CLEANR GRUPA

AS "CleanR Grupa" CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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General Information

Name of the Parent company	AS "CleanR Grupa" (from 01.06.2022) AS "TAK investīcijas" (till 01.06.2022)	
Legal status of the Parent company	Joint stock company	
Number, place and date of registration of the Parent company	40103799972, Riga, 16 June, 2014	
NACE Code and type of operations of the Parent company	6420 Activities of holding companies 6499 Other financial service activities, except insurance and pension funding	
Legal address of the Parent company	Vietalvas street 5, Riga, LV-1009	
Board members of the Parent company	Juris Gulbis – Chairman of the Board from 23.03.2023 Inta Liepa – Member of the Board Guntars Levics – Member of the Board Agita Baltbārde – Member of the Board from 18.07.2023	
Council members of the Parent company	Guntars Kokorevičs – Chairman of the Council Harijs Krongorns – Deputy chairman of the Council Māris Mančinskis – Member of the Council	
Person responsible for accounting in the Parent company	Anžela Vjaževiča – Chief accountant	
Financial year	1 January - 31 December 2023	
Previous financial year	1 January – 31 December 2022	
Name and address of the auditor	Responsible Certified Auditor: Raivis Irbītis Certificate No. 205	SIA "Grant Thornton Baltic Audit" Certified Auditors' Company Licence No. 183 Blaumana street 22, Riga, LV-1011 Latvia

General Information (continued)

Subsidiaries consolidated

Parent company	Subsidiary	Participating interest in the subsidiary	Type of operations of the subsidiary	Legal address of the subsidiary
AS “CleanR Grupa”	SIA “Enerģijas risinājumi”	100% (Sold on 14.10.2022)	Holding company; Other financial services except for insurance and pensions	Vietalvas street 5, Riga, LV - 1009, Latvia
Enerģijas risinājumi SIA	SIA “Enerģijas risinājumi.RIX”	100% (Sold on 14.10.2022)	Holding company; Other financial services except for insurance and pensions	Vietalvas street 5, Riga, LV - 1009, Latvia
AS “CleanR Grupa”	SIA “Vizii Management”	100%	Holding company; Centralised administrative services	Cēsu street 31k-1, Riga, LV - 1012, Latvia
Vizii Management SIA	SIA “ER Management”	100% (29.12.2022 merged with Vizii Management SIA)	Business and management consulting, Centralised administrative services	Cēsu street 31k-1, Riga, LV - 1012, Latvia
Vizii Management SIA	SIA “CDzP”	51.08%	Real estate brokerage; Real estate management for fee or on agreement basis	Tirgoņu street 1, Cēsis, LV - 4101, Latvia
SIA “CDzP”	SIA “Vidzemes ESKO 1”	100%	Engineering and related technical consulting services	Cēsu street 31k-1, Riga, LV - 1012, Latvia
SIA “Vizii Management”	SIA “NIA Nami”	100%	Lease and management of own or leased real estate; Real estate management for fee or on agreement basis	Brīvības street 155a, Riga, LV-1012, Latvia
SIA “Vizii Management”	SIA “Jauntukums”	100%	Real estate management for fee or on agreement basis	Brīvības street 155a, Riga, LV-1012, Latvia
SIA “Vizii Management”	SIA “Vizii”	100%	General cleaning services; Other operations related to cleaning and maintenance of buildings and production plants	Cēsu street 31 k-1, Riga, LV - 1012, Latvia
SIA “Vizii Management”	SIA “Nebruk Jelagava”	100%	Real estate management for fee or on agreement basis	Sudraba Edžus street 3, Jelgava, LV-3001, Latvia
AS “CleanR Grupa”	SIA “Clean R”	100%	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA “Clean R”	SIA “Eko Terra”	73%	Waste collection (except for dangerous waste); Waste management and placement (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA “Clean R”	SIA “Eko Rija”	100% (sold on 14.10.2022)	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA “Clean R”	Pilnsabiedrība “Vides pakalpojumi Liepājai”	51%	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia

Parent company	Subsidiary	Participating interest in the subsidiary	Type of operations of the subsidiary	Legal address of the subsidiary
SIA "Clean R"	SIA "Vides resursu centrs"	53%	Waste management and placement (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA "Clean R"	SIA "CREB Rīga"	80%	Holding company	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA "CREB Rīga"	AS "TĪRĪGA"	90%	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA "Clean R"	SIA "Reģionālie vides pakalpojumi"	100%	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "Brīvais kalns"	100% (acquired on 28.06.2021)	Holding company	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "CleanR Verso"	100% (established on 16.03.2022)	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "CleanR Trademark"	100% (established on 21.07.2022; merged with AS "CleanR Grupa" on 01.12.2023)	Lease of intellectual rights and similar rights (except for copyrights)	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "Vizii Urban"	100% (established on 14.03.2022)	General cleaning services; Other operations related to cleaning and maintenance of buildings and production plants; Other cleaning services	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "ST Kūdra"	100% (acquired on 22.12.2022; merged with SIA "CleanR Verso" on 20.12.2023)	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "RSC Noma"	100% (acquired on 22.12.2022; merged with SIA "ST Kūdra" on 17.10.2023)	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
AS "CleanR Grupa"	SIA "Zaļā josta"	70% (acquired on 16.12.2022)	Waste management and placement (except for dangerous waste); Recycling of sorted materials	Mūksalas street 42A, Riga, LV - 1004, Latvia
SIA "Zaļā josta"	SIA "Eko Rija"	100% (acquired on 16.12.2022; merged with SIA "Zaļā Josta" on 30.11.2023)	Waste collection (except for dangerous waste)	Vietalvas street 5, Riga, LV - 1009, Latvia
SIA "Zaļā josta"	SIA "Eko Energy"	100% (acquired on 16.12.2022)	Production of cork, straw and braided products; Production of other wood products; Recycling of sorted materials	Radžu street 18, Riga, LV - 1057, Latvia
SIA "Zaļā josta"	SIA "Green Plastics"	50.98% (acquired on 16.12.2022)	Production of initial forms of plastic; Production of other	Šķembu street 8, Riga, LV - 1057, Latvia

Parent company	Subsidiary	Participating interest in the subsidiary	Type of operations of the subsidiary	Legal address of the subsidiary
			plastic products; Recycling of sorted materials	
SIA “Zaļā josta”	SIA “Nulles depozīts”	100% (acquired on 10.11.2023)	Recycling of sorted materials	Dēļu street 5, Riga, LV - 1004, Latvia
SIA “Vizii Urban”	SIA “KOM-AUTO”	100% (acquired on 28.04.2023)	Other cleaning services	Celtnieku street 3, Riga, LV - 4101, Latvia

All subsidiaries of the Group are involved in the consolidation.

Management report

Operations of the AS "CleanR Grupa" (hereinafter – the Parent company) are focused on management of long-term financial investments. Companies wherein investments are made by AS "CleanR Grupa" are operating within following business segments: waste management, sorting of secondary materials separated from waste and sale of recyclable materials, maintenance of urban environment, cleaning services of premises and territories, management of residential buildings, and other forms of operations aimed at managing residential housing management companies. The Group includes 23 companies, of which the largest net turnover is achieved by SIA "Clean R", SIA "CleanR Verso" and SIA "Vides resursu centrs".

Information about the share capital of the Parent company of the Group

The registered and fully paid share capital of the Parent company as at 31 December 2023 is 346 000 EUR consisting of 346 000 shares with a nominal value of 1 EUR each.

Financial indicators of the Group

The net turnover of the Group increased by 33.6 million EUR or 49% during the reporting period and reached 102.0 million EUR (2022: 68.4 million EUR). The largest share of revenues originates from waste management services, which has increased by 10.8 million EUR in 2023 and amounted to 49.7 million EUR (2022: EUR 38.9 million), with increase being mainly caused by the increase in the waste disposal tariff set by the government and the subsequent indexation of tariffs for the clients of the Group companies. In 2023 the Group companies took active participation in municipality and other company tenders on provision of household waste management services.

Although 2023 was marked with stabilisation of energy resource prices, those remained high thus affecting waste collection and sorting businesses. Despite this factor, the Group has increased its gross profit by 9.5 million EUR reaching 19.8 million EUR (2022: 10.3 million EUR). Alongside with this increase, gross profitability has increased reaching 19% (2022: 15%).

The group managed to maintain profitability indicators and increase EBITDA by 76%, reaching 19.6 million EUR (2022: 11.1 million EUR).

The unfavourable effects of increase in costs, including labour and energy costs, were mitigated in 2023 by the indexation of tariffs for customers, as well as improvements in the efficiency of production equipment and processes, achieved by investing in sustainable solutions and modern technologies. Investments in automated sorting equipment and large volume underground waste containers are just a few of the many investment projects in 2023.

Comparison of financial indicators of the Group:

	Unit	**2022**	**2023**	**Difference**
Net sales, including:	*EUR '000*	68 392	102 023	*+33 631*
- Income from waste processing	*EUR '000*	38 938	49 688	*+10 750*
- Income from cleaning services	*EUR '000*	13 513	17 849	*+4 336*
- Income from sorting and sale of waste	*EUR '000*	8 873	8 700	*-173*
- Other income	*EUR '000*	7 068	25 786	*+18 718*
Gross operating profit	*EUR '000*	10 315	19 809	*+9 494*
Gross profitability	*%*	15.1%	19.4%	*+4.3%*
Return on assets (ROA)	*%*	6.6%	11.2%	*+4.6%*
Equity at the end of the reporting year	*EUR '000*	38 290	46 505	*+8 215*
Current assets to short-term liabilities		2.3	2.2	
Average number of employees during the year	*number*	1 585	1717	*+132*
EBITDA	*EUR '000*	11 144	19 602	*+8 459*
Depreciation	*EUR '000*	5 660	6 824	*+1 164*

Financial indicators	**31.12.2022**	**31.12.2023**
Gross profit margin, %	15.1%	19.4%
EBITDA ratio, %	16.3%	19.2%
Financial independence ratio	47.9%	51.0%
Interest coverage ratio	37	11
Leverage ratio	0.25	0.07

Performance of the Group

Reorganisation of the Group commenced at the end of 2022 was continued in 2023. As a result SIA "Clean R" divested businesses related to cleaning of territories, industrial waste management, including sorting of recyclable materials, ensuring that each company within the Group can focus on its core activities and ensure faster growth. Independent operations of divested businesses started at the beginning of 2023.

During 2023 the Group company SIA "Vizii Urban" acquired SIA "KOM-AUTO", thus ensuring management of urban environment also in Cēsis.

During the reporting year the Group continued to deliver household waste management services in Riga, several suburbs in vicinity of Riga, including Jūrmala, Ozolnieki, Stopiņi, Ķekava, Baldone, Ropaži and Carnikava, as well as in Ogre/ Ikšķile, Jelgava, Liepāja and Latgale region. Maintenance of municipal territories has been continuing in Rēzekne, Tukums, Jūrmala and winter road maintenance has been performed in Liepāja.

Significant investments were made by the Group companies operating in waste management segment. These comprised modernisation of packaging sorting centre in Riga by automating it, as well as expansion of industrial waste sorting centre "Nomales". Furthermore, work continued on development of operations of polymer processing plant, renewal of vehicle park, as well as building underground waste containers. Total investments made by the Group in 2023 in development and modernisation of production facilities reached 8.5 million EUR, with source of financing being mainly retained earnings and operating cash flows.

The general economic and geopolitical situation has affected the performance of the Group in 2023, however, despite its negative effects, the Group managed to both increase revenue and improve profit indicators.

Group's exposure to risks

The operations of the Group's companies are subject to various financial risks, including credit risk and liquidity risk. The management of the Group tries to minimize the negative impact of the potential financial risks on the financial position of the Group.

The most significant financial instruments of the Group are bonds issued, lease liabilities, trade receivables, trade payables, as well as cash. The main purpose of bonds is to ensure financing of the Group's operating activities and investments (capital investments).

Financial assets, which potentially expose the Group to a certain degree of concentration of credit risk, are mainly trade receivables. At the end of the reporting year, the Group was not exposed to a significant concentration of credit risk. Trade receivables are recorded at a recoverable amount. The Group will continue to monitor receivables so that the provision of services in the household waste management segment is ceased in time before long-term debts arise. In the cleaning segment, the Group will ensure cooperation only with customers who have a positive credit history. The partners of the Group companies in monetary transactions are credit institutions with a sound reputation.

In order to reduce the liquidity risk, the management of the Group controls the payment terms for both debtors and creditors on a daily basis. Long-term financing is also attracted, namely, borrowings and financial leasing are used for the purpose of investing in long-term assets.

Scientific research and development activities

A fundamental element of the Group's strategy is to develop the Group into an efficient and sustainable group of companies through investments in technologies that reduce production costs, improvement of customer service and optimization of processes.

Future development of the Group

In the future, taking into account the changes made within the Group, work will be continued on stabilisation and focused development of all the segments of the Group, including further improvements to the corporate governance model.

The Group companies will continue their focus on effectiveness and productivity aspects, further development of client service processes and their digitalisation providing clients with more convenient online and self-service options.

Polymer processing plant will start full scope operations allowing to enter new markets for the outputs produced. In the segment of sorting and processing of industrial waste the sorting capacity of building waste will be substantially increased, thus growing a proportion of recyclable materials and reducing amounts of waste to be disposed in polygons.

Events after the end of the reporting period

In the beginning of 2024, the Group company SIA "Vizii Management" sold shares in its subsidiaries SIA "NĪA Nami", SIA "Jauntukums" and SIA "Nebruk Jelgava" due to changes in business strategy and in order to focus on development of cleaning services.

In 2024 the Parent company AS "CleanR Grupa" issued personell shares and recognised increase in share capital related to that issue.

Further on, during 2024 the Parent company AS "CleanR Grupa" has sold 15% of its shareholding in the Group company SIA "Zaļā josta".

During 2024 the Group company SIA "Clean R" has sold its shares of AS "Rīgas namu apsaimniekotājs".

From the end of the reporting year to the date of these financial statements, there have been no events that would require any adjustments to be made to the financial statements or notes thereto.

Juris Gulbis Chairman of the Board	Guntars Levics Member of the Board	Inta Liepa Member of the Board	Agita Baltbārde Member of the Board

Statement of Management Responsibilities

The Board of the Parent company of the Group (hereinafter – the Management) is responsible for the preparation of the enclosed Consolidated financial statements.

The financial statements on pages 11 to 65 are prepared based on accounting records and supporting documents, and provide true and fair view on the Group's financial position as at 31 December 2023 and its financial performance and cash flows for the year then ended.

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), on a going concern basis.

This is the first year when IFRS have been applied to the preparation of the financial statements. Estimates and judgements made during preparation of these financial statements by the Management have been prudent and reasonable.

The Management is also responsible for maintaining appropriate accounting records that would provide a true and fair presentation of the financial position of the Group at a particular date and financial performance and cash flows and enable the Management to prepare the financial statements according to the International Financial Reporting Standards as adopted by the European union.

Juris Gulbis	Guntars Levics	Inta Liepa	Agita Baltbārde
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board

Consolidated statement of comprehensive income

	Note	2023 EUR	2022 EUR
Revenue	1	102 022 728	68 391 548
Cost of sales	2	(82 213 862)	(58 077 001)
Gross profit		**19 808 866**	**10 314 547**
Selling expenses	3	(2 123 082)	(792 762)
Administrative expenses	4	(6 050 924)	(5 417 709)
Other operating income	5	1 761 642	1 868 408
Other operating expense	6	(1 386 087)	(740 173)
Profit from investments in associates	14 (b)	770 412	559 740
Profit from sale of subsidiaries	34	-	362 070
Profit/ (loss) from revaluation of investments		(11 131)	(44 146)
EBIT*		**12 769 696**	**6 109 975**
Interest income and similar income		186 531	2 186
Interest expenses and similar expenses	8	(1 780 712)	(443 328)
Profit before corporate income tax		**11 175 515**	**5 668 833**
Corporate income tax	9	(930 525)	(382 448)
Profit and other comprehensive income for the reporting year		**10 244 990**	**5 286 385**
Of which:			
Share of profit attributable to non-controlling interests		1 597 929	387 238
Share of profit attributable to the shareholders of the Parent company		8 647 061	4 899 147

Notes on pages 16 to 65 are an integral part of these financial statements.

