounts receivable	54,985	52,168
Other assets	187,375	177,775
Total assets	**252,297**	**239,371**
Liabilities		
Interest-bearing loans and borrowings	100,186	95,054
Trade and other accounts payable	90,942	86,281
Provisions stand alone	370	351
Total liabilities	**191,498**	**181,686**
Net assets disposed of	**60,799**	**57,685**
Consolidated provisions	(23,087)	(22,227)
Consideration received*	34,819	31,835
Group's loss on disposal accounted in	**(2,893)**	**(3,623)**
Income statement	(2,893)	(3,623)
Statement of changes in equity	-	-

14.2 Investments in associates and disposals of subsidiaries (continued)

The following table provides analysis of consideration received and cash and cash equivalents disposed on disposal of subsidiary.

	Cash flows on disposal	
Consideration received in cash and cash equivalents	-	-
Less: cash and cash equivalent balances disposed of	(9,918)	(9,410)
Net cash inflow on disposal of subsidiary	**(9,918)**	**(9,410)**

* consideration in amount of USD 34,819 thousand not received yet and is due till 24.04.2025.

In December 2022 Akciju Sabiedrība ELKO Grupa sold 100 percent of it's subsidiary Elko Trading Malta Limited. Sale price was calculated internally using commonly accepted aprisal model.

Analysis of subsidiary's assets and liabilities over which control was lost and related cash flows is presented below.

	14.12.2022. USD '000	**14.12.2022. EUR '000**
Assets		
Cash and cash equivalents	2,266	2,124
Intangible assets	-	-
Trade accounts receivable	16,392	15,369
Other assets	1,825	1,711
Total assets	**20,483**	**19,204**
Liabilities		
Interest-bearing loans and borrowings	-	-
Trade and other accounts payable	14,515	13,609
Provisions stand alone	-	-
Total liabilities	**14,515**	**13,609**
Net assets disposed of	**5,968**	**5,595**
Consolidated provisions	-	-
Consideration received*	6,000	5,690
Group's gain on disposal accounted in	**32**	**95**
Income statement	32	95
Statement of changes in equity	-	-

The following table provides analysis of consideration received and cash and cash equivalents disposed on disposal of subsidiary.

	Cash flows on disposal	
Consideration received in cash and cash equivalents	-	-
Less: cash and cash equivalent balances disposed of	(2,266)	(2,124)
Net cash inflow on disposal of subsidiary	**(2,266)**	**(2,124)**

* consideration in amount of USD 6,000 thousand not received yet and is due till 13.12.2025.

14.2 Investments in associates and disposals of subsidiaries (continued)

Acquisition of subsidiaries

	31.12.2022.	31.12.2022.
	USD '000	EUR '000
In April 2022 Akciju Sabiedrība ELKO Grupa founded ELKO Trading Kazakhstan LLP.	-	-
In March 2022 Akciju Sabiedrība ELKO Grupa acquired 100% of shareholding in ED Nordic AB.	(6)	(5)
In March 2022 Akciju Sabiedrība ELKO Grupa founded ELKO Nordics Shared Services AB.	(11)	(10)
Net cash flow on acquisition of subsidiaries	**(16)**	**(15)**
Net cash flow from investing activities	**28,168**	**25,575**

