UAB „Ilsanta"
Vilnius

Auditor's opinion on
the financial statements for
the year ended December 31, 2021

UAB „Rödl & Partner“

**Audit, accounting,
tax and legal consulting**

Tilto str.1
LT-01101 Vilnius, Lithuania
Phone: +370 (5) 2123590
E-mail: vilnius@roedl.com
Internet: www.roedl.de

For the production of this binder used materials, including the deck foil, exist of the parts of the biodegradable, recycleable Polyethylenterephthalate (PET) and recycleable Polypropylen (PP).

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Rödl & Partner

Rödl & Partner UAB
Tilto g.1, LT-01101 Vilnius, Lithuania

T +370 5 212 35 90
vilnius@roedl.com

CONTACT
Aleksas Jonika
aleksas.jonika@roedl.com

INDEPENDENT AUDITOR'S REPORT

To the shareholder of UAB "Ilsanta"

Opinion

We have audited the financial statements of UAB "Ilsanta" (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Company's annual report for 2021, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

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

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether the annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Aleksas Jonika

Auditor
Auditor's certificate No. 000577

May 10, 2022

UAB "Rödl & Partner"
Audit company certificate No. 001304

Vilnius, Republic of Lithuania

The report is an English translation of the original Lithuanian. In the event of discrepancies between the two reports, the Lithuanian version prevails.

REPORTING PERIOD

Year which ended on 31 December 2021.

CONTACT DETAILS OF THE COMPANY

The annual report of Ilsanta UAB (hereinafter referred to as the Company), legal entity code: 110498671, registered office at Saltoniškių str. 29, Vilnius, for the financial year ended on 31 December 2021 has been prepared by the Management of the Company following the Law of the Republic of Lithuania on financial statements of Entities No. IX-575 of 06/11/2001. The Company has branches in Latvia and Estonia (hereinafter referred to as the Company). The Company has no representative offices. Contact information of the Company is provided in more detail in the General Part of the explanatory notes to the financial statements 2021.

MANAGEMENT OF THE COMPANY

According to the Articles of Association of the Company, the management bodies of the Company shall be the General Meeting of Shareholders and the Director. According to the Law on Companies of the Republic of Lithuania, the Company may form two collegial management bodies - Supervisory Council and Board - or one of them. Supervisory Council will not be formed in Ilsanta UAB. According to the Articles of Association of Ilsanta UAB, the Board will consist of three members of the Board.

Company's Board: Linas Valentukevicius (Chairman); Tomas Godelis and Andris Eglitis.

Linas Valentukevičius is the Chairman of the Board of Pharmasanta group, company code: 304689987, company's address: Saltoniškių str. 29, LT-08105 Vilnius; the Chairman of the General Meeting of NATIVITA JLLC, company code: 391002753, company's address: Olshevskogo str. 20/11, 220073 Minsk, Belarus; the sole shareholder and the Director of LV Pharma UAB, company code: 305776345, company's address: Saltoniškių str. 31, Vilnius; the Member of the Board of Nordic Metrology science AB, company code: 120229395, company's address: Dariaus ir Girėno str. 23, Vilnius; and he holds a position of Manager of Strategic Planning of Ilsanta UAB.

Tomas Godelis holds the position of the Director at the company Releva UAB, company code: 302743774, company's address: Laisvės av.125, LT-06118, Vilnius, Lithuania, and he holds the position of the General Director at Ilsanta UAB.

Mr. Andris Eglitis is also a CEO in CMI Ltd, company code 4010319294, company's address: "Briksi", Kekava district, LV-2123, Latvia.

To ensure internal control, risk management and more efficient management of the functions assigned to employees, changes in the Company's organizational structure took place during the reporting year.

NATURE OF THE MAIN ACTIVITIES

The main activity of the Company is wholesale of medical goods and equipment.

The Company has the following certificate confirming compliance with ISO standards: Quality management system ISO 9001: 2015 certificate and wholesale distribution license No. 0107, which authorizes the wholesale distribution of medicinal products.

In 2021, Ilsanta, UAB, continued its operations as distributor of Boston Scientific Corporation, Stryker, Acist and Getinge products in the Baltics, remained one of the leading distributors of medical goods in Lithuania.

FINANCIAL INFORMATION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Main financial indicators:

Item name	2021	2020	Change	
			Amount, Eur	%
Assets	16 505 790	12 717 068	3 788 722	30
Equity	9 991 133	8 618 663	1 372 470	16
Liabilities	6 514 657	4 098 405	2 416 251	59
Sales income	20 273 774	19 402 665	871 109	4
Cost of sales	(15 238 944)	(14 461 683)	(777 260)	5
Gross profit	5 034 830	4 940 981	93 849	2
Operating expenses	(3 660 737)	(3 371 770)	288 967	9
Results from financing activities	54 839	(6 325)	-	-
Net result	1 372 463	1 709 593	(337 130)	-20
Gross profit ratio	25	25	-	-
Net profit ratio	7	9	-	-2

Gross income in 2021 amounted to EUR 20 274 thousand and increased by 4% compared to 2020. Cost of sales in 2021 amounted to EUR 15 239 thousand and increased by 5% compared to 2020, but the Company's gross profit ratio remained unchanged and was 25%.