* See section a) of the Significant accounting policies of the Group for an explanation on the addition of a non-IFRS indicator.

Juris Gulbis
Chairman of the Board

Guntars Levics
Member of the Board

Inta Liepa
Member of the Board

Agita Baltbārde
Member of the Board

Anžela Vjaževiča
Chief accountant

Consolidated statement of financial position

ASSETS	Note	31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR
NON-CURRENT ASSETS				
Goodwill	10	4 895 188	3 278 881	235 441
Intangible assets	11	4 457 021	5 033 305	5 684 517
Property, plant and equipment	12	24 282 113	22 525 381	14 612 996
Right of use assets	13	7 972 837	7 391 857	8 064 485
Advance payments for property, plant and equipment	12	1 427 019	184 780	1 485 544
Investments in associates	14	6 128 574	6 184 209	5 381 473
Other securities and investments	15	50 000	61 131	3 863 653
Other non-current assets	16	464 292	401 979	866 563
TOTAL NON-CURRENT ASSETS		**49 677 044**	**45 061 524**	**40 194 672**
CURRENT ASSETS				
Inventory	17	2 012 706	1 574 921	601 397
Trade receivables and contract assets	18	18 066 588	13 869 293	8 670 607
Other current assets	19	1 022 274	1 192 550	1 574 904
Cash and cash equivalents	20	20 449 571	18 179 061	7 465 969
TOTAL CURRENT ASSETS		**41 551 139**	**34 815 825**	**18 312 877**
TOTAL ASSETS		**91 228 183**	**79 877 349**	**58 507 549**

Notes on pages 16 to 65 are an integral part of these financial statements.

Consolidated statement of financial position (continued)

EQUITY AND LIABILITIES	Note	31.12.2023. EUR	31.12.2022. EUR	31.12.2021. EUR
EQUITY				
Share capital	21	346 000	346 000	346 000
Retained earnings		41 058 416	34 225 053	33 989 906
Equity attributable to the shareholders of the Parent company		**41 404 416**	**34 571 053**	**34 335 906**
Non-controlling interest		5 100 595	3 718 601	1 758 436
TOTAL EQUITY		**46 505 011**	**38 289 654**	**36 094 342**
LIABILITIES				
NON-CURRENT LIABILITIES				
Issued debt securities	23	13 752 808	13 716 960	-
Loans from credit institutions and other borrowings	24	6 029 724	5 520 920	5 574 981
Deferred tax liabilities	9	1 321 874	607 938	331 987
Deferred income	25	1 963 217	2 359 122	1 871 956
Other non-current liabilities	26	3 144 671	4 146 379	2 842 691
TOTAL NON-CURRENT LIABILITIES		**26 212 294**	**26 351 319**	**10 621 615**
CURRENT LIABILITIES				
Loans from credit institutions and other borrowings	24	2 051 721	1 740 591	2 979 653
Trade payables		7 711 278	6 633 630	4 263 587
Taxes and state mandatory social insurance payments	27	1 776 647	1 233 165	1 142 488
Deferred income	25	665 560	692 910	539 069
Unpaid dividends		-	207 600	-
Other current liabilities	26	6 305 672	4 728 480	2 866 795
TOTAL CURRENT LIABILITIES		**18 510 878**	**15 236 376**	**11 791 592**
TOTAL LIABILITIES		**44 723 172**	**41 587 695**	**22 413 207**
TOTAL EQUITY AND LIABILITIES		**91 228 183**	**79 877 349**	**58 507 549**

Notes on pages 16 to 65 are an integral part of these financial statements.

Juris Gulbis
Chairman of the Board

Guntars Levics
Member of the Board

Inta Liepa
Member of the Board

Agita Baltbārde
Member of the Board

Anžela Vjaževiča
Chief accountant

Consolidated statement of cash flows

	Note	2023	2022
Cash flow from operating activities		**EUR**	**EUR**
Profit before corporate income tax		**11 175 515**	**5 668 833**
Adjustments for			
decrease in value of property, plant and equipment and right of use assets		7 111 944	4 912 605
decrease in value of intangible assets		458 546	1 062 237
(profit)/ loss on disposal of property, plant and equipment		145 761	91 538
profit from investments in associates		(770 412)	(559 740)
profit from other non-current investments		11 131	44 146
interest and similar income		(186 531)	(2 186)
(profit)/ loss from sale of shares in subsidiary		-	(362 070)
interest and similar expense		1 668 239	300 916
Profit before adjustments of working capital and non-current liabilities		***19 614 193***	***11 156 279***
Increase in receivables		(4 098 309)	(996 033)
Increase in inventory		(431 254)	(822 620)
Increase in payables		2 922 912	516 833
Gross cash flow from operating activities		**18 007 542**	**9 854 459**
Corporate income tax payments		(216 589)	(147 329)
Net cash flow from operating activities		**17 790 953**	**9 707 130**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash		(1 676 732)	(2 971 225)
Sale of subsidiaries, net of cash		-	3 736 400
Acquisition of property, plant and equipment and intangibles		(8 556 848)	(8 818 881)
Proceeds from sales of property, plant and equipment and intangibles		565 915	423 664
Repayment of loans issued		-	42 616
Dividends received		826 047	373 497
Interest received		186 531	841
Net cash flow from investing activities		**(8 655 087)**	**(7 213 088)**
Cash flow from financing activities			
Repayment of borrowings		(51 827)	(3 193 600)
Borrowings received		-	17 000 000
Grants and donations received		252 284	1 224 334
Payments for leased assets		(1 763 436)	(1 929 085)
Interest paid		(3 085 715)	(224 291)
Dividends paid		(2 216 662)	(4 658 308)
Net cash flow from financing activities		**(6 865 356)**	**8 219 050**
Net cash flow of the reporting year		**2 270 510**	**10 713 092**
Cash and cash equivalents at the beginning of the reporting year		**18 179 061**	**7 465 969**
Cash and cash equivalents at the end of reporting year		**20 449 571**	**18 179 061**

Notes on pages 16 to 65 are an integral part of these financial statements.

Juris Gulbis Chairman of the Board	Guntars Levics Member of the Board	Inta Liepa Member of the Board	Agita Baltbārde Member of the Board

Anžela Vjaževiča
Chief accountant

Consolidated statement of changes in equity

	Share capital	Retained earnings	Equity attributable to the shareholders of the Parent company	Non-controlling interest	Total equity
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2021	**346 000**	**35 222 495**	**35 568 495**	**1 758 436**	**37 326 931**
Adjustments on IFRS adoption (note (y))	-	(1 232 589)	(1 232 589)	-	(1 232 589)
As at 1 January 2022	**346 000**	**33 989 906**	**34 335 906**	**1 758 436**	**36 094 342**
Comprehensive income					
Profit for the year	-	4 899 147	4 899 147	387 238	5 286 385
Transactions with the shareholders of the Group					
Dividendes	-	(4 664 000)	(4 664 000)	(201 908)	(4 865 908)
Acquisition of subsidiary	-	-	-	1 774 835	1 774 835
As at 31 December 2022	**346 000**	**34 225 053**	**34 571 053**	**3 718 601**	**38 289 654**
Comprehensive income					
Profit for the year	-	8 647 061	8 647 061	1 597 929	10 244 990
Transactions with the shareholders of the Group					
Dividendes	-	(1 815 000)	(1 815 000)	(194 062)	(2 009 062)
Acquisition of subsidiary	-	1 302	1 302	(21 873)	(20 571)
As at 31 December 2023	**346 000**	**41 058 416**	**41 404 416**	**5 100 595**	**46 505 011**

Notes on pages 16 to 65 are an integral part of these financial statements.

Juris Gulbis
Chairman of the Board

Guntars Levics
Member of the Board

Inta Liepa
Member of the Board

Agita Baltbārde
Member of the Board

Anžela Vjaževiča
Chief accountant

Notes to the consolidated financial statements

General information on the Group

CleanR Group AS and its subsidiaries (hereinafter – the Group) provide a wide range of services: investment management, waste management, sorting of secondary materials separated from waste and sale of recyclable materials, cleaning services of premises and territories, management of residential buildings, provision of energy efficiency services for residents of apartment buildings and other forms of cooperation with the aim of managing residential housing management companies. The Group includes 23 companies, of which the largest net turnover is achieved by SIA "Clean R", SIA "Zaļā Josta" and SIA "CleanR Verso". Information on the Group is presented in separate section of this annual report on pages 3 to 6.

In 2022 the shareholder of the Group's Parent company decided to reorganise the Group's subsidiary SIA "Clean R" by way of separating from the said company certain parts of its assets amounting to EUR 9.9 million, retained earnings amounting to EUR 7.3 million, liabilities amounting to EUR 2.1 million and paid-up share capital of EUR 403 thousand and merging them into SIA "CleanR Verso", SIA "Vizii Urban" and SIA "CleanR Trademark". Within this reorganisation process the split of separate business directions, related assets and liabilities pertaining to them was aimed to increase focus by each of the companies on development of each of the respective directions as their key activity, thus promoting faster growth. Reorganisation became effective on 2 January 2023.

On 12 July 2023 the Group company SIA "CleanR Verso" acquired from the Parent company AS "CleanR Grupa" its subsidiaries SIA "RSD Noma" and SIA "ST Kūdra". Acquisition was aimed at merging these companies to SIA "CleanR Verso" during the reporting year, thus ensuring that provision of building waste is concentrated within one company of the Group. Reorganisation was carried out in two steps: on 17 October 2023 the Group company SIA "RSC Noma" was merged into the Group company SIA "ST Kūdra", while on 20 December 2023, the Group company SIA "ST Kūdra" was merged into the Group company SIA "CleanR Verso".

On 30 November 2023 the Group company SIA "Zaļā Josta" was reorganised with the Group company SIA "Eko Rija" being merged into it.

On 1 December 2023 during reorganisation of the Parent company, SIA "CleanR Trademark" was merged with the Parent company. This merger resulted in overtaking trademark and retained earnings.

These reorganisations had no effect on these consolidated financial statements, as these were accounted for as transactions under common control.

The financial statements were approved by the Board of the Parent company on 29 April 2024. Financial statements are subject to approval by the Shareholder meeting, which is appointed by the Board of the Parent company after receipt of the independent auditors' report.

Summary of Group's significant accounting policies

This section sets out the significant accounting policies and valuation methods that have been applied in the preparation of these financial statements. These policies are applied consistently in the presentation of all comparative information unless stated otherwise.

a) General accounting and valuation principles

These Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. Due to the European Union endorsement process, this note also includes standards and interpretations that have not yet been endorsed for use in the European Union, as these standards and interpretations may have an impact on the financial statements of future periods when they are endorsed.

These are the first Group's consolidated financial statements that are prepare in accordance with IFRS. Consolidated financial statements for the year ended 31 December 2022 and earlier were prepared in accordance with the law of the Republic of Latvia "Law On the Annual Financial Statements and Consolidated Financial Statements" (LAFS). IFRS 1 – First time adoption of IFRS, has been applied to the preparation of these financial statements as described in details in section y) of Summary of Group's significant accounting policies.

The financial statements are prepared on the historical cost basis. The statement of cash flows is prepared using the indirect method. The income statement is classified by function of expense.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

The non- IFRS indicator EBIT is presented on the income statement. This is customary in the industry and enables investors with a better comparability with other companies operating in the same industry. For the purpose of these financial statements, EBIT is calculated as profit before finance income, finance expenses and corporate income tax. EBIT may be calculated differently in the financial statements of other companies.

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

The Group has not early adopted the following amended standards, including any amendments to other standards arising therefrom, for which the initial application date is on or after 1 January 2024, or which are not yet adopted by the European Union, as these standards are not expected to have material impact on these Consolidated financial statements. Major of these amendments are:

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current (IASB effective date: 1 January 2024);
- Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants (IASB effective date: 1 January 2024);
- Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (IASB effective date: 1 January 2024).

b) Consolidation principles

Business combinations

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

Subsidiaries

The consolidated financial statements include subsidiaries that are controlled by the Parent company of the Group.

Control is achieved when the Parent company:

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

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

Consolidation of a subsidiary begins when the Parent company of the Group obtains control over the subsidiary and ceases when the Parent company of the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Parent company of the Group gains control until the date when the Parent company of the Group ceases to control the subsidiary. If the purchase date of shares as per agreement significantly differs from the date disclosed by the Company register, the purchase date used for consolidation purposes is the date as per agreement, unless specified otherwise in the agreement.

Periods for the preparation of financial statements of the Parent company of the Group and subsidiaries are equal. Consolidated financial statements are prepared using uniform accounting policies. Where necessary, the accounting policies and valuation principles applied by the subsidiaries of the Group are changed to ensure consistency with the Group's accounting policies and valuation principles.

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

Non-controlling interest in the performance of the subsidiaries and equity, is presented separately within the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Elimination of intra-group transactions

The consolidated financial statements comprise the financial statements of the Parent company and its subsidiaries for the year ended 31 December 2023. All intragroup transactions, intragroup balances and unrealised gains on intragroup transactions are eliminated during consolidation.

Goodwill

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

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

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

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

c) Investments in associated companies

Investments in associated companies are presented using equity method. In accordance with this method, the value of investment in the associated company is disclosed as a sum of goodwill at the acquisition date and proportion of shareholding in associates' equity at the balance sheet date.

At the end of the reporting period the balance sheet value of the associate is increased or decreased proportionately to the share of the Group in the associate's profit or loss for the year (after the acquisition date) or any other changes in equity and/or permanent decrease in goodwill value to its refundable amount. Where necessary, the accounting policies and valuation principles applied by the associated companies of the Group are changed to ensure consistency with the Group's accounting policies and valuation principles. Profit distribution is recognised in the period subsequent to the reporting period subject to the shareholders decision on profit distribution.

d) Foreign currency translation

Functional and presentation currency

The financial statements are prepared, and all items are presented in euro (EUR), which is the functional and presentation currency of the Group and the Parent company. All items in the Group's financial statements are presented in EUR, unless stated otherwise.

Transactions and balances in foreign currencies

The Group maintains its accounts in euros. During the reporting period transactions in foreign currencies are recorded using *euro* foreign exchange reference rates that are published based on a regular daily reconciliation procedure between central banks of the European System of Central Banks and other central banks. At the end of the reporting year foreign currency cash balance and balances of advances, loans issued and borrowings taken denominated in foreign currencies, as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the income statement.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

e) Intangible assets

Intangible assets are mainly comprised of costs of software and licences, as well as patents and trademarks. Where computer software is an integral part of the related hardware that cannot operate without that specific software, it is treated as property, plant and equipment.

Intangible assets are initially recognised at cost. Intangible assets have a finite useful life. After initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, where the carrying amount of the intangible investment is greater than its estimated recoverable amount, which is the highest of the fair value less costs to sell and the value in use of the intangible investment, the carrying amounts thereof are immediately reduced to the recoverable value by recognising the difference in the income statement. Impairment indicators are assessed at the end of each reporting date.

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

Subsequent costs are included in the carrying amount of an intangible asset or recognised as a separate intangible asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are expensed in the income statement as incurred.

Intangible assets are amortized using the straight-line method over their useful lives. Intangible assets are amortised by 20% - 33% per annum.

f) Property, plant and equipment

Property, plant and equipment items are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Buildings and engineering structures	2.5 – 10
Technological equipment	10 – 25
Other fixed assets and inventory	10 – 50

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

If separate components of one property, plant and equipment item have different useful lives, such components are accounted separately with property, plant and equipment. Residual values and useful lives of property, plant and equipment items are reviewed and adjusted (if necessary) at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, recognizing the difference in income statement. Impairment assessment is carried out at each reporting date. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable incoming cash flows.

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

Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease.

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

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

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

g) Inventories

Inventories are carried at the lower of cost or net realisable value. Cost is calculated using the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business less applicable costs to complete and variable selling costs. Where required, slow moving, obsolete or damaged inventories are written down.