15 Property, plant and equipment and leases

15.1 Property, plant and equipment

	Property		Leashold improve-ments		Communication and computer engineering		Other fixed assets		Total	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR
At 31 December 2020										
Cost	4,615	3,877	524	448	4,929	4,176	10,480	8,865	20,548	17,366
Accumulated depreciation	(4,615)	(3,877)	(316)	(278)	(3,893)	(3,332)	(5,591)	(4,881)	(14,415)	(12,368)
Net book amount at 31 December 2020	**-**	**-**	**208**	**170**	**1,036**	**844**	**4,889**	**3,984**	**6,133**	**4,998**
2021										
Opening net book amount	-	-	208	170	1,036	844	4,889	3,984	6,133	4,998
Exchange differences	-	-	1	14	522	532	274	575	797	1,121
Additions	-	-	164	145	1000	883	2,289	2,021	3,453	3,049
Disposals at cost/reclasifications	-	-	(13)	(11)	(856)	(756)	(86)	(76)	(955)	(843)
Changes in consolidated Group (cost)	-	-	(12)	(11)	194	171	(1,256)	(1,109)	(1,074)	(949)
Changes in consolidated Group (accumulated depreciation)	-	-	10	9	(172)	(152)	864	763	702	620
Depreciation charge	-	-	(66)	(58)	(701)	(619)	(1,744)	(1,540)	(2,511)	(2,217)
Closing net book amount at 31 December 2020	**-**	**-**	**292**	**258**	**1,023**	**903**	**5,230**	**4,618**	**6,545**	**5,779**
At 31 December 2021										
Cost	4,615	3,877	663	571	5,267	4,474	11,427	9,701	21,972	18,623
Accumulated depreciation	(4,615)	(3,877)	(371)	(313)	(4,244)	(3,571)	(6,197)	(5,083)	(15,427)	(12,844)
Net book amount at 31 December 2021	**-**	**-**	**292**	**258**	**1,023**	**903**	**5,230**	**4,618**	**6,545**	**5,779**
2022										
Opening net book amount	-	-	292	258	1,023	903	5,230	4,618	6,545	5,779
Exchange differences	-	-	-	17	1	58	877	952	878	1,027
Additions	-	-	94	88	299	280	1,176	1,103	1,569	1,471
Disposals at cost/reclasifications	-	-	15	14	(71)	(67)	57	53	1	-
Changes in consolidated Group (cost)	-	-	(82)	(77)	(293)	(275)	(2,735)	(2,564)	(3,110)	(2,916)
Changes in consolidated Group (accumulated depreciation)	-	-	79	74	215	202	1,314	1,232	1,608	1,508
Depreciation charge	-	-	(87)	(82)	(533)	(500)	(1,557)	(1,305)	(2,177)	(1,887)
Closing net book amount 31 December 2022	**-**	**-**	**311**	**292**	**641**	**601**	**4,362**	**4,089**	**5,314**	**4,982**
At 31 December 2022										
Cost	-	-	690	596	5,202	4,412	9,925	8,293	15,817	13,301
Accumulated depreciation	-	-	(379)	(304)	(4,561)	(3,811)	(5,563)	(4,204)	(10,503)	(8,319)
Net book amount at 31 December 2022	**-**	**-**	**311**	**292**	**641**	**601**	**4,362**	**4,089**	**5,314**	**4,982**

15.1 Property, plant and equipment (continued)

Depreciation expenses of tangible assets in the amount of USD 2,177 thousand or EUR 1,887 thousand (2021: USD 2,511 thousand or EUR 2,217 thousand) have been charged in statement of profit or loss and are shown in administrative expenses.

The cost of fully depreciated property, plant and equipment at 31 December 2022 was USD 4,888 thousand or EUR 4,583 thousand (31.12.2021: USD 4,337 thousand or EUR 3,829 thousand).

All tangible assets have been pledged to secure bank credit lines (Note 22).

15.2 Leases

Group as a lessee
The Group has lease contracts for various premises – office space, warehouse and stores with wide range of lease terms between 2-14 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets, except office space of Group's Parent company, where sub-lease is allowed and executed.
There are several lease contracts that include extension and termination options, which are further discussed below.
The Group also has certain leases of premises with lease terms of 12 months or less and with low value. The Group 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 recognised and the movements during the period:

	Premises USD '000	Total USD '000	Premises EUR '000	Total EUR '000
As at 1 January 2021	**32,432**	**32,432**	**26,430**	**26,430**
Additions	1,333	1,333	1,285	1,285
Depreciation expense	(4,484)	(4,484)	(3,832)	(3,832)
Disposals	(5,292)	(5,292)	(4,312)	(4,312)
Exchange difference	(1,823)	(1,823)	-	-
As at 31 December 2021	**22,166**	**22,166**	**19,571**	**19,571**
As at 1 January 2022	**22,166**	**22,166**	**19,571**	**19,571**
Additions	2,880	2,880	2,808	2,808
Depreciation expense	(3,550)	(3,550)	(3,410)	(3,410)
Disposals	(63)	(63)	(55)	(55)
Exchange difference	(1,595)	(1,595)	(315)	(315)
As at 31 December 2022	**19,838**	**19,838**	**18,599**	**18,599**

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

	2021 USD '000	2021 EUR '000
As at 1 January 2021	**33,415**	**27,231**
Additions	1,333	1,178
Accretion of interest	729	627
Payments	(4,840)	(4,273)
Disposals	(5,568)	(4,538)
Exchange difference	(2,093)	61
As at 31 December 2021*	**22,976**	**20,286**

15.2 Leases (continued)

	2022 USD '000	2022 EUR '000
As at 1 January 2022	**22,976**	**20,286**
Additions	2,880	2,700
Accretion of interest	591	571
Payments	(4,578)	(4,292)
Disposals	(66)	(58)
Exchange difference	(1,523)	(194)
As at 31 December 2022*	**20,280**	**19,013**

* The following incremental borrowing rates are used in lease laibility calculation:
Akciju Sabiedrība ELKO Grupa – 2.6%
Gandalf Distribution AB – 2%
ELKOTech Romania SRL – 4.5%
ELKO Ukraine LLC – 13%
WESTech spol. s r.o., WESTech CZ s r.o., Arašid spol. s r.o. – 2.34%

The maturity analysis of lease liabilities:

	USD '000	EUR '000
Non-current liabilities		
Lease liabilities	18,704	16,515
Current liabilities		
Lease liabilities	4,271	3,771
As at 31 December 2021	**22,975**	**20,286**

	USD '000	EUR '000
Non-current liabilities		
Lease liabilities	16,113	15,106
Current liabilities		
Lease liabilities	4,167	3,907
As at 31 December 2022	**20,280**	**19,013**

The following are the amounts recognised in profit or loss:

	2022 USD '000	2022 EUR '000	2021 USD '000	2021 EUR '000
Depreciation expense of right-of-use assets	3,550	3,410	4,484	3,832
Interest expense on lease liabilities	591	571	729	627
Expense relating to short-term and low value leases (included in cost of sales)	2,145	1,986	3,953	3,288
Total amount recognised in profit or loss	**6,286**	**5,967**	**9,166**	**7,747**

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

15.2 Leases (continued)

Rent agreement with Lessor's option to terminate agreement within 1 year time with no subtantial penalties are considered by the Group as short term agreements. The Group does not have any agreements, where it plans not to execute extention option and execute termination option of rent agreement.

Group as a lessor
The Group has concluded several sub-lease (operating leases) agreements for its premises. Sub-lease agreements are with a different terms from 1 to 14 years. Rental income recognised by the Group during the year is USD 421 thousand (EUR 400 thousand) (2021: USD 418 thousand (EUR 353 thousand)).

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

	2022 USD '000	**2022 EUR '000**	**2021 USD '000**	**2021 EUR '000**
Within one year	338	321	337	298
After one year but not more than five years	920	873	1,054	930
More than five years	604	573	778	687
	1,862	**1,767**	**2,169**	**1,915**

16 Issued loans

	31.12.2022. USD '000	**31.12.2021. USD '000**	**31.12.2022. EUR '000**	**31.12.2021. EUR '000**
SWISS CZ s.r.o.*	625	449	586	396
Westech Hungary**	115	-	108	-
TT Micro AS***	102	113	95	100
	842	**562**	**789**	**496**

* SWISS spol. s r.o. issued a loan to SWISS CZ s.r.o. in amount of 586 thousands EUR. The interest rate is 1.9% and maturity date is 31 December 2023.
** WESTech spol. s r.o. issued a loan to Westech HU Kft. in amount of 108 thousands EUR. The interest rate is 10% and maturity date is 31 December 2023.
*** Gandalf Distribution AB issued a loan to TT Micro AS in amount of 95 thousands EUR. The interest rate is 10% and maturity date is 31 December 2023.

17 Inventories

	31.12.2022. USD '000	**31.12.2021. USD '000**	**31.12.2022. EUR '000**	**31.12.2021. EUR '000**
Trade inventory	111,518	239,295	104,555	211,279
Trade inventory in transit	28,130	82,992	26,373	73,276
Prepayments for trade inventory	8,512	14,510	7,980	12,812
Less - Allowance for inventory*:	(6,057)	(17,307)	(5,678)	(15,281)
Total inventories at the lower of cost and net realisable value	**142,103**	**319,490**	**133,230**	**282,086**

*Due to uncertainty on turnover of some group of products after end of 31 December 2022 management has made a decision to make provisions for these items.

17 Inventories (continued)

Estimates of net realisable value of inventory are based on the most reliable evidence available at the time the estimates are made. As such estimates are continuously evaluated; it is common that in the normal course of business, circumstances that previously caused inventories to be written down below cost no longer exist resulting in reversals of write-downs.

The cost of inventories recognised as expense and included in cost of sales amounted to USD 1,508,844 thousand or EUR 1,421,754 thousand (2021: USD 2,360,853 thousand or EUR 1,995,661 thousand). All inventories except for trade inventory on which the legal title of goods have not been passed from vendors to the Group USD 28,130 thousand (31.12.2021: 82,992 thousand) or EUR 26,373 thousand (31.12.2021: EUR 67,633 thousand) and trade inventory in transit have been pledged to secure bank credit lines (Note 22).

Of the total inventories consignment inventories as at 31 December 2022 were USD 0,00 thousand or EUR 0,00 thousand (31.12.2021: USD 20,787 thousand or EUR 18,354 thousand).

During 2022, USD 18,313 thousand or EUR 17,381 thousand (2021: an income USD 1,752 thousand or EUR 1,481 thousand) was recognised as an income for inventories carried at net realisable value.