In 2021, the Company earned gross profit of EUR 1 372 thousand which is 20% less compared to 2020. The decrease in the indicator for the reporting year was influenced by the corporate income tax expense of EUR 80 270 (income from the corporate income tax was EUR 135 054 in 2020). More details are provided in the Note 18 Corporate Income Tax Expenses of the explanatory notes of the Company.

At 31 December 2021, the share capital of the Company did not change compared to 2020 and amounted to EUR 2 372 thousand at the end of the reporting year. The nominal value of one share is Eur 0,29. As of 31 December 2021, Pharmasanta UAB held 100% of shares of the Company.

Total assets of the Company amounted to EUR 16 506 thousand as of 31 December 2021 an increased by 30% in comparison with 2020. The increase in this item was resulted by the growth of the Company's market loans, increase in the items of inventories and receivables.

As of 31 December 2021, inventories increased by 46% compared to 2020 and at the end of the reporting year amounted to EUR 2 862 thousand.

As of 31 December 2021, trade receivables increased by 33% compared to 2020 and amounted to EUR 3 481 thousand.

Cash and cash equivalents decreased by 30% and amounted to EUR 1 642 thousand.

Short-term financial liabilities amounted to EUR 1 827 thousand. In accordance with the agreements signed between the Company and AS Luminor Bank, an overdraft and a loan are provided to the Company.

As of 31 December 2021, payables and accrued expenses increased by 1% and amounted to EUR 3 529 thousand.

At 31 December 2021, the Company had 32 employees (31 December 2020 – 29).

During the financial year, the Company did not acquire any shareholdings in any other companies.

FINANCIAL RISK MANAGEMENT

To ensure sufficient resources and / or allocate them fairly, Ilsanta UAB prepares a budget and monitors it.
Short-term liquidity risk is managed by maintaining committed credit lines and overdrafts and borrowing within the Company.
In management of foreign exchange risk, the majority of the Company's transactions are concluded in Euro.
Risk of relations with lenders:

- The risk that the Company will not be able to borrow on favourable terms as a result of its actions and that this would increase borrowing costs, which would prevent the Company from carrying out its plans in full;
- The risk of relations with the credit institutions is managed in accordance with the Company's internal procedures.

Financial risk management is disclosed in Note 20 of the Company's explanatory notes to the financial statements 2021.

IMPACT OF COVID-19

The COVID-19 pandemic, which affected the company's operations as well as the global economy and financial markets, continued in 2021. The Company's management took a number of monitoring measures to reduce the impact of COVID-19, including measures to protect the safety and health of employees and customers. The Company tried to ensure safe and harmless working conditions for its employees and focused more on managing the flow of employees. Some of the Company's employees worked in the office by trying to maintain distance, and engineers and product managers involved in selling the Company's services and / or installing equipment complied with the requirements of special care. The COVID-19 pandemic affected the professional and personal lives of employees, and the Company had to invest in improving the microclimate, the working environment, and relationships to ensure the planned results. The COVID-19 pandemic in 2021 did not have a significant impact on the Company's income. Evaluating the Company's performance within the period from 31 December 2021 until the date of signing of these financial statements and the impact that the COVID-19 outbreak may have had, there are no obvious financial, operational or other indications that the Company's ability to continue as a going concern is in doubt. Until the date of signing of these financial statements, there were no other important events which could have a material effect on the financial position and financial results of the Company for 2021.

BUSINESS PLANS AND FORECASTS OF THE COMPANY

In compliance with the order of the Minister of Environment of the Republic of Lithuania No. D1-508 "On the approval of the description of the procedure for application of the list of products subject to environmental criteria for public procurement and procurement, environmental criteria and environmental criteria to be applied by contracting authorities / entities when purchasing goods, services or works" of 28 June 2011, and to properly participate in green public procurement performed by contracting authorities, the Company plans to implement compliance with the requirements of the environmental management system by introducing LST EN ISO 14001: 2015 standard.

In 2022 the Company plans to continue focusing on its main activities, to maintain market share in the Baltic countries and to continue optimization of its operations.

Tomas Godelis
General Director

Vilnius, Republic of Lithuania

10 May 2022

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF FINANCIAL POSITION
31/12/2021

	Notes	2021 EUR	2020 EUR
ASSETS			
Non-current assets:			
Property, plant and equipment	4	506 882	579 467
Goodwill and other intangible assets	5	2 833 219	2 834 225
Deferred tax assets	18	26 505	25 813
Financial assets		160 000	-
Total non-current assets		**3 526 606**	**3 439 505**
Current assets:			
Inventory	6	2 862 480	1 965 768
Trade receivables	7	3 481 247	2 615 130
Loan	19	4 570 655	1 602 576
Prepayments and deferred charges		389 491	714 415
Prepaid corporate profit		33 370	31 492
Cash and cash equivalents	8	1 641 941	2 348 182
Total current assets		**12 979 184**	**9 277 563**
TOTAL ASSETS		**16 505 790**	**12 717 068**
EQUITY AND LIABILITIES			
Capital and reserves:			
Share capital	9	2 371 968	2 371 968
Legal reserve		237 197	237 197
Retained earnings		7 381 961	6 009 498
Total equity		**9 991 126**	**8 618 663**
Non-current liabilities:			
Deferred tax liabilities	18	-	-
Financial liabilities	10	828 560	-
Leasing (financial) and other lease liabilities	11	116 573	201 603
Total non-current liabilities		**945 133**	**201 603**
Current liabilities:			
Payables and accrued expenses	12	3 528 600	3 492 885
Financial liabilities	10	1 827 273	232 375
Leasing (financial) and other lease liabilities	11	213 658	171 542
Total current liabilities		**5 569 531**	**3 896 802**
Total liabilities		**6 514 664**	**4 098 405**
TOTAL EQUITY AND LIABILITIES		**16 505 790**	**12 717 068**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 10 May 2022.