The Group accounts for and values by-products (recyclable materials) at their net realizable value, recognizing any difference in the income statement for the reporting year, as well as making appropriate adjustments to the inventories value.

h) Financial instruments

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

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

i) Financial assets

Group's financial assets include other securities and investments, loans issued, trade receivables, contract assets, and cash and cash equivalents. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

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

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

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

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

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

Subsequent measurement

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

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Financial assets recognised at fair value are remeasured at each balance sheet date. The Group's FVTPL are comprised of other securities and investments, which the management of the Group has elected to present as such. Fair value of these instruments is determined based on the fair value of the underlying net assets.

Derecognition

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current account with banks and short-term deposits with maturity up to 90 days.

Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:
- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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

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

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

j) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities consist of borrowings, issued debt securities, contract liabilities, accounts payable to suppliers and contractors and other liabilities. Financial liabilities are classified as financial liabilities at amortised cost. Group determines classification of financial liabilities at the moment of initial recognition thereof. All the financial liabilities are initially measured at their fair value, plus directly attributable transaction costs.

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

Subsequent measurement

After the initial recognition, financial liabilities are measured at their amortised cost by applying effective interest rate method.

Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate. Interest calculated under effective interest rate method is included in the income statement line item “interest expenses and other similar expenses”.

Derecognition

A financial liability is derecognized, if the obligation specified in the contract is discharged, cancelled or expired. Where there has been an exchange of existing financial instrument and new financial instrument, involving an existing lender, however with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognized in consolidated statement of comprehensive income.

k) Offsetting financial instruments

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

l) Leases

The Group as a lessee

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment' policy (section f) of the Summary of Group's significant accounting policies).

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for all such leases where there is a non-lease component and its separation is impracticable.

The Group as lessor

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

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

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

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

m) Grants

Grants received for specific capital-investments are accounted as deferred income that is recognized in income statement on a systematic basis over the useful lives of the property, plant and equipment items received or purchased for grants.

n) Employees' benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries, social insurance contributions, bonuses, accruals for unused annual leave and other benefits.

The Group makes social insurance contributions to the state-funded pension scheme in accordance with Latvian laws. The state-funded pension scheme is a defined contribution pension plan, and the Group is required to make contributions of statutory amount. The Group does not incur any additional legal or constructive obligations to make additional payments if the state-funded pension scheme is unable to meet its obligations to employees. Social insurance contributions are recognised as an expense on an accrual basis and recognised under Personnel expenses.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

The accrued unused annual leave expenses are calculated by multiplying the number of days of unused leave at the end of the accounting year by the average daily salary during the last six months of the reporting year.

o) Corporate income tax and deferred income tax

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

Current tax

Corporate income tax is calculated based on legislation enforced at the end of the reporting year. In case of reinvestment of profit, corporate income tax rate on retained earnings is 0%. Distributed profits are taxed at a rate of 20% of their gross amount or 20/80 of net expenses.

Corporate income tax on dividends is recognised as an expense in the income statement in the accounting period in which the dividend is declared and, for other items of deemed profit, when the cost is incurred within the accounting year, irrespective of when the payment is made. Corporate income tax on deemed profit distribution is recognised in the income statement as part of "Other operating expenses".

Deferred income tax

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

In accordance with IAS 12 Income Taxes, when the income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%.

As a Parent company controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group recognizes deferred tax liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the Parent company of the Group has determined that subsidiary's profits will not be distributed in the foreseeable future, no deferred tax liability is recognised.

p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, 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 liability.

If the Group expects to receive reimbursement for some or all of the costs required to create the provisions, the reimbursement of those costs is recognised as a separate asset if, and only if, it is virtually certain that the expenses will actually be reimbursed. The cost of provisions is recognised in the Consolidated income statement, net of amounts recovered.

q) Revenue recognition

Revenue is recognised in accordance with IFRS 15 "Revenue from contracts with customers", whereas principles for revenue recognition are prescribed. In order to determine, when and in what amount revenue should be recognised, the Group applies five-step revenue recognition model. Depending on compliance with particular criteria, revenue is recognized:

- over the time by reflecting the Group company's fulfilment of the contract; or
- at a certain point in time.

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

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

IFRS 15 provides that the asset should be recognised for extra costs, arising from the acquisition of the contracts with customers, when the recovery of such expenses is expected over time. Taking into account the specifics of the operations of the Group, there are no contractual costs to be capitalised.

Revenue from contracts with customers is recognised based on fulfilment of performance obligations towards the customer. Revenue is recognised to the extent that reflects the remuneration expected by the Group to be received in exchange for goods or services provided. Model provides for revenue recognition once the services are provided and accepted by the customer even if these services are not invoiced, however, there is a high probability that the Group will receive the economic benefits arising from the transaction. Accounting policies for main types of revenue of the Group are described below.

Provision of services

Revenue generated from the services is recognised during the period of provision of these services according to the requirements and conditions of the contract.

Services included in the contract may be separated, and they are priced separately. Revenue from these services is recognised separately – in the period of provision of the service.

Key types of the services provided by the Group are:

1) **Waste management**

The Group provides services of solid sorted and unsorted household waste collection in Riga, Liepaja, Jurmala, Stopini, Ozolnieki, Incukalna and Jelgava municipalities. Alongside with these, the Group operates in commercial and industrial waste management, as well as engages with collection of pre-sorted organic and textile waste, ensuring the required infrastructure for sorting activities.

Since the end of 2022 SIA “Zaļā josta” being a part of the Group, ensures management of used packaging, disposable dishes, environmentally harmful goods, electric and electronic equipment, proving producers of those with the exemption from natural resource tax. This company ensures that waste arising from the operations of such production companies, is collected, recycled and reused.

2) **Waste sorting**

The Group owns largest household waste sorting centre in Latvia and in the Baltics with annual capacity of 270 000 tonnes of waste. The Group ensures operations of nine land plots for collection of sorted waste.

On top of that the Group ensures sorting and sale for further recycling of sorted and recyclable materials such as paper, cardboard, metal, plastics and glass from both households and businesses.

3) **Recycling of waste**

At the beginning of 2023 a new factory used for recycling of plastics began its operations. With the aid of this factory, the Group ensures the full economic cycle of plastic waste management – collection, sorting and recycling for further use.

4) **Revenue from cleaning services**

The Group ensures various levels of cleaning services for shopping areas, production areas, public usage areas and offices, as well as general cleaning of premises. It is using innovations in daily operations (such as robotics and nanotechnologies, including, spray washing machines), as well as environmentally friendly means of cleaning.

5) **Revenue from real estate management and maintenance fees**

The Group provides maintenance of household buildings and management of commercial real estate in seven Latvian cities – Riga, Jurmala, Jelgava, Tukums, Sigulda, Cesis and Priekuli.

6) **Services related to the environmental maintenance**

The Group ensures maintenance of territories, streets, roads and city districts. With its 20 years of experience, the Group is a knowledgeable partner to municipalities and companies caring for the well-kept environment. Maintenance services include maintenance of greeneries, beach cleaning services, cleaning of specific territories, cleaning of public and event locations, as well as specific services on management of roads during the winter.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Sale of goods

Revenue from sale of goods is recognised at the moment of transfer of control over the respective goods, which is usually the moment, when the Group has sold or supplied goods to the client, the client has accepted the goods, and the receipt of payment is reasonably certain.

Other income

Other revenue from provision of services is recognised during the period of provision thereof. Other revenue from selling of materials is recognised, when the buyer has accepted them.

r) Related parties

Related parties are defined as shareholders of the Group companies, members of the Council and the Board, their close relatives and companies in which they have a significant influence or control.

s) Subsequent events

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

t) Contingent liabilities and assets

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

u) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled within the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

v) Research and development costs

Research is a set of activities aimed at acquiring new knowledge, exploring research results or other ways of applying knowledge, evaluation and final selection, as well as searching for alternatives in terms of materials, equipment, products, processes, systems or services, formulation, development, evaluation and final selection. The costs of research are included in the income statement for the respective reporting period.

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

Development activities include the development of tools and equipment associated with the use of new technologies, as well as the development and testing of selected alternatives for new or improved materials, equipment, products, processes, systems, or services. The costs of development are shown as a long-term intangible investment in the balance sheet as "Development costs". These costs include not only goods and services received from other companies, but also personnel, material and other costs incurred in research and development activities by the Group.

w) Fair value measurements

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 to the Group.

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

Information to be disclosed as part of the Group’s accounting policy and consolidated financial statements, foresees measurement of fair value of financial and non-financial assets and liabilities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for respective assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable in the market;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The carrying value of the Group’s current financial assets and liabilities is assumed to approximate to their fair value. Fair value of the remaining financial instruments is estimated by discounting the expected future cash flows to net present values using appropriate market interest rates available at the end of the reporting period.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

x) Estimates and assumptions

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

Useful lives of property, plant and equipment

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

Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. Principles of impairment calculations are described in the section i) to the accounting policy.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see Note 10).

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

y) First time adoption of International Financial Reporting Standards

These are the first financial statements of the Group that are prepared in accordance with IFRS as adopted by the European Union.

Accounting and valuations principles applied to the preparation of financial statements for 2023, as well as while presenting comparative information for 2022 and opening balances as at 1 January 2022 (date of transition to IFRS) are described in more details in sections a) through x) of the Notes to the consolidated financial statements.

While preparing the opening balance sheet in accordance with IFRS, the Group adjusted balances presented in the financial statements presented in accordance with the "Law on the Annual Financial Statements and Consolidated Financial Statements" (LAFS). All the adjustments made, their impact on the financial statements of the Group, as well as application of IFRS 1 "First time adoption of international financial reporting standards" (IFRS 1) are described in this note and explanation tables therein.

In accordance with IFRS 1, while applying IFRS for the first time, the Group can decide on application of one or more exemptions in the preparation of opening balances. Following exemptions were used by the Group:

- Exemption related to business combinations was applied to all business combinations prior to 1 January 2022.
- Following mandatory exemptions from application of other IFRS are as follows:
    - Exemption related to derecognition of financial assets and financial liabilities is not relevant to the operations of the Group;
    - Exemption on hedge accounting is not relevant for the Group;
    - Estimates made on the date of transition to IFRS do not differ significantly from those made under LAFS, unless stated otherwise below.

IFRS 1 requires the Group to present all the adjustments made to the statement of changes in equity, statement of comprehensive income, statement of financial position and statement of cash flows for respective periods.

Adjustments made to comply with IFRS 1 requirements are presented in the following tables:

- Adjustments to the statement of changes in equity as at 1 January 2022 and 31 December 2022;
- Adjustments to the statement of financial position as at 1 January 2022;
- Adjustments to the statement of financial position as at 31 December 2022;
- Adjustments to the statement of comprehensive income for 2022;
- Adjustments to the statement of cash flows for 2022.

Summary of the statement of changes in equity

	31.12.2022. EUR	**01.01.2022. EUR**
Equity as per LAFS	**39 096 132**	**37 326 931**
1) Elimination of goodwill amortisation	929 132	704 797
2) Impairment of goodwill	(1 366 378)	(1 366 378)
3) Other adjustments to goodwill	202 279	-
4) Fair value adjustments for investments	54 031	98 177
5) Recognition of leases under IFRS 16	(68 099)	(50 190)
6) Recognition of expected credit loss	(346 669)	(287 008)
7) Amortisation of commission in line with IFRS 9	359 665	-
8) Recognition of deferred tax	(607 938)	(331 987)
9) Other adjustments	37 499	-
Equity as per IFRS	**38 289 654**	**36 094 342**

While adopting IFRS, a number of adjustments with impact on the total value of equity were made. Nature of the adjustments is as follows:

1) Elimination of goodwill amortisation

Within financial statements under LAFS goodwill was amortised over 10 years. As IFRS does not foresee for amortisation of goodwill, it was eliminated from the financial statements.

2) Impairment of goodwill

While performing impairment test on goodwill as at 1 January 2022, it was concluded that part of previously recognised goodwill is not justified, i.e. there is no evidence to the recoverability of the asset. As part of goodwill had a recoverable value of zero, additional impairment of 1 366 278 EUR was recognised.

3) Other adjustments to goodwill

In financial statements for 2022, partial decrease in goodwill resulting from the sale of subsidiary was recognised under LAFS. As under IFRS this goodwill is fully impaired in the opening balance sheet, there is no adjustment to be made in financial statements for 2022, thus adjustment to reverse the decrease is required of 202 279 EUR.

4) Fair value adjustments for investments

Under LAFS financial investments were valued at cost. Upon transition to IFRS these financial investments were classified as financial assets with revaluation through profit or loss. Fair value of these investments was determined as at 1 January 2022 with corresponding revaluation result recognised as opening equity adjustment.

Fair value determined based on share of the Group in the net balance sheet value of investments, adjusted by an uplift for specific identifiable assets (real estate) presented at the balance sheet of those investments, arising from differences between fair value and balance sheet value. In some cases, valuation was performed by certified external valuation company.

5) Recognition of leases under IFRS 16

While adopting IFRS, all lease agreements were assessed. As a result, right-of-use assets and lease liabilities were recognised on the balance sheet for those leases accounted for off-balance sheet as operating leases under LAFS. Total adjustment that resulted in lease recognition did not have material effect on the opening equity.

Under IFRS 16, property, plant and equipment items acquired under finance lease terms were reclassified from property, plant end equipment to right-of-use assets.

6) Recognition of expected credit loss

Applying IFRS 9 "Financial instruments" additional expected credit losses for accounts receivable were recognised, with major additional impairment charge recognised for those receivables which are either not overdue or slightly overdue.

7) Amortisation of commission in line with IFRS 9

Evaluating income statement line items for 2022, it was concluded than expenses directly attributable to the emission of bonds in 2022 were accounted for as expenses in 2022, while under IFRS such expenses should be amortised as part of effective interest rate over the life of financial liability. This was amended while applying IFRS.

8) Recognition of deferred tax

In line with IAS 12 "Income tax", the Group recognises deferred tax in its consolidated financial statements in respect to profits of subsidiaries that is to be distributed in foreseeable future. Upon adoption of IFRS, respective deferred tax was recognised.

Additional adjustments made were related to:

9) Change of classification

IFRS adoption resulted in number of reclassification adjustments in both balance sheet and income statement, indicated in the tables below under column "Change of classification". Classification was changed to ensure better and more comprehensive use of financial statements, unifying some positions and ensuring more comprehensive presentation of information in financial statements and avoiding presentation of massive immaterial information.

Change in presentation of income statement line items was aimed at ensuring correct presentation of function of expense thus providing users of financial statements with true and fair view.

10) Profit on sale of subsidiary

In order to comply with IFRS, profit on sale of subsidiary presented within statement of other comprehensive income reclassified from "Other operating income" to "Profit from sale of subsidiaries".