18 Trade and other receivables and prepayments

	31.12.2022. USD '000	**31.12.2021. USD '000**	**31.12.2022. EUR '000**	**31.12.2021. EUR '000**
Trade receivables	191,365	307,071	179,416	271,120
Less: allowance for impairment of trade receivables*	(24,111)	(3,643)	(22,606)	(3,216)
Trade receivables – net	**167,254**	**303,428**	**156,810**	**267,904**
Advances to suppliers	7,458	4,265	7,003	3,767
VAT receivable	2,260	29,672	2,130	26,198
Other debtors**	58,953	3,832	55,280	3,382
Custom prepayments	0	250	0	221
Debt on factoring	18,351	31,888	17,205	28,154
Other tax receivable in foreign countries	1,052	216	987	191
	255,328	**373,551**	**239,415**	**329,817**

*The increase in the allowance is due to an individual provision for debtor of USD 21,946 thousand (EUR 20,573 thousand) for the part of the debt amount as at 31 December 2022. Respectivelly, total provisions as of 31.12.2022 are amounted to USD 24,111 thousand (EUR 22,606 thousand). The debtor is related to sales at the end of 2021, where complications with debt collection have arisen due to changes in the geopolitical situation. Therefore, the management decided to create provisions for the part of the debt, which at the year end amount to USD 21,769 thousand or EUR 20,408 thousand.

**Other Debtors consist of buyer's debt for ELKO RUS LTD and TD ABSOLUT LLC USD 49,304 thousand (EUR 46,226 thousand) with maturity term 24.04.2025 that is as long-term, but is classified as short-term because management believes the cash will be paid within the next 12 months; debt for Elko Trading Malta Limited USD 6,000 thousand (EUR 5,625 thousand) with maturity term 13.12.2025 also is classified as short-term for the same reason (Note 27); as well as debt for prepayments to business partners and deposits.

18 Trade and other receivables and prepayments (continued)

All trade receivables have been pledged to secure bank credit lines (Note 22).
Trade receivables are non-interest bearing and are generally on 7-90 days' terms.

Movements in the allowance for impairment of trade receivables are as follows:

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
At 1 January	3,643	1,854	3,216	1,511
Provision for expected crdit loss	20,954	2,259	19,871	1,995
Used allowances	(485)	(470)	(481)	(290)
At 31 December	**24,112**	**3,643**	**22,606**	**3,216**

The creation and release of allowance for impaired receivables have been included in other operating expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

19 Cash deposits, cash and cash equivalents

	31.12.2022. USD '000	31.12.2021. USD '000	31.12.2022. EUR '000	31.12.2021. EUR '000
Cash at banks and on hand	24,830	40,053	23,280	35,364
Deposits less than 3 months	0	400	0	353
Deposits more than 3 months	3,131	556	2,935	491
	27,961	**41,009**	**26,215**	**36,208**

All cash and cash deposits have been pledged to secure bank credit lines (Note 22), but the Group has unlimited access to these funds.

20 Issued capital and reserves

20.1 Share capital

The total authorised and issued number of ordinary shares is 9,785 thousand shares (2021: 9,785 thousand shares) with a value of USD 1.1358 per share (2021: USD 1.1358 per share) and with value of EUR 1.00 per share (2021: EUR 1.00 per share) and 115.99 thousand (2021: 115.99 shares) personal non voting shares with value of USD 1.1358 per share and with value of EUR 1.00 per share (2021: EUR 1.00 per share). All issued shares are fully paid. There were no share options outstanding for any of the years presented. All issued shares were purchased by cash contribution.

20.2 Share Premium

During 2005 share capital was increased, attracting new shareholders. As a result of share capital increase and attraction of new shareholders, share premium reserve in the amount of USD 5,996 or EUR 4,974 thousand was created.

20.3 Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations. The main portion of translation reserve appeared due to the fact, that retained earnings are measured on transaction date exchange rate instead of closing rate.

21 Goodwill

IT Smart

In April 2021 ELKOTech Romania SRL acquired 100% shareholding in IT Smart Distribution SRL in order to diversify its product portfolio in Romania and obtain HP distribution contract. Assets and liabilities of the Company were measured at fair value. Purchase consideration in amount of USD 2.4 million (EUR 2.1 million) is higher than the Fair value of net assets; therefore, Goodwill in amount of USD 555 thousand (EUR 490 thousand) had been recognized.

In 2022 IT Smart Distribution SRL was integrated to ELKOTech Romania SRL, as a result goodwill from IT Smart Distribution SRL acquisition was transferred to balance sheet of ELKOTech Romania SRL.

During year 2022 Goodwill was revised and increased to USD 614 thousand through Retained Earnings.

Assets acquired and liabilities assumed.