Tomas Godelis
General Director

Ligita Germanavičiūtė
Chief Accountant

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2021

	Notes	2021 EUR	2020 EUR
Sales income	**13**	20 273 774	19 402 665
Cost of sales	**14**	(15 238 944)	(14 461 684)
Gross profit		**5 034 830**	**4 940 981**
Operating expenses	**15**	(3 660 737)	(3 371 770)
Renevue from sale of property, plant and equipment	**16**	-	1 073
Other income	**16**	23 801	10 580
Operating profit		**1 397 894**	**1 580 864**
Net foreign exchange profit		24 755	2 780
Financial income		94 801	45 048
Financial cost	**17**	(64 717)	(54 153)
Profit before tax		**1 452 733**	**1 574 539**
Corporate income tax expenses	**18**	(80 270)	135 054
Net profit		**1 372 463**	**1 709 593**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 10 May 2022.

Tomas Godelis
General Director

Ligita Germanavičiūtė
Chief Accountant

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2021

	Share capital EUR	Legal reserve EUR	Retained earnings EUR	In total EUR
Balance				
As at 1 January 2020	**2 371 968**	**237 197**	**4 299 905**	**6 909 070**
Net profit	-	-	1 709 593	1 709 593
Transfer to legal reserve	-	-	-	-
Balance				
As at 31 December 2020	**2 371 968**	**237 197**	**6 009 498**	**8 618 663**
Net profit	-	-	1 372 463	1 372 463
Transfer to legal reserve	-	-	-	-
Balance				
As at 31 December 2021	**2 371 968**	**237 197**	**7 381 961**	**9 991 126**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 10 May 2022.

Tomas Godelis
General Director

Ligita Germanavičiūtė
Chief Accountant

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2021

	2021 EUR	2020 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	1 372 463	1 709 593
Non-monetary items adjustments for:		
Corporate income tax expenses	80 270	(135 054)
Depreciation	294 246	278 085
Finance income	(94 801)	(45 048)
Interest costs	57 304	39 630
Other financial costs	7 413	14 523
Net foreign exchange (gain) loss	(24 755)	(2 780)
Net (gain) on disposal of fixed assets	-	(1 073)
Change in allowance for inventory net realisable value	9 692	(18 599)
Other non-monetary items	-	-
	1 701 832	1 839 277
Movements in working capital:		
(Increase) decrease in trade receivable	(866 118)	377 866
(Increase) decrease in prepayments and deferred charges	324 924	(664 536)
Decrease in inventories	(906 404)	(212 783)
(Decrease) in payables and accrued expenses	35 708	(241 272)
Cash generated from operations	289 942	1 098 552
Interest paid	(57 304)	(39 630)
Corporate income tax paid	(77 849)	(14 294)
Net cash generated by operating activities	**154 789**	**1 044 628**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets	(76 703)	(53 281)
Proceeds from disposal of property, plant and equipment, intangible assets	3 114	19 388
Interest received	-	37
Net cash generated by investing activities	**(73 589)**	**(33 856)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan granted	(4 013 820)	(484 000)
Loan repaid	980 000	-
Paid out dividends	-	-
Liabilities under lease agreements (IFRS 16)	(156 087)	(144 157)
Proceeds from borrowings	2 457 982	-
Repayments of borrowings	(34 524)	(265 695)
Proceeds from financial lease	(13579)	(13 310)
Other financial expenses paid	(7 413)	(14 523)
Net cash used in financing activities	**(787 441)**	**(921 685)**
Net (decrease) increase in cash and cash equivalents	**(706 241)**	**89 087**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2 348 182**	**2 259 095**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1 641 941**	**2 348 182**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 10 May 2022.

Tomas Godelis
General Director

Ligita Germanavičiūtė
Chief Accountant

1. GENERAL INFORMATION

Ilsanta UAB (thereafter „the Company") was registered on 10 May 1993. The main activity of the Company is wholesale of medical device products and medical equipment. Company's website www.ilsanta.lt, e-mail: info@ilsanta.lt

The address of its registered office is as follows:
Saltoniskiu str. 29
Vilnius, 01112
Lithuania

Addresses of the Company's branches:

Country of Company's branches	Address
Latvia	Blidenes 1a–7, Riga LV 1058
Estonia	Kadaka tee 133-27 12915 Tallinn, Eesti/Estonia

At 31 December 2021, the Company had 32 employees (31 December 2020 – 29).

The Company has the wholesale distribution license which entitles it to engage in distribution of medicinal products.