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Statement of financial position as at 1 January 2022

LAFS	**LAFS**	Change of classification	Elimination of goodwill amortisation	Impairment of goodwill	Fair value adjustments for investments	Recognition of leases under IFRS 16	Recognition of expected credit loss	Recognition of deferred tax	**IFRS**	**IFRS**
Description of the adjustment		(9)	(1)	(2)	(4)	(5)	(6)	(8)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
ASSETS										**ASSETS**
LONG-TERM INVESTMENTS										**NON-CURRENT ASSETS**
Intangible assets										
Concessions, patents, licences, trade marks and similar rights	4 798 050	886 467	-	-	-	-	-	-	5 684 517	Intangible assets
Other intangibles	868 032	(868 032)								
Goodwill	897 022	-	704 797	(1 366 378)	-	-	-	-	235 441	Goodwill
Development costs	18 435	(18 435)								
TOTAL	**6 581 539**									
Fixed assets										
Real estate	6 798 428	13 498 904	-	-	-	(5 684 336)	-	-	14 612 996	Property, plant and equipment
	-	-	-	-	-	8 064 485	-	-	8 064 485	Right of use assets
Leasehold improvements	196 983	(196 983)								
Technological equipment and devices	10 084 814	(10 084 814)								
Other fixed assets and inventory	3 003 622	(3 003 622)								
Fixed assets under construction	213 485	(213 485)								
Advances for fixed assets	1 485 544								1 485 544	Advance payments for property, plant and equipment
TOTAL	**21 782 876**									
Long-term financial investments										
Investments in associated companies	5 381 473	-	-	-	-	-	-	-	5 381 473	Investments in associates
Other securities and investments	3 765 476	-	-	-	98 177	-	-	-	3 863 653	Other securities and investments
Other loans and long-term debtors	864 063	2 500	-	-	-	-	-	-	866 563	Other non-current assets
Loans to shareholders and management	2 500	(2 500)								
TOTAL	**10 013 512**									
TOTAL LONG-TERM INVESTMENTS	**38 377 927**	-	704 797	(1 366 378)	98 177	2 380 149	-	-	**40 194 672**	**TOTAL NON-CURRENT ASSETS**
CURRENT ASSETS										**CURRENT ASSETS**
Stock										
Raw materials and consumables	536 425	64 972	-	-	-	-	-	-	601 397	Inventory
Finished goods and goods for sale	45 062	(45 062)								
Advances for goods	19 910	(19 910)								
TOTAL	**601 397**									

LAFS	LAFS	Change of classification	Elimination of goodwill amortisation	Impairment of goodwill	Fair value adjustments for investments	Recognition of leases under IFRS 16	Recognition of expected credit loss	Recognition of deferred tax	IFRS	IFRS
Description of the adjustment		(9)	(1)	(2)	(4)	(5)	(6)	(8)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
Debtors										
Trade debtors	7 482 707	1 474 908	-	-	-	-	(287 008)	-	8 670 607	Trade receivables and contract assets
Other debtors	1 372 374	202 530	-	-	-	-	-	-	1 574 904	Other current assets
Short term loans to shareholders and management	15 048	(15 048)								
Deferred expenses	187 482	(187 482)								
Accrued income	1 474 908	(1 474 908)								
TOTAL	**10 532 519**									
Cash	7 465 969	**-**	**-**	**-**	**-**	**-**	**-**	**-**	7 465 969	Cash and cash equivalents
TOTAL CURRENT ASSETS	**18 599 885**	-	-	-	-	-	(287 008)	-	**18 312 877**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**56 977 812**	-	704 797	(1 366 378)	98 177	2 380 149	(287 008)	-	**58 507 549**	**TOTAL ASSETS**
SHAREHOLDERS' FUNDS										**EQUITY**
Share capital	346 000	-	-	-	-	-	-	-	346 000	Share capital
Retained earnings	29 797 086	5 425 409	704 797	(1 366 378)	98 177	(50 190)	(287 008)	(331 987)	33 989 906	Retained earnings
Current year's profit	5 425 409	(5 425 409)								
									34 335 906	Equity, attributable to the shareholders of the Parent company
Minority share	1 758 436	-	-	-	-	-	-	-	1 785 436	Non-controlling interest
TOTAL SHAREHOLDERS' FUNDS	**37 326 931**	-	704 797	(1 366 378)	98 177	(50 190)	(287 008)	(331 987)	**36 094 342**	**TOTAL EQUITY**
PROVISIONS										
Other provisions	218 036	(218 036)								
TOTAL PROVISIONS	**218 036**	(218 036)								
CREDITORS										**LIABILITIES**
Long-term creditors										**NON-CURRENT LIABILITIES**
Loans from credit institutions	203 747	3 498 864	-	-	-	1 872 370	-	-	5 574 981	Loans from credit institutions and other borrowings
Other borrowings	3 498 864	(3 498 864)								
Other creditors	1 795 660	1 047 031	-	-	-	-	-	-	2 842 691	Other non-current liabilities
Deferred income	1 871 956	-	-	-	-	-	-	-	1 871 956	Deferred income

LAFS	LAFS	Change of classification	Elimination of goodwill amortisation	Impairment of goodwill	Fair value adjustments for investments	Recognition of leases under IFRS 16	Recognition of expected credit loss	Recognition of deferred tax	IFRS	IFRS
Description of the adjustment		(9)	(1)	(2)	(4)	(5)	(6)	(8)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
		-	-	-	-	-	-	331 987	331 987	Deferred tax liabilities
Accrued liabilities	1 047 031	(1 047 031)								
TOTAL	**8 417 258**					1 872 370		331 987	**10 621 615**	**TOTAL NON-CURRENT LIABILITIES**
Short-term creditors										**CURRENT LIABILITIES**
Loans from credit institutions	1 205 195	1 216 488	-	-	-	557 970	-	-	2 979 653	Loans from credit institutions and other borrowings
Other borrowings	1 216 488	(1 216 488)								
Advances from customers	136 184	(136 184)								
Trade creditors	4 127 403	136 184	-	-	-	-	-	-	4 263 587	Trade payables
Taxes and social insurance payments	1 142 488		-	-	-	-	-	-	1 142 488	Taxes and state mandatory social insurance payments
Other creditors	1 723 413	1 143 383	-	-	-	-	-	-	2 866 795	Other current liabilities
Deferred income	539 069		-	-	-	-	-	-	539 069	Deferred income
Accrued liabilities	925 347	(925 347)								
TOTAL	**11 015 587**	(218 036)	-	-	-	2 430 339	-	331 987	**11 791 592**	**TOTAL CURRENT LIABILITIES**
TOTAL CREDITORS	**19 432 845**	(218 036)	-	-	-	2 430 339	-	331 987	**22 413 207**	**TOTAL LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**56 977 812**	-	704 797	(1 366 378)	98 177	2 380 149	(287 008)	-	**58 507 549**	**TOTAL EQUITY AND LIABILITIES**

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

Statement of financial position as at 31 December 2022

LAFS	**LAFS**	Change of classification	Elimination of goodwill amortisation	Impairment of goodwill	Other adjustments to goodwill	Fair value adjustments for investments	Recognition of leases under IFRS 16	Recognition of expected credit loss	Amortisation of commission in line with IFRS 9	Recognition of deferred tax	**IFRS**	**IFRS**
Description of the adjustment		(9)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
ASSETS												**ASSETS**
LONG-TERM INVESTMENTS												**NON-CURRENT ASSETS**
Intangible assets												
Concessions, patents, licences, trade marks and similar rights	4 070 631	962 674	-	-	-	-	-	-	-	-	5 033 305	Intangible assets
Other intangibles	787 881	(787 881)										
Goodwill	3 513 849	-	929 132	(1 366 378)	202 279	-	-	-	-	-	3 278 881	Goodwill
Development costs	174 793	(174 793)										
TOTAL	**8 547 154**											
Fixed assets												
Real estate	7 552 380	19 925 521	-	-	-	-	(4 952 520)	-	-	-	22 525 381	Property, plant and equipment
			-	-	-	-	7 391 857	-	-	-	7 391 857	Right of use assets
Leasehold improvements	153 606	(153 606)										
Technological equipment and devices	9 978 791	(9 978 791)										
Other fixed assets and inventory	4 171 353	(4 171 353)										
Fixed assets under construction	5 621 771	(5 621 771)										
Advances for fixed assets	184 780	-	-	-	-	-	-	-	-	-	184 780	Advance payments for property, plant and equipment
TOTAL	**27 662 681**											
Long-term financial investments												
Investments in associated companies	6 184 209	-	-	-	-	-	-	-	-	-	6 184 209	Investments in associates
Other securities and investments	7 100	-	-	-	-	54 031	-	-	-	-	61 131	Other securities and investments
Other loans and long-term debtors	401 979	-	-	-	-	-	-	-	-	-	401 979	Other non-current assets
TOTAL	**6 593 288**											
TOTAL LONG-TERM INVESTMENTS	**42 803 123**	-	929 132	(1 366 378)	202 279	54 031	2 439 338	-	-	-	**45 061 524**	**TOTAL NON-CURRENT ASSETS**
												CURRENT ASSETS
CURRENT ASSETS												
Stock												
Raw materials and consumables	1 398 688	176 233	-	-		-	-	-	-	-	1 574 921	Inventory
Finished goods and goods for sale	165 554	(165 554)										
Advances for goods	10 679	(10 679)										
TOTAL	**1 574 921**											

LAFS	LAFS	Change of classification	Elimination of goodwill amortisation	Impairment of goodwill	Other adjustments to goodwill	Fair value adjustments for investments	Recognition of leases under IFRS 16	Recognition of expected credit loss	Amortisation of commission in line with IFRS 9	Recognition of deferred tax	IFRS	IFRS
Description of the adjustment		(9)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
Debtors												
Trade debtors	10 195 473	4 020 489	-	-	-	-	-	(346 669)	-	-	13 869 293	Trade receivables and contract assets
Other debtors	913 629	278 921	-	-	-	-	-	-	-	-	1 192 550	Other current assets
Deferred expenses	4 020 489	-4 020 489										
Accrued income	278 921	-278 921										
TOTAL	15 408 512											
Cash	18 179 061	-	-	-	-	-	-	-		-	18 179 061	Cash and cash equivalents
TOTAL CURRENT ASSETS	**35 162 494**	-	-	-	-	-	-	(346 669)	-	-	**34 815 825**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**77 965 617**	-	929 132	(1 366 378)	202 279	54 031	2 439 338	(346 669)	-	-	**79 877 349**	**TOTAL ASSETS**
SHAREHOLDERS' FUNDS												**EQUITY**
Share capital	346 000	-	-	-	-	-	-	-	-	-	346 000	Share capital
Retained earnings	30 558 495	4 510 535	929 132	(1 366 378)	202 279	54 031	(68 099)	(346 669)	359 665	(607 938)	34 225 053	Retained earnings
Current year's profit	4 473 036	(4 473 036)										
											34 571 053	Equity, attributable to the shareholders of the Parent company
Minority share	3 718 601	-	-	-	-	-	-	-	-	-	3 718 601	Non-controlling interest
TOTAL SHAREHOLDERS' FUNDS	**39 096 132**	37 499	929 132	(1 366 378)	202 279	54 031	(68 099)	(346 669)	359 665	(607 938)	**38 289 654**	**TOTAL EQUITY**
PROVISIONS												
Other provisions	289 393	(289 393)										
TOTAL PROVISIONS	**289 393**	(289 393)										
CREDITORS												**LIABILITIES**
Long-term creditors												**NON-CURRENT LIABILITIES**
Loans against bonds	14 000 000	-	-	-	-	-	-	-	(283 040)	-	13 716 960	Issued debt securities
Loans from credit institutions	163 185	3 425 968	-	-	-	-	1 931 767	-	-	-	5 520 920	Loans from credit institutions and other borrowings
Other borrowings	3 425 968	-3 425 968										
Other creditors	2 967 666	1 178 713	-	-	-	-	-	-	-	-	4 146 379	Other non-current liabilities
Deferred income	2 359 122	-	-	-	-	-	-	-	-	-	2 359 122	Deferred income
			-	-	-	-	-	-	-	607 938	607 938	Deferred tax liabilities
Accrued liabilities	1 178 713	-1 178 713										
TOTAL	**24 094 654**	-	-	-	-	-	1 931 767	-	(283 040)	607 938	**26 351 319**	**TOTAL NON-CURRENT LIABILITIES**

LAFS Description of the adjustment Name of the line item	LAFS EUR	Change of classification (9) EUR	Elimination of goodwill amortisation (1) EUR	Impairment of goodwill (2) EUR	Other adjustments to goodwill (3) EUR	Fair value adjustments for investments (4) EUR	Recognition of leases under IFRS 16 (5) EUR	Recognition of expected credit loss (6) EUR	Amortisation of commission in line with IFRS 9 (7) EUR	Recognition of deferred tax (8) EUR	IFRS EUR	IFRS Name of the line item
Short-term creditors												**CURRENT LIABILITIES**
Loans against bonds	76 625	-	-	-	-	-	-	-	(76 625)	-	-	Issued debt securities
Loans from credit institutions	52 157	1 112 764	-	-	-	-	575 670	-	-	-	1 740 591	Loans from credit institutions and other borrowings
Other borrowings	1 112 764	-1 112 764										
Advances from customers	190 114	-190 114										
Trade creditors	6 443 516	190 114	-	-	-	-	-	-	-	-	6 633 630	Trade payables
Taxes and social insurance payments	1 270 665	37 500	-	-	-	-	-	-	-	-	1 233 165	Taxes and state mandatory social insurance payments
Other creditors	2 090 638	2 637 842	-	-	-	-	-	-		-	4 728 480	Other current liabilities
Deferred income	692 910	-	-	-	-	-	-	-	-	-	692 910	Deferred income
Unpaid dividends	207 600	-	-	-	-	-	-	-	-	-	207 600	Unpaid dividends
Accrued liabilities	2 348 449	-2 348 449										
TOTAL	**14 485 438**	326 893	-	-	-	-	575 670	-	(76 625)	-	**15 236 376**	**TOTAL CURRENT LIABILITIES**
TOTAL CREDITORS	**38 580 092**	326 893	**-**	**-**	**-**	**-**	2 507 437	**-**	(359 665)	607 938	**41 587 695**	**TOTAL LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**77 965 617**	**-**	929 132	(1 366 378)	202 279	54 031	2 439 338	(346 669)	**-**	**-**	**79 877 349**	**TOTAL EQUITY AND LIABILITIES**

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

Statement of comprehensive income for 2022

LAFS	**LAFS**	Change of classification	Elimination of goodwill amortisation	Other adjustments to goodwill	Fair value adjustments for investments	Recognition of leases under IFRS 16	Recognition of expected credit loss	Amortisation of commission in line with IFRS 9	Recognition of deferred tax	**IFRS**	**IFRS**
Description of the adjustment		(9)	(1)	(3)	(4)	(5)	(6)	(7)	(8)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
Net sales	67 968 607	422 941	-	-	-	-	-	-	-	68 391 548	Revenue
Cost of sales, cost of goods sold, cost of services rendered	(58 111 070)	-	-	41 343	-	52 387	(59 661)	-	-	(58 077 001)	Cost of sales
Gross profit	**9 857 537**	-	-	41 343	-	52 387	(59 661)	-	-	10 314 547	**Gross profit**
Selling expenses	(792 762)	-	-	-	-	-	-	-	-	(792 762)	Selling expenses
Administrative expenses	(5 560 120)	142 411	-	-	-	-	-	-	-	(5 417 709)	Administrative expenses
Other operating income	2 653 419	(785 011)	-	-	-	-	-	-	-	1 868 408	Other operating income
Other operating expense	(1 483 845)	-	224 334	159 673	-	-	-	359 665	-	(740 173)	Other operating expense
Income from investments in the capital of associated companies	559 740	-	-	-	-	-	-	-	-	559 740	Profit from investments in associates
		362 070	-	-	-	-	-	-	-	362 070	Profit from sale of subsidiaries
		-	-	-	(44 146)	-	-	-	-	(44 146)	Profit/ (loss) from revaluation of investments
		-	224 334	201 016	(44 146)	52 387	(59 661)	359 665	-	**6 109 975**	**EBIT**
Interest income and similar income	2 186	-	-	-	-	-	-	-	-	2 186	Interest income and similar income
Interest expenses and similar expenses	(231 884)	(142 411)	-	-	-	(69 032)	-	-	-	(443 328)	Interest expenses and similar income
Profit before corporate income tax	**5 004 271**	-	224 334	201 016	(44 146)	16 645	(59 661)	359 665	-	**5 668 833**	**Profit before corporate income tax**
Corporate income tax for the reporting year	(143 997)	37 500	-	-	-	-	-	-	(275 951)	(382 448)	Corporate income tax
CURRENT YEAR'S PROFIT	**4 860 274**	37 500	224 334	201 016	(44 146)	16 645	(59 661)	359 665	(275 951)	**5 286 385**	**Profit and other comprehensive income for the reporting year**
Of which:											Of which:
Minority share of profit	387 238	-	-	-	-	-	-	-	-	387 238	Share of profit attributable to non-controlling interest
Parent company's share of profit	4 473 036	37 500	224 334	201 016	(44 146)	16 645	(59 661)	359 665	(275 951)	4 899 147	Share of profit attributable to the shareholders of the Parent company