The identifiable assets and liabilities of IT Smart Distribution SRL as at the date of acquisition were:

	USD	EUR
ASSETS	**8 556 680**	**7 554 900**
NON CURRENT ASSETS	**39 847**	**35 182**
Intangible assets	308	272
Property plant and equipment	39 539	34 910
CURRENT ASSETS	**8 516 832**	**7 519 718**
Inventories	4 034 604	3 562 250
Trade debtors	3 325 335	2 936 019
Other debtors	91 592	80 869
Cash and cash equivalents	1 065 301	940 580
LIABILITIES	**6 743 110**	**5 953 656**
Interest-bearing loans and borrowings	4 395 576	3 880 961
Other financing	112 953	99 729
Trade accounts payable	1 960 077	1 730 599
Other current liabilities	237 472	209 670
Corporate income tax	37 032	32 697
Total identifiable net asstes	**1 813 570**	**1 601 244**
Goodwill arising on acquisition	554 699	489 757
Purchase consideration transferred	2 368 268	2 091 001

Gandalf Distribution AB

On 29.08.2019 Company has executed its call option to purchase residual 15% of the shares of it's subsidiary Gandalf Distribution AB for SEK 6 238 578 (USD 670 873 or EUR 597 176). This transaction does not have any effect on Goodwill, as at the initial acquisition 100% of shareholding was recognized and whole amount of consideration was taken into account for Goodwill recognition.The Group acquired Gandalf Distribution AB because it significantly enlarges the range of products and Elko Group presence on the Nordic market.

Group has elected to measure non-controlling interest at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.The financial statements include the results of acquired companies from acquisition date till the end of reporting period.

21 Goodwill (nontinued)

The goodwill of USD 1,759 thousand (EUR 1,536 thousand) comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized. Goodwill is allocated entirely to Gandalf Distribution AB business.
Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

ARAŠID spol. s r.o.
On 14 December 2019 WESTech s.r.o. has acquired the residual 35% of ARAŠID spol. s r.o. for consideration of EUR 571 000 (USD 632 725).

22 Interest-bearing loans and borrowings

Current	**Interest rate %**	**Maturity**	**31.12.2022. USD '000**	**31.12.2021. USD '000**	**31.12.2022. EUR '000**	**31.12.2021. EUR '000**
Bank loans and credit lines						
Swedbank Lizings (factoring)	EURIBOR3M/LIBOR3M+2.95%	31.07.2023	7,154	3,753	6,707	3,314
Credit line from Luminor Bank	EONIA EUR +3.0%	31.07.2023	1,875	741	1,758	654
Credit line from OP Corporate Bank plc	USD LIBOR3M +3.35%	31.07.2023	14,599	-	13,687	-
Trade finance from Citadele Lizings	USD LIBOR3M +2.5%	31.07.2022	-	4,484	-	3,959
Expobank	3.40%	08.11.2022	-	9,890	-	8,732
Credit line from Transilvania Bank (Romania)	RON ROBOR6M +2.1%	22.10.2023	6,950	7,775	6,516	6,865
Alfabank (Russia)	9.10%	22.09.2022	-	184	-	162
Credit line from Transilvania Bank (Romania)	RON ROBOR6M +2.1%	05.10.2024	1,690	1,806	1,584	1,595
Unicredit (Romania)	RON ROBOR3M +1.7%	05.10.2023	886	2,165	831	1,912
Unicredit (Romania)	EURIBOR1M+1.7%	05.10.2023	6,752	2,177	6,330	1,922
Milan Suša	0.90%	21.12.2022	-	510	-	450
Credit line Sberbank (Russia)	9-10%	2023/2024	-	69,729	-	61,565
Trade finance facility (Russia)	11.50%	2022/2023	-	1,554	-	1,372
VTB (Russia)	10.50%	09.12.2022	-	13,300	-	11,743
Sovkombank (Russia)	9.90%	31.03.2022	-	13,278	-	11,723
Trade finance facility JSC OTP Bank (Ukraine)	22.00%	31.05.2026	4,969	6,907	4,659	6,098
Credit line CREDIT AGRICOLE Bank (Ukraine)	22.50%	29.04.2026	3,003	7,966	2,815	7,033
Pumb credit (Ukraine)	23%	17.09.2025	1,369	-	1,284	-
Credit line from Danske Bank (Sweden)	7%	31.12.2022	1,610	-	1,509	-
Loan from Danske Bank (Sweden)	4.70%	31.12.2023	-	4,000	-	3,532
Loan from Danske Bank (Sweden)	6.54%	31.12.2023	-	8,287	-	7,317
Trade finance facility Danske Bank (Sweden)	4.1-6.5%	31.12.2023	20,044	34,200	18,793	30,196
Trade Finance program Deutche Bank	LIBOR3M +3.75%	17.09.2022	-	19,448	-	17,171
Československá obchodní banka, a.s. (Slovakia)	EURIBOR3M +1.1%	10.01.2024	476	385	446	340
Slovenská sporiteľňa, a.s. (Slovakia)	EURIBOR3M +1.1%	31.03.2024	84	90	79	79
Slovenská sporiteľňa, a.s. - overdraft (Slovakia)	EURIBOR3M +0.6%	31.12.2023	1,365	1,218	1,280	1,075
Mercedes-Benz Financial Services Slovakia s.r.o. (Slovakia)	7.00%	15.04.2026	13	7	12	6
ČSOB Leasing	8.0%	29.11.2023	62	103	58	91
Alfabank creditline for ELKO Grupa AS	4.20%	01.04.2022	-	6,900	-	6,094
Mercedes-Benz Financial Services Slovakia s.r.o. (Slovakia)	6%	01.06.2022	-	5	-	4
UniCredit Leasing Slovakia, a.s.	6%	05.08.2026	6	-	6	-
LSK spo. S r.o.	3%	06.02.2023	1,600	1,133	1,500	1,000
Other loans:						
Interest-bearing loans from related	5%	2021/2023	-	331	-	292
Other - credit cards			9	8	8	7
Lease liabilities*			4,167	4,271	3,907	3,771
			78,683	**226,605**	**73,769**	**200,074**