Bank: Luminor bank AS.

The Company's management is disclosed in the Company's annual report for the reporting year.

Auditor: Rodl & Partner UAB.

GENERAL ACCOUNTING AND CONSOLIDATION PRINCIPLES

The Company's financial statements include the financial statements of the branches of Ilsanta UAB located in Latvia and Estonia (hereinafter referred to as the Company). Transactions between the Company and its branches, the balances of these transactions and the related income and expenses are eliminated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and taking into account the requirements of the national laws and other regulations relating to the Company's activities. They are based on the concept of historical cost. The preparation of financial statements in compliance with the IFRS requires the use of certain significant accounting estimates. The Management is also responsible for making decisions regarding the application of accounting principles for the Company and its branches. The main accounting principles applied in the preparation of the financial statements of the Company are set out below. These accounting principles are applied consistently to all periods presented in the statements, unless provided otherwise. The Company's financial statements have been prepared on a going concern basis. The Company systematically applied accounting principles that are the same as in previous years. There were no significant changes in accounting estimates and corrections of errors in the preparation of the Company's financial statements for the reporting year.

Figures in the statements are provided in Euro.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

2.1. Initial application of new amendments to the existing standards effective for the current reporting period

IFRS standards or interpretations effective for the first time for the year ended 31 December 2021:

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020): not applicable to the Company;
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020);
  Amendments to IFRS 4 and postponed date of entry into force of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023);

No significant impact on the Company.

IFRS standards or interpretations effective for annual periods beginning on or after 1 January 2022:

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016) not endorsed;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IFRS) not endorsed;

- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021) not yet endorsed;
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022) not yet endorsed;
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;
- Amendments to recommendation for practical application of IAS 1 and IFRS 2 – "Disclosure of accounting policy" (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;
- Amendments to IAS 8 "Definition of accounting estimates" (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;
- Deferred corporate income tax related to the assets arising from one transaction and liabilities - Amendments to IAS 12 (issued on 07 May 2021 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;
- Possibility for insurers relating to transition for application of the standard who apply IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;

The Company assesses whether the new amendments would affect its financial statements.

3. A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and legal regulations on accounting and financial reporting of the Republic of Lithuania.

Basis of preparation
The financial statements have been prepared on the historical cost basis, except certain items as described below (e.g. at fair value, at net realizable value or with a deduction of impairment). The principal accounting policies adopted are set out below.

The accompanying financial statements are presented in Euros (EUR).

Goodwill
Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

After initial recognition goodwill acquired in a business combination is to be carried at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Property, plant and equipment and intangible assets (excluding goodwill)
Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortisation and any accumulated impairment losses, if any.

Depreciation/amortisation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation/amortisation is calculated using the following expected useful lives:

Equipment	3–5	years
Vehicles	3–6	years
Other property, plant and equipment asset	2–10	years
Intangible assets	3–5	years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no sufficient assurance that ownership will be acquired at the end of the financial lease, the asset is depreciated over the shorter of the lease term and its useful life.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Property plant and equipment under the lease agreements are accounted according to IFRS 16, see 2.1 p.

Impairment of property, plant and equipment and intangible assets other than goodwill
At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whatever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately as profit (loss) in the profit (loss) statement or other comprehensive income statement, unless the asset is carried at a revalued amount. In that case, the impairment loss is accounted for as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversals of impairment losses are recognized immediately in profit or loss, unless the asset is carried at a revalued amount. In that case, reversal of the impairment loss is accounted for as a revaluation increase.

Inventory
Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the FIFO method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. In the cases when the effect of the time value of money is significant, the amount of provision is the current value of costs, which are likely to be needed to cover the liability. Where discounting is used, provision increase reflecting the preceding period of time is recognized as interest expenses.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Company as lessee</u>
Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets
Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Loans and receivables</u>
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Effective interest rate method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash in bank, demand deposits, and other short-term highly liquid investments with original maturities of three months or less which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Income recognition
Revenue is measured at the fair value of the consideration received or receivable for the goods or services, net of customer returns and rebates.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:
- the Company has transferred to the buyer the control over the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably and expected to be recovered.

Income from interest
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies
Transactions denominated in foreign currency other than Euros (EUR) are translated into EUR at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in profit or loss for the period.

As at 31 December, the following rates of principal currencies were used:

2021	2020
EUR 1 = USD 1.1334	EUR 1 = USD 1.2281
EUR 1 = GBP 0.8393	EUR 1 = GBP 0.90307

Taxes
Corporate income tax expense represents the sum of the tax currently payable and deferred tax.

Current corporate income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Corporate income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2021 and 2020 the corporate income tax rate applied to the Company is 15%.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or will be enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in profit or loss and other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in profit or loss and other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

From 1 January 2018, the Latvian corporate income tax corresponds to the cash flow principle, i.e. corporate income tax is payable on the distribution of profits that are treated as dividends or contingent profits. The tax is payable following 20% /80% rule, where the net amount is multiplied by 20% /80% to calculate the tax.

Related parties
A related party is a person or entity that complies with any of the following conditions:

a. A person or a close member of that person's family is related to the Company if that person:
   i. has control or joint control of the Company;
   ii. has significant influence over the Company; or
   iii. is a member of the key management personnel of the Company or of a parent of the Company.

b. A company is related to the Company if any of the following conditions applies:
   i. Both companies are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. associated companies or joint activity partners of companies belonging to the same group and companies whose companies are considered to be associated companies of the same group.
   iii. Joint activity partners of the joint activity partner.
   iv. Associated companies of the joint activity partner.
   v. The company which saves and pays pensions and other benefits to employees of the company or legal entity related to it upon termination of employment. If the Company itself administers such benefit plans, then companies that subsidize such benefit plans are considered as related companies.
   vi. The company is controlled by or controls a person identified in (a).

vii. A person identified in (a) (i) has significant influence over the Company or is a member of the key management personnel of the Company or of a parent company.
viii. [effective for annual periods beginning on or after 1 July 2018] The company that provides management personnel services to the Company or its parent company, or a company that is part of the same group as the company that provides such services.

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

Reserves
Legal reserve
A legal reserve is compulsory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit, are compulsory until the reserve reaches 10% of the share capital.

Contingencies
Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but it is disclosed in the financial statements when it is probable that income or economic benefits will be received.

The Company's Critical accounting judgments and key sources of estimation uncertainty
In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions
The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment
The Company makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered any impairment. If that is the case, the Company makes an impairment test in accordance with the accounting policy set out in Note 3. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As at 31 December 2021 and 2020, there were no indications that property, plant and equipment might be impaired.

Impairment of goodwill
Following the accounting policy set out in Note 3, the Company tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for 5 years using data from the Company's internal forecasts. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

Impairment of financial assets
At each balance sheet date, the Company reviews the financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. As at 31 December 2021 and 2020, impairment loss was not recognized.

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

4. PROPERTY, PLANT AND EQUIPMENT

As at 31 December, property, plant and equipment consisted of the following:

4.1. Vehicles, equipment and other assets

	Vehicles	Other property, plant and equipment	Equipment	In total
	EUR	EUR	EUR	EUR
Cost				
As at 1 January 2020	**169 146**	**717 896**	**275 233**	**1 162 275**
Acquisitions	31 241	3 737	14 053	49 031
Transfer from Inventory	-	-	1 230	1 230
Disposals and retirements	(45 915)	(16 255)	-	(62 170)
As at 31 December 2020	**154 472**	**705 378**	**290 516**	**1 150 366**
Acquisitions	-	79 633	10 673	90 306
Corrections	-	30 026	(7 165)	22 860
Disposals and retirements	(9 342)	-	-	(9 342)
As at 31 December 2021	**145 130**	**815 036**	**294 024**	**1 254 190**
Accumulated depreciation				
As at 1 January 2020	**75 532**	**613 913**	**113 159**	**802 604**
Depreciation	29 463	59 527	45 346	134 336
Disposals and retirements	(27 600)	(16 254)	-	(43 854)
As at 31 December 2020	**77 395**	**657 186**	**158 505**	**893 086**
Depreciation	27 137	53 667	48 834	129 638
Disposals and retirements	(6 228)	-	-	(6 228)
Corrections	-	30 026	(7 166)	22 860
As at 31 December 2021	**98 304**	**740 879**	**200 173**	**1 039 356**
Carrying amount				
As at 31 December 2020	**77 077**	**48 192**	**132 011**	**257 280**
As at 31 December 2021	**46 826**	**74 157**	**93 851**	**214 834**

Corrective entries have been made in the cost of assets and accumulated depreciation by eliminating the differences between synthetic and analytical accounting data.

4.2. Property plant and equipment under the lease agreements

In accordance with IFRS 16 all property plant and equipment under the lease agreements has been accounted as non-current assets and liabilities, see Notes 4 and 11.

	Real estate EUR	Vehicles EUR	In total EUR
Cost as at 1 January 2020	**177 896**	**100 782**	**278 678**
Acquisitions	89 952	97 305	187 257
Depreciation (-)	(71 356)	(72 393)	(143 749)
Balance as at 31 December 2020	**196 492**	**125 694**	**322 186**
Additions	26 227	108 242	134 469
Depreciation (-)	(79 000)	(85 607)	(164 607)
Carrying amount as at 31 December 2021	**143 719**	**148 329**	**292 048**

As at 31 December, the carrying amount of the assets being acquired under finance lease was as follows:

	2021 EUR	2020 EUR
Vehicles	31 229	51 241

The Company uses impaired non-current tangible assets with the following acquisition value at 31 December:

	2021 EUR	2020 EUR
Other property, plant and equipment	652 093	538 763
Vehicles	-	-
Equipment	81 553	62 486
In total	**733 646**	**601 249**

5. GOODWILL AND OTHER INTANGIBLE ASSETS

As at 31 December, goodwill and other intangible fixed assets consisted of the following:

	Goodwill EUR	Other intangible assets EUR	In total EUR
Cost			
As at 1 January 2020	**3 544 583**	**6 079**	**3 550 662**
Acquisitions	-	3 020	3 020
Retirements	-	-	-
As at 31 December 2020	**3 544 583**	**9 099**	**3 553 682**
Acquisitions	-	-	-
Corrections	(713 378)	27 860	(685 518)
As at 31 December 2021	**2 831 205**	**36 959**	**2 868 164**
Amortization and impairment losses			
As at 1 January 2020	**713 378**	**6 079**	**719 457**
Amortization	-	-	-
Retirements	-	-	-
As at 31 December 2020	**713 378**	**6 079**	**719 457**
Amortization	-	1 006	1 006
Corrections	(713 378)	27 860	(685 518)
As at 31 December 2021	**-**	**34 945**	**34 945**
Carrying amount			
31 December 2020	**2 831 205**	**-**	**2 831 205**
31 December 2021	**2 831 205**	**2 014**	**2 833 219**

Corrective entries have been made in the cost of assets and accumulated depreciation by eliminating the differences between synthetic and analytical accounting data.

As of 2020, the Company does not charge goodwill for amortization purposes; see Note 18 Corporate income tax expense.

The Company tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The goodwill of EUR 2 831 205 that was recognized after the merger of LSA-2 UAB was not impaired. The recoverable amount of the Ilsanta UAB activities was assessed by reference to the cash-generating unit's value in use during the next five-year period. Effective discount rate of 5.48% was used when calculating NPV of future cash flows. This discount rate assumed cost of debt 2.68%, cost of equity 5.84%, leverage ratio 0.88% and corporate income tax rate 15%.

The key assumptions used in the value in use calculations for the Company activities are as follows:

Forecasted sales	Management believes that the sales will increase by +/- 3% over the next five years;
Forecasted gross margin	Management believes that the budget gross margin will be almost consistent with that of prior years and will equal to 25%;
Operating expenses	Management believes that the annual growth of operating expenses is +/- 3 percent.

As at 31 December, the cost of fully amortized intangible assets was as follows:

	2021 EUR	2020 EUR
Other intangible assets	33 939	33 939
In total	**33 939**	**33 939**

6. INVENTORIES

As at 31 December, inventories consisted of the following:

	2021 EUR	2020 EUR
Goods purchased for resale	3 103 872	2 197 468
Less: write-down to net realisable value	(241 392)	(231 700)
In total	**2 862 480**	**1 965 768**

As at 31 December, inventories held in consignments stocks consisted of the following:

	2021 EUR	2020 EUR
Goods purchased for resale	835 351	514 476
In total	**835 351**	**514 476**

As at 31 December 2021, all Company's inventories were pledged under the overdraft, credit and guarantee agreements concluded with Luminor bank AS (Note 9).

7. TRADE RECEIVABLES

As at 31 December, trade receivables consisted of the following:

	2021 EUR	2020 EUR
Trade receivables (domestic)	820 324	604 871
Trade receivables (foreign)	2 660 923	2 010 259
	3 481 247	2 615 130
Less: provisions for doubtful trade receivables	-	-
In total	**3 481 247**	**2 615 130**

At 31 December 2021, the Company did not have any receivables that would be subject to impairment.

As at 31 December 2021, all Company's claims were pledged under the overdraft, credit and guarantee agreements concluded with Luminor bank AS (Note 9).

8. CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents consisted of the following:

	2021 EUR	2020 EUR
Cash in banks	1 641 536	2 344 411
Cash on hand	405	3 771
In total	**1 641 941**	**2 348 182**

9. SHARE CAPITAL

As at 31 December 2021, authorized share capital comprised of 8 179 200 ordinary shares at par value of EUR 0,29 each. All shares are fully paid.

As at 31 December 2021, 100% of the Company's shares were hold by UAB „Pharnasanta Group", a company incorporated and existing under the law of Republic of Lithuania, legal entity code 304689987, having its registered office at Saltoniškių st. 29, Vilnius, the Republic of Lithuania.

As at 31 December, shareholders of the Company were as follows:

	Proportion of ownership			
	2021		2020	
Shareholder	**Number of ordinary shares**	**%**	**Number of ordinary shares**	**%**
Pharnasanta Group UAB	8 179 200	100	8 179 200	100
In total	**8 179 200**	**100**	**8 179 200**	**100**

As at 31 December, all Company's shares were pledged under the overdraft, credit and guarantee agreements concluded with Luminor bank AS (Note 10; 19).

10. FINANCIAL LIABILIETIES

As at 31 December, financial liabilities consisted of the following:

	2021 EUR	2020 EUR
Luminor bank AS (overdraft)	1 412 985	232 375
Luminor bank AS (Agreement)	1 242 848	-
Total financial liabilities	**2 655 833**	**232 375**
Less: non-current financial liabilities	828 560	-
Total current financial liabilities	**1 827 273**	**232 375**

All financial liabilities are in euros.

As at 31 December 2021, the average interest rate was 3.5% for the credit balance and 3% for the overdraft balance.

As at 31 December 2021, the financial liabilities were secured by pledging 100% of the Company's shares (Note 9). The Company fully fulfilled its obligations to Luminor bank AS.

11. LEASING (FINANCIAL) AND OTHER LEASE LIABILITIES

As at 31 December 2021 and 2020, the Company had outstanding finance lease liabilities related to the acquisition of vehicles and other assets.

As at 31 December, the liabilities under finance leases and for other leased assets are as follows:

	2021 EUR	2020 EUR
Liabilities to the leasing company	52 098	53 463
Other leased assets	278 133	319 682
Total liabilities	**330 231**	**373 145**
Less: long-term liabilities		
Liabilities to the leasing company	-	39 885
Other leased assets	116 573	161 718
Total short-term liabilities	**213 658**	**171 542**

For the year ended 31 December 2021, the floating interest rate of 2% and 3 months EURIBOR was applicable, thus exposing the Company to cash flow interest rate risk. In accordance with changes in IFRS 16 the Company applied 2,55-3,2% discounted cash flows to other leased assets.

The Company has valid premises rent agreements as at 31 December 2021. The lease of the head office premises may be terminated upon 20 days' notice and payment of a six-month rent penalty. If the lease agreement is made earlier, a six-month fine is payable. Branch leases may be terminated with six months 'notice without penalty.

The Company has valid vehicle rent agreements as at 31 December 2021.

All lease obligations are denominated in EUR.

The fair value of the Company's lease obligations approximates their carrying amount. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

12. PAYABLES AND ACCRUED EXPENSES

As at 31 December, payables and accrued expenses consisted of the following:

	2021 EUR	2020 EUR
Trade payables	2 744 509	2 856 110
Liabilities related with labour relations	214 915	292 008
Accrued vacation reserve	404 536	141 944
Taxes	61 174	61 423
Payable to custom	-	-
Advances received	-	-
Other accrued expenses	103 466	141 400
In total	**3 528 600**	**3 492 885**

13. SALES INCOME

For the year ended 31 December, sales by geographical segments, irrespective of the origin of the goods consisted of the following:

	2021 EUR	2020 EUR
Latvian branch	10 600 176	9 701 897
Lithuania	8 291 495	8 441 166
Estonian branch	1 382 103	1 259 602
In total	**20 273 774**	**19 402 665**

14. COST OF SALES

For the year ended 31 December, cost of sales consisted of the following:

	2021 EUR	2020 EUR
Cost of goods sold	15 069 102	14 297 868
Warehouse rent expenses	44 275	42 003
Depreciation	56 882	60 967
Transportation and custom expenses	68 685	60 846
In total	**15 238 944**	**14 461 684**

15. OPERATING EXPENSES

For the year ended 31 December, operating expenses consisted of the following:

	2021 EUR	2020 EUR
Marketing expenses	1 212 377	1 171 787
Staff cost (including related taxes)	1 628 768	1 571 792
Insurance, legal and other services	257 843	173 886
Depreciation	237 364	217 118
Expenses for business trips	36 725	38 104
Write down of inventory to net realizable value	9 692	(18 599)
Transportation expenses	30 421	23 619
Communication and other expenses	24 053	26 916
Office expenses	18 755	24 293
Taxes (excluding corporate income tax)	15 079	14 757
Other operating expenses	189 660	128 097
In total	**3 660 737**	**3 371 770**

16. OTHER INCOME

For the year ended 31 December, other income consisted of the following:

	2021 EUR	2020 EUR
Service sale	-	-
Other	23 801	11 653
In total	**23 801**	**11 653**

17. FINANCE COST

For the year ended 31 December, costs of financing and investing activities consisted of the following:

	2021 EUR	2020 EUR
Interest costs	57 305	39 630
Other finance cost	7 412	14 523
In total	**64 717**	**54 153**

Interest rate of Luminor Bank AB consisted in average 3% in 2021 and 2020.

18. CORPORATE INCOME TAX EXPENSES

Reconciliation of corporate income tax expenses / (benefit) at the statutory rate to corporate income tax (benefit)/expenses at the Company's effective rate is as follows:

	2021 EUR	%	2020 EUR	%
Profit before tax	1 452 733		1 574 539	
Corporate income tax expense calculated at effective corporate income taxes rate	(93 455)	6	(236 181)	15
Tax effect of non-taxable income and non-deductible expense	176 697	12	172 554	11
Corrections of previous period	(2 280)		(14 222)	1
Deferred corporate income tax income/expense	(692)	-	212 903	14
Corporate income tax income/expense	**(80 270)**	**6**	**135 054**	**9**

The components of corporate income tax expense are as follows:

	2021 EUR	2020 EUR
Current corporate income tax expense (Lithuanian company and Latvian branch)	(80 962)	(77 849)
Deferred corporate income tax expense (Lithuania)	692	212 903
Corporate income tax income/expense	**(80 270)**	**135 054**

The change in deferred tax asset is as follows:

	2021 EUR	2020 EUR
DEFERRED TAX ASSETS:		
Vacation reserve	943	785
Write-downs for inventory to net realisable value	24 152	25 399
IFRS 16 influence	660	-
Cost of goods sold	750	-
TOTAL DEFERRED TAX ASSETS	**26 505**	**26 184**
IFRS 16 influence	-	(371)
DEFERRED TAX LIABILITIES	**-**	**(371)**
Less: write-downs of deferred tax assets	-	-
Net deferred tax assets	**26 505**	**25 813**

From the year 2020 company does not apply depreciation of goodwill for DTA and CIT purposes. The Company has no plans to distribute dividends from the profit of financial year 2021.

19. RELATED PARTY TRANSACTIONS

As at 31 December 2021 and for the year then ended related party transactions were as follows:

Related party	Payables to related party EUR	Loan to related party, guarantee EUR	Interests receivable from related party EUR	Purchases from related party EUR	Sales to related party EUR
Pharmasanta UAB	-	3 381 572	145 938	-	-
Vertas Management AB	-	-	-	1 058	-
Saltoniškių verslo centras AB	1 890	-	-	84 104	-
LV Pharma UAB	-	-	-	1 870	-
Releva UAB	4 852	-	-	58 225	-
4 Kliinik Eesti OÜ	-	160 000	-	-	9 580
Nativita*	-	1 013 248	29 897	-	-

All transactions with related parties are carried out on the basis of the market principles. Guarantee of Vertas Management AB under the credit agreement signed with Luminor Bank AB, see Note 10.

As at 31 December 2020 and for the year then ended related party transactions were as follows:

Related party	Payables to related party EUR	Loan to related party EUR	Interests receivable from related party EUR	Purchases from related party EUR	Borrowings from related party EUR
Pharmasanta UAB *	-	1 521 000	81 576	-	-
Vertas Management AB	-	-	-	-	-
Saltoniškių verslo centras AB	855	-	-	78 360	-
Avia Solutions Group AB	-	-	-	1 818	-
Releva UAB	-	-	-	58 255	-

For the year ended 31 December, the remuneration of the Company's management was as follows:

	2021 EUR	2020 EUR
Remuneration of management	207 719	322 693
Average number of managers per year	3	3

Remuneration of top management includes all personal compensations and benefits related to General Director and managers of two branches. As at 31 December 2021, accumulated but not yet paid bonuses amounted to EUR 130 016, as at 31 December 2020, they amounted to EUR 222 794 and this resulted in a decrease in the amounts related to wages in 2021.

Pursuant to the law, the Company applies a rate of 1,77% of social insurance contributions to wages. In 2021, social insurance contributions were not calculated when the wage exceeded the limit of 60 average monthly wages (hereinafter referred to AW) (i.e. EUR 81 162) (in 2020, 84 AW, EUR 104 277).

All wages of the Company's executives are classified as current liabilities.

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks in its operations, i.e. credit risk, liquidity risks and market risk. To manage the above-mentioned risks, the Company seeks to minimize potential adverse effects which could negatively impact financial performance of the Company.

Credit risk

As at 31 December 2021 and 2020, the maximum exposures to credit risk consisted of the following:

	2021 EUR	2020 EUR
Financial assets:		
Trade receivables	3 481 247	2 615 130
Loans	4 570 655	1 602 576
Cash and cash equivalents	1 641 941	2 348 182
In total	**9 693 843**	**6 565 888**

Financial assets include trade receivables, granted loans and cash and cash equivalents.
The credit risk of the Company is relatively low because the main buyers are reliable customers and the loan risk is controlled at the Group level.
The Company does not have any significant credit risk concentration, because of having numerous customers.

Liquidity risk

The liquidity risk is managed by planning the cash flows of Company's. In order to minimize the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late coverage of receivables and the short-term cash flows (proceeds and payments).

When concluding credit contracts, the Company follows the following principles: the amount of liquid assets and unused credit lines and credits in the bank accounts must cover the current liabilities of the Company, including the current portion of long-term borrowings.

Market risk

Interest rate risk
The borrowings with floating interest rates expose the Company to cash flow interest rate risk.

The Company has borrowings with floating interest rates, related to EURIBOR and EUR LIBOR.

Foreign currency exchange risk
In order to manage foreign currency exchange risk, the Company's purchase / sale transactions are usually concluded in Euro. The Company has entered into a loan agreement in USD.

The fair value of financial assets and liabilities

The Company's principal financial assets and liabilities, not carried at fair value, are trade and other accounts receivable, trade and other payables.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

According to the management, the balance value of the Company's financial assets and liabilities (not carried at fair value) is approximately equal to their fair value.

Capital management
The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize the Company's value to shareholders.

The Company manages its capital structure and makes adjustments to it taking account of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may propose the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company is obliged to upkeep its equity ratio of not less than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

The Company monitors capital using equity to liabilities ratio. Equity consists of shares, share premiums, reserves, retained earnings attributable to equity owners.

The calculation of equity to current liabilities ratio is presented below:

	2021 EUR	2020 EUR
Equity	9 991 133	8 618 663
Current liabilities	5 569 524	3 896 802
Equity to current liabilities ratio	**179 %**	**221 %**

21. POTENTIAL FUTURE COMMITMENTS AND CONTINGENCIES

As at 31 December 2021, the Company was not involved in any legal proceedings which in the opinion of management would have a material impact on the financial statements.

22. POST BALANCE SHEET EVENTS

According to the real estate lease agreement signed at the end of 2021 with Saltoniškių verslo centras UAB, the Company expanded the area of the premises and performed repairs of the premises in the reporting year. Also, on 28 April 2022, the Company extended the overdraft agreement with AS Luminor Bank for another 12 months.

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Sidevahendid

Liik	Sisu
Telefon	**+372 6828892**
Faks	**+372 6828890**
E-posti aadress	**info@ilsanta.ee**