Notes to the consolidated financial statements (continued)

Summary of Group’s significant accounting policies (continued)

Statement of cash flows for the year ended 31 December 2022

LAFS	**LAFS**	Change of classification	Elimination of goodwill amortisation	Other adjustments to goodwill	Fair value adjustments for investments	Recognition of leases – lease payments	Recognition of leases under – depreciation of right-of-use asset	Recognition of leases under – interest expenses on lease	Recognition of expected credit loss	Amortisation of commission in line with IFRS 9	**IFRS**	**IFRS**
Description of the adjustment		(9)	(1)	(3)	(4)	(5)	(5)	(5)	(6)	(7)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
Profit before corporate income tax	5 004 271	-	224 334	201 016	(44 146)	597 171	(544 784)	(69 032)	(59 661)	359 665	5 668 833	**Profit before corporate income tax**
Adjustments for												**Adjustments for:**
adjustments of decrease in value of fixed assets	4 367 821	-	-	-	-	-	544 784	-	-	-	4 912 605	Decrease of value of property, plant and equipment and right of use assets
adjustments of decrease in value of intangibles assets	1 286 571	-	(224 334)	-	-	-	-	-	-	-	1 062 237	Decrease in value of intangible assets
(profit)/loss on fixed assets disposal	91 538	-	-	-	-	-	-	-	-	-	91 538	(Profit)/ loss on disposal of property, plant and equipment
revenue from participation in capital of affiliated and associated companies	(559 740)	-	-	-	-	-	-	-	-	-	(559 740)	Profit from investments in associates
revenue from other securities and loans that formed long-term investments	-	-	-	-	44 146	-	-	-	-	-	44 146	Profit from other non-current investments
interest and similar income	(2 186)	-	-	-	-	-	-	-	-	-	(2 186)	Interest and similar income
(profit)/loss from disposal of capital shares of the subsidiary	21 976	(384 046)	-	-	-	-	-	-	-	-	(362 070)	(Profit)/ loss from sale of shares in subsidiary
interest and similar expense	231 884	-	-	-	-	-	-	69 032	-	-	300 916	Interest and similar expense
recognition of deferred income	(586 212)	586 212	-	-	-	-	-	-	-	-	-	
accruals and provisions (except for provisions for bad debts)	2 150	(2 150)	-	-	-	-	-	-	-	-	-	
Profit before adjustments of working capital and short-term liabilities	**9 858 073**										**11 156 280**	**Profit before adjustments of working capital and non-current liabilities**
Trade debtors' increase	(1 055 694)	-	-	-	-	-	-	-	59 661	-	(996 033)	Increase in receivables
Stock increase	(822 620)	-	-	-	-	-	-	-	-	-	(822 620)	Increase in inventory
Trade creditors' increase	1 277 529	(200 016)	-	(201 016)	-	-	-	-	-	(359 665)	516 833	Increase in payables
Gross cash flow from operating activities	**9 257 288**										**9 854 459**	**Gross cash flow from operating activities**
Corporate income tax payments	(147 329)	-	-	-	-	-	-	-	-	-	(147 329)	Corporate income tax payments
Net cash flow from operating activities	**9 109 959**	**-**	**-**	**-**	**-**	**597 171**	**-**	**-**	**-**	**-**	**9 707 130**	**Net cash flow from operating activities**

LAFS	**LAFS**	Change of classification	Elimination of goodwill amortisation	Other adjustments to goodwill	Fair value adjustments for investments	Recognition of leases – lease payments	Recognition of leases under – depreciation of right-of-use asset	Recognition of leases under – interest expenses on lease	Recognition of expected credit loss	Amortisation of commission in line with IFRS 9	**IFRS**	**IFRS**
Description of the adjustment		(9)	(1)	(3)	(4)	(5)	(5)	(5)	(6)	(7)		
Name of the line item	**EUR**	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**	**Name of the line item**
Acquisition of stocks or shares of affiliated or associated companies	(2 971 225)	-	-	-	-	-	-	-	-	-	(2 971 225)	Acquisition of subsidiaries, net of cash
Revenue from alienation of stocks or shares of affiliated or associated companies	3 736 400	-	-	-	-	-	-	-	-	-	3 736 400	Sale of subsidiaries, net of cash
Acquisition of fixed assets and intangibles	(8 818 881)	-	-	-	-	-	-	-	-	-	(8 818 881)	Acquisition of property, plant and equipment and intangibles
Proceeds from sales of fixed assets and intangibles	423 664	-	-	-	-	-	-	-	-	-	423 664	Proceeds from sales of property, plant and equipment and intangibles
Repayment of the issued loans	42 616	-	-	-	-	-	-	-	-	-	42 616	Repayment of loans issued
Dividends received	373 497	-	-	-	-	-	-	-	-	-	373 497	Dividends received
Interest payments received	841	-	-	-	-	-	-	-	-	-	841	Interest received
Net cash flow from investing activities	**(7 213 088)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7 213 088)**	**Net cash flow from investing activities**
Repaid loans	(3 193 600)	-	-	-	-	-	-	-	-	-	(3 193 600)	Repayment of borrowings
Loans received	17 000 000	-	-	-	-	-	-	-	-	-	17 000 000	Borrowings received
Grants and donations received	1 224 334	-	-	-	-	-	-	-	-	-	1 224 334	Grants and donations received
Finance lease payments	(1 400 946)	-	-	-	-	(528 139)	-	-	-	-	(1 929 085)	Payments for leased assets
Interest paid	(155 259)	-	-	-	-	(69 032)	-	-	-	-	(224 291)	Interest paid
Dividends paid	(4 658 308)	-	-	-	-	-	-	-	-	-	(4 658 308)	Dividends paid
Net cash flow from financing activities	8 816 221	-	-	-	-	(597 171)	-	-	-	-	8 219 050	**Net cash flow from financing activities**
Net cash flow of the reporting year	**10 713 092**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10 713 092**	**Net cash flow of the reporting year**
Cash and cash equivalents at the beginning of the reporting year	7 465 969	-	-	-	-	-	-	-	-	-	7 465 969	Cash and cash equivalents at the beginning of the reporting year
Cash and cash equivalents at the end of reporting year	**18 179 061**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18 179 061**	**Cash and cash equivalents at the end of the reporting year**

Notes to the consolidated financial statements (continued)

1. Revenue

		2023	2022
		EUR	***EUR***
Revenue from contracts with customers (IFRS 15):			
Income from waste collection (NACE 38.11)		49 687 545	38 937 834
Income from cleaning activities (NACE 81.22)		17 849 147	13 512 609
Income from packaging, VKP and EEI management (NACE 38.32)		14 699 186	-
Income from recycling (NACE 38.21)		8 699 813	8 873 354
Sale of goods (NACE 46.90)		4 975 036	3 168 972
Income from real estate management (NACE 68.32)		2 885 470	2 274 377
Income from technical maintenance services (NACE 81.00)		955 860	-
Income from sludge acceptance (NACE 38.11)		432 893	427 916
Construction services (NACE 43.11)		8 228	-
Other revenue		1 829 550	1 196 486
	TOTAL:	**102 022 728**	**68 391 548**

Net sales by geographic markets		2023	2022
		EUR	***EUR***
Latvia		97 599 928	66 414 886
European Union and EEZ		4 420 750	1 976 662
Other countries		2 050	-
	TOTAL:	**102 022 728**	**68 391 548**

Both in 2023 and 2022 the Group had one customer, revenue generated from which attributed for more than 10% of the total revenue of the Group.

2. Cost of sales

		2023	2022
		EUR	***EUR***
Direct cost of waste management		20 261 488	14 541 586
Salaries (see Note 7)		19 267 566	26 930 574
Cost of packaging, VKP and EEI collection and recycling		10 280 983	-
Depreciation of property, plant and equipment		5 893 667	4 857 142
Social insurance contributions (see Note 7)		4 752 152	3 467 870
Energy costs		2 253 863	1 209 330
Transportation and handling of goods		1 737 129	1 339 984
Cost of property management		1 553 470	1 547 046
Repair of own and leased assets		174 233	903 512
Amortisation of intangible assets		433 715	296 303
Other costs of sales		15 605 596	2 983 654
	TOTAL:	**82 213 862**	**58 077 001**

Notes to the consolidated financial statements (continued)

3. Selling expenses

		2023	2022
		EUR	***EUR***
Advertising expenses		1 181 171	578 792
Salaries (see Note 7)		404 582	106 697
Social insurance contributions (see Note 7)		97 416	25 168
Depreciation of property, plant and equipment		1 836	397
Other selling expenses		438 077	81 708
	TOTAL:	**2 123 082**	**792 762**

4. Administrative expenses

		2023	2022
		EUR	***EUR***
Salaries (see Note 7)		2 761 933	2 054 008
Professional fees*		1 871 350	1 566 496
Social insurance contributions (see Note 7)		644 798	574 061
Office maintenance expenses		202 043	191 504
Rental expenses (short term lease) and fuel expenses		173 565	173 463
Depreciation of property, plant and equipment and intangible assets		115 287	95 893
Audit fees		104 205	73 001
Business trip expenses		49 028	60 552
Other administrative expenses		128 715	628 731
	TOTAL:	**6 050 924**	**5 417 709**

* Professional fees mainly include business development costs, financial and legal fees.

5. Other operating income

		2023	2022
		EUR	***EUR***
Release of deferred income		648 659	586 212
Income from the sublease of premises		242 966	626 173
Penalties received		404 976	247 232
Decrease of expected credit losses		202 084	6 794
Income from sale of property, plant and equipment		71 973	66 557
Other income		190 984	335 440
	TOTAL:	**1 761 642**	**1 868 408**

Notes to the consolidated financial statements (continued)

6. Other operating expense

		2023	2022
		EUR	*EUR*
Amortisation of intangible assets		669 900	571 127
Penalties		21 405	77 772
Donations		21 500	52 500
Other expenses		673 282	38 774
	TOTAL:	**1 386 087**	**740 173**

7. Remuneration and average number of employees

Average number of employees during the reporting year		**2023**	**2022**
Average number of Council members during the reporting year		3	3
Average number of Board members during the reporting year		3	2
Average number of other employees during the reporting year		1 711	1 580
	TOTAL:	**1 717**	**1 585**

		2023	2022
		EUR	*EUR*
Salary		20 399 377	14 808 238
State social insurance contributions		5 440 889	3 995 028
Bonuses		2 201 632	2 020 439
Health, life and accident insurance expenses		238 679	119 208
Other employee related costs		263 315	188 917
	TOTAL:	**28 543 893**	**21 131 830**

Notes to the consolidated financial statements (continued)

8. Interest expenses and similar expenses

		2023	2022
		EUR	*EUR*
Interest expenses on borrowings from credit institutions		12 639	161 628
Interest expenses on bonds issued		1 454 324	76 625
Interest expenses on lease liabilities		310 434	205 074
Other interest expenses and similar expenses		4 315	1
	TOTAL:	**1 780 712**	**443 328**

9. Corporate income tax and deferred income tax

		2023	2022
		EUR	*EUR*
Corporate income tax for the reporting year		216 589	106 497
Deferred income tax expenses		713 936	275 951
	TOTAL:	**930 525**	**382 448**

Corporate income tax is presented under following consolidated financial statement line items:

	31/12/2023	31/12/2022	01/01/2022
	EUR	*EUR*	*EUR*
Liabilities			
Taxes and state mandatory social insurance payments	70 945	-	-
Deferred tax liabilities	1 321 874	607 938	331 987

During the reporting period the Group recognised deferred tax on dividends from the subsidiaries of the Group that are to be distributed in the foreseeable future. Movement in deferred tax was as follows:

	2023	2022
	EUR	EUR
At the beginning of the reporting year	**607 938**	**331 987**
Increase of deferred tax	713 936	275 951
At the end of the reporting year	**1 321 874**	**607 938**

Notes to the consolidated financial statements (continued)

10. Goodwill

	2023	2022
	EUR	EUR
Balance as at 1 January	**3 278 881**	**235 441**
Purchase of SIA "RSC Noma" (see note 34)	-	306 354
Purchase of SIA "ST Kūdra" (see note 34)	-	1 061 885
Purchase of SIA " Zaļā Josta" (see note 34)	-	1 675 201
Purchase of SIA "KOM-AUTO" (see note 34)	1 616 307	-
Balance as at 31 December	**4 895 188**	**3 278 881**

Assessment of recoverable value

The management of the Group reviewed recoverability of goodwill, as well as property, plant and equipment and intangible assets. Recoverable value was determined by applying the income approach, which is based on the assumption that the current value is closely related to the future income to be generated by the Group’s companies.

Calculation of value is based on several assumptions:

- Cash flow forecast is prepared on the basis of the management forecasts for a period not exceeding five years, with a terminal value estimate at the end of 2028.
- Income and expenses are forecasted on the basis of actual performance indicators for the last three years, taking into account changes in the service contract pipeline, operational volume, prices, and planned development trends in the relevant sectors.
- In order to calculate current value of the relevant company, the Group's management applied discount rates (weighed average cost of capital) of 14%.
- Terminal value is estimated based on Gordon growth model in perpetuity with 0.5% perpetual growth rate of cash flows, setting rather conservative approach towards impairment assessment.

No impairment was recognised in the Group in 2022 and 2023.

Results of sensitivity analysis:

Management of the Group has determined that from all the variables used in calculations, the most significant impact on the results is from the changes in discount rate. If the discount rate would increase by 1%, results of the assessment would stay the same. Only in case of increase in discount rate by 5% to 19%, need to recognise impairment charge of 27 thousand EUR arises. Decrease of discount rate does not impact the outcome of the assessment.

Notes to the consolidated financial statements (continued)

11. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Development costs	Total
	EUR	EUR	EUR	EUR
As at 31 December 2021				
Cost	7 387 157	1 612 393	18 435	9 017 985
Accumulated depreciation	(2 589 107)	(744 361)	-	(3 333 468)
Net book value as at 31 December 2021	**4 798 050**	**868 032**	**18 435**	**5 684 517**
2022				
Net book value as at 1 January	**4 798 050**	**868 032**	**18 435**	**5 684 517**
Additions	55 890	228 126	156 358	440 374
Result of acquisition and sale of subsidiaries (book value)	-	125 264	-	125 264
Cost of excluded intangible assets	(48 334)	(18 527)	-	(66 861)
Depreciation	(743 627)	(318 610)	-	(1 062 237)
Result of acquisition and sale of subsidiaries (accumulated depreciation)	-	(114 931)	-	(114 931)
Accumulated depreciation of excluded intangible assets	8 652	18 527	-	27 179
Net book value as at 31 December	**4 070 631**	**787 881**	**174 793**	**5 033 305**
As at 31 December 2022				
Cost	7 394 713	1 947 256	174 793	9 516 762
Accumulated depreciation	(3 324 082)	(1 159 375)	-	(4 483 457)
Net book value as at 31 December 2022	**4 070 631**	**787 881**	**174 793**	**5 033 305**

Notes to the consolidated financial statements (continued)

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Development costs	Total
	EUR	**EUR**	**EUR**	**EUR**
As at 31 December 2022				
Cost	7 394 713	1 947 256	174 793	9 516 762
Accumulated depreciation	(3 324 082)	(1 159 375)	-	(4 483 457)
Net book value as at 31 December 2022	**4 070 631**	**787 881**	**174 793**	**5 033 305**
2023				
Net book value as at 1 January	**4 070 631**	**787 881**	**174 793**	**5 033 305**
Additions	50 879	103 461	15 007	169 347
Cost of excluded intangible assets	(3 364)	(7 797)	(13 232)	(24 393)
Reclassification	571 091	166 469	-	737 560
Depreciation	(105 025)	(353 520)	-	(458 545)
Accumulated depreciation of excluded intangible assets	765	7 797	-	8 562
Reclassification	(834 966)	-	(173 849)	(1 008 815)
Net book value as at 31 December	**3 750 011**	**704 291**	**2 719**	**4 457 021**
As at 31 December 2023				
Cost	8 013 319	2 209 389	176 568	10 399 276
Accumulated depreciation	(4 263 308)	(1 505 098)	(173 849)	(5 942 255)
Net book value as at 31 December 2023	**3 750 011**	**704 291**	**2 719**	**4 457 021**

Intangible assets contain individually significant CleanR trademark with net book value of 3 288 600 EUR as at 31 December 2023 (4 019 400 EUR as at 31 December 2022). Remaining useful life of this trademark is 4,5 years. The Group has no other individually significant intangible assets.