22 Interest-bearing loans and borrowings (continued)

Non-current

Bonds***	6%	12.02.2026	21,332	22,652	20,000	20,000
Interest-bearing loans from related**	5.0%	2021/2024	40,984	19,619	38,425	17,322
Československá obchodní banka, a.s. (Slovakia)	EURIBOR3M +1.1%	23.02.2024	9	155	8	137
Slovenská sporiteľňa, a.s. (Slovakia)	EURIBOR3M +1.1%	31.03.2024	21	112	20	99
Lease liabilities*			16,113	18,704	15,107	16,515
Mercedes-Benz Financial Services Slovakia s.r.o. (Slovakia)	7%	15.04.2026	32	-	30	-
UniCredit Leasing Slovakia, a.s.	6%	05.08.2026	18	-	17	-
			78,509	**61,242**	**73,607**	**54,073**
			157,192	**287,847**	**147,376**	**254,147**

* Lease liabilities in accordance with IFRS16.
**Loan issued as an offset of dividends.
*** In February 2021, Akciju Sabiedrība ELKO Grupa has issued 20 million EUR five years, non-secured bonds with coupon rate 6 p.a. payable semiannually. Bonds were listed on the Nasdaq First North in second quarter of 2021.

22 Interest-bearing loans and borrowings (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31.12.2022. USD '000	31.12.2021. USD '000	31.12.2022. EUR '000	31.12.2021. EUR '000
USD	75,863	87,649	71,126	77,387
RUB	-	98,043	0	86,565
EUR	34,055	30,866	31,928	27,252
RON	16,277	13,923	15,260	12,293
UAH	9,341	14,874	8,758	13,133
CZK	-	5	0	4
SEK	21,656	42,487	20,304	37,513
	157,192	**287,847**	**147,376**	**254,147**

Borrowings are secured by property, plant and equipment, intangible assets, trade receivables and inventory (Notes 14.1, 15.1, 17 and 18). The fair value of current borrowings approximates their carrying amount, as they bear floating interest rates and the impact of discounting is not significant. The average effective interest rate on the bank borrowings as at 31 December 2022 was 8.02% (2021: 6.45%). Fair values are disclosed in Note 26.

As at December 31, 2022 the Group had following undrawn available financing facilities:

	USD'000	EUR'000
Credit line from Luminor Bank	18,247	17,108
Credit line from OP Corporate Bank plc	5,401	5,064
Credit line from Transilvania Bank (Romania)	4,290	4,022
Credit line OTP (Ukraine)	821	770
Credit line from Danske Bank (Sweden)	7,788	7,302
Swedbank Lizings	3,512	3,293
Slovenská sporiteľňa, a.s. (Slovakia)	555	520
Československá obchodní banka, a.s.	1,600	1,500
	42,214	**39,579**

23 Trade and other payables

	31.12.2022. USD '000	31.12.2021. USD '000	31.12.2022. EUR '000	31.12.2021. EUR '000
Trade payables	117,918	292,773	110,557	258,497
Advances received*	13,190	12,787	12,365	11,290
Social security and other taxes	9,372	8,984	8,787	7,932
Unpaid salaries	3,705	3,542	3,474	3,127
Accrued expenses**	6,074	5,994	5,695	5,292
Other	4,860	3,776	4,556	3,334
	155,119	**327,856**	**145,434**	**289,472**

*As at 31.12.2022 advance received from customers, defined by the Group as contract liabilities were 13,190 thousand USD (12,365 thousand EUR); (31.12.2021: 12,787 thousand USD (11,290 thousand EUR)).
**As at 31.12.2022 accrued % for shareholder's loan 1,634 thousand USD (1,532 thousand EUR)

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and normally have 30 to 90 day terms;
- Other payables are non-interested bearing and have an average term of 30 days;
- Interest payable is normally settled monthly throughout the financial year;
- For terms and conditions relating to related parties, refer to Note 27.

24 Changes in liabilities arising from financial activities

	1 January 2022 USD'000	Cash flows USD'000	Disposal of subsidiary USD'000	Foreign exchange movement USD'000	Changes in fair values USD'000	New leases USD'000	31 December 2022 USD'000
Non-current interest-bearing loans and borrowings	155	(1,109)	-	(1,325)	-	2,288	9
Current interest-bearing loans and borrowings	287,678	(25,040)	(97,861)	(8,239)	-	592	157,130
Derivative financial instruments	14	-	-	-	39	-	53
Total	**287,847**	**(26,149)**	**(97,861)**	**(9,564)**	**39**	**2,880**	**157,192**

	1 January 2022 EUR'000	Cash flows EUR'000	Disposal of subsidiary EUR'000	Foreign exchange movement EUR'000	Changes in fair values EUR'000	New leases EUR'000	31 December 2022 EUR'000
Non-current interest-bearing loans and borrowings	137	(1,032)	-	(1,242)	-	2,145	8
Current interest-bearing loans and borrowings	253,997	(13,106)	(86,403)	(7,725)	-	555	147,318
Derivative financial instruments	13	-	-	-	37	-	50
Total	**254,147**	**(14,138)**	**(86,403)**	**(8,967)**	**37**	**2,700**	**147,376**

25 Derivative financial assets and financial liabilities

25.1 Financial assets

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Financial instruments at fair value through profit or loss				
Derivatives not designated as hedges	-	-	-	-
- Foreign exchange forward contracts				
Total instruments at fair value through profit or loss	**-**	**-**	**-**	**-**
	USD '000	**USD '000**	**EUR '000**	**EUR '000**
Total financial assets	**-**	**-**	**-**	**-**

25 Derivative financial assets and financial liabilities (continued)

25.2 Financial liabilities

	2022 USD '000	2021 USD '000	2022 EUR '000	2021 EUR '000
Financial instruments at fair value through profit or loss				
- Foreign exchange forward contracts	(53)	(14)	(50)	(13)
Total instruments at fair value through profit or loss	**(53)**	**(14)**	**(50)**	**(13)**
Total financial liabilities	**(53)**	**(14)**	**(50)**	**(13)**

In 2022 Group entered into foreign exchange derivative contracts for the sale of EUR 2.1 million (EUR 1.83 million in 2021) and PLN 12.66 million (PLN 5.99 in 2021) against USD with a weighted average term of 31 days; the sale of RON 18.3 million (RON 22.44 million in 2021) against EUR and RON 11.4 million (RON 0.00 in 2021) against USD with a weighted average term of 22 days. Foreign exchange forward contracts are valued at the fair value which is calculated at market rates.

2022 derivatives were used as risk management tools to mitigate the impact of currency fluctuations on sales prices and the open currency positions.

26 Fair value measurement

Fair value measurement hierarchy as at 31 December 2022

				Fair value measurement using					
	Date of valuation	Total		Quoted prices in active markets		Significant observable inputs		Significant unobservable inputs	
Financial liabilities for which fair				(Level 1)		(Level 2)		(Level 3)	
values are disclosed:		**USD '000**	**EUR '000**	**USD '000**	**EUR '000**	**USD '000**	**EUR '000**	**USD '000**	**EUR '000**
Assets measured at fair value:									
Financial instrumentss (Note 24)	31 December 2022	-	-	-	-	-	-	-	-
Liabilities measured at fair value:									
Derivative financial instruments (Note 24)	31 December 2022	14	13	-	-	14	13	-	-
Liabilities for which fair value is disclosed:									
Bonds (Note 22)	31 December 2022	21,332	20,000	-	-	21,332	20,000	-	-
Financial instrumentss (Note 24)	31 December 2022	53	50	-	-	-	-	-	-
Obligations under finance lease (Note 22)	31 December 2022	-	-	-	-	-	-	-	-
Bank loans and credit line (Note 22)	31 December 2022	135,860	127,376	-	-	135,860	127,376	-	-

There is no transfer between L1 and L2 during 2022.

Fair value measurement hierarchy as at 31 December 2021

				Fair value measurement using					
	Date of valuation	Total		Quoted prices in active markets		Significant observable inputs		Significant unobservable inputs	
Financial liabilities for which fair				(Level 1)		(Level 2)		(Level 3)	
values are disclosed:		**USD '000**	**EUR '000**	**USD '000**	**EUR '000**	**USD '000**	**EUR '000**	**USD '000**	**EUR '000**
Assets measured at fair value:									
Financial instruments (Note 24)	31 December 2021	-	-	-	-	-	-	-	-
Liabilities measured at fair value:									
Derivative financial instruments (Note 24)	31 December 2021	103	84	-	-	103	84	-	-
Liabilities for which fair value is disclosed:									
Bonds (Note 22)	31 December 2021	22,652	20,000	-	-	22,652	20,000	-	-
Financial instruments (Note 24)	31 December 2021	14	13	-	-	-	-	-	-
Obligations under finance lease (Note 22)	31 December 2021	-	-	-	-	-	-	-	-
Bank loans and credit line (Note 22)	31 December 2021	265,195	234,147	-	-	265,195	234,147	-	-

There is no transfer between L1 and L2 during 2021.