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment

	Land, buildings and engineering structures	Leasehold improvements	Technological equipment and devices	Other fixed assets and inventory	Construc-tion in progress	Advances for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2021							
Cost	10 432 351	307 093	15 541 091	8 241 965	276 450	1 567 354	36 366 304
Accumulated depreciation	(3 624 887)	(110 110)	(11 140 612)	(5 238 343)	-	-	(20 113 952)
Accumulated impairment charge	(9 036)	-	-	-	(62 965)	(81 810)	(153 811)
Net book value as at 31 December 2021	**6 798 428**	**196 983**	**4 400 478**	**3 003 622**	**213 485**	**1 485 544**	**16 098 540**
2022							
Net book value as at 1 January	**6 798 428**	**196 983**	**4 400 478**	**3 003 622**	**213 485**	**1 485 544**	**16 098 540**
Additions	1 265 347	-	1 160 331	1 781 498	1 626 855	2 707 928	8 541 959
Result of acquisition and sale of subsidiaries (cost)	250 000	-	131 678	1 800 889	-	3 456	2 186 023
Cost of excluded PPE	(66 228)	-	(692 507)	(581 812)	(11 448)	-	(1 351 995)
Reclassification	-	-	148 527	-	3 788 614	(4 093 958)	(156 817)
Reclassified from right of use assets (cost)	-	-	1 535 723	-	-	-	1 535 723
Depreciation	(724 864)	(43 377)	(1 437 381)	(1 251 050)	-	-	(3 456 672)
Result of acquisition and sale of subsidiaries (accumulated depreciation)	(20 648)	-	(65 536)	(1 103 518)	-	-	(1 189 702)
Accumulated depreciation of excluded PPE	50 345	-	713 580	521 724	-	-	1 285 649
Reclassification from right of use assets (cost)	-	-	(868 623)	-	-	-	(868 623)
Provision for impairment	-	-	-	-	4 265	81 810	86 075
Net book value as at 31 December	**7 552 380**	**153 606**	**5 026 271**	**4 171 353**	**5 621 771**	**184 780**	**22 710 161**
As at 31 December 2022							
Cost	11 600 595	587 968	17 824 843	11 242 540	5 680 471	184 780	47 121 197
Accumulated depreciation	(4 319 115)	(154 426)	(12 798 571)	(7 071 187)	-	-	(24 343 299)
Accumulated impairment charge	(9 036)	-	-	-	(58 700)	-	(67 736)
Net book value as at 31 December 2022	**7 272 444**	**433 542**	**5 026 271**	**4 171 353**	**5 621 771**	**184 780**	**22 710 161**

Notes to the consolidated financial statements (continued)

	Land, buildings and engineering structures	Leasehold improvements	Technological equipment and devices	Other fixed assets and inventory	Construc-tion in progress	Advances for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2022							
Cost	11 600 595	587 968	17 824 843	11 242 540	5 680 471	184 780	47 121 197
Accumulated depreciation	(4 319 115)	(154 426)	(12 798 571)	(7 071 187)	-	-	(24 343 299)
Accumulated impairment charge	(9 036)	-	-	-	(58 700)	-	(67 736)
Net book value as at 31 December 2022	**7 272 444**	**433 542**	**5 026 271**	**4 171 353**	**5 621 771**	**184 780**	**22 710 161**
2023							
Net book value as at 1 January	**7 272 444**	**433 542**	**5 026 271**	**4 171 353**	**5 621 771**	**184 780**	**22 710 161**
Additions	277 939	100 772	1 088 093	3 314 487	1 940 819	1 707 740	8 429 850
Cost of excluded PPE	(45 318)	(7 403)	(959 776)	(770 037)	(24 385)	-	(1 806 919)
Reclassification	16 657	1 098 935	2 100 785	2 171 677	(851 611)	(405 748)	4 130 695
Reclassified from right of use assets (cost)	-	-	703 302	-	-	-	703 302
Depreciation	(794 496)	(84 013)	(2 365 776)	(1 801 194)	-	-	(5 045 479)
Accumulated depreciation of excluded PPE	3 736	7 403	857 798	710 612	-	-	1 579 549
Reclassification from right of use assets (cost)	-	-	(412 338)	-	-	-	(412 338)
Reclassification	609	(609)	2 746 805	(1 473 826)	(5 407 503)	(59 753)	(4 194 277)
Provision for impairment	(385 412)	-	-	-	-	-	(385 412)
Net book value as at 31 December	**6 346 159**	**1 548 627**	**8 785 164**	**6 323 072**	**1 279 091**	**1 427 019**	**25 709 132**
As at 31 December 2023							
Cost	11 849 873	1 780 272	20 757 247	15 958 667	6 745 294	1 486 772	58 578 125
Accumulated depreciation	(5 109 266)	(231 645)	(11 972 083)	(9 635 595)	(5 407 503)	(59 753)	(32 415 845)
Accumulated impairment charge	(394 448)	-	-	-	(58 700)	-	(453 148)
Net book value as at 31 December 2023	**6 346 159**	**1 548 627**	**8 785 164**	**6 323 072**	**1 279 091**	**1 427 019**	**25 709 132**

Property, plant and equipment of the Group have been pledged in favour of credit institutions and leasing companies and serves as collateral for the obligations of the Group. Please see Notes 23 and 24.

Total depreciation for property, plant and equipment and right of use assets is presented within following income statement line items:

	2023	2022
	EUR	EUR
Cost of sales (Note 2)	5 893 667	4 857 142
Administration expenses (Note 4)	115 287	95 893
Selling expenses (Note 3)	1 836	397
Total	**6 010 790**	**4 953 432**

At 31 December 2023, the Group’s property, plant and equipment comprised fully depreciated property, plant and equipment with historical cost of EUR 4 790 595 (at 31 December 2022: EUR 7 414 388), which is still actively used in the operating activities.

Notes to the consolidated financial statements (continued)

13. Right of use assets

	Right of use land, buildings and engineering structures	Right of use technological equipment and devices	Right of use other assets	Total
	EUR	EUR	EUR	EUR
As at 31 December 2021				
Cost	2 619 091	8 644 113	2 716	11 265 920
Accumulated depreciation	(707 258)	(2 493 790)	(388)	(3 201 436)
Net book value as at 31 December 2021	**1 911 834**	**6 150 323**	**2 328**	**8 064 485**
2022				
Net book value as at 1 January	**1 911 834**	**6 150 323**	**2 328**	**8 064 485**
New lease agreements	213 978	1 255 261	-	1 469 239
Result of acquisition and sale of subsidiaries (cost)	102 646	-	-	102 646
Amendments to lease agreements	46 057	6 448	-	52 505
Changes in estimates	1 234	-	-	1 234
Termination of lease (cost)	(39 739)	(230 498)	-	(270 237)
Reclassification to property, plant and equipment (cost)	-	(1 535 723)	-	(1 535 723)
Depreciation	(278 202)	(1 176 568)	(1 164)	(1 455 933)
Result of acquisition and sale of subsidiaries (accumulated depreciation)	(83 811)	-	-	(83 811)
Termination of lease (accumulated depreciation)	39 739	139 092	-	178 830
Reclassification to property, plant and equipment (accunulated depreciation)	-	868 623	-	868 623
Net book value as at 31 December	**1 913 735**	**5 476 959**	**1 164**	**7 391 857**
As at 31 December 2022				
Cost	2 943 266	8 139 602	2 716	11 085 584
Accumulated depreciation	(1 029 531)	(2 662 643)	(1 552)	(3 693 726)
Net book value as at 31 December 2022	**1 913 735**	**5 476 959**	**1 164**	**7 391 857**

Notes to the consolidated financial statements (continued)

	Right of use land, buildings and engineering structures	Right of use technological equipment and devices	Right of use other assets	Total
	EUR	EUR	EUR	EUR
As at 31 December 2022				
Cost	2 943 266	8 139 602	2 716	11 085 584
Accumulated depreciation	(1 029 531)	(2 662 643)	(1 552)	(3 693 726)
Net book value as at 31 December 2022	**1 913 735**	**5 476 959**	**1 164**	**7 391 857**
2023				
Net book value as at 1 January	**1 913 735**	**5 476 959**	**1 164**	**7 391 857**
New lease agreements	303 050	1 554 788	2 474	1 860 312
Amendments to lease agreements	21 883	(129)	-	21 754
Changes in estimates	670 931	-	-	670 931
Termination of lease (cost)	(68 001)	(434 474)	(2 716)	(505 191)
Reclassification to property, plant and equipment (cost)	-	(703 302)	-	(703 302)
Depreciation	(443 017)	(1 235 524)	(2 513)	(1 681 054)
Termination of lease (accumulated depreciation)	68 001	434 474	2 716	505 191
Reclassification to property, plant and equipment (accunulated depreciation)	-	412 338	-	412 338
Net book value as at 31 December	**2 466 583**	**5 505 130**	**1 124**	**7 972 837**
As at 31 December 2023				
Cost	3 871 130	8 556 485	2 474	12 430 089
Accumulated depreciation	(1 404 547)	(3 051 355)	(1 349)	(4 457 251)
Net book value as at 31 December 2022	**2 466 583**	**5 505 130**	**1 124**	**7 972 837**

The Group leases a number of assets, including production equipment, cars, machinery, production premises and office premises. Average lease term is 5 years (2022: 5 years). The Group has a right to purchase some of production equipment and cars at the end of the lease term.

Lease liabilities are presented in Note 24.

Amounts included into consolidated income statement are as follows:

	2023	2022
	EUR	*EUR*
Depreciation for right of use assets	1 681 054	1 455 933
Interest expenses on lease liabilities	310 434	205 074
TOTAL:	**1 991 488**	**1 661 007**

Notes to the consolidated financial statements (continued)

14. Investments in associates

(a) Investments in associates

	Balance sheet value of the investment in associate			Participating interest in share capital of associates		
Name of the Company	31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR	31.12.2023. %	31.12.2022. %	01.01.2022. %
SIA “Roadeks”	5 441 632	5 376 375	5 315 529	50	50	50
SIA “Midway”	-	63 410	65 944	-	29.99	29.99
SIA “Nulles Depozīts”	-	-	-	-	36.46	-
SIA “Zaļais Cikls”	686 942	744 424	-	50	50	-
	6 128 574	**6 184 209**	**5 381 473**			

(b) Movement table on changes in investments in associated companies

	2023 EUR	2022 EUR
Balance sheet value at the beginning of the reporting period	**6 184 209**	**5 381 473**
Acquisition	-	744 425
Profit/ (loss) from investments in associates	770 412	559 740
Dividends paid	(546 354)	(373 497)
Exclusions	(279 693)	(127 932)
Balance sheet value at the end of the reporting period	**6 128 574**	**6 184 209**

In December 2022, alongside with the purchase of subsidiary SIA “Zaļā Josta”, the group acquired associated companies of SIA “Zaļā Josta”, namely SIA “Nulles Depozīts” and SIA “Zaļais Cikls”. Both of these are presented as associates in consolidated financial statements. As SIA “Nulles Depozīts” has negative equity and its result is loss for the year, its value in the consolidated financial statements is zero.

In 2023 after changes in SIA “Nulles Depozīts” shareholder structure, the Group acquired control over this associated company. Therefore, it became a subsidiary of the Group. More information is provided in Note 34.

(c) Information on associated companies

		Share capital		Profit/ (loss) for the reporting year	
Name of the company	Address	31.12.2023. EUR	31.12.2022. EUR	2023 EUR	2022 EUR
SIA “Roadeks” *	Kalnciema street 67, Riga	2 845 413	2 155 897	1 636 543	946 642
SIA “Midway” *	Mūkusalas street 42A, Riga	-	307 152	-	304 308
SIA “Nulles Depozīts” *	Dēļu street 5, Riga	-	(12 568)	-	(99)
SIA “Zaļais Cikls”	Radžu street 14, Riga	1 105 627	1 488 850	(383 223)	(53 463)

* Unaudited data of associated companies.

15. Other securities and investments

	31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR
Investment in AS “Rīgas Siltums” (2%)	-	-	482 872
Investment in SIA “Liepājas Enerģija” (10%)	-	-	2 845 250
Investment in SIA “ExPorto” (18%)	-	-	474 400
Investment in AS” Rīgas namu apsaimniekotājs” (3.33%)	50 000	61 131	61 131
TOTAL:	**50 000**	**61 131**	**3 863 653**

The Group owns 3.33% of AS "Rīgas namu apsiamniekotājs" shares (Registration number 50003748651). On 31 December 2022 the share capital of AS “Rīgas namu apsaimniekotājs” was 0.2 million EUR. This investment is classified as financial asset at fair value with revaluation through profit or loss. Fair value is determined based on management estimates on adjustments needed to the balance sheet value of the investment. All estimates are made based on publicly available information (level 2 fair value measurements).

Notes to the consolidated financial statements (continued)

In 2022 the Group sold its subsidiary SIA “Enerģijas risinājumi”. SIA “Enerģijas risinājumi” held investments in AS “Rīgas siltums” and SIA “Liepājas Enerģija”. As a result of sale of the subsidiary, these investments were sold as well. More details on the sale of subsidiary are available in Note 34.

At the end of 2022, the Group sold its investment is SIA “ExPorto”. At the beginning of 2022, this investment was revalued at its fair value, while selling price was determined based on the fair value determined by the independent valuator and was equal to the fair value at the beginning of the year. As a result of transaction, neither profit nor loss were recognised.

16. Other non-current assets

	31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2022. *EUR*
Payment for acquisition of subsidiary	-	-	400 000
Investments in the renovation project *	172 422	191 941	211 460
Repair work performed in apartment buildings **	77 395	112 649	143 483
Loans to Latvian legal entities***	209 898	72 872	71 458
Loans to shareholders and management	-	-	2 500
Deferred expenses	4 577	24 517	37 662
, **TOTAL:**	**464 292**	**401 979**	**866 563**

* On October 2013 the subsidiary of the Group SIA “Vidzemes ESKO 1” completed renovation work on a project on Valmieras street 23, Cēsis. The total investments amounted to EUR 390 388. The investments made by SIA "Vidzemes ESKO 1" are to be written off gradually during the period of the renovation agreement, respectively 20 years.

** Repair work performed by the subsidiary of the Group SIA “CDzP”, which will be gradually repaid by the residents of the building during the loan repayment period.

*** The repayment term of the EUR 70 700 loan with a fixed annual interest rate has been set on 10 June 2028. On 31.12.2023 and 31.12.2022 the amount of claims includes accrued interest income. Loan issued has no pledge as at 31.12.2023. and 31.12.2022.

During the reporting year a new loan of EUR 133 000 was issued with maturity at 30 September 2027 and fixed interest rate. Receivable includes accrued interest income. Loan issued has no pledge as at 31.12.2023.

Estimated credit losses on contract assets have not been recognised as estimated amounts are immaterial.

17. Inventory

	31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2022. *EUR*
Raw materials and consumables	1 471 279	1 400 469	555 074
Finished goods and goods for sale	520 741	165 554	45 062
Advances for inventory	31 172	10 679	19 910
Provisions for impairment of slow-moving stock	(10 486)	(1 781)	(18 649)
TOTAL:	**2 012 706**	**1 574 921**	**601 397**

18. Trade receivables and contract assets

	31.12.2023. **EUR**	31.12.2022. **EUR**	01.01.2021. **EUR**
Trade receivables from contracts with customers	13 439 901	10 962 816	8 186 663
Contract assets	5 756 775	4 020 489	1 474 908
Provision for expected credit loss	(1 130 088)	(1 114 012)	(990 964)
TOTAL:	**18 066 588**	**13 869 293**	**8 670 607**

Trade receivables are not secured by pledges or other credit enhancements.

Notes to the consolidated financial statements (continued)

Contract assets (accrued income) mainly include rights to receive remuneration for the provided organisation of packaging management system services, for which invoices have not yet been issued. These rights are recognised as part of current assets by confirming exact volume of the service with customers and issuing respective invoices after the end of the reporting period.

Changes in provision for expected credit loss:

	2023 EUR	2022 EUR
At the beginning of the reporting year	**1 114 012**	**990 964**
Increase of allowances	119 774	113 816
Increase resulting from acquisitions of subsidiaries	-	26 839
Decrease of allowances	(103 699)	(17 606)
At the end of the reporting year	**1 130 088**	**1 114 012**

Expected credit loss on 31 December 2023 is determined by applying the following average expected credit loss rates:

	Not overdue EUR	Overdue by less than 30 days EUR	31 to 60 days overdue EUR	61 to 90 days overdue EUR	91 to 180 days overdue EUR	181 to 365 days overdue EUR	Overdue by more than 365 days EUR	Total EUR
Expected credit loss rate	0.82%	1.13%	3.30%	8.68%	18.96%	18.22%	80.58%	5.89%
Trade receivables and contract assets (gross amounts)	15 365 417	1 473 748	355 415	480 516	210 057	261 673	1 049 850	19 196 676
Expected credit loss	**126 499**	**16 682**	**11 725**	**41 698**	**39 822**	**47 666**	**845 996**	**1 130 088**

Expected credit loss on 31 December 2022 is determined by applying the following average expected credit loss rates:

	Not overdue EUR	Overdue by less than 30 days EUR	31 to 60 days overdue EUR	61 to 90 days overdue EUR	91 to 180 days overdue EUR	181 to 365 days overdue EUR	Overdue by more than 365 days EUR	Total EUR
Expected credit loss rate	1.0%	1.8%	4.7%	6.2%	20.1%	30.7%	92.3%	7.4%
Trade receivables and contract assets (gross amounts)	12 520 250	604 276	125 490	516 904	124 800	147 352	944 234	14 983 305
Expected credit loss	**123 080**	**10 639**	**5 923**	**32 285**	**25 072**	**45 283**	**871 730**	**1 114 012**

Expected credit loss on 1 January 2022 is determined by applying the following average expected credit loss rates:

	Not overdue EUR	Overdue by less than 30 days EUR	31 to 60 days overdue EUR	61 to 90 days overdue EUR	91 to 180 days overdue EUR	181 to 365 days overdue EUR	Overdue by more than 365 days EUR	Total EUR
Expected credit loss rate	0.9%	0.9%	2.4%	10.3%	23.5%	33.1%	89.3%	10.3%
Trade receivables and contract assets (gross amounts)	7 816 686	399 271	24 964	246 765	106 761	152 389	914 736	9 661 571
Expected credit loss	**68 991**	**3 512**	**598**	**25 434**	**25 098**	**50 482**	**816 849**	**990 964**

Notes to the consolidated financial statements (continued)

19. Other current assets

	31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2022. *EUR*
Cession fee	-	207 641**	977 641*
Tax overpaid	193 496	164 386	-
Loans to shareholders and management	-	-	15 048
Loan to a Latvian legal entity	-	-	25 068
Deferred expenses	350 797	278 921	187 482
Other assets	477 981	541 602	369 665
TOTAL:	**1 022 274**	**1 192 550**	**1 574 904**

* The right of claim against the legal entity for the cession compensation was received in 2022.

** The right of claim against the legal entity for cession compensation with a settlement date on 30 April 2023.

Estimated credit losses on other current assets have not been recognised as estimated amounts are immaterial.

20. Cash and cash equivalents

	31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2021. *EUR*
Cash in bank	20 422 347	18 154 090	7 459 295
Cash in transit	26 111	3 543	3 448
Cash on hand	1 114	21 428	3 226
TOTAL:	**20 449 571**	**18 179 061**	**7 465 969**

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

Some Group companies use Group account services, see section a) of Note 24 on borrowings from credit institutions.

Credit rating as assigned by the Moody's credit rating agency and balances with the banks used by the Group are as follows:

Credit rating	31.12.2023. EUR	31.12.2022. EUR	1.1.2022. EUR
Aa3	7 764 845	2 036 931	272 250
A3	10 573 254	3 693 615	6 731 426
Baa2	1 021 382	79 779	253 926
No rating assigned	1 062 866	12 343 765	201 693
TOTAL:	**20 422 347**	**18 154 090**	**7 459 295**

Credit rating of foreign banks' branches in Latvia is presented based on the rating of their head company. Credit rating of subsidiaries of foreign banks without individual rating in Latvia is presented based on their foreign parent company credit ratings.

Majority of the Group's funds are held with banks, which have received good credit ratings, and it is expected that these credit institutions will be able to comply with all of their financial liabilities on timely basis.

Notes to the consolidated financial statements (continued)

21. Share capital

As at 31 December 2023 and 31 December 2022 the subscribed and fully paid share capital of the Parent company of the Group is 346 000 EUR that consists of 346 000 ordinary shares with a nominal value of 1 EUR each. Ultimate beneficiary owner of the Parent company of the Group is Guntars Kokorevičs.

22. Non-controlling interest

Non-controlling interest is comprised of investments by other shareholders (not the Parent company of the Group) in the following subsidiaries of the Group:

Subsidiary of the Group	Non-controlling interest, %	31.12.2023. EUR	31.12.2022. EUR	31.12.2021. EUR
SIA "CDzP"	48.92%	485 663	368 384	315 371
SIA "Vidzemes ESKO 1"	48.92%	(4 548)	(9 228)	(4 870)
SIA "Eko Terra"	26.99%	90 160	60 683	33 656
PS "Vides pakalpojumi Liepājai"	49.00%	242 826	174 317	186 481
SIA "Vides resursu centrs"	47.00%	2 133 848	1 581 881	1 449 463
SIA "CREB Rīga"	20.00%	-	(8 435)	(7 798)
AS "TĪRĪGA"	10.00%	(82 978)	(223 836)	(213 867)
SIA "Zaļā josta"	30.00%	2 007 011	1 491 126	-
SIA "Eko Rija"	30.00%	-	22 733	-
SIA "Nulles deposits"	30.00%	(7 554)	-	-
SIA "Eko Energy"	30.00%	6 092	23 966	-
SIA "GREEN PLASTICS"	64.31%	230 075	237 010	-
		5 100 595	**3 718 601**	**1 758 436**

23. Issued debt securities

The parent company of the Group has issued bonds (ISIN LV0000802676) with the total value of 15 000 000 EUR, the number of quoted financial instruments is 15 000 with a nominal value of 1 000 EUR each. The bonds are registered at the Latvian Central Depository and admitted to trading on AS "Nasdaq Riga" on 31 January 2023.

On 31 December 2023 and 31 December 2022 the subsidiaries of the Group held bonds in the amount of EUR 1 000 000.

The value of the bonds will be redeemed in one payment on the bond maturity date. The repayment deadline of the principal amount is 9 December 2025. The coupon rate is 3M EURIBOR + 6.5% and the coupon is paid on a quarterly basis.

Capital shares of the subsidiaries of the Group SIA "Clean R", SIA "CleanR Verso", SIA "Vizii Urban" serve as collateral against the bonds.

Movement in issued debt securities (financial liabilities at amortised cost) during the reporting period:

	2023 EUR	2022 EUR
Issued debt securities at the beginning of the reporting period	**13 716 960**	**-**
Emission of bonds	-	14 000 000
Transaction costs (deducted from the nominal value of bonds)	-	(359 665)
Accrued interest	1 453 324	76 625
Interest paid	(1 417 476)	-
Issued debt securities at the end of the reporting period	**13 752 808**	**13 716 960**
incl. current portion	-	-
non-current portion (2 – 5 years)	13 752 808	13 716 960

Notes to the consolidated financial statements (continued)

24. Loans from credit institutions and other borrowings

Loans from credit institutions and other borrowings are mainly comprised of loans from banks and lease liabilities.

	31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR
Loans from credit institutions	163 515	215 342	1 408 942
Lease liabilities	7 745 975	6 845 969	6 995 491
Other current borrowings	171 955	200 200	150 201
	8 081 445	**7 261 511**	**8 554 634**

a) Loans from credit institutions

	31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR
Non-current portion of loans with repayment term 2 – 5 years	58 349	163 185	203 747
Current portion of loans	105 166	52 157	1 205 195
	163 515	**215 342**	**1 408 942**

The subsidiaries of the Group have signed loan agreements with several Latvian credit institutions and VAS "Attīstības finanšu institūciju Altum". The loans have variable interest rates from 1 to 6 months EURIBOR + interest rates vary in the range from 2 – 5%.

Real estate, total assets, cession agreements to debtors of the Group's companies, capital shares of the Group's companies, funds of certain subsidiaries in bank accounts, commercial pledges on capital shares belonging to the Group in an associated companies and guarantees from legal persons are used as pledges to secure these obligations.

The Group is using cash pool group account in its operations. Key function of group account is to provide virtual consolidation of current accounts of several subsidiaries of the Group. Based on the group account agreement, the companies using group account can borrow and lend money not exceeding the group account balance and within limits set for each company. No overdraft facility is available for the members of the group account; thus, the Group has no liabilities arising from the usage of group account.

Movement in loans from credit institutions:

	2023 EUR	2022 EUR
Loans at the beginning of the year	**215 342**	**1 408 942**
Loans repaid	(51 827)	(1 193 600)
Accrued interest	12 639	161 628
Interest paid	(12 639)	(161 628)
Loans at the end of the reporting year	**163 515**	**215 342**

b) Lease liabilities

		31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR
Lease liabilities with repayment term >5 years		992 131	1 247 175	959 978
Lease liabilities with repayment term 2-5 years		4 881 472	4 110 559	4 147 229
Non-current portion	**TOTAL:**	**5 873 603**	**5 357 735**	**5 107 207**
Current lease liabilities		1 872 372	1 488 234	1 888 284
Current portion	**TOTAL:**	**1 872 372**	**1 488 234**	**1 888 284**
	TOTAL:	**7 745 975**	**6 845 969**	**6 995 491**

Notes to the consolidated financial statements (continued)

The subsidiaries of the Group have acquired assets (mainly means of transportation, heavy machinery and office premises) on lease terms. As at 31 December 2023 the interest rates were set at 3 and 6 months EURIBOR + 2.4% to 2.65% (31 December 2022 the interest rates were set at 3 and 6 months EURIBOR + 2.4% to 2.65%).

Movement in lease liabilities during the reporting period:

	2023 *EUR*	2022 *EUR*
Lease liabilities at the beginning of the year	**6 845 969**	**6 995 491**
New leases	1 942 512	1 626 230
Amendments to existing lease agreements	21 754	52 505
Changes in estimates	670 931	-
Additions as a result of the acquisition of subsidiary	-	20 099
Terminated lease agreements	-	(90 173)
Lease payments	(1 735 191)	(1 758 183)
Accrued interest	310 434	205 074
Interest paid	(310 434)	(205 074)
Lease liabilities at the end of the reporting year	**7 745 975**	**6 845 969**

25. Deferred income

		31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2022. *EUR*
EU and other co-financing >5 years		962 601	1 096 877	196 656
EU and other co-financing 2-5 years		922 848	1 175 673	1 579 924
Financial support received from LIAA >5 years		77 768	51 356	60 160
Financial support received from LIAA 2-5 years		-	35 216	35 216
Non-current portion	**TOTAL:**	**1 963 217**	**2 359 122**	**1 871 956**
EU and other co-financing – short term part		656 756	684 106	530 265
Financial support received from LIAA – short term part		8 804	8 804	8 804
Current portion	**TOTAL:**	**665 560**	**692 910**	**539 069**
	TOTAL:	**2 628 777**	**3 052 032**	**2 411 025**

EU and other co-financing was received for the construction of a waste sorting plant, a polymer plant and workshop, as well as within the LIFE project.

Financing from the Investment and Development Agency of Latvia (LIAA) was received for reconstruction of the building, bio boiler construction and heating circuit reconstructions.

26. Other liabilities

		31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2022. *EUR*
Savings fund of apartment buildings		2 079 004	1 967 666	1 795 660
Liability towards a Latvian legal entity for the acquisition of capital shares		750 000	1 000 000	-
Accrued liabilities		315 667	1 178 713	1 047 031
Non-current portion	**TOTAL:**	**3 144 671**	**4 146 379**	**2 842 691**
Savings fund of apartment buildings		519 750	491 918	448 914
Accrued liabilities		4 229 831	2 637 842	1 143 383
Other liabilities		1 556 091	1 598 720	1 274 498
Current portion	**TOTAL:**	**6 305 672**	**4 728 480**	**2 866 795**
	TOTAL:	**9 450 343**	**8 874 859**	**5 709 486**

Notes to the consolidated financial statements (continued)

27. Taxes and state mandatory social insurance payments

	31.12.2023. *EUR*	31.12.2022. *EUR*	01.01.2022. *EUR*
State mandatory social insurance payments	716 524	603 832	492 566
Value added tax	603 548	327 575	405 486
Personal income tax	381 063	295 727	238 028
Corporate income tax	70 945	-	-
Natural resource tax	3 426	5 404	3 470
Vehicle operating tax	545	49	49
Risk duty	596	578	2 889
TOTAL:	**1 776 647**	**1 233 165**	**1 142 488**

28. Related party transactions

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

Accounts receivable from related parties:	**31.12.2023.** *EUR*	**31.12.2023.** *EUR*	**31.12.2022.** *EUR*	**31.12.2022.** *EUR*
	Companies controlled by the beneficial owner	**Associated companies**	**Companies controlled by the beneficial owner**	**Associated companies**
Receivables from related parties	302	842	-	279 693

Revenue and expenses from transactions with related parties:	**2023** *EUR*	**2023** *EUR*	**2022** *EUR*	**2022** *EUR*
	Companies controlled by the beneficial owner	**Associated companies**	**Companies controlled by the beneficial owner**	**Associated companies**
Revenue	4 451	723 371	-	1 523 229
Expenses	(107 750)	(924 436)	318 750	10 988

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

Dividends to related parties:

	Year	**Dividends paid, EUR**
To the shareholders of the Parent company	2023	4 664 000
To the shareholders of the Parent company	2022	1 815 000

Notes to the consolidated financial statements (continued)

29. Financial risk management

The Group is exposed to market, credit and liquidity risks that arise from its financial instruments. Financial risk management is ensured by the Board and Finance director of the Parent company of the Group. Financial risk management actions are aimed at supporting operating activities of the Group. Group companies do not engage with risky operations that might increase their exposition towards currency or interest rate risks.

Financial instruments owned by the Group are classified as follows:

	31.12.2023. EUR	31.12.2022. EUR	01.01.2022. EUR
Financial assets at amortised cost			
Other non-current financial assets	287 293	185 521	617 441
Trade receivables and contract assets	18 066 588	13 869 293	8 670 607
Other current financial assets	-	207 641	1 017 757
Cash and cash equivalents	20 449 571	18 179 061	7 465 969
Financial assets at fair value with revaluation through profit or loss			
Other securities and investments	50 000	61 131	3 863 653
Total financial assets	**38 853 452**	**32 502 647**	**21 635 427**
Financial liabilities at amortised cost			
Issued debt securities	13 752 808	13 716 960	-
Loans from credit institutions	165 515	215 342	1 408 942
Lease liabilities	7 745 975	6 845 969	6 995 491
Other borrowings	171 955	200 200	150 200
Trade payables	7 711 278	6 633 630	4 263 587
Unpaid dividends	-	207 600	-
Other liabilities (including non-current portion)	5 295 498	4 816 555	2 190 414
Total financial liabilities	**34 841 029**	**32 636 256**	**15 008 634**

Market risk

Market risk is a risk that due to changes in the market factors, e.g., foreign currency rates, interest rates and commodity prices, value of financial instruments owned by the Group will change. Market risk is formed by foreign currency risk and interest rate risk.

Interest rate risk

Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations on the Group’s financial assets and financial liabilities. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and lease liabilities bearing interest at floating rates.

All Group’s loans and part of lease liabilities are with floating interest rates. Detailed description of interest rates is available in Note 24. The Group manages interest rate risk by regularly evaluating market interest rates. If market offers lower interest rates that existing, the management of the Group evaluates financial feasibility of changing counterparty. The management of the Group has decided not to use derivative financial instruments for interest rate risk management.

The following table shows the sensitivity of the Group’s profit before tax to reasonably possible changes in interest rates at the end of each reporting period, with all other variables held constant. Equity of the Group, except for current year result, is not impacted.

	2023		2022	
	Increase/ decrease in interest rate (percentage)	**Impact on profit before tax (EUR)**	**Increase/ decrease in interest rate (percentage)**	**Impact on profit before tax (EUR)**
EURIBOR	(+1%)	(214 064)	(+1%)	(147 666)
	(-1%)	214 064	(-1%)	147 666

Notes to the consolidated financial statements (continued)

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations and their impact on assets and liabilities denominated in foreign currencies. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group does not have significant financial assets and liabilities denominated in currencies other than euro. Therefore, during reporting period and prior periods, the Group was not significantly exposed to the foreign currency risk.

Credit risk

Credit risk arises when a partner of the Group is unable to meet their contractual obligations, resulting in a loss to the Group. Credit risk arises from the Group’s operating activities – mainly trade receivables; as well as financing activities of the Group – mainly loans issued and cash and cash equivalents.

Group’s maximum exposure to credit risk is:

	31.12.2023. EUR	**31.12.2022. EUR**	**01.01.2022. EUR**
Cash and cash equivalents	20 449 571	18 179 061	7 465 969
Loans issued	287 293	393 162	1 635 198
Trade receivables and other receivables (gross amounts)	18 066 588	13 869 293	8 670 607
TOTAL:	**38 803 452**	**32 441 516**	**17 771 774**

Cash and cash equivalents

Credit risk arising from Group’s cash in bank is managed by the Finance management team of the Parent company. Free financial resources of the subsidiaries of the Group can be invested only into deposits or money market funds. Before placement of cash in bank (as a deposit or current account) the Finance management team of the Parent company evaluates credit rating of the bank and interest rates offered. More details on credit ratings of the banks used by the Group are available in Note 20.

Trade receivables

The Group assesses its concentration risk of trade receivables as low. AS at 31 December 2023 the Group had 1 counterparty (2022: 1 counterparty), which owed the Group more than 1 million EUR and comprised approximately 11% (2022: 13%) of the total trade receivables.

The Group controls its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group’s maximum exposure to credit risk is defined with reference to the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by allowances made for expected credit losses.

The Group has not received any collateral as a pledge for its trade receivables.

Issued non-current and current loans

The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by expected credit losses.

Liquidity risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk is managed by the Finance management of the Parent company, ensuring availability of sufficient cash reserves and ensuring availability of funding, continuously monitoring planned and actual cash flows and matching maturity terms of financial assets and financial liabilities.

Management of the Group is preparing annual cash flow forecasts and monthly cash flow forecasts to ensure sufficiency of cash resources available to the Group companies to finance operations, settle financial liabilities and make required investments.

Notes to the consolidated financial statements (continued)

The following table analyses the financial liabilities of the Group by maturity date, based on contractual undiscounted cash flows (including interest payments):

31 December 2023	Book value EUR	Less than 3 months EUR	3 to 12 months EUR	1 to 5 years EUR	More than 5 years EUR	Total EUR
Issued debt securities	13 752 808	387 788	1 163 363	16 460 666	-	18 011 816
Loans from credit institutions and other borrowings	8 081 445	2 164 120	3 739 709	1 634 786	1 080 951	8 619 566
Other liabilities	13 006 776	10 401 734	-	1 247 988	-	11 649 722
TOTAL:	**34 841 029**	**12 953 642**	**4 903 071**	**19 343 440**	**1 080 951**	**38 281 104**

31 December 2022	Book value EUR	Less than 3 months EUR	3 to 12 months EUR	1 to 5 years EUR	More than 5 years EUR	Total EUR
Issued debt securities	13 716 960	394 151	953 213	17 471 292	-	18 818 655
Loans from credit institutions and other borrowings	7 261 511	1 914 657	2 771 516	2 157 734	926 840	7 770 747
Other liabilities	11 657 785	9 271 472	207 600	2 178 713	-	11 657 785
TOTAL:	**32 636 256**	**11 580 279**	**3 932 329**	**21 807 738**	**926 840**	**38 247 186**

30. Fair value measurements

Based on the Group’s management’s assessment, the carrying amounts of financial assets and liabilities approximated to their fair value as at 31 December 2023 and 31 December 2022.

31. Capital management

The Group manages its capital to ensure that the Group companies will be able to continue as a going concern, meanwhile maximizing the return to shareholders through the optimization of debt and equity balance. Group's management reviews the capital structure of the Group on an annual basis. Under these consolidated financial statements, the Group's management considers the capital structure and the risks associated with each class of capital.

The Group’s capital structure consists of net debt (borrowings and leases, as detailed in Note 24 offset by cash at bank) and equity of the Group (comprising issued capital, retained earnings and non-controlling interests).

Financial covenants are set for debt securities issued by the Group. As at 31 December 2023 and 31 December 2022 financial covenants were not breached.

Covenants related to the debt securities issued by the Parent company of the Group are as follows:

- Equity ratio being above 30% – as at 31 December 2023 this indicator was 51%.
- Interest coverage ratio being above 3 – as at 31 December 2023 this indicator was 11.
- Net debt leverage ratio being less than 3.5 – as at 31 December 2023 this indicator was 0.07.

Notes to the consolidated financial statements (continued)

32. Financial and contingent liabilities

Real estate and assets, excluding fixed assets, of the Group company SIA "Clean R" purchased with CFCA co-financing, are pledged in favour of the Latvian branch of "Luminor Bank" AS, and serve as a collateral for the performance of the Group company's obligations. The maximum claim amount is EUR 2 600 000.

"Luminor Bank" AS has issued guarantees to secure offers and guarantees of performance for the total amount of EUR 1 054 597 on behalf of the Group company SIA "Clean R".

Insurance companies registered in the Republic of Latvia have issued performance security guarantees for the total amount of EUR 2 729 498 on behalf of the Group company SIA "Clean R".

The Group company AS "CleanR Grupa" has issued guarantees to secure offers and guarantees of performance for the total amount of on behalf of the Group company SIA "Vizii Urban" to a partnership "Daugavas KREISĀ krasta uzturētājs".

"Luminor Līzings" SIA has issued guarantees to secure leasing payments for the total amount of EUR 484 089 on behalf of the Group company SIA "Clean R".

Insurance companies registered in the Republic of Latvia have issued performance security guarantees for the total amount of EUR 450 151 on behalf of the Group company SIA "Vides resursu centrs".

Insurance companies registered in the Republic of Latvia have issued performance security guarantees for the total amount of EUR 100 000 on behalf of the Group company SIA "Eko Terra".

Insurance companies registered in the Republic of Latvia have issued performance security guarantees for the total amount of EUR 300 847 on behalf of the Group company SIA "Vizii".

Insurance companies registered in the Republic of Latvia have issued to the State environmental agency financial guarantees related to waste management for the maximum amount of EUR 125 000 on behalf of the Group company PS "Vides pakalpojumi Liepājai". Performance security guarantees issued on behalf of this Group company amount to EUR 100 000.

Insurance companies registered in the Republic of Latvia have issued performance security guarantees for the total amount of EUR 8 820 on behalf of the Group company SIA "CleanR Verso".

The assets of the Group company SIA "Vidzemes ESKO 1" as an aggregation of property, including the right of claim against the apartment building (in which the company carried out insulation and energy efficiency improvement works) have been pledged in favour of the Latvian branch of "Luminor Bank" AS. The pledge secures the subsidiary's debt to the credit institution in the amount of EUR 69 725 with a repayment term on 30.04.2024.

Several associations of apartment owners of buildings managed by SIA "CDzP" have attracted loans from credit institutions to finance the planned capital repairs:

- In order to secure the loans granted by 'Swedbank" AS to apartment owners' associations with an outstanding loan principal of EUR 6 418 922 as at 31 December 2023, the Group company SIA "CDzP" has pledged the funds available in the respective association's renovation project current account and has entered into an agreement with the credit institution regarding the payment procedure, ensuring the timely payments of the loan principal and additional charges to the credit institution.
- In order to secure the loans granted by "SEB banka" AS for capital repairs of buildings with an outstanding loan principal of EUR 93 790 as at 31 December 2023, the Group company SIA "CDzP" has pledged its funds available in the accounts held with "SEB banka" AS in the amount of EUR 18 860 and has registered a commercial pledge on the claim rights of SIA "CDzP" against the respective apartment owners of the building.
- In order to secure the loans granted by "Citadele banka" AS to apartment owners' associations with an outstanding loan principal of EUR 286 852 as at 31 December 2023, the Group company SIA "CDzP" has entered into an agreement with the credit institution regarding the payment procedure, whereby, to extent of the funds received in the accounts of the associations, it ensures the timely payment of the loan principal and additional charges to the credit institution.

33. Capital commitments

As at the end of financial year, the Group has no capital commitments for construction works to be undertaken during subsequent accounting periods.

Notes to the consolidated financial statements (continued)

34. Business combinations and sale of subsidiaries

In 2023 and 2022 several purchases and sales of subsidiaries have taken place.

3 subsidiaries were purchased in 2022. The fair values of the identifiable assets and liabilities at the acquisition date were:

	Fair value at the acquisition date EUR SIA "RSC Noma"	**Fair value at the acquisition date EUR** SIA "ST Kūdra"	**Fair value at the acquisition date EUR** SIA "Zaļā Josta"	**Fair value at the acquisition date EUR** SIA "Zaļā Josta"
Assets				
Non-current assets	376 966	243 150	2 187 444	1 249 613
Inventory	22 353	-	154 621	181 221
Receivables	698 041	-	3 692 762	3 344 088
Cash	172 627	97	1 759 984	2 406 142
Liabilities				
Borrowings	91 795	-	-	-
Other liabilities	604 802	-	2 352 031	1 861 759
Total	**573 390**	**243 247**	**5 442 780**	**5 319 305**
Group's share of fair value of net assets acquired	573 390	243 247	2 101 026	1 523 773
Goodwill	306 354	1 061 885	1 298 974	376 227
Purchase consideration	**879 744**	**1 305 132**	**3 400 000**	**1 900 000**

100% shares of SIA "RSC Noma" and SIA "ST Kūdra" were purchased in 2022. Main reason behind the acquisition was strengthening construction waste management segment. During 2023 both aforementioned companies were reorganised and added to SIA "CleanR Verso".

Purchase of SIA "Zaļā Josta" took place step by step – on 31 March 2022 30% of shares were acquired obtaining significant influence and recognising goodwill of 376 227 EUR. Further on 31 December 2022 control was obtained by acquiring additional 40% of shares and recognising additional goodwill of 1 298 974 EUR. At the acquisition date SIA "Zaļā Josta" owned subsidiaries SIA "Eko Energy" and SIA "Green Plastics", which also joined the Group at the end of 2022.

2022 two sales took place – sale of SIA "Enerģijas risinājumi" with its subsidiary SIA "Enerģijas risinājumi.RIX" and sale of SIA "Eko Rija". As a result of sale, the Group generated profit of 326 070 EUR.

	Value of assets at the sales date EUR SIA "Enerģijas risinājumi"	**Value of assets at the sales date EUR** SIA "Eko Rija"
Group's share of fair value of net assets	3 262 038	237 892
Profit/ (loss) on sale of subsidiary	(38)	362 108
Consideration received	**3 262 000**	**600 000**

Sale of SIA "Enerģijas risinājumi" and its subsidiary was substantiated by the change of operations of the Group, focusing its main attention on waste management and cleaning segments, thus sale took place with reference to the fair value at the sales date with no significant profit or loss arising. Major part or 3 328 122 EUR from the fair value of net assets of SIA "Enerģijas risinājumi" was comprised from investments in other companies.

SIA "Eko Rija" was sold to SIA "Zaļā Josta" during Group restructuring process. SIA "Eko Rija" entered the Group repetitively after control over SIA "Zaļā Josta" SIA was acquired at the end of 2022.

Notes to the consolidated financial statements (continued)

One subsidiary was purchased in 2023. The fair values of the identifiable assets and liabilities at the acquisition date were:

	Fair value at the acquisition date EUR SIA “KOM-AUTO”
Assets	
Non-current assets	133 638
Inventory	6 531
Receivables	11 595
Cash	53 268
Liabilities	
Borrowings	39 851
Other liabilities	1 488
Total	**163 693**
Group’s share of fair value of net assets acquired	163 693
Goodwill	1 616 307
Purchase consideration	**1 780 000**

100% shares of SIA “KOM-AUTO” were acquired in 2023 as part of plan to strengthen cleaning and environment management business.

During 2023 the Group acquired control and 100% shareholding of SIA “Nulles deposits” (previously associated company). Transaction was carried out with no remuneration with former shareholder giving his ownership rights over to the Group.

35. Research and development

During the reporting period, the Group did not incur any research and development costs to be included in intangible assets and fixed assets, as well as to be reflected in the profit or loss account. No employees have been involved in research and development, and no state or municipality funding has been received. The Group does not have contracts for research work with other companies.

36. Information on the auditor

Administrative expenses line item "Audit fees" includes remuneration to the auditors for the audit of separate annual accounts of Group companies and consolidated annual accounts of the Parent company of the Group.

Notes to the consolidated financial statements (continued)

37. Subsequent events

In the beginning of 2024, the Group company SIA “Vizii Management” sold shares in its subsidiaries SIA “NĪA Nami”, SIA “Jauntukums” and SIA “Nebruk Jelgava” due to changes in business strategy.

During the reporting year the Group company SIA “Vizii Urban” has signed an agreement for purchase of 100% shares of a company registered in the Republic of Latvia. The transaction is expected to be finalised during 2024. As at the date of signing of these financial statements, permit from the Competition Council for execution of this transaction has been received.

In 2024 the Parent company AS “CleanR Grupa” issued personell shares and recognised increase in share capital related to that issue. Further on, during 2024 the Parent company AS “CleanR Grupa” has sold 15% of its shareholding in the Group company SIA “Zaļā josta”.

During 2024 the Group company SIA “Clean R” has sold its shares of AS “Rīgas namu apsaimniekotājs”.

From the end of the reporting year to the date of these financial statements, there have been no events that would require any adjustments to be made to the financial statements or which should be further explained in these financial statements.

Juris Gulbis	Guntars Levics	Inta Liepa	Agita Baltbārde
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board

Anžela Vjaževiča
Chief accountant

ELECTRONIC SIGNATURES OF THE BOARD MEMBERS RELATE TO THE ANNUAL REPORT AS A SINGLE DOCUMENT FROM PAGE 1 TO 65.

ELECTRONIC SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTING RELATES TO THE FINANCIAL STATEMENTS FROM PAGE 3 TO 6 AND FROM PAGE 11 TO 65.

INDEPENDENT AUDITORS' REPORT

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To the shareholders of AS "CleanR Grupa"

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS "CleanR Grupa" ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 65 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of comprehensive statement for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of AS "CleanR Grupa" and its subsidiaries as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by European Union (hereinafter IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Group's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on pages 3 to 6 of the accompanying consolidated Report,
- the Management Report, as set out on pages 7 to 10 of the accompanying consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the Annual Report, 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

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, 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 required to be 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 the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The management is responsible for the preparation of a financial statement giving a true and fair view in accordance with the International Financial Reporting Standards, as endorsed 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 Responsibility 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 scepticism 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 a 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.

SIA „Grant Thornton Baltic Audit”
License No. 183

Raivis Irbītis
Member of the Board
Sworn auditor
Certificate No. 205

THIS DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATUREAND CONTAINS TIME STAMP

CLEANR GRUPA

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CleanR Grupa