27 Related party disclosures

There are no ultimate controlling parties of the Group. The shareholders of the Group are as follows:

			% of Share Capital	
	31.12.2022.	**31.12.2021.**	**31.12.2022.**	**31.12.2021.**
Shareholders ordinary shares				
Ashington Business Inc. Ltd, domiciled in the United Kingdom	23.74	23.74	23.74	23.74
Solsbury Inventions Ltd, domiciled in the United Kingdom	23.66	23.66	23.66	23.66
Eurotrail SIA, domiciled in Latvia	13.16	13.16	13.16	13.16
Whitebarn SIA, domiciled in Latvia	13.16	13.16	13.16	13.16
KRM Serviss, SIA, domiciled in Latvia	12.87	12.87	12.87	12.87
Solo investīcijas, SIA, domiciled in Latvia	12.24	12.24	12.24	12.24
Personal non voting shares				
Svens Dinsdorfs (77,326 shares)	0.78	0.78	0.78	0.78
Mārtiņš Ozoliņš (12,888 shares)	0.13	0.13	0.13	0.13
Vadims Rabša (25,776 shares)	0.26	0.26	0.26	0.26

On January 2020 B category shares were converted to A category shares.

27.1 Key management compensation

The members of the Council and member of the Board of Directors were entitled to a remuneration of USD 310 thousand or EUR 294 thousand (2021: USD 341 thousand or EUR 288 thousand).

	2022	**2021**	**2022**	**2021**
The Board members' remuneration:	**USD '000**	**USD '000**	**EUR '000**	**EUR '000**
- salary expenses	250	276	237	233
- social insurance	60	65	57	55
	310	**341**	**294**	**288**

27.2 Transactions with related parties

There were no sales to related parties in any of the years presented. There were no guarantees issued to related parties at any statement of financial position date presented.
As of 31 December 2022 there is outstanding loan received from shareholders in amount of USD 40,984 thousand (EUR 38,425 thousand) (see note 22)

In April 2022 Akciju Sabiedrība ELKO Grupa sold 100 percent of it's subsidiaries ELKO RUS Limited and TD Absolut LLC to one of shareholders of Akciju Sabiedrība ELKO Grupa. (see note 14.2 and note 18)

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

28 Commitments and contingencies

All assets of the Group except as noted in Note 17 Inventories have been pledged as security in favour of the banks.
As of 2022 year end, subsidiary of Akciju sabiedrība ELKO Grupa in Sweden was involved into a tax dispute with Swedish Tax Authorities. The management of the subsidiary and parent company and legal advisors involved into the process are of the opinion that the dispute can be successfully resolved by the company. More information required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the ground that it can be expected to prejudice outcome of the dispute and the position of the entity.

29 Events after the reporting period

Financing

Existing financing provided by syndicate of banks matures on 31 July 2023. Negotiations on prolongation of the financing have started with OP Corporate Bank and Luminor Bank. Based on the negotiations with the banks, the management of the Group is convinced that the necessary financing will be extended.

Market condition

Ukraine is currently associated with increased financial and security risks, adversely affecting the Company's overall risk profile. In order to preserve the Company's hard-earned financial credibility and solid credit profile in markets outside Ukraine, the Company has taken the decision to divest the Ukrainian entity and on February 20, 2023 the sale of company was completed.

Otherwise, there have been no subsequent events after the last date of the reporting period that would have a significant effect on the Company’s financial position as of 31 December 2022.

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

21 April 2023

THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

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Translation from Latvian

INDEPENDENT AUDITORS' REPORT

DOCUMENT DATE IS THE TIME OF ITS ELECTRONIC SIGNATURE

To the Shareholders of ELKO Grupa AS

Opinion

We have audited the accompanying consolidated financial statements of ELKO Grupa AS and its subsidiaries (the Group) set out on pages 8 to 66 of the accompanying consolidated annual report, which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year that ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information all expressed in US dollars.

In our opinion, the accompanying consolidated financial statements expressed in US dollars give a true and fair view of the financial position of the Group as at 31 December 2022 and of its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards as adopted by the European Union. In our opinion, the financial statements expressed in euro have been properly translated on the basis described in Note 2.2 *Foreign currency translation*.

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 Consolidated Financial Statements* section of our report. We have also reviewed the translation of these statements into euro on the basis described in Note 2.2 *Foreign currency translation*. We are independent of the Group 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 consolidated 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 Group as set out on page 3 of the accompanying consolidated Annual Report;
- the Management Report as set out on pages 4 to 6 of the accompanying consolidated Annual Report;
- the Statement on Management Responsibility, as set out on page 7 of the accompanying consolidated Annual Report.

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Group 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 the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

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

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation of the consolidated 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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,

THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP