mogo
PART OF ELEVING GROUP

Joint stock company Mogo

Unified registration number LV50103541751

Annual report

for the year ended
31 december 2021

Including financial statements

Separate financial statements prepared in accordance

With international financial reporting standards as adopted by the EU

Together with independent auditor's report

Riga, 2022

CONTENTS

General information

Name of the Company	mogo	
Legal status of the Company	JSC	
Unified registration number, place and date of registration	50103541751, Latvia, 03.05.2012	
Registered office	Skanstes street 52, Riga, Latvia	
Shareholders		31.12.2021.
	Eleving Stella JSC (Mogo Eastern Europe JSC) from 01.09.2021	98%
	Eleving Luna JSC (Mogo Baltics and Caucasus JSC) till 31.08.2021	98%
	Other	2%
	TOTAL	**100%**
Ultimate parent company	Eleving Group S.A. (Mogo Finance S.A.), Luxembourg	
Board Members	Krišjānis Znotiņš - Chairman of the Board from 17.08.2020.	
	Krišjānis Znotiņš - Member of the Board from 14.03.2019. till 17.08.2020.	
	Aivis Lonskis - Member of the Board from 17.08.2020.	
Council Members	Valerij Petrov - Chairman of the Council from 17.08.2020.	
	Vladislavs Mejertāls - Deputy Chairman of the Council from 17.08.2020.	
	Neringa Plauškiene - Member of the Council from 17.08.2020.	
Subsidiary	Renti JSC, Latvia (100%)	
Financial year	January - December 2021	
Previous financial year	January - December 2020	
Auditors	*KPMG Baltics LLC* Commercial licence No. 55 Vesetas iela 7, Riga, Latvia, LV-1013 Certified auditor in charge Armine Movsisjana Certificate No. 178	

Management report

2 May 2022

The Board members of the Company present the report on the separate financial statements for the year ended December. All the figures are presented in EUR (euro).

General information

JSC mogo (hereinafter – the Company) is specializing in used car financing for private individuals as well as providing operational management services to other companies operating in used car financing or rent. The Company provides quick and convenient car financing services through more than 220 partners (professional car sellers) network, Company's branded website, mobile homepage and onsite at customer service centre located in strategic location at road traffic safety directorate (CSDD).
During the year Company continued to serve its existing customers, ensure stable new sales and increase service and development operations provided to 100% subsidiary JSC Renti and associated consumer crediting company JSC Primero Finance, using Company's resources and long lasting experience in leasing field. Services include full cycle from product development to customer service and debt collection activities.

Company's website www.mogo.lv has been renewed to support improvements in customer journey.

The Company complies with local laws relating to environmental protection.

Mission, vision and values

Mission
Make personal mobility easily accessible to all residents of Latvia while being united in love for the car.

Values
▪Courage - We see challenge in everything that gets in our way and growth in what we do. Change is our driving force, and we expect it with our heads held high. We say yes to every turn by showing strength and courage!
▪ Energy - We strive for success and excellence. We enjoy the process and the challenges in our path, but our results are the thing that matters. Our victories give us spirit and energy for the future!
▪Ambition - We take full responsibility for our actions and decisions and we encourage others to do the same. The initiative allows us to move forward rather than react passively. Although the road may be winding, purposefulness takes us forward!
▪Love - Our business is based on love for the work we do and the customers we serve. We create opportunities that provide mobility, because we understand the desire to love a car.

Operations and Financial Results

Total assets of the Company reached 56.3 million euro (2% increase, compared to 2020), interest and similar income reached 7.8 million euro (26% decrease compared to 2020), and net profit of the Company amounted to 6.1 million euro (-4.9% compared to 2020).

Gross value of the lease and loans portfolio reached 7.3 million euro (52% decrease compared to 2020) at the end of December 2021.

The reporting period was a good year for a Company. High net profit level (close to highest year 2019) was secured through servicing related entities and continuing strategy of portfolio sale transactions. During 2021 portfolios were sold in February and July amounting to nominal amount of 6.5 million euro to JSC Primero Finance. Transactions generated 2 million euro profit and continued to strengthen liquidity and profitability. At the same time financing provided to related entities increased from 33.9 million euros at the end of 2020 to 42 million euro at the end of 2021, thus stressing Companies importance in Eleving group structure. Sufficient capitalization allowed to decrease share capital from 5 million euro to 425 thousand euro.
Decreasing portfolio and stable customer payment discipline have helped to decrease impairment expense level from 1.1 million euro in 2020 to 170 thousand euro in 2021.
Increasing income from related parties servicing allowed to increase other operating income level from 2.9 million euros in 2020 to 3.1 million euro in 2021.
Further operational improvements in our customer service and partner account management processes were implemented, enabling us to serve our customers more efficiently.

Historical gross underperforming portfolio in amount of 2 million euro, including unsecured balances and complicated cases, were sold as a result of forward flow transactions and one off cession tenders. Company's balance sheet was cleaned, having 90 thousand euro loss from transactions.

In 2021, the Company continued its operations in order to accomplish its mission – make personal mobility easily accessible to all residents of Latvia while being united in love for the car. Some of developments planned for 2021 to increase automation level and improve customer journey were postponed due to uncertainty caused by COVID 19 and accessibility of IT resources. Postponed developments are picked up and prioritized for 2022. Improvements would have positive effect on the clients of the Company as well those serviced for subsidiary and JSC Primero Finance. Main target in automation field includes instant decision for customers. MTPL insurances in cooperation with AAS Balta are being offered to customers adding to monthly payments.

The Company proceeded with various digital and offline marketing campaigns in order to promote the brand visibility and strengthen the Company brand awareness and recognition.

On March 1, 2021, through public offering JSC mogo successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from 31 March 2021 are included in the regulated market – the Baltic Bond List of "Nasdaq Riga" stock exchange. The notes, with minimum subscription amount of EUR 1'000, are issued at par, have a maturity of 3 years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo bondholders and other retail and institutional investors from the Baltic region. The public offering consisted of two parts – subscription by new investors and exchange offer to existing bondholders, which has been comfortably oversubscribed with more than 840 investors participating in the offering.

Management report (continued)

The future development of the Company

The Company management plans to continue investing in process automation and digitalization, creating seamless digital experience to customers. The main focus areas in 2022 will be to continue ensuring stable portfolio quality and providing improved customer experience through related parties servicing.

Financial risk management

The Company's key principles of finance risk management are presented in the Note 39.

Assessment of COVID-19 impact

Covid-19 continued having impact on used car sales market, causing high sales amounts volatility from month to month. Total 2021 used car sales volume have exceeded 2020 levels. Company has introduced solutions for customers to overcome short term financial difficulties. In addition cost discipline measures have been implemented. Debtors amounts have not increased while total portfolio have decreased due portfolio sale and cession.

It is expected that used car sales market would increase during 2022 as well as customer debt service capabilities are going to be stable and improving.

During the year there were periods when customers were serviced only remotly, except the branch located at the premises of JSC Ceļu satiksmes drošības direkcija (JSC Road Safety directorate) in Riga, where services were available upon prior appointment. The sales of cars were ensured at the points of sale and in cooperation with partners. Curently restrictions are cancelled and customers are serviced both in presence withouth prior appointments and remotely. The Company has taken all mandatory and recommended safety measures and ensured that its staff can work from home when necessary.

The Company has successfully performed through Covid-19 waves, and it comfortably enters 2022 from both operational as well as future funding availability perspectives.

Subsequent events

In 2022 many significant sanctions have been imposed by European Union and various countries on Russia and Belarus, certain Russian and Belarusian companies, companies in other jurisdictions, officials, businessmen and other physical persons in connection with the ongoing war in Ukraine, which began on 24 February, 2022. Imposed sanctions and restrictions and military actions create the economic uncertainty in the World and in Latvia. The full impact of the sanctions and restrictions and military actions on the Company's operations in 2022 cannot be fully predicted, but the Company believes that they will not materially affect the Company's operations both directly and indirectly. Customers of the Company are local private individuals with income generating sources in Latvia. Company`s assumption is based on available information at the time of signing the financial statements, and the impact of future events on the Company's future operations may differ from Company's assessment.

JSC mogo Corporate Governance Statement for 2021 is prepared according with the requirements of the Financial Instruments Market Law part 3 of article 56.2 and Code of Corporate Governance issued by the Corporate Governance Advisory Board of the Ministry of Justice of the Republic of Latvia. Report is available to the public electronically on the Nasdaq Baltic webpage www.nasdaqbaltic.com.

The Company’s shareholder has changed from Eleving Luna JSC (previously Mogo Baltics and Caucasus JSC) to Eleving Stella JSC in 2021. The new shareholder has decreased Company’s share capital in December 2021.

The share capital of the Company is EUR 425 000 and consists of 425 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board

Statement of Management Responsibility

2 May 2022

JSC mogo management is responsible for preparation of the separate financial statements.

Management of the Company declares that in accordance with the information in their possession, separate financial statements have been prepared in accordance with accounting transaction documentation and with the International Financial Reporting Standards as adopted by EU and give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2021, results of operations and cash flows for the year ended 31 December 2021.

Management of the Company confirms that an appropriate and consistent accounting policies and management estimates are used. Management of the Company confirms that the separate financial statements are prepared using prudence principle as well as the going concern assumption. Management of the Company confirms its responsibility for maintaining proper accounting records, as well as monitoring, control and safeguarding of the Company's assets.

The Company's management is responsible for detection and prevention of the error, inaccuracy and / or fraud. The Company's management is responsible for the Company's activities to be carried out in compliance with the legislation of the Republic of Latvia.
The management report includes a fair view of the development of the Company's business and results of operation.

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board

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Separate Financial Statements

Separate Statement of Comprehensive Income

		2021 EUR	2020 EUR
Interest revenue	**4**	7 752 943	10 465 330
Interest expense	**5**	(4 105 164)	(4 127 633)
Net interest income		**3 647 779**	**6 337 697**
Fee and commission income related to finance lease activities	**6**	77 298	339 883
Impairment expense	**7**	(170 438)	(1 110 993)
Net gain/(loss) from de-recognition of financial assets measured at amortised cost	**8**	2 022 003	584 633
Expenses related to peer-to-peer platforms services	**9**	(53 616)	(86 496)
Revenue from car sales		-	7 190
Cost of sales of cars		(2 250)	(6 662)
Selling expense	**10**	(40 217)	(88 671)
Administrative expense	**11**	(2 380 836)	(2 374 189)
Other operating income	**12**	3 088 142	2 888 395
Other operating expense	**13**	(110 131)	(49 593)
Net foreign exchange result		(42 379)	(5)
Profit before tax		**6 035 355**	**6 441 189**
Net profit for the period		**6 035 355**	**6 441 189**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Debt investments at FVOCI - net change in fair value		23 991	(23 991)
Other comprehensive income/(loss) for the period, net of tax		**23 991**	**(23 991)**
Total comprehensive income for the year		**6 059 346**	**6 417 198**
Profit is attributable to:			
Equity holders of the Parent Company		5 914 648	6 312 365
Non-controlling interests		120 707	128 824
Net profit for the year		**6 035 355**	**6 441 189**
Other comprehensive loss is attributable to:			
Equity holders of the Parent Company		5 938 159	6 288 854
Non-controlling interests		121 187	128 344
Comprehensive income for the year		**6 059 346**	**6 417 198**

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

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Rita Kaktiņa, Chief accountant

Separate Statement of Financial Position

ASSETS		31.12.2021.	31.12.2020.
NON-CURRENT ASSETS		**EUR**	**EUR**
Intangible assets			
Other intangible assets	**15**	-	14 511
Total intangible assets		**-**	**14 511**
Tangible assets			
Right-of-use assets	**16, 17**	603 145	1 026 650
Property and equipment	**16**	44 239	75 488
Leasehold improvements	**16**	3 803	6 322
Total tangible assets		**651 187**	**1 108 460**
Non-current financial assets and lease receivables			
Finance lease receivables	**18**	2 004 863	1 999 765
Loans and advances to customers	**19**	2 447 697	6 453 877
Loans to related parties	**34**	42 079 330	33 952 977
Investments in Subsidiary	**35**	5 500 000	5 500 000
Investment in debt securities	**20**	-	609 000
Other investments	**36**	20	26
Trade receivables	**23**	512 164	187 315
Total non-current financial assets and lease receivables		**52 544 074**	**48 702 960**
TOTAL NON-CURRENT ASSETS		**53 195 261**	**49 825 931**
CURRENT ASSETS			
Receivables and other current assets			
Finance lease receivables	**18**	462 314	872 351
Loans and advances to customers	**19**	963 525	2 657 254
Loans to related parties	**34**	-	246 530
Trade receivables	**23**	969 061	1 022 940
Prepaid expense	**22**	77 436	113 842
Other receivables	**14, 24**	50 917	76 208
Contract assets	**25**	331 574	198 160
Cash and cash equivalents	**26**	191 318	98 891
Total receivables and other current assets		**3 046 145**	**5 286 176**
Assets held for sale	**21**	32 118	62 640
Total assets held for sale		**32 118**	**62 640**
TOTAL CURRENT ASSETS		**3 078 263**	**5 348 816**
TOTAL ASSETS		**56 273 524**	**55 174 747**

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

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Rita Kaktiņa, Chief accountant

Separate Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY		**31.12.2021. EUR**	**31.12.2020. EUR**
Share capital	**27**	425 000	5 000 000
Foreign currency translation reserve	**27**	1	1
Fair value reserve	**27**	-	(23 511)
Other reserves	**38**	(1 925 471)	(3 474 331)
Retained earnings		19 816 601	16 486 308
brought forward		13 901 953	10 173 943
for the period		5 914 648	6 312 365
Total equity attributable to equity holders of the Parent Company		18 316 131	17 988 467
Non-controlling interests		404 421	335 976
TOTAL EQUITY		**18 720 551**	**18 324 443**
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	**29**	29 205 009	-
Funding attracted through peer-to-peer platforms	**29**	2 677 385	4 783 925
Lease liabilities for right-of-use assets	**17, 29**	532 457	878 613
Loans from related parties	**29**	1 705 000	-
Total non-current liabilities		**34 119 851**	**5 662 538**
Provisions for financial guarantees	**38**	1 751 009	1 663 804
Other provisions	**28**	140 053	432 922
Total provisions for liabilities and charges and financial guarantees		**1 891 062**	**2 096 726**
Current liabilities			
Liabilities for issued debt securities	**29**	-	24 480 115
Funding attracted through peer-to-peer platforms	**29**	636 780	1 893 372
Loans from banks	**29**	-	1 689 826
Lease liabilities for right-of-use assets	**17, 29**	77 821	103 079
Prepayments and other payments received from customers	**30**	58 433	50 374
Trade payables to related companies	**34**	6 140	-
Trade payables		117 891	88 407
Corporate income tax payable	**14**	2 943	3 163
Taxes payable	**31**	49 276	103 596
Other liabilities	**32**	363 893	383 726
Accrued liabilities	**33**	228 883	295 382
Total current liabilities		**1 542 060**	**29 091 040**
TOTAL LIABILITIES		**37 552 973**	**36 850 304**
TOTAL EQUITY AND LIABILITIES		**56 273 524**	**55 174 747**

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

Signed on behalf of the Company on 2 May 2022 by:

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Aivis Lonskis, Member of the Board
Rita Kaktiņa, Chief accountant

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Separate Statement of Changes in Equity

	Share capital	Fair value reserves	Currency revaluation reserve	Other Reserves	Retained earnings	**Total equity attributable to Equity holders of the Parent Company**	Non-controlling interest	**Total**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	**EUR**
Balance at 01.01.2020.	**5 000 000**	**-**	**1**	**(4 103 142)**	**10 173 943**	**11 070 802**	**207 632**	**11 278 434**
Profit for the reporting year	-	-	-	-	6 312 365	6 312 365	128 824	6 441 189
Other comprehensive income	-	(23 511)	-	-	-	(23 511)	(480)	(23 911)
Total comprehensive income for the period	-	(23 511)	-	-	**6 312 365**	**6 288 854**	**128 344**	**6 417 198**
Net result of original guarantee derecognition and recognition of modified guarantee (Note 38)	-	-	-	628 811	-	628 811	-	628 811
Balance at 31.12.2020.	**5 000 000**	**(23 511)**	**1**	**(3 474 331)**	**16 486 308**	**17 988 467**	**335 976**	**18 324 443**
Balance at 01.01.2021.	**5 000 000**	**(23 511)**	**1**	**(3 474 331)**	**16 486 308**	**17 988 467**	**335 976**	**18 324 443**
Profit for the reporting year	-	-	-	-	5 914 648	5 914 648	120 707	6 035 355
Other comprehensive loss for the period	-	23 511	-		-	23 511	480	23 991
Total comprehensive income for the period	**-**	**23 511**	**-**	**-**	**5 914 648**	**5 938 159**	**121 187**	**6 059 346**
Share capital decrease (Note 27)	(4 575 000)	-	-	-	-	(4 575 000)	-	(4 575 000)
Guarantee derecognition (Note 38)	-	-	-	3 474 331	(2 584 355)	889 976	(52 742)	837 234
Issue of financial guarantees (Note 38)	-	-	-	(2 886 850)	-	(2 886 850)	-	(2 886 850)
Decrease in fair value of the guarantees due to non-substantial modifications (Note 38)	-	-	-	961 379	-	961 379	-	961 379
Balance at 31.12.2021.	**425 000**	**-**	**1**	**(1 925 471)**	**19 816 601**	**18 316 131**	**404 421**	**18 720 551**

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

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Rita Kaktiņa, Chief accountant

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Separate Statement of Cash Flows

		2021	2020
Cash flows to/from operating activities		**EUR**	**EUR**
Profit before tax from continuing operations		6 035 355	6 441 189
Adjustments for:			
Amortisation and depreciation	**15, 16**	149 771	213 044
Interest expense	**5**	4 105 164	4 127 633
Interest income	**4**	(7 752 943)	(10 465 330)
Disposals of property, equipment and intangible assets		-	4 503
Impairment expense	**7**	170 438	1 110 993
Financial guarantees	**38**	(1 043 412)	(1 383 329)
Operating profit before working capital changes		**1 664 372**	**48 703**
Increase in finance lease, loans and advances to customers, trade and other receivables		7 160 610	7 592 290
Increase/(Decrease) in advances received and trade payables and guarantees		(468 536)	992 898
Cash generated to/from operations		**8 356 447**	**8 633 891**
Interest received		8 265 726	10 472 410
Interest paid	**29**	(4 208 644)	(3 800 105)
Corporate income tax paid		(3 514)	(8 252)
Net cash flows to/from operating activities		**12 410 015**	**15 297 944**
Cash flows to/from investing activities			
Purchase of property and equipment and other intangible assets	**15, 16**	(679 881)	(27 223)
Loan repayments received from related parties		57 206 147	33 404 745
Loans to related parties		(65 332 500)	(39 405 710)
Net cash flows to/from investing activities		**(8 806 234)**	**(6 028 188)**
Cash flows to/from financing activities			
Proceeds from borrowings	**29**	45 267 024	19 297 656
Repayments for borrowings	**29**	(43 197 901)	(28 646 217)
Payments for borrowings acquisition costs	**29**	(927 439)	-
Repayment of lease liabilities for right-of-use assets	**29**	(78 038)	(92 875)
Paid out Share Capital		(4 575 000)	-
Net cash flows to/from financing activities		**(3 511 354)**	**(9 441 436)**
Change in cash		**92 427**	**(171 680)**
Cash at the beginning of the year		98 891	270 571
Cash at the end of the year	**26**	**191 318**	**98 891**

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

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Rita Kaktiņa, Chief accountant

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Notes to the separate financial statements

1. Corporate information

mogo JSC (the "Company") is a Latvian company. The Company was incorporated on May 3, 2012 as a joint stock company for an unlimited duration, subject to general company law.

The ultimate parent company of mogo JSC is Eleving Group S.A. (Luxembourg). The ultimate beneficiary owner of mogo JSC is Aigars Kesenfelds (37.985%). The share of the rest shareholders does not exceed 25%.

The core business activity of the Company comprises of providing finance lease services, leaseback services and loans and advances to customers.

On March 1, 2021, through public offering the Company issued new secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 is included in the regulated market of NASDAQ OMX Baltic.

For additional information see Note 29.

Annual report of 2021 has been approved by decision of the board on 2 May 2022.

Shareholders have the separate financial statements approval rights after their approval by the Board of Directors.

	2021	**2020**
Average number of employees during the reporting year	49	52

2. Summary of significant accounting policies

a) Basis of preparation

These annual separate financial statements as of and for the year ended 31 December 2021 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

The Company's annual separate financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual separate financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the separate financial statements, when determinable. See Note 3.

The consolidated financial statements for the year ended 31 December 2021 are prepared separately.

The separate financial statements are prepared on a historical cost basis except for the recognition of financial instruments measured at fair value.

The Company's presentation and functional currency is euro (EUR). The separate financial statements cover the period from 01 January 2021 till 31 December 2021. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

The management does not use segmental approach to operational decision-making. All of the Company's economic activities are carried out in one geographical segment - Latvia. The Company continued developing loan servicing business line in 2021, however; it is considered to not yet be material enough to be disclosed separately in the standalone financial statements as at the reporting period end and its assets and profitability are not analyzed saparately.

Going concern

These separate financial statements are prepared on the going concern basis.

b) Changes in accounting policy disclosures and presentation

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

IFRS 16: Leases

The Company has early adopted COVID-19 - Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively, the effect of application is not significant.

The effect is reflected for year 2020 in Note 12 and Note 17, no significant effect for year 2021.

Adoption of new and revised standards and interpretations

A number of new standards (or amendments) are effective from 1 January 2021 but they do not have a material effect on the Company's separate financial statements.

– COVID-19-Related Rent Concessions (Amendment to IFRS 16);
– Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

2. Summary of significant accounting policies (continued)

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

Other standards

The following new and amended standards are not expected to have a significant impact on the Company's separate financial statements.

— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
— Reference to Conceptual Framework (Amendments to IFRS 3);
— Cost of Fulfilling a Contract (Amendments to IAS 37);
— Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
— Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
— IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

d) Significant accounting policies

Licenses and other intangible assets

Intangible non-current assets are initially stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Other intangible assets mainly consists of acquired computer software products.

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

Concessions, patents, licences and similar rights	- over 1 year;
Other intangible assets - acquired IT Systems	- over 2, 3 and 5 years.

Property and equipment

Equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Computers	- over 3 years;
Furniture	- over 5 years;
Vehicles	- over 7 years;
Leasehold improvements	- according to lease term;
Other equipment	- over 2 years.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income in the impairment expense caption.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Financial assets

Financial instruments – initial recognition

Date of recognition

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. Other assets are recognized on the date when Company enters into the contract giving rise to the financial instruments.

Initial recognition and measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described further in the accounting policies. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Other receivables are measured at the transaction price.

Classification of financial assets

The Company only measures Loans and advances to customers, Loans to related parties, Receivables from related parties, Cash equivalents and Other loans and receivables at amortized cost if both of the following conditions are met:

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages Company's of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial assets (continued)

SPPI test

As a second step of its classification process the Company assesses, where relevant, the contractual terms of the financial assets to identify whether they meet the SPPI test. Financial assets subject to SPPI testing are loans and advances to customers (including financial assets arising from sales and leaseback transactions, as discussed in a separate section of this note) and loans to related parties that solely include payments of principal and interest. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company principally considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans).

In general, the loan contracts stipulate that in case of default and collateral repossession the claim is not limited to the collateral repossession and if the collateral value does not cover the remaining debt, additional resources can still be claimed from the borrower to compensate for credit risk losses. Accordingly, this aspect does not create obstacles to passing SPPI test. However, in some cases, loans made by the Company that are secured by collateral of the borrower limit the Company's claim to cash flows of the underlying collateral (non-recourse loans). The Company applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Company typically considers the following information when making this judgement:

-whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
-the fair value of the collateral relative to the amount of the underlying loan;
-the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
-the Company's risk of loss on the asset relative to a full-recourse loan; and
-whether the Company will benefit from any upside from the underlying assets.

According to the judgement made the non-recourse loans that are secured by collateral of the borrower meet the SPPI criterion.

Embedded derivatives

The Company has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. The Company accounts for an embedded derivative separately from the host contract when:

• the host contract is not an asset in the scope of IFRS 9;
• the host contract is not itself carried at FVPL;
• the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
• the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss (unless they form part of a qualifying cash flow or net investment hedging relationship) and presented in the statement of financial position together with the host contract. The Company has derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments as outlined above. Please refer to Note 3 for further discussion on embedded derivative details and considerations of separability.

Reclassification of financial assets

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2021 or 2020.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables

Derecognition provisions below apply to all financial assets measured at amortized cost.

Derecognition due to substantial modification of terms and conditions

The Company derecognizes loan to a customer or finance lease receivable when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or lease, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognize a financial asset, the Company evaluates whether the cash flows of the modified asset are substantially different and the Company considers the following qualitative factors:

• Change in currency of the loan
• Change in counterparty
• If the modification is such that the instrument would no longer meet the SPPI criterion
• Whether legal obligations have been extinguished.

• Furthermore, for loans to customers and financial lease receivables the Company specifically considers the purpose of the modification for increase in lease term. It is evaluated whether modification was entered into for commercial reasons upon customer initiative or for credit restructuring reasons. Management has performed analysis of the changes being made due to business reasons and evaluated that changes due to business reasons result in substantial modification of terms and conditions. This is in line with the objective of this modification that is to originate a new asset with substantially different terms. If the DPD (days past due) of the counterparty immediately prior the modification is less than 5 DPDs and the characteristics of financial asset are substantially modified (e.g. on average financial asset term increases for several years substantially changing the term structure of the asset), the respective modification is considered to occur for a commercial reasons and results in derecognition of the initial lease/loan receivable.

Other modifications to the agreement terms are treated as modifications that do not result in derecognition (see section on Modifications below).

Derecognition other than for substantial modification

A financial asset or finance lease receivable (or, where applicable, a part of a financial asset or finance lease receivable or part of a Company of similar financial assets or finance lease receivables) is derecognized when the rights to receive cash flows from the financial asset or finance lease receivable have expired. The Company also derecognizes the financial asset or finance lease receivable if it has both transferred the financial asset or finance lease receivable and the transfer qualifies for derecognition.

The Company has transferred the financial asset or finance lease receivable if the Company has transferred its contractual rights to receive cash flows from the financial asset or finance lease receivable.

The Company has transferred the asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through' arrangement.

Pass-through arrangements are transactions when the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- Company cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Modifications

The Company sometimes makes modifications to the original terms of loans/lease as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a lease/loan restructured when such modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include default or DPDs prior to the modifications. Such modifications may involve extending the payment arrangements and the agreement of new loan conditions.

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss in interest revenue/expenses calculated using the effective interest method (Note 4, 5) in the statements of comprehensive income, to the extent that an impairment loss has not already been recorded (Note 7). Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

As described in section on 'Derecognition due to substantial modification of terms and conditions' if modification is performed for commercial reasons, then it is considered to result in derecognition of the initial lease/loan receivable. Such modifications include increase in the lease amount and increase in lease term, which are agreed upon with customers for commercial reasons (i.e.-, customers and the Company are both interested in substantially modifying the scope of the lease/loan transaction). Whenever such an agreement to modify is reached the old agreement and respective receivable is derecognized.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables (continued)

Treatment of non-substantial modifications

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. If modification of a financial asset or liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

Overview of the expected credit loss principles

If there has been no significant increase in credit risk since origination, the ECL allowance is based on the 12 months' expected credit loss (12mECL) as outlined in below. If there has been significant increase in credit risk since initial recognition, the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in section on Impairment of financial assets (Note 3).

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

Company's core business assets – financial lease receivables and loans and advances to customers – are of retail nature, therefore are grouped per countries and products (finance lease receivables and loans and advances to customers) for a collective ECL calculation that is modelled based on DPD (days past due) classification. Specifically, the Group analyses its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to country, product group, days past due and presence of underlying collateral (for secured products). Financial lease receivables and secured loans (more specifically vehicle secured loans) are combined due to similar nature of the products.

The Company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition across the portfolios within the country based on product type – lease or loan product.

The Company segregates finance lease receivables and loans and advances to customers in the following categories:

Finance lease receivables and secured loans:

1) not past due;
2) days past due up to 30 days;
3) days past due 31 up to 60 days;
4) days past due over 60 days;
5) unsecured (general definition: days past due over 90 or collateral is not available, i.e. lost or sold).

Loans and advances to customers (unsecured loans):

1) not past due;
2) days past due up to 30 days;
3) days past due 31 up to 60 days;
4) days past due over 60 days.

Based on the above process, the Company groups its leases and loans into Stage 1, Stage 2, and Stage 3, as described below:

• Stage 1: When loans/leases are first recognized, the Company recognizes an allowance based on 12mECLs. The Company considers leases and loans that are current or with DPD up to 30 as Stage 1.

A healing period of 2 months is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1 and such an exposure must meet the general Stage 1 DPD criteria above. Healing period concept is not applied for unsecured loans. Exposures are classified out of Stage 1 if they no longer meet the criteria above.

• Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The Company generally considers leases and secured loans that have a status of 31-60 DPD to being Stage 2. Also unsecured loan is considered Stage 2 if DPD is in the range of 31 to 60. Lease exposures remain in Stage 2 for a healing period of 2 months, even if they otherwise would meet Stage 1 criteria above during this period.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

Impairment of finance lease receivables and loans and advances to customers (continued)

Defining credit rating (continued)

• Stage 3: Leases and loans considered credit-impaired and at default. The Company records an allowance for the LTECLs. The Company considers a finance lease agreement and secured loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 61 DPD on its contractual payments or the lease/ loan agreement is terminated. The Company considers an unsecured loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 61 days past due on its contractual payments. Exposures remain in Stage 3 for a healing period of 1 months even if they otherwise would meet Stage 2 criteria above during this period.

Due to the nature of credit exposures of the Company qualitative assessment of whether a customer is in default is not performed and primary reliance is placed on the above criteria.

Temporary debt restructuring (TDR) and restructuring

As response to COVID-19 Company introduced TDR program which consists 2 main products:

Extension – is a payment holiday for 1 month (or several months) . Customer pays extension fee and returns to the original schedule in next several months. Paid extension fee is an indication that customer is willing to cooperate, and the Company expects customer to return to previous payment discipline under normal circumstances. Classification in such cases to the stage is bases as per DPD.

Restructuring - permanent amendment of the schedule. Classification to the stage is bases as per DPD.

TDR and restructuring (further change of the original payment schedule) is almost the only feasible solution to reduce financial burden on customers given circumstances, thus fact of the forbearance as such does not lead to the recognition of SICR if customer pays according to new terms and later returns to the original schedule or close to it.

The Company made changes in impairment policy, effective until further notice, but not later than December 2021*: cases where the Company has sound grounds to expect customer to return to the regular discipline not longer than in 12-month time should not be classified as SICR even if customer has been granted forbearance tool.

TDRs performed to customers that was previously in default result in continued Stage 3 treatment during the one-month healing period followed by 2 months of healing period in Stage 2. In case of modification for credit reasons prior to default (generally extension), exposure is moved to Stage 2 for a healing period of 2 months.

*During 2021 the Company decreased usage of TDRs significantly, however due uncertain pandemic development and stricter restrictions and lockdowns remaining, it was decided to extend TDR program till December 2022.

The calculation of ECLs

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

Key elements of the model are, as follows:

• PD The Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e., 12mECL or LTECL).

Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon.

• EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise.

• LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cash flows due at the moment of default and those that the lender would expect to receive, including from the realization of any collateral and deducting expenses related to cash collections or collateral realization processes. It is usually expressed as a percentage of the defaulted balance.

• Lifetime period is estimated as average remaining contractual term of respective portfolio.

The Company may choose to use actual balance instead of EAD and do not apply DDV for the segments with the elevated credit risk.

The Company employs multiplication model across all Stages for the ECL calculation:

ECL=EAD*PD*LGD*[DDV]

Given that DDV is a multidimensional vector (generally 12 or 13 dimensions but can be shorter if representative historical data is available for a shorter period) it is aggregated into one value before multiplication - [DDV]. DDV aggregated value is obtained as follows:

• each value of the DDV is multiplied with discount factor;

• discount factor is calculated in a regular way (e.g. NPV formula), where discount is calculated on EIR of the portfolio and number of periods corresponds to the dimension of the respective DDV value;

• [DDV] is the sum of all respective multiplications of DDV values with respective discount factors.

Depending on Stage following specifics are applied to the general ECL model:

• Stage 1: The 12mECL is calculated. The Company calculates the 12mECL allowance using 12 months (or shorter if lifetime of the product is less than 12 months or representative historical data is available for a shorter period) PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are like those explained above, but PDs and DDV are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR using DDV.

• Stage 3: For loans considered credit-impaired, the Company recognizes the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

Write off of unrecoverable debts

The Company considers any kind of receivable completely unrecoverable and writes off the receivable from balance sheet entirely if all legal actions have been performed to recover the receivable and the Company has no reasonable expectations of recovering a financial asset.

Impairment of financial assets other than loans and advances

Financial assets where the Company calculates ECL on an individual basis or collective basis are:

• Other receivables from customers/contract assets
• Trade receivables
• Loans to related parties
• Cash and cash equivalents
• Financial guarantees

Impairment of other receivables from customers/contract assets (Trade receivables)

During the course of business, the Company may have other type of claims against its leasing customers. In such cases the ECL methodology of the related lease receivable is mirrored and the ECL mirrors the impairment of the lease receivable. For other receivables and contract assets that are not related to lease portfolio receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For claims against its leasing customers the Company mirrors the staging applied to the underlying lease exposure.

Impairment for loans to related parties

Receivables from related parties inherently are subject to the Company's credit risk. Therefore, a benchmarked PD rate based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs. The LGD has been assessed considering the related party's financial position.

Impairment of cash and cash equivalents

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, i.e., a few days.
Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default. For cash and cash equivalents no Stage 2 is applied given that any past due days would result in default.

Financial guarantees

Guarantees that are not integral to a loan contractual terms are accounted as separate units of accounts subject to ECL. For this purpose, the Company estimates ECLs based on the value of the expected payments to reimburse the holder for a credit loss that it would incur. ECLs are calculated on an individual basis.

The ECL allowance is based on the credit losses expected to arise over the life of the guarantee, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12months ECL. Company's policy and judgements for determining if there has been a significant increase in credit risk are set out in Note 3.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through the statement of comprehensive income

Financial liabilities at fair value through the statement of comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of comprehensive income.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.
Financial liabilities designated upon initial recognition at fair value through the statement of comprehensive income are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through statement of comprehensive income.

- Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs (interest expense) in the statement of comprehensive income.
This category generally applies to interest-bearing loans and borrowings.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial liabilities (continued)

Modification of financial liabilities

For financial liabilities, the Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. If the modification is substantial, then a derecognition gain or loss is recorded on derecognition. If the modification does not result in cash flows that are substantially different the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Treatment of non-substantial modifications

If expectations of fixed rate financial liabilities' cash flows are revised, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial liability on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial liability is adjusted if the Company revises its estimates of payments or receipts. If modification of a financial liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense (Note 4; 5).

Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset or liability and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

Derecognition

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

The Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Offsetting of financial instruments

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

Provisions for financial guarantees and Other reserves

Where a contract meets the definition of a financial guarantee contract the Company, as an issuer, applies specific accounting and measurement requirements of IFRS 9. These IFRS 9 measurement requirements are applied for all guarantee contracts, including guarantees issued between entities under common control, as well as guarantees issued by a subsidiary on behalf of a parent. If a Company gives a guarantee on behalf of an entity under common control, a respective provision is recognised in the separate financial statements. Where transaction is driven by the Company's shareholders in their capacity as owners, Company treats such transactions as an increase in Provisions for financial guarantees and an equal and opposite decrease in equity (as a distribution of equity). Distributions of equity under financial guarantees are recognized in Other reserves.

Financial guarantees are initially recognised in at fair value. Subsequently, unless the financial guarantee contract is designated at inception as at fair value through comprehensive income, Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of comprehensive income, and ECL provision determined in accordance with IFRS 9 (as set out in Note 3). Amortisation is recognised in the statement of comprehensive income under Other operating income on a straight line basis over the term of the guarantee.

Financial guarantees are derecognized if the terms of the guarantee are substantially changed. Changes in guarantee limit are treated as a derecognition. In such cases the original guarantee is derecognized and a new guarantee is recognized at fair value. Change in the fair value is recognized as a decrease or increase in Provisions for financial guarantees and an equal and opposite decrease or increase to Other reserves. Other reserves are transferred to retained earnings upon extinguishment of liabilities under the financial guarantee.

Finance lease – Company as lessor

Finance leases, which transfer substantially all the risks and rewards incidental to ownership of the assets, are recognised as assets at amounts equal at the inception of the lease to the net investment in the lease. The finance income is allocated over time period in-line with the lease term to produce a constant return on the net investments outstanding in respect of the finance leases.

Whilst financial lease receivables that represent financial instruments and to which IAS 17 or IFRS 16 applies are within the scope of IAS 32 and IFRS 7, they are only within the scope of IFRS 9 to the extent that they are (1) subject to the derecognition provisions, (2) 'expected credit loss' requirements and (3) the relevant provisions that apply to derivatives embedded within leases.

The Company is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Finance lease – Company as lessor (continued)

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

- a lease is classified as a finance lease; and
- the amounts to be recognized at the commencement of the lease term are determined.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

A lease is classified as a finance lease at the inception of the lease if it transfers substantially all the risks and rewards incidental to ownership. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the lease assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Further indicators that individually or in combination would also lead to a lease being classified as a finance lease are:

- the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee;
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Initial measurement

At lease commencement, the Company accounts for a finance lease, as follows:

- derecognises the carrying amount of the underlying asset;
- recognises the net investment in the lease; and
- recognises, in profit or loss, any selling profit or selling loss.

Upon commencement of finance lease, the Company records the net investment in leases, which consists of the sum of the minimum lease term payments, and gross investment in lease less the unearned finance lease income. The difference between the gross investment and its present value is recorded as unearned finance lease income. Initial direct costs, such as client commissions and commissions paid by the Company to car dealers, are included in the initial measurement of the lease receivables. The calculations are done using the effective interest method.

Prepayments and other payments received from customers are recorded in statement of financial position upon receipt and settled against respective client's finance lease receivables agreement at the moment of issuing next monthly invoice according to the agreement schedule.

Prepayments received from customers are presented separately as part of liabilities due to uncertainty of how they will be utilized.

Prepayments received from customers are recorded in the statement of financial position upon receipt and settled against respective client's finance lease receivables.

Subsequent measurement

Finance lease income consists of the amortization of unearned finance lease income. Finance lease income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment according to effective interest rate in respect of the finance lease. The Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Company recognises income from variable payments that are not included in the net investment in the lease (e.g. performance based variable payments, such as penalties or debt collection income) separately in the period in which the income is earned. Such income is recognized under 'Fee and commission income' (Note 6) in accordance with IFRS 15.

After lease commencement, the net investment in a lease is not remeasured unless the lease is modified and the modified lease is not accounted for as a separate contract or the lease term is revised when there is a change in the non-cancellable period of the lease.

The Company applies derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating lease – Company as lessor

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

Company as lessee

Lease liability

Initial recognition

At the commencement date of the lease the Company measures the lease liability at the present value of the lease payments that are not paid at that date in accordance with lease term. Lease payments included in the measurement of the lease liability comprise:

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Lease liability (continued)

The Company has elected for all classes of underlying assets not to separate non-lease components from lease components in lease payments. Instead Company accounts for each lease component and any associated non-lease components as a single lease component. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease term is the non-cancellable period for which the Company has the right to use an underlying asset, together with both:

(a) Periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and

(b) Periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

At the commencement date, the Company assesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease.

Subsequent measurement

After the commencement date, the Company measures the lease liability by:

• increasing the carrying amount to reflect interest on the lease liability;

• reducing the carrying amount to reflect the lease payments made; and

• remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Right-of-use assets

Initial recognition

At the commencement date of the lease, the Company recognises right-of-use asset at cost. The cost of a right-of-use asset comprises:

•the amount of the initial measurement of the lease liability;

•any lease payments made at or before the commencement date, less any lease incentives received;

•any initial direct costs incurred by the Company; and

•an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

Subsequent measurement

The Company measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses; and adjusted for the remeasurement of the lease liability. Depreciation of the right-of-use asset is recognised on a straight-line basis in profit or loss. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset in accordance with the Company`s policy of similar owned assets. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Company involvement with the underlying asset before the commencement date

If a Company incurs costs relating to the construction or design of an underlying asset, the lessee accounts for those costs applying other IFRS, such as IAS 16. Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset.

Company applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Initial recognition exemptions applied

As a recognition exemption the Company elects not to apply the recognition requirements of right-of-use asset and lease liability to:

(a) Short term leases – for all classes of underlying assets; and

(b) Leases of low-value assets – on a lease-by-lease basis.

For leases qualifying as short-term leases and/or leases of low-value assets, the Company does not recognise a lease liability or right-of-use asset. The Company recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

(a) Short term leases

A short-term lease is a lease that, at the commencement date, has a lease term of 3 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.

(b) Leases of low-value assets

The Company defines a low-value asset as one that:

1) has a value, when new of 5 000 EUR or less. The Company assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.

2)the Company can benefit from use of the assets on its own, or together with, other resources that are readily available to the Company; and

3)the underlying asset is not dependent on, or highly interrelated with, other assets.

Sale and leaseback transactions

The Company also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Company purchases the underlying asset and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Company applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset as loans and advances to customers by applying IFRS 9. As at 31 December 2020 and 31 December 2021 the Company concluded that its sale and leaseback contracts' provisions (including repurchase options embedded) are such that the transfer of asset from the seller-lessee to the Company does not satisfy and never satisfied the requirements of IFRS 15.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Sale and leaseback transactions (continued)

Such conclusion differs from the Company judgement as at 31 December 2019 and on the initial adoption of IFRS 9 and IFRS 15 and IFRS 16 as of 1 January 2018. Accordingly receivables under sale and leaseback contracts were reclassified to loans and advances to customers both as at 31 December 2020 and 31 December 2019.

The Company has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in the case or borrowers' default and are related to repossessed car sales for which any excess gains can be retained by the Company and commissions and other fees charged to the customer that are not directly linked to outstanding principal/interest (e.g. external debt recovery costs being charged to clients with mark-up). Other contract elements relevant to SPPI assessment for components include the leased asset repurchase options, where the option value is below the car market value at the moment of exercise and significant termination penalties for certain non-recourse contracts.

The Company has made relevant judgements and concluded that SPPI test is met in all above circumstances as
1) repossession commissions and fees charged by the Company are intended to cover the costs incurred by the Company in the debt servicing process under regular lending model,
2) the fact that the Company maintains proceeds from sale of repossessed car in excess of recovered exposure (if applicable) is not an evidence that the risk taken up by the Company is in fact the price risk of the car and not the credit risk. The Company is able to sell the collateral and keep any surplus only on default and the occasional trivial gains from the transaction are not the purpose of the core business model (which is to earn interest income from the loan asset) and are not the focus of the business, but instead are just an instrument to minimise the credit losses,
3) termination penalties for non-recourse sale and leaseback transactions charged to the customers in certain jurisdictions are also contractual elements intended to compensate for credit risk and do not result in any notable net gains to the Company.

Cash and cash equivalents

Cash comprises cash at bank and on hand with an original maturity of less than three months.

Assets held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale includes vehicles which are obtained by enforcement of repossession in case clients default on existing lease agreements. Such repossessed collaterals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell (FVLCTS). Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

Investments in subsidiary

These are the Company's separate financial statements. Consolidated financial statements are prepared as a separate set. Investments in Subsidiary (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) and associates (i.e. an entity over which the Company has significant influence without control over the financial and operating policy decisions of the investee) are recognised at cost in the separate financial statements according to IAS 27. Following initial recognition, investments in Subsidiary and associates are carried at cost less any accumulated impairment losses. The carrying values of investments are reviewed for impairment at each statement of financial position date. The Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary or associate and its carrying value, then, recognises the loss in the statement of comprehensive income.

Other investments

Equity investments at FVOCI

Upon initial recognition, the Company can choose to irrevocably classify its equity investments that are not held for trading as equity instruments designated at fair value through OCI (FVOCI). The Company evaluates and applies this classification for each instrument separately. These instruments are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at fair value. Dividends are recorded in comprehensive statement of income. Other net gains and losses are accumulated in OCI and are never applied or reclassified to profit or loss statement.

Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through OCI as described above. The Company elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

Debt instruments at FVOCI

The Company classifies debt instruments at FVOCI when both of the following conditions are met:
— The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
— The contractual terms of the financial asset meet the SPPI test.

The debt instruments measured at FVOCI are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at amortized costs. Interest income and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. See Note 20.

In the year end FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Transactions with peer-to-peer platforms

Background

The Company, as loan originator, have signed cooperation agreements with operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreement and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Company is to attract funding through the P2P platform.

P2P platform makes possible for individual and corporate investors to obtain a fully proportionate interest cash flows and the principal cash flows from debt instruments (finance lease receivables or loans and advances to customers) issued by the Company in exchange for an upfront payment. These rights are established through assignment agreements between investors and P2P platform, who is acting as an agent on behalf of the Company. Assignment agreements are of two types:

1) Agreements with recourse rights which require the Company to guarantee full repayment of invested funds by the investor in case of default of the Company's customer (buy back guarantee);
2) Agreements without recourse rights which do not require the Company to guarantee repayment of invested funds by the investor in case of default of the customer (no buy back guarantee).

The Company retains the legal title to its debt instruments (including payment collection), but transfers a part of equitable title and interest to investors through P2P platform.

Receivables and payables from/to P2P platform

P2P platform is acting as an agent in transferring cash flows between the Company and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from P2P platform.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Company (Note 24).

P2P platform commissions and service fees incurred by the Company are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 9.

Funding attracted through peer-to-peer platform

Liabilities arising from assignments with or without recourse rights are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in the statement of financial position caption Funding attracted through peer-to-peer platform (Note 29) and are treated as loans received.

After initial recognition Funding attracted through peer-to-peer platform is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of comprehensive income as interest income/ expense when the liabilities are derecognized.

The Company has to repay to the investor the proportionate share of the attracted funding for each debt instrument according to the conditions of the respective individual agreement with Company's client, which can be up to 72 months.

Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Company, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9.

Therefore, the Company's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest revenue calculated using the effective interest method (Note 4).

Assignments without recourse rights (no buy back guarantee)

Assignments without recourse rights are arrangements that transfer to investors substantially all the risks and rewards of ownership equal to a fully proportionate share of the cash flows to be received from the Company's debt instruments. Therefore such arrangements are classified as pass-through arrangements in accordance with IFRS 9.

As such, a fully proportionate share, equal to investor's claim in relation to the related debt instrument, is derecognized.

The derecognized part is accounted as an off-balance sheet item (Note 18) and interest income is recognized to the extent of being the residual interest. Residual income is the difference between the interest earned on the respective debt instrument by the Company and the respective share of interest earned by the investor.

Reserves

Foreign currency translation reserve

The Company has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR currency.

Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.

Other reserves

Other reserves is used to record the effect of transactions with owners in their capacity as owners and includes financial guarantees given by the Company.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the separate financial statements but disclosed when an inflow of economic benefits is probable.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through statement of comprehensive income.

Income and expenses

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations value added tax incurred on a services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases value added tax is recognized as part of the related expense item as applicable. The same principles is applied if value added tax is not recoverable on acquisition an asset.

Revenue is recognized in accordance with the related standard's requirements and to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

The effective interest rate method

According to IFRS 9 for all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

When a financial asset becomes credit-impaired and is regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Income from cession of bad debt

Gain or loss from sale of doubtful financial lease receivables and loans and advances to customers is presented on net basis under "Net gain/loss from de-recognition of financial assets measured at amortized cost". Gains or losses arising on cession deals are recognized in the statement of comprehensive income at transaction date as the difference between the proceeds received and the carrying amount of derecognized lease/ loan receivables assigned through cession agreements.

Expenses related to attracting funding

Expenses related to attracting funding consists of administration fee for using peer-to-peer platform. Expenses are charged monthly and recognised in the Company's statement of comprehensive income when they occur.

Revenue and expenses from contracts with customers

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the Company's ordinary activities. The Company uses the following criteria to identify contracts with customers:

– the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

– can be identified each party's rights regarding the goods or services to be transferred;

– can be identified the payment terms for the goods or services to be transferred;

– the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);

– it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance obligations are promises in the contracts (either explicitly stated or implied) with the Company's customers to transfer to the customers distinct goods or services. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract). Both of these criteria must be met to conclude that the good or service is distinct.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The Company recognizes revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognized when customer obtains control of the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Revenue and expenses from contracts with customers (continued)

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:
– customer simultaneously receives and consumes the benefits;
– customer controls the asset as it is created or enhanced;
– the Company's performance creates an asset and has a right to payment for performance completed.

Payment terms for goods or services transferred to customers according to contract terms are within 45 to 60 days from the provision of services or sale of goods. The transaction price is generally determined by the contractually agreed conditions. Invoices typically are issued after the goods have been sold or service provided.

In the year 2021 and 2020 the Company did not enter into contracts with rights of return, financing components, non cash considerations or consideration payable to customer.

The Company has generally concluded that it is the principal in its revenue arrangements, except for the debt collection activities and agency services below, because it typically controls the goods or services before transferring them to the customer.

When another party is involved in providing goods or services to Company's customers, the Company considers that it is a principal, if it obtains control of any one of the following:

a) a good or another asset from the other party that it then transfers to the customer.

b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.

c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Management judgment on transactions where the Company acts as agent is disclosed in Note 3.

Fee and commission income related to finance lease activities (Note 6)

Income from debt collection activities and earned penalties (point in time)

Income from debt collection activities and penalties is recognized in the Company's statement of comprehensive income at the moment when the likelihood of consideration being settled for such services is high, therefore income is recognized only when actual payment for provided services is actually received.

Income from penalties arise in case customers breach the contractual terms of financial lease receivables and loans and advances to customers agreements, such as exceeding the payment date. In those situations the Company is entitled to charge the customers in accordance with the agreement terms. The Company recognizes income from penalties at the moment of cash receipt as likelihood and timing of settlement is uncertain. In case customers does not settle the penalty amount, the Company is entitled to enforce repossession of the collateral.

Revenue from debt collection activities typically arises when customers delay the payments due. As a lessor, the Company has protective rights in the lease agreements with customers that require the customers to safeguard and maintain the condition of the vehicle, as it serves as a collateral to the lease. Company's revenue encompasses a compensation of internal and external costs incurred by the Company in relation to debt management, legal fees as well as repossession of vehicle in case of lease agreement termination and are recharged to the customers in accordance with the agreement terms. Debt collection income is recognized on net (agent) basis as it these amounts are recharged to the customers in accordance with agreement terms and the Company does not control these services before they are transferred to a customer. The performance obligation is satisfied when respective service has been provided.

Other operating income (Note 12)

Revenue from client acquisition (point in time)

Income from commission fee for client acquisition: The Company provides client acquisition services to related parties. The Company independently concludes lease agreements in name of related parties. In addition, the Company consults and communicates with clients, ensures clients' complaints and applications receipt and reviews, validates client identity and truth of submitted information from public registers, explains the agreement obligations and legal consequences, reviews the application and concludes the agreement on behalf of related parties. The service is provided when the customer of the related parties has signed the lease agreement and such income is recognized at the point in time.

Variable consideration revenue from client acquisition (point in time)

The Company has entered into a contract with JSC Primero Finance on providing commercial client acquisition services with the variable component of the contract on 26 September, 2019.

The fee is paid on all concluded agreements with clients. The fee consists of two elements – fixed and variable. Fixed fee is set as % from total loan amount and is invoiced every month based on concluded agreement list for previous month. Variable fee part is an additional fee and is set as percentage dependant on the specific annual percentage rate (APR) threshold for each individual concluded agreement.

The fixed and variable part of client acquisition fee is calculated and invoiced monthly. The revenue from the fixed part of the fee is recognized at point in time as the corresponding performance obligations are satisfied, and there is no significant judgement applied to determine the transaction price or the satisfaction of the performance obligations.

The additional client acquisition fee is determined to be a variable consideration as it is based on the individual APR of each concluded agreement.

While the additional fee is recognised at point in time when the agreement is concluded between customer and JSC Primero Finance, the Company recognizes revenue from the variable consideration only to the extent that it is 'highly probable', that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. Additional fee invoicing continues until the moment when agreement is terminated, irrespectively to the termination basis, which can be early repayment or default. Any not yet invoiced client acquisition fee cannot be invoiced to JSC Primero Finance.

In the case of loan defaults, the parties agreed to measure the default loss. In the cases when not all outstanding debt has been covered after the collateral sale, the Company returns part (proportional to the uncovered debt) of the additional fee, which has been invoiced to JSC Primero Finance.

From the signing date to 31 December 2021 there were 98 default cases, and for 30 cases the additional fee had been returned (31 December 2020 there were 18 default cases, and for 3 cases the additional fee had been returned).

Revenue from variable and fixed parts are recognized in the statement of comprehensive income and classified as commission from client acquisition, for detailed information see Note 12.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Other operating income (Note 12) (continued)

Revenue from recharging expenses - agency services (point in time):

Agency services consist of different services, such as settlement of costs on behalf of 3rd and related parties and recharging those costs to customers or related parties. The Company is acting as an agent in provision of these services to the customers. Such services are provided with the intention to realize the economies of scale of purchasing power for a service that is both used by the Company, related parties and the 3rd party. The performance obligation is satisfied when respective service has been provided. The Company does not charge any mark up on these services.

Revenue from service fee (point in time):

The Company provides marketing, partnership management, car evaluation, debt collection, car sales, IT systems support and other services to related parties. The fees earned in exchange for these services are recognised at the point in time the transaction is completed because the customer only receives the benefits of the Company's performance upon successful completion of the underlying procedures. The service fee is calculated and accrued monthly, the Company issues the invoice in the following month. The revenue is recognised at point in time when the services are provided.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

At 31 December the Company have contract assets in its statement of financial position. See Note 25.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 23).

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

Contract liabilities

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

At 31 December the Company had no contract liabilities in its statement of financial position.

Income taxes

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, current tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the separate statement of comprehensive income as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

No provision is recognized for income tax payable on a dividend distribution before dividends are declared.

As income tax has to be paid on distributed profits and deemed profit distributions, no temporary differences are arising between the tax bases of assets and liabilities and their carrying values for accounting purposes. Therefore deferred tax assets and liabilities are not recognized.

Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Company are shareholders who could control or who have significant influence over the Company in accepting operating business decisions, key management personnel of the Company including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

The Company has defined that a person or a close member of that person's family is related to a reporting entity if that person:

• has control or joint control of the reporting entity;

• has significant influence over the reporting entity; or

• is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the followingconditions applies:

• The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

• One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

• Both entities are joint ventures of the same third party;

• One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

• The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

• The entity is controlled or jointly controlled by a person identified in (a);

• A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability and distribution of retained earnings in the separate financial statements in the period in which the dividends are approved by the shareholders (Note 27).

Subsequent events

Post period-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the separate financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material (Note 41).

3. Significant accounting judgments, estimates and assumptions

The preparation of the separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The most significant judgment is related to the Company's ability to continue as a going concern, while significant areas of estimation uncertainty used in the preparation of the separate financial statements are impairment of financial assets, impairment tests for investments in subsidiaries and fair value of financial guarantees. Although these estimates and judgements along with other items listed below are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the separate financial statements.

Going concern
These financial statements are prepared on going concern basis.

The Company's performance

The Company's has successfully performed through first, second, and current Covid-19 waves, all of which have left minimal impact on the operational performance for the Company. The Company has had relative stable portfolio quality throughout this period and it comfortably enters 2022 from both operational perspective as well as future funding availability perspective:
- Considering its own planned loan issuance volume (3.3 million EUR), as well as its service and agency arrangements with subsidiary JSC Renti and related party JSC Primero finance, the Company plans to service circa 4,3 thousand new lease, loan and rent contracts, which is 26% higher compared to 2021. Operations were unaffected by the third Covid-19 wave in 2021, therefore Company's management believes that further growth in service volumes is a reasonably conservative assumption given the lift of Covid-19 restrictions in 2022.

The Company monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Company are capitalisation ratio and interest coverage ratio. As at 31 December 2021, the Company's capitalisation ratio and interest coverage ratio were accordingly 1,60 and 2,59 (31.12.2020: 1,53 and 2,61), indicating stable liquidity outlook for the Company. The Company has maintained strong funding and liquidity position with its robust diversified funding base, and it has improved significantly after public offering, as at 31 December 2021 the Company is compliant with all financial covenants. The Company's management foresees that it will be able to fully satisfy the requirements of financial covenants in the future as well.

On March 1, 2021, through public offering the Company issued new secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 is included in the regulated market of NASDAQ OMX Baltic (Note 29).
The Company controls its liquidity by managing the amount of funding it attracts through P2P platform Mintos and other sources. P2P platform Mintos provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in Mogo as a stable company, and they continue to invest in Mogo loans.

In management's view, the above factors and measures taken support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date and that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Impairment of financial assets
The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

Probability of default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon, where default is defined as: 61 DPD.
In order to estimate PDs the Company utilises Markov chains methodology. This methodology employs statistical analysis of historical transitions between delinquency buckets to estimate the probability that loan will eventually end up in default state which is set as absorbing state.

The Company uses12 months continuous horizon window (or smaller if actual lifetime of the product is shorter or if representative historical data is available for a shorter period), and estimation over lifetime is defined as nth power of 12 months matrix (n-depends on the estimated lifetime, e.g., if lifetime is 36 months then n=3).

Exposures are grouped into buckets of days past due (DPD) loans/leases.

Company uses 6 months (continuous horizon) transition window and estimation over lifetime is defined as nth power of 6 months matrix. The approach improves consistency of PD calculations, i.e., accounted for 6 months seasonality effect and smoothened volatile impact of the regular changes in the business processes.

Calculations are applied at product level (leasing and secured loans vs unsecured loans). Exposures are grouped into buckets of days past due (DPD) loans/leases.

Forward-looking macroeconomic indicators model for portfolio impairment assessment

Guided by IFRS 9, the Company assesses forward looking information and incorporates it into impairment model. Impairment change is modelled given expected future changes of macroeconomic factors' (hereinafter macro model). In 2021 the Company changed Hierarchical Bayes model approach to simplified approached based on relation analysis between changes in input variables and changes in PD and the Company expert's opinion. Description of the new macro model is provided further.
Macro model uses expected changes in macroeconomic indicators year on year and assumes the same or similar change to Stage 1 PD.

3. Significant accounting judgments, estimates and assumptions (continued)

Impairment of financial assets (continued)

Following variables are used:

1. GDP growth (GDP)
2. Unemployment rate change (UR)
3. Inflation rate change (IR).

The model includes indicators which, based on the Company experts' opinion and used practice in industry, might have a significant impact on finance products default rates. Such indicators are also widely used by banking and non-banking industry across the world. The model assumes relation between changes in macro indicators and Stage 1 PD change. If there is strong correlation between Stage 1 PD and macro indicator change then used linear regression equation to determine the impact on PD due to macro indicator changes. If there is no visible correlation between Stage 1 PD and macro indicators change then impact on PD is evaluated based on qualitative analysis of available data and reasonable experts' assumptions.

To take into account possible economic fluctuations and uncertainty, three scenarios are considered and used for final calculation to arrive at weighted average probability:

1. base case scenario - based on actual data and forecasts by external source.
2. worst case scenario - based on expert judgement of potential worsening of macroeconomic indicators.
3. best case scenario - based on expert judgement of potential improvement of macroeconomic indicators.

Worse and best scenario is obtained from base scenario increasing or decreasing base scenario by confidence interval of given macro indicator forecast. Confidence intervals are available for each macroeconomic indicator forecast and are easy to read from the graph. Each scenario also has a specific probability of occurring. The Group applies 15% probability for worst-case scenario and only 5% for best-case.

To obtain final effect on PD from macro indicator change, applied weights for each macro indicator and the final result is taken as a weighted average of macro indicator PD effect. Weights are changed based on their significance in affecting default rate overall. Considering model main assumptions, the Company's experts evaluate historical relationship and chooses weights for each country individually. For Latvia weights are the following: UR – 48%, IR – 48% and GDP – 5%.

To account for future uncertainty in case the model yields positive PD correction, the Company decided to be prudent and not to apply improving PD effect for impairment correction. In such case 0% improvement ceiling is set for 2022.

Result of the macro model is then applied to stage 1 PDs for each month close starting from December 2021. Macro outlook is updated in a consistent manner once per quarter; thus, the macro model is expected to be updated once per quarter in 2022.

The Default distribution vector (DDV)

The default distribution vector provides distribution of PD over the course of a 12 month or lifetime horizon. It is calculated from historical data samples of all defaulted loans.

Loss Given Default

Finance lease receivables

The Company closely follows recoveries from defaulted finance lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.

- The sample used for LGD calculation consists of all the finance lease receivables that have been defaulted historically. If termination of the contract happens before default state is reached, then loan is considered defaulted (early default) and it is considered in LGD sample. Subsequent recoveries on such loans are monitored on a monthly basis. Recoveries from regular collections process, car sales, cessions and legal process are followed.

- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a three-year period. For the 31 December 2021 impairment purposes 82.53% (31.12.2020.: 93.6%) recovery rate for renewed cases was applied. Above described LGD rate is used for all portfolio groups except for unsecured portfolio part. For unsecured portfolio part LGD is estimated using triangular recovery matrix on all unsecured cases. Received recovery is discounted with effective interest rate depending on the number of months between the date account got unsecured status and the date when recovery was received. Given that majority of the car sales happen before unsecured status, the LGD for unsecured portfolio is higher than for other buckets.

Loans and advances to customers (unsecured loans)

For unsecured loans LGD is determined based on debt sales market activity and offered prices. For the later stages (DPD 360) LGD is set to 100%.

Exposure at default (EAD) modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2021, it is applied for Stage 1 exposures only. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed. Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity

Impairment for loans to and receivables from related parties and non-related parties

Receivables from related parties and non-related parties inherently are subject to the Company's credit risk. Therefore, a benchmarked PD and LGD rate - based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs.

Significant increase in credit risk for related and non-related party transactions is determined based on information available in the Company about the financial performance of the parties. Financial position of related and non-related parties as at impairment assessment date is compared to that when the exposure was originated. Further 30 days past due back stop indicator is utilized to transfer exposures to Stage 2.

Impairment assessment of investments in subsidiary

Key assumptions used in value in use calculations:

The recoverable amount was determined based on the free cash flow to equity model (value in use) using perpetuity discounted cash flow projections covering a five -year period with a terminal year.

To determine the recoverable amount, discount rate applied to the cash flow projections was 11.61% (2020: 13.94%) and was based on external sources of information. Terminal growth rate was assumed at 1% (2020: 1%). Other key assumption, on which management based its cash flow projections for the period, was future profitability of the operation of the subsidiary. It is expected that in the forecast period, considering the changes in the business, rental income is expected to decrease. The growth will resume from 2025. The costs in 2022 and onwards were estimated based on the budget approved by the management of the Company which are dependent on the volume of rental portfolio.

3. Significant accounting judgments, estimates and assumptions (continued)

Impairment assessment of investments in subsidiary (continued)

Taking into account all the aspects mentioned above, as at 31 December 2021 and as at 31 December 2020 the Company has not recognised impairment allowance for investment in subsidiary.

The headroom between the recoverable and carrying amount of the investment is highly sensitive to the changes in future growth rates of the subsidiary.

Determination of the FVLCTS of assets held for sale

Determination of the FVLCTS for repossessed vehicles is performed on an individual basis at the moment of the repossession.

Management estimate is based on available data from historical sales transactions for such assets in previous reporting periods. Company also considers factors such as historical actual average loss (if any) from the previous years. Management considers whether also events after the reporting year indicate a decline in the sales prices of such assets.

While of lesser likelihood and/or magnitude of uncertainty, the following estimates and judgements also affect the financial statements:

Separation of embedded derivatives from the host contract

The Company has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9.

Call option included in the bond prospectus gives the Company the right, but not the obligation to carry out early redemption, either in full or partially, of the issued bonds with a 1% premium. Call and put options included in the agreements signed with certain bondholders give the Company and bondholder the respective right of buying back or selling the bonds at exercise price equal to the amortized cost of the respective bond notes.

The Company's management has evaluated that the embedded derivatives are not contractually separable, not contractually transferrable independently and has the same counterparty. Each option's exercise price is approximately equal on each exercise date to the amortized cost of bond, therefore these embedded derivatives are not separated from the host contract.

Financial guarantees

Fair value (FV) determination and initial recognition

The Company has elected to determine the FV of guarantee using valuation of expected loss approach. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is determined based on the contractual guaranteed amount per guarantee agreement (Note 38) and considering Company's pro-rata share of the guaranteed amount estimated considering the total assets of guarantors (Company and other Subsidiary of Eleving Group S.A.) as at end of the reporting period included in the respective guarantee agreement.

Guarantee is issued to secure the bond issuance of the ultimate parent of the Company, Eleving Group S.A. The Company would incur loss in case Eleving Group S.A. defaults on obligations towards its bondholders. Accordingly, PD of Eleving Group S.A.is determined based on the Eleving Group S.A. credit rating as determined by credit rating agency Fitch Ratings and historical statistics of average occurrence of defaults for companies with the respective credit rating.

ECL determination for subsequent measurement

For the purposes of FV estimation the Company is using the ultimate parent Company's Eleving Group S.A. credit rating as determined by credit rating agency Fitch Ratings Since initial recognition the Company has assessed that that ultimate parent's credit risk has not increased and guarantee liability is therefore considered as Stage 1 exposure.

Lease term determination under IFRS 16 (Company as a lessee)

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract in accordance with IFRS 15 and determine the period for which the contract is enforceable. In assessment of lease term determination the Company considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. For lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice the Company considers that it does have enforceable rights and obligations under such agreements, therefore a reasonable estimate of the lease term assessment is made.

In considering the Company's options to extend or not to terminate the lease the Company evaluates what are the rights of the Company and the lessor under such options. The Company considers whether options included in the lease agreements (1) give an unilateral right for one party (i.e. Company) and (2) creates an obligation to comply for the other party (i.e. lessor). If neither party in the contract has an obligation then Company assessment is that no options are to be considered in the context of lease term assessment. In such situations the lease term would not exceed the non-cancellable contractual term. In determining the lease term the Company has assessed the penalties under the lease agreements as well as economic incentives to prolong the lease agreements such as the underlying asset being strategic.

Lease liability incremental borrowing rate determination under IFRS 16 (Company as a lessee)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has used market rates as its incremental borrowing rate. The Company considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability to finance a specific asset purchase.

It is further considered that the way how local lenders would approach asset financing at each subsidiary level. As per Company's assessment each of the Company's Subsidiary would qualify as a good quality borrower in the local markets in the context of overall the Company results.

3. Significant accounting judgments, estimates and assumptions (continued)

Sale and leaseback transactions

Under sale and leaseback transactions the Company purchases the underlying asset and then leases it back to the same customer. To determine how to account for a sale and leaseback transaction, the Company first considers whether the initial transfer of the underlying asset from the seller-lessee (Customer) to the buyer-lessor (the Company) is a sale. The Company applies IFRS 15 to determine whether a sale has taken place. The key indicators that control has passed to the Company include the Company having:

• a present obligation to pay ;
• physical possession (of the purchased asset);
• a legal title (to the purchased asset);
• the risks and rewards of ownership (of the purchased asset);
• the Company has accepted the asset;
• the borrower can or must repurchase the asset for an amount that is less than the original selling price of the asset.

SPPI assessment

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
• features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Please refer to Note 2 for further detailed descriptions of the judgements made by management to assess whether regular loan, non-recourse loan and sale and leaseback financing arrangement contracts meet SPPI criteria.

Principal versus agent assessment

In provision of debt collection services (Note 6) the Company has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions.

The Company is also acting as an agent (Note 12 and Note 34) in purchasing specific goods and services from 3rd parties on behalf of customers and related parties - mainly legal, recruitment and similar services.

The Company does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price.

4. Interest revenue

	2021 EUR	2020 EUR
Interest income from finance lease receivables	1 083 568	1 390 830
Interest income from intercompany loans calculated applying effective interest rate method	5 155 061	3 814 270
Interest income from loans and advances to customers calculated applying effective interest rate method	1 514 314	5 260 230
TOTAL:	**7 752 943**	**10 465 330**

Interest income contains earned interest on portfolio derecognized from Company's assets (see Note 18 and Note 19).

Gross and net earned interest are as follows:	2021 EUR	2020 EUR
Gross interest income	7 753 108	10 468 329
Interest derecognized due to derecognition of portfolio from Company's assets*	(165)	(2 999)
TOTAL NET INTEREST:	**7 752 943**	**10 465 330**

*Interest derecognized due to derecognition of portfolio from Company's assets relates to P2P interest for loans without buy back guarantee.

Part of interest revenue is derecognized as the Company has assigned to P2P investors part of its finance lease receivables and loans and advances to customer. In case the assignment is done without a buy back obligation the related interest revenue earned on such agreements is derecognized from Company's interest revenue in amount equal to investor's claim towards the interest earned.

5.Interest expense

		2021	2020
		EUR	EUR
Interest expenses on financial liabilities measured at amortised cost:			
Interest expense on issued bonds		3 551 694	3 106 056
Interest expense on issued bonds related parties		-	34 008
Interest expenses for loans from P2P platform investors		418 475	808 606
Interest expenses for loans from related parties		16 062	-
Interest expenses for lease liabilities		20 001	28 782
Interest expenses for loans from banks		98 932	150 181
	TOTAL:	**4 105 164**	**4 127 633**

During the financial year, the Company has successfully continued financing using peer-to-peer platforms. The interest expense form the peer platform has decreased compared to the previous year due to a decrease in the amount of funding used from peer-to-peer platforms.

See Note 29 for additional information.

6. Fee and commission income related to finance lease activities

		2021	2020
Revenue from contracts with customers recognised point in time:		EUR	EUR
Gross income from debt collection activities		31 477	248 312
Gross expenses from debt collection activities		(87 514)	(123 505)
Net debt collection income:		(56 037)	124 807
Income from commissions		1 149	1 535
Income from penalties received		132 186	213 541
	TOTAL:	**77 298**	**339 883**

7. Impairment expense

		2021	2020
		EUR	EUR
Change in impairment in finance lease (see Note 18)		(349 111)	(200 512)
Change in impairment in loans and advances to customers (see Note 19)		(1 184 875)	(595 643)
Written off debts		1 704 424	1 907 148
	TOTAL:	**170 438**	**1 110 993**

8. Net gain/(loss) from de-recognition of financial assets measured at amortized cost

		2021	2020
		EUR	EUR
Financial lease			
Income arising from cession of financial lease receivables to related parties		568 074	146 596
Loss arising from cession of financial lease receivables to related parties		(788)	(55)
	TOTAL:	**567 286**	**146 541**
Financial lease			
Income arising from cession of financial lease receivables to non related parties		9 465	5 962
Loss arising from cession of financial lease receivables to non related parties		(26 594)	(3 256)
	TOTAL:	**(17 129)**	**2 706**
Loans and advances to customers			
Income arising from cession of loans and advances to customers receivables to related parties		1 544 805	589 816
Loss arising from cession of loans and advances to customers receivables to related parties		-	(2 082)
	TOTAL:	**1 544 805**	**587 734**
Loans and advances to customers			
Income arising from cession of loans and advances to customers receivables to non related parties		52 238	25 873
Loss arising from cession of loans and advances to customers receivables to non related parties		(125 197)	(178 221)
	TOTAL:	**(72 959)**	**(152 348)**
Net Income/ (Loss) arising from cession of financial lease and loans and advances to customers receivables	**TOTAL:**	**2 022 003**	**584 633**

8. Net gain/(loss) from de-recognition of financial assets measured at amortized cost (continued)

During 2021 the Company performed cessions to related and non related parties. See Note 34 for additional information on transactions with related parties.
The portfolio that was ceded to the related party includes only the active contracts, which significantly increased the proceeds from the cession, while the contracts ceded to non-related parties include bad debtors with which the contracts have been terminated and the Company did not expect to receive all due debt amount repayment.

When financial lease receivables or Loans and advances to customers portfolio is sold in cession, the Company reverses the respective part of impairment allowance of the ceded assets. For additional information see Note 18 and 19.
The Company then separately recognizes net losses arising from derecognition of the ceded portfolio, which is reduced by the respective cession income.

9. Expenses related to peer-to-peer platforms services

		2021	2020
		EUR	EUR
Service fee for using P2P platform		53 616	86 496
	TOTAL:	**53 616**	**86 496**

10. Selling expense

		2021	2020
		EUR	EUR
TV and radio marketing expenses		-	3 459
Marketing services (include out-of-home advertising)		8 116	34 600
Online advertising		2 045	19 953
Total marketing expenses		**10 161**	**58 012**
Other selling expenses		30 056	30 659
	TOTAL:	**40 217**	**88 671**

11. Administrative expense

		2021	2020
		EUR	EUR
Employees' salaries		1 267 673	1 265 871
Amortization and depreciation		149 771	213 044
Management fee		558 916	515 980
Professional services*		70 466	113 616
Credit database expenses		102 571	90 333
IT services		92 974	33 646
Office and branches' maintenance expenses		59 356	58 080
Business trips		-	163
Communication expenses		11 369	20 878
Other personnel expenses		31 549	36 220
Low value equipment expenses		6 498	4 592
Bank commissions		18 872	4 329
Transportation expenses		495	1 838
Other administration expenses		10 326	15 599
	TOTAL:	**2 380 836**	**2 374 189**

*Audit fees for Company 2021- Annual report is 55 000 EUR (2020: EUR 60 000)

Key management personnel compensation

		2021	2020
Board and Council Members		EUR	EUR
Remuneration		208 349	140 287
Social security contribution expenses		49 149	33 795
	TOTAL:	**257 498**	**174 082**

There are no outstanding balances as of 31 December 2021 with members of the Company's Management Board members (none as at 31 December 2020). There are no benefits granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

12. Other operating income

	2021	2020
	EUR	EUR
Commission for client acquisition*	529 705	638 851
Income from service fee**	1 263 356	643 331
Income recognised from amortization of financial guarantee (Note 38)	1 043 412	1 383 329
Change in provisions for possible VAT liabilities and penalty (Note 28)	211 280	130 013
Income from the discount application of the rights of use assets (Note 17)	-	19 397
Other operating income	40 389	73 474
TOTAL:	**3 088 142**	**2 888 395**

*Income from commission for client acquisition includes income from subsidiary and related party. Income from related party increased from EUR 221 064 in 2020 to EUR 529 705 in 2021 which is explained by the JSC Primero Finance business development. In turn, the significant reduction in the client acquisition fee paid for attracting customers to the subsidiary from EUR 417 787 in 2020 to EUR 0 in 2021 is related to the stabilization of JSC "Renti" operations. The cooperation agreement with the subsidiary was terminated as of June 30, 2020. New contract for servicing existing clients was signed instead in July 2020.

**Income from service fee for marketing, partnership management, car evaluation, debt collection, car sales, IT systems support and other services includes income from subsidiary in 2021 EUR 970 409 (2020: 415 850) and income from related party in 2021 EUR 292 947 (2020: EUR 227 481). Significant increase in the service fee is related to the service provision period - in 2021 the services were provided full year (2020: July till December) for subsidiary and full year to related party.

Revenue from contracts with customers recognized point in time where the Company acted as an agent *	2021	2020
	EUR	EUR
Gross income from transactions with related parties	635 297	786 579
Gross expenses from transactions with related parties	(635 297)	(786 579)
TOTAL:	**-**	**-**

* Revenue from recharging expenses, such as dealer commissions, car services and maintenances, databases e.c.t. is presented as revenue in net amount in these separate financial statements.

13. Other operating expense

	2021	2020
	EUR	EUR
Annual lending license fee	55 000	14 225
Loss from rights of use assets derecognition on lease cancellation (Note 17)	42 155	-
Write off trade receivables	-	12 284
Loss from sale of subsidiary	1	-
Other operating expenses	12 975	23 084
TOTAL:	**110 131**	**49 593**

The amount of the annual state fee for the supervision of the activities of a credit service provider is 55 000 EUR (2020: EUR 14 225).

14. Corporate income tax payable

	31.12.2021.	31.12.2020.
	EUR	EUR
Corporate income tax (liabilities)/ receivables	(2 943)	(3 163)
TOTAL:	**(2 943)**	**(3 163)**

Income tax is payable to Company for gifts and the decrease in the profits, turnover or other base quantity which the taxpayer makes upon his or her own initiative or by order of the shareholder.

15. Intangible assets

	Licenses	Other intangible assets	**Total intangible assets**
Cost	50 590	123 375	**173 965**
Accumulated amortization	(50 590)	(95 476)	**(146 066)**
As at 1 January 2020	**-**	**27 899**	**27 899**
2020			
Additions	-	12 919	**12 919**
Disposals (cost)	-	(91 268)	**(91 268)**
Reclassification	(11 920)	11 920	**-**
Amortization charge	-	(26 307)	**(26 307)**
Disposals (amortization)	-	91 268	**91 268**
Reclassification	11 920	(11 920)	**-**
Cost	38 670	56 946	**95 616**
Accumulated amortization	(38 670)	(42 435)	**(81 105)**
As at 31 December 2020	**-**	**14 511**	**14 511**
2021			
Additions	-	-	**-**
Disposals (cost)	-	-	**-**
Reclassification	-	-	**-**
Amortization charge	-	(14 511)	**(14 511)**
Disposals (amortization)	-	-	**-**
Reclassification (amortization)	-	-	**-**
Cost	38 670	56 946	**95 616**
Accumulated amortization	(38 670)	(56 946)	**(95 616)**
As at 31 December 2021	**-**	**-**	**-**

Amortization costs are included in Note 11 - 'Administrative expense'.

16. Property and equipment, Advance payments for tangible assets and Right-of-use assets

	Property and equipment	Advance payments for tangible assets	Leasehold improvements	Right-of-use premises	Right-of-use motor vehicles	**Total Right-of-use assets**	**TOTAL**
Cost	407 120	37 583	18 386	1 224 206	13 664	**1 237 870**	**1 700 959**
Accumulated depreciation	(285 940)	-	(11 781)	(77 694)	(9 936)	**(87 630)**	**(385 351)**
As at 1 January 2020	**121 180**	**37 583**	**6 605**	**1 146 512**	**3 728**	**1 150 240**	**1 315 608**
2020							
Additions	11 753	-	2 500	51	-	**51**	**14 304**
Transferred	-	(35 552)	-	35 552	-	**35 552**	**-**
Disposals (cost)	(237 454)	-	(1 603)	(77 963)	(13 664)	**(91 627)**	**(330 684)**
Depreciation charge	(56 223)	-	(1 534)	(126 910)	(2 070)	**(128 980)**	**(186 737)**
Disposals (depreciation)	236 232	(2 031)	354	49 408	12 006	**61 414**	**295 969**
Cost	181 419	2 031	19 283	1 181 846	-	**1 181 846**	**1 384 579**
Accumulated depreciation	(105 931)	(2 031)	(12 961)	(155 196)	-	**(155 196)**	**(276 119)**
As at 31 December 2020	**75 488**	**-**	**6 322**	**1 026 650**	**-**	**1 026 650**	**1 108 460**
2021							
Additions	13 518	-	-	666 363	-	**666 363**	**679 881**
Transferred	-	-	-	-	-	**-**	**-**
Disposals (cost)	(2 151)	-	-	(1 172 495)	-	**(1 172 495)**	**(1 174 646)**
Depreciation charge	(44 767)	-	(2 519)	(87 974)	-	**(87 974)**	**(135 260)**
Disposals (depreciation)	2 151	-	-	170 601	-	**170 601**	**172 752**
Cost	**192 786**	**2 031**	**19 283**	**675 714**	**-**	**675 714**	**889 814**
Accumulated depreciation	**(148 547)**	**(2 031)**	**(15 480)**	**(72 569)**	**-**	**(72 569)**	**(238 627)**
As at 31 December 2021	**44 239**	**-**	**3 803**	**603 145**	**-**	**603 145**	**651 187**

Amortization costs are included in Note 11 - 'Administrative expense'.

17. Right-of-use assets and lease liabilities

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the statement of financial position and statement of comprehensive income:

		31.12.2021.	31.12.2020.
ASSETS		**EUR**	**EUR**
Non-current assets			
Right-of-use assets - premises		603 145	1 026 650
	TOTAL:	**603 145**	**1 026 650**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities for right-of-use assets		532 457	878 613
Current liabilities			
Lease liabilities for right-of-use assets		77 821	103 079
	TOTAL:	**610 278**	**981 692**

	2021	**2020**
Leases in the statement of comprehensive income	**EUR**	**EUR**
Administrative expense		
Expenses relating to leases of low-value assets and short-term leases	(98 039)	(54 743)
Depreciation of right-of-use premises (Note 16)	(87 974)	(126 910)
Depreciation of right-of-use vehicles (Note 16)	-	(2 070)
Other income		
Income/(expenses) from discounts for rights of use assets (Note 12)	-	19 397
Income/(expenses) from cancellation of the rights of use assets (Note 13)	(42 155)	-
Interest expense (finance cost)		
Interest expense for right-of-use premises (Note 5)	(20 001)	(28 750)
Interest expense for right-of-use vehicles (Note 5)	-	(32)
Total cash outflow from leases	**(248 169)**	**(193 108)**

The weighted average borrowing rate for lease liabilities in 2021 was 2.73% (2020: 2.8%.)

Significant decrease in lease liabilities for right-of-use assets is related to the reduction of rental space. Mogo JSC has new rental agreement, as a result of which rental expenses decreased for 32% per month.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2021. There were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

18. Finance Lease Receivables

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2021				2020
	EUR	EUR	EUR	EUR	EUR
Finance lease receivables	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	2 134 465	75 748	54 483	2 264 696	2 323 396
1-30	208 595	87 808	12 541	308 943	581 200
31-60	-	61 492	43 825	105 317	71 757
>60	-	0	281 483	281 483	713 541
TOTAL, GROSS:	**2 343 060**	**225 049**	**392 332**	**2 960 440**	**3 689 894**

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

	2021			
	EUR	EUR	EUR	EUR
Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2 556 602	329 679	803 613	3 689 894
Transfer to Stage 1	81 230	(72 868)	(8 361)	-
Transfer to Stage 2	(85 165)	93 029	(7 864)	-
Transfer to Stage 3	(49 172)	(26 682)	75 854	-
New financial assets acquired	1 925 826	64 264	72 852	2 062 942
Receivables settled	(169 415)	(34 626)	(20 733)	(224 775)
Receivables written off	(1 855 547)	(88 385)	(483 232)	(2 427 165)
Receivables partially settled	(61 299)	(39 362)	(39 795)	(140 456)
Balance at 31 December 2021	**2 343 060**	**225 049**	**392 332**	**2 960 440**

18. Finance Lease Receivables (continued)

	2020			
	EUR	EUR	EUR	EUR
Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	4 356 399	505 764	1 007 336	5 869 499
Transfer to Stage 1	121 621	(101 502)	(20 119)	-
Transfer to Stage 2	(194 228)	215 116	(20 888)	-
Transfer to Stage 3	(242 283)	(123 591)	365 874	-
New financial assets acquired	491 922	18 096	12 842	522 860
Receivables settled	(584 287)	(45 337)	(53 674)	(683 298)
Receivables written off	(977 403)	(74 105)	(303 787)	(1 355 295)
Receivables partially settled	(415 139)	(64 762)	(183 971)	(663 872)
Balance at 31 December 2020	**2 556 602**	**329 679**	**803 613**	**3 689 894**

Transfers between stages capture the annual movement in financial assets that are in a different stage at the closing balance sheet from that at the opening balance sheet. The transfers between each stage are based on the opening balances. New financial assets acquired are based on the closing balances.

Receivables partially settled on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date finance lease receivables movement transferred into a particular stage.

	2021			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	47 606	41 811	654 012	743 429
Transfer to Stage 1	14 383	(9 005)	(5 378)	-
Transfer to Stage 2	(2 793)	8 156	(5 363)	-
Transfer to Stage 3	(1 919)	(4 011)	5 930	-
Impairment for new financial assets acquired	37 934	10 765	34 755	83 453
Reversed impairment for settled receivables	(3 620)	(4 347)	(11 202)	(19 168)
Reversed impairment for written off receivables	(30 938)	(10 986)	(396 440)	(438 364)
Net remeasurement of loss allowance	(11 110)	6 136	29 943	24 968
Balance at 31 December 2021	**49 544**	**38 519**	**306 256**	**394 318**

	2020			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	121 025	101 562	721 354	943 941
Transfer to Stage 1	26 429	(19 442)	(6 987)	-
Transfer to Stage 2	(9 129)	16 383	(7 254)	-
Transfer to Stage 3	(9 685)	(24 059)	33 744	-
Impairment for new financial assets acquired	6 512	2 731	6 636	15 879
Reversed impairment for settled receivables	(13 852)	(9 230)	(36 572)	(59 654)
Reversed impairment for written off receivables	(24 017)	(15 710)	(213 956)	(253 683)
Net remeasurement of loss allowance	(49 677)	(10 424)	157 047	96 946
Balance at 31 December 2020	**47 606**	**41 811**	**654 012**	**743 429**

Transfers between stages capture the annual loss allowance movement of financial assets that are in a different stage at the closing balance sheet from that at the opening balance. sheet. The transfers between each stage are based on ECL at the start of the period. Impairment for new financial assets acquired is based on the closing balances.

The net remeasurement of loss allowance on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date loss allowance movement transferred into a particular stage.

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

	Minimum lease payments		Minimum lease payments	
	EUR	%	EUR	%
Finance lease receivables	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Stage 1	2 343 060	79%	2 556 602	69%
Stage 2	225 049	8%	329 679	9%
Stage 3	392 332	13%	803 613	22%
TOTAL, GROSS:	**2 960 440**	**100%**	**3 689 894**	**100%**

18. Finance Lease Receivables (continued)

	Minimum lease payments	Change during the period		Minimum lease payments
	EUR	EUR	%	EUR
Finance lease receivables	31.12.2021.			31.12.2020.
Stage 1	2 343 060	(213 542)	-8%	2 556 602
Stage 2	225 049	(104 630)	-32%	329 679
Stage 3	392 332	(411 281)	-51%	803 613
TOTAL, GROSS:	**2 960 440**	**(729 454)**	**-20%**	**3 689 894**

	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
Impairment allowance on finance lease receivables	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Stage 1	49 544	13%	47 606	6%
Stage 2	38 519	10%	41 811	6%
Stage 3	306 256	78%	654 012	88%
TOTAL, ALLOWANCE:	**394 318**	**100%**	**743 429**	**100%**

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
Impairment allowance on finance lease receivables	31.12.2021.			31.12.2020.
Stage 1	49 544	1 938	4%	47 606
Stage 2	38 519	(3 292)	-8%	41 811
Stage 3	306 256	(347 756)	-53%	654 012
TOTAL, ALLOWANCE:	**394 318**	**(349 111)**	**-47%**	**743 429**

	Minimum lease payments	Present value of minimum lease	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
Finance lease receivables	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Up to one year	1 452 080	789 066	2 417 908	1 551 062
Years 2 through 5 combined	3 035 507	1 469 936	3 145 113	1 983 123
More than 5 years	863 037	701 438	197 081	155 709
TOTAL, GROSS:	**5 350 624**	**2 960 440**	**5 760 102**	**3 689 894**

	31.12.2021.	31.12.2020.
Unearned finance income	EUR	EUR
Up to one year	663 014	866 846
Years 2 through 5 combined	1 565 571	1 161 990
More than 5 years	161 599	41 372
TOTAL, GROSS:	**2 390 184**	**2 070 208**

	31.12.2021.	31.12.2020.
Finance lease receivables	EUR	EUR
Non-current finance lease receivables	2 171 376	2 138 832
Current finance lease receivables	730 687	1 449 159
Accrued interest	58 377	101 903
TOTAL, GROSS:	**2 960 440**	**3 689 894**

18. Finance Lease Receivables (continued)

Movement in impairment allowance	31.12.2021. EUR	31.12.2020. EUR
Impairment allowance as at 1 January	743 429	943 941
Net impairment loss for the year	89 211	177 739
Net impairment elimination due to cession of receivables	(438 322)	(378 251)
Impairment allowance as at 31 December	**394 318**	**743 429**

Finance lease receivables, net	**Non-Current** 31.12.2021. EUR	**Current** 31.12.2021. EUR	**Non-Current** 31.12.2020. EUR	**Current** 31.12.2020. EUR
Finance lease receivables	2 171 377	730 687	2 138 832	1 449 159
Accrued interest	-	58 377	-	101 903
Fees paid and received upon loan disbursement	(74 034)	(24 912)	(44 320)	(30 029)
Impairment allowance	(92 480)	(301 838)	(94 747)	(648 682)
	2 004 863	**462 314**	**1 999 765**	**872 351**

As of 31 December 2021 part of the gross finance lease portfolio in the amount of EUR 237 017 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2020: EUR 324 595)

Transactions with peer-to-peer platforms

Agreements are offered with buy back guarantee, which means that all risks of such agreements remain with the Company and in case of client default the Company has the liability to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform Company also offers loans without buy back guarantee, which means that all risks related to client default were transferred to P2P investor. Portions of agreements purchased by investors therefore are considered as financial assets eligible for derecognition from the Company's statement of financial position.

Total gross portfolio and associated liabilities for the portfolio derecognised from Company financial assets were:

	31.12.2021.	31.12.2020.
Non-current	EUR	EUR
Finance lease receivable	-	5 596
Associated liabilities	-	(5 596)
NET POSITION:	**-**	**-**
Current	EUR	EUR
Finance lease receivable	-	4 058
Associated liabilities	-	(4 058)
NET POSITION:	**-**	**-**
Total gross portfolio derecognized from Company's financial assets	-	9 654
Total associated liabilities	-	(9 654)
TOTAL NET POSITION:	**-**	**-**

As at end of reporting year 0% of all gross portfolio was purchased by P2P investors without buyback guarantee (0.3% in 2020).

19. Loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2021				2020
	EUR	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	2 676 342	129 933	118 118	2 924 394	7 565 810
1-30	483 220	146 719	38 304	668 243	1 732 243
31-60	0	71 938	9 489	81 428	368 979
>60	0	0	656 827	656 827	1 713 889
TOTAL, GROSS:	**3 159 562**	**348 591**	**822 739**	**4 330 891**	**11 380 921**

19. Loans and advances to customers (continued)

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers are, as follows:

	2021			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	8 311 441	999 139	2 070 341	11 380 921
Transfer to Stage 1	427 654	(317 909)	(109 746)	-
Transfer to Stage 2	(175 972)	204 977	(29 005)	-
Transfer to Stage 3	(168 886)	(158 785)	327 671	-
New financial assets acquired	1 116 793	33 539	40 745	1 191 077
Receivables settled	(814 182)	(93 939)	(40 886)	(949 007)
Receivables written off	(5 013 229)	(252 351)	(1 252 682)	(6 518 262)
Receivables partially settled	(524 058)	(66 080)	(183 700)	(773 838)
Balance at 31 December 2021	**3 159 562**	**348 591**	**822 739**	**4 330 891**

	2020			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	16 263 860	1 583 838	2 264 216	20 111 914
Transfer to Stage 1	443 158	(381 254)	(61 904)	-
Transfer to Stage 2	(731 461)	757 670	(26 209)	-
Transfer to Stage 3	(839 788)	(332 186)	1 171 974	-
New financial assets acquired	1 114 243	41 745	81 453	1 237 441
Receivables settled	(2 093 092)	(151 673)	(116 746)	(2 361 511)
Receivables written off	(4 429 680)	(348 866)	(778 672)	(5 557 218)
Receivables partially settled	(1 415 799)	(170 135)	(463 771)	(2 049 705)
Balance at 31 December 2020	**8 311 441**	**999 139**	**2 070 341**	**11 380 921**

Transfers between stages capture the annual movement in financial assets that are in a different stage at the closing balance sheet from that at the opening balance sheet. The transfers between each stage are based on opening balances. Receivables partially settled on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date finance lease receivables movement transferred into a particular stage.

	2021			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	230 953	146 243	1 610 037	1 987 233
Transfer to Stage 1	95 878	(42 818)	(53 059)	-
Transfer to Stage 2	(7 012)	19 423	(12 411)	-
Transfer to Stage 3	(5 507)	(25 089)	30 595	-
Impairment for new financial assets acquired	20 390	5 048	20 250	45 688
Reversed impairment for settled receivables	(27 678)	(12 660)	(27 945)	(68 283)
Written off impairment for written off receivables	(101 411)	(42 197)	(1 002 217)	(1 145 825)
Net remeasurement of loss allowance	(117 947)	10 988	90 503	(16 455)
Balance at 31 December 2021	**87 666**	**58 939**	**655 753**	**802 358**

	2020			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	584 503	358 256	1 640 117	2 582 876
Transfer to Stage 1	97 362	(75 710)	(21 652)	-
Transfer to Stage 2	(32 241)	41 343	(9 102)	-
Transfer to Stage 3	(33 861)	(78 878)	112 739	-
Impairment for new financial assets acquired	30 325	9 335	47 736	87 396
Reversed impairment for settled receivables	(81 798)	(36 269)	(80 214)	(198 281)
Reversed impairment for written off receivables	(155 423)	(93 046)	(574 955)	(823 424)
Net remeasurement of loss allowance	(177 914)	21 212	495 368	338 666
Balance at 31 December 2020	**230 953**	**146 243**	**1 610 037**	**1 987 233**

Transfers between stages capture the annual loss allowance movement of financial assets that are in a different stage at the closing balance sheet from that at the opening balance. sheet. The transfers between each stage are based on ECL at the start of the period. The net remeasurement of loss allowance on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date loss allowance movement transferred into a particular stage.

19. Loans and advances to customers (continued)

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers are, as follows:

	Present value of minimum loan payments		Present value of minimum loan payments	
	EUR	%	EUR	%
Loans and advances to customers	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Stage 1	3 159 562	73%	8 311 441	73%
Stage 2	348 591	8%	999 139	9%
Stage 3	822 739	19%	2 070 341	18%
TOTAL, GROSS:	**4 330 891**	**100%**	**11 380 921**	**100%**

		Change during the period		
	EUR	EUR	%	EUR
Loans and advances to customers	31.12.2021.			31.12.2020.
Stage 1	3 159 562	(5 151 879)	-62%	8 311 441
Stage 2	348 591	(650 548)	-65%	999 139
Stage 3	822 739	(1 247 602)	-60%	2 070 341
TOTAL, GROSS:	**4 330 891**	**(7 050 030)**	**-62%**	**11 380 921**

	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
Impairment allowance on loans and advances to customers	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Stage 1	87 666	11%	230 953	12%
Stage 2	58 939	7%	146 243	7%
Stage 3	655 753	82%	1 610 037	81%
TOTAL, ALLOWANCE:	**802 358**	**100%**	**1 987 233**	**100%**

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
Impairment allowance on loans and advances to	31.12.2021.			31.12.2020.
Stage 1	87 666	(143 287)	-62%	230 953
Stage 2	58 939	(87 304)	-60%	146 243
Stage 3	655 753	(954 284)	-59%	1 610 037
TOTAL, ALLOWANCE:	**802 358**	**(1 184 875)**	**-60%**	**1 987 233**

	Minimum loan payments	Present value of minimum loan payments	Minimum loan payments	Present value of minimum loan payments
	EUR	EUR	EUR	EUR
Loans and advances to customers	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Up to one year	2 604 212	1 652 966	6 876 843	4 361 318
Years 2 through 5 combined	3 786 083	2 258 047	10 389 693	6 553 564
More than 5 years	508 622	419 878	571 415	466 039
TOTAL, GROSS:	**6 898 917**	**4 330 891**	**17 837 951**	**11 380 921**

	31.12.2021.	31.12.2020.
Unearned finance income	EUR	EUR
Up to one year	951 246	2 515 525
Years 2 through 5 combined	1 528 036	3 836 129
More than 5 years	88 744	105 376
TOTAL, GROSS:	**2 568 026**	**6 457 030**

	31.12.2021.	31.12.2020.
Loans and advances to customers	EUR	EUR
Non-current loans and advances to customers	2 677 926	7 019 602
Current loans and advances to customers	1 546 680	4 032 307
Accrued interest	106 285	329 012
TOTAL, GROSS:	**4 330 891**	**11 380 921**

19. Loans and advances to customers (continued)

	31.12.2021.	31.12.2020.
Movement in impairment allowance	EUR	EUR
Impairment allowance as at 1 January	1 987 233	2 582 876
Net impairment loss for the year	88 100	825 171
Net impairment elimination due to cession of receivables	(1 272 975)	(1 420 814)
Impairment allowance as at 31 December	**802 358**	**1 987 233**

	Non-Current	Current	Non-Current	Current
	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Loans and advances to customers, net	EUR	EUR	EUR	EUR
Loans and advances to customers	2 677 926	1 546 680	7 019 602	4 032 307
Accrued interest	-	106 284	-	329 012
Fees paid upon loan disbursement	37 707	21 779	75 116	43 149
Fees received upon loan disbursement	(112 069)	(64 727)	(254 581)	(146 241)
Impairment allowance	(155 867)	(646 491)	(386 260)	(1 600 973)
	2 447 697	**963 525**	**6 453 877**	**2 657 254**

As of 31 December 2021 part of the gross loan portfolio in the amount of EUR 544 526 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2020: EUR 997 441).

20. Investment in debt securities

The following table shows investments in securities that are designated at FVOCI.

		31.12.2021.	31.12.2020.
		EUR	EUR
Investment in Eleving Group S.A issued bonds		-	609 000
	TOTAL:	**-**	**609 000**

In 2020, the Company bought bonds from the ultimate parent company with the aim of decreasing the Company's net debt position. Bonds were purchased with a nominal value of EUR 700 000 and a fixed rate of 9.5% with maturity date 10.07.2022.

None of investments were disposed during 2020 and there were no transfers of any cumulative gain or loss. The change in fair value on these investments was 23 991 EUR for the year ended 31.12.2020 and recognised in fair value reserves and other comprehensive income.

In 2021 all bonds were sold to non-related parties.

21. Assets held for sale

	31.12.2021.	31.12.2020.
Other non-current assets held for sale, net	EUR	EUR
Repossessed collateral	32 118	62 640
	32 118	**62 640**

Repossessed collaterals are vehicles taken over by the Company in case of default by the Company's clients on the related lease agreements. After the default of the client, the Company has the right to repossess the vehicle and sell it to third party. The Company does not have the right to repossess, sell or pledge the vehicle in the absence of default by Company's clients. The Company usually sells the repossessed vehicles within 60 days after repossession.

22. Prepaid Expense

		31.12.2021.	31.12.2020.
		EUR	EUR
Prepaid Mintos service fee		-	32 634
Other prepaid expenses		77 436	81 208
	TOTAL:	**77 436**	**113 842**

23. Trade receivables

		31.12.2021.	31.12.2020.
		EUR	EUR
Receivables from cession to related parties non-current		512 164	187 315
Receivables from cession to related parties current		609 306	277 853
Receivables from related parties		351 978	733 385
Receivables from Eleving Stella JSC		175	-
Receivables from cession to non related parties current		7 357	11 597
Receivables for commissions		-	105
Other receivables		245	-
	TOTAL:	**1 481 225**	**1 210 255**

23. Trade receivables (continued)

An analysis of Trade and other receivable staging and the corresponding ECL allowances at the year end are as follows:

	Non-current receivables		Current receivables				
2021	Without delay	**Total Non-current receivables**	Without delay	1-30	31-90	> 90 days	**Total current receivables**
Receivables from cession to related parties	512 164	512 164	609 306	-	-	-	609 306
Receivables from related parties	-	-	216 806	135 187	-	160	352 153
Receivables from cession	-	-	7 357	-	-	-	7 357
Other trade receivables	-	-	-	-	245	-	245
Total trade receivables	**512 164**	**512 164**	**833 469**	**135 187**	**245**	**160**	**969 061**

In line with the expectations and agreement reached with the related parties on the settlement of the debts, material overdue related party receivables at year end were settled shortly after end of reporting period.

As at year end ECLs for receivables from cession to related parties are assessed based on expected settlement. The management has performed an assessment of the receivables form the related party, and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2020: EUR 0 as well).

	Non-current receivables		Current receivables				
2020	Without delay	**Total Non-current receivables**	Without delay	1-30	31-90	> 90 days	**Total current receivables**
Receivables from cession to related parties	187 315	187 315	277 853	-	-	-	277 853
Receivables from related parties	-	-	134 638	264 205	238 205	96 337	733 385
Receivables from cession	-	-	11 597	-	-	-	11 597
Other trade receivables	-	-	-	-	-	105	105
Total trade receivables	**187 315**	**187 315**	**424 088**	**264 205**	**238 205**	**96 442**	**1 022 940**

As at year end ECLs are assessed based on expected settlement. Accordingly, no ECL is recognized as at the end of the reporting period. (2020: EUR 0).

24. Other receivables

		31.12.2021.	31.12.2020.
		EUR	EUR
Receivable for attracted funding through P2P platform (Note 29)*		28 452	27 884
Advances paid for goods and services		1 128	7 237
Security deposit for office lease		-	22 179
Overpaid company risk fee		-	12
Other debtors		21 337	18 896
	TOTAL:	**50 917**	**76 208**

25. Contract assets

		31.12.2021.	31.12.2020.
		EUR	EUR
Contract assets from subsidiary		75 247	102 319
Contract assets from related parties		256 327	95 841
	TOTAL:	**331 574**	**198 160**

Majority of the invoices are issued after the year end and receivables from these invoices are paid, except for EUR 227 047 (2020: EUR 51 791) representing the accrued revenue from related party JSC Primero Finance as a result of revenue variable consideration recognition.

The Company assesses material amounts recovery individually. The Company's management decides on the performance assessment on an individual basis, reflecting the possibility of obtaining information on a particular contract asset and a significant increase in the credit risk of that particular contract asset. As at year end ECLs are as well assessed based on the expected settlements. The contract assets, which are settled shortly after end of reporting period, have no ECL recognised. The management has performed an assessment of the contract assets and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2020: EUR 0 as well).

26. Cash and cash equivalents

		31.12.2021.	31.12.2020.
		EUR	EUR
Cash at bank		190 007	98 891
Money in transit		1 311	-
	TOTAL:	**191 318**	**98 891**

This financial asset is not impaired as of 31.12.2021. (31.12.2020.: 0 EUR).

The Company has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2020: 0 EUR).

27. Share capital

The share capital of the Company on 1 January 2020 was EUR 5 000 000 and consists of 5 000 000 shares. The par value of each share was EUR 1. During the Shareholders Meeting held on 29. October 2021, it was decided to decrease share capital by EUR 4 575 000. The share capital of the Company on 31 December 2021 is EUR 425 000 and consist of 425 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

	Share capital
	EUR
Opening balance as at 1 January 2020	**5 000 000**
Subscriptions	-
Redemptions	-
Closing balance as at 31 December 2020	**5 000 000**
Opening balance as at 1 January 2021	**5 000 000**
Decrease	**(4 575 000)**
Closing balance as at 31 December 2021	**425 000**

The Company has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR.

28. Other provisions

During financial year 2016, the Company adjusted its VAT returns for the periods from 2014 to 2016 which resulted in additional input VAT. The same approach is applied also for all periods until 31.12.2021. However, there is uncertainty of possible recovery of those input VAT and as a result possible VAT liabilities might arise. Due to this, the Company recognizes a provision at the amount of the declared input tax which as at 31.12.2021 is equal to EUR 108 421 (at 31.12.2020 EUR 333 608).

		31.12.2021.	31.12.2020.
Provision for possible VAT liabilities*		108 421	333 608
Provision for possible penalties		31 632	99 314
	TOTAL:	**140 053**	**432 922**

* Provision for possible taxes and duties are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 0.42% (2020: 0.51%) for estimated litigation process period of remaining of 3 years. The provisions are made for VAT possible liabilities.

Change in provision for possible VAT liabilities is recognized proportionally in those expense accounts, where the related VAT input is claimed.

Changes in other provisions	31.12.2020.	Provisions for current year	Reversed provisions*	Unwinding of discount	Total increase/ (decrease) in provisions	Increase/ (decrease) in VAT liabilities	31.12.2021.
Provision for possible VAT liabilities in Latvia	333 608	40 489	(179 640)	(4 447)	**(143 598)**	(81 589)	108 421
Provision for possible penalties in Latvia	99 314	11 561	(79 713)	470	**(67 682)**	-	31 632
TOTAL:	**432 922**	**52 051**	**(259 353)**	**(3 977)**	**(211 280)**	**(81 589)**	**140 053**

*During the financial year 2021 the Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period December 2017 to November 2018 due to the expiry of the statute of limitations in accordance with the national legislation.

	31.12.2019.	Provisions for current year	Reversed provisions*	Unwinding of discount	Total increase/ (decrease) in provisions	Increase/ (decrease) in VAT liabilities	31.12.2020.
Provision for possible VAT liabilities in Latvia	365 495	17 991	(124 486)	4 344	**(102 151)**	70 264	333 608
Provision for possible penalties in Latvia	127 176	26 003	(55 376)	1 511	**(27 862)**	-	99 314
TOTAL:	**492 671**	**43 994**	**(179 862)**	**5 855**	**(130 013)**	**70 264**	**432 922**

*During the financial year 2020 the Company has reversed the provision for possible VAT penalties liabilities in Latvia by changing the fine calculation estimates.

29. Borrowings

Non-current	*Interest rate per annum (%)*	*Maturity*	31.12.2021.	31.12.2020.
Liabilities for issued debt securities			EUR	EUR
Bonds 30 million EUR notes issue[3]	11%	31.03.2024	29 859 000	-
Bond additional interest accrual [6]			29 753	-
Bonds acquisition costs			(683 744)	-
		TOTAL:	**29 205 009**	**-**
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms[4]	6% - 10.5%	31.12.2028	2 703 858	4 809 762
Liabilities for acquisition costs for funding attracted through peer-to-peer platform			(26 473)	(25 837)
		TOTAL:	**2 677 385**	**4 783 925**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises[5]	2.14-2.96%	up to 5 years	213 336	441 503
Lease liabilities for right-of-use assets - premises[5]	2.14-2.96%	>1 year - < 5 year	319 121	437 110
		TOTAL:	**532 457**	**878 613**
Loans from related parties				
Loans from related parties [9]	12.00%	18.10.2026	1 705 000	-
			1 705 000	**-**
		TOTAL NON-CURRENT BORROWINGS:	**34 119 851**	**5 662 538**

Current	*Interest rate per annum (%)*	*Maturity*	31.12.2021.	31.12.2020.
Liabilities for issued debt securities			EUR	EUR
Bonds 20 million EUR notes issue[1]	10%	31.03.2021.	-	17 166 000
Bonds 10 million EUR notes issue[2]	10%	31.03.2021.	-	6 963 000
Bond additional interest accrual [6]			-	367 626
Bonds acquisition costs			-	(16 511)
		TOTAL:	**-**	**24 480 115**
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms[4]	6% - 10.5%	31.12.2028	623 243	1 854 866
Accrued interest for funding attracted through peer-to-peer platforms			13 537	38 506
		TOTAL:	**636 780**	**1 893 372**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises[5]	2.14-2.96%	up to 1 years	77 821	103 079
		TOTAL:	**77 821**	**103 079**
Loans from banks				
Loan from bank [7] [8]	7.5% - 8.0% + 6m EURIBOR	26.02.2021	-	1 689 618
Accrued interest expense			-	208
		TOTAL:	**-**	**1 689 826**
		TOTAL CURRENT BORROWINGS:	**714 601**	**28 166 392**

1) On 17 March 2014 the Company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million.

This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

2) On 1 December 2017 the Company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 10 million.

This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the alternative market Firth north of NASDAQ OMX Baltic and are "private issued notes".

In accordance with the initial repayment of both bond facilities starts from 30.06.2019. Accordingly, those liabilities are split between current and non-current as at 31 December 2018. Subsequent to the reporting period the initial repayment terms were amended.

In March 2019 noteholders of JSC mogo bonds have accepted the amendments to the prospectuses of both emissions. The terms of the amendment provide that the principal amount of the notes shall be fully repaid in one instalment on 31 March 2021.

3) On March 1, 2021, through public offering JSC mogo successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 are included in the regulated market – the Baltic Bond List of “Nasdaq Riga” stock exchange.

The notes, with minimum subscription amount of EUR 1’000, are issued at par, have a maturity of 3 years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo bondholders and other retail and institutional investors from the Baltic region. The public offering consisted of two parts – subscription by new investors and exchange offer to existing bondholders, which has been comfortably oversubscribed with more than 840 investors participating in the offering.

29. Borrowings (continued)

Allocation results are as follows:

Investors	Nominal amount (% of issue size)	Number of investors
Existing bondholders	71.40%	181
New investors	28.60%	662

Geographic breakdown:

Country:	Nominal amount (% of issue size)
Latvia	73.30%
Estonia	17.70%
Lithuania	0.30%
Other	8.60%
TOTAL:	100%

Due to existing bondholders' exchange to newly issued bonds, the LV0000801363 issue size was decreased to EUR 5,979,000 and LV0000880029 decreased to EUR 2,602,000 and both bond issues were repaid in full on maturity date – March 31, 2021.

4) Attracted funding from P2P platform is transferred to the Company's bank accounts once per week. The Company repurchased less loans back than put in P2P platform in December 2021 than in December 2020.

5) The Company has entered into several lease agreements for office premises and branches. (Note 2 section IFRS 16: Leases). During 2021 the Company has signed new office rent agreement with related company JSC Eleving Vehicle Finance for period till August 2029.

6) The item represents accrued interest, which is to be paid at the maturity of the bonds, therefore the accrued interest is classified as short term in 2020 and long term in 2021.

7) On 2nd August 2019 JSC "Citadele banka" granted to JSC "mogo" (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) the credit line up to EUR 10 million at the cost of 6M EURIBOR + 8% for refinancing of existing indebtedness. The agreement has been amended in 2021 November by increasing the credit line limit to EUR 15 million and changing the interest rate to 6M EURIBOR + 7.5% or 6M EURIBOR + 8% depending on the amount. Maturity of agreement is 30th September 2023.

The credit line agreement was amended on November 29, 2021, which stipulates the new term and the amounts of the credit line.

8) On 29 December 2020 JSC Signet Bank granted to JSC mogo the credit in the amount of EUR 500 000. Maturity of agreement - February 2021. The loan principal and accrued interest were repaid on February 2021.

9) On 15 December 2021 JSC Eleving Vehicle Finance granted to JSC mogo the credit in the amount of EUR 5 000 000. Maturity of agreement - October 2026.

P2P platform payables/ receivables position as at the year end dates were:

	31.12.2021. EUR	31.12.2020. EUR
(Payable)/ Receivable from attracted funding through P2P platform (Note 24, 32)	28 452	27 884
TOTAL:	**28 452**	**27 884**

Total accrued expenses for services for attracted funding through P2P platform as at statement of financial position dates were:

	31.12.2021. EUR	31.12.2020. EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 33)	16 779	7 026
TOTAL:	**16 779**	**7 026**

Changes in liabilities	31.12.2020.	Incoming cash flow	Outgoing cash flow	Other	31.12.2021.
Funding attracted through peer-to-peer platforms	6 664 628	4 887 015	(8 700 038)	475 497*	3 327 102
Lease liabilities for right-of-use assets	981 692	-	(78 038)	(293 375)	610 278
Liabilities for issued debt securities	24 129 000	16 033 708	(10 282 000)	(21 708)	29 859 000
Loans from related party	-	7 800 000	(6 095 000)	-	1 705 000
Loans from bank	1 689 618	16 546 301	(18 120 862)	(115 057)	-
TOTAL BORROWINGS PRINCIPAL:	**33 464 938**	**45 267 024**	**(43 275 939)**	**45 357**	**35 501 380**

*Other movement in Funding attracted through peer-to-peer platforms is related with the offsetting of mutual debts by companies on a weekly basis to each other without cash transfer.

Changes in liabilities	31.12.2020.	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31.12.2021.
Additional bond interest accrual	367 626	-	(390 512)	52 639	29 753
Deferred bonds acquisition costs	(16 511)	-	(892 978)	225 745	(683 744)
Bonds servicing expenses	-	-	(34 461)	34 461	-
Bonds interest expenses	-	-	(3 238 849)	3 238 849	-
Accrued interest for financing received from P2P investors	38 506	-	(439 479)	414 510	13 537
Funding attracted through peer-to-peer platforms acquisition costs	(25 837)	-	(4 601)	3 965	(26 473)
Interest expenses from right-of-use assets	-		(20 001)	20 001	-
Interest expense from related party loans	-	-	(16 062)	16 062	-
Interest expense from bank loan	208		(99 140)	98 932	-
TOTAL INTEREST LIABILITIES:	**363 992**	**-**	**(5 136 083)**	**4 105 163**	**(666 928)**
TOTAL BORROWINGS:	**33 828 930**	**45 267 024**	**(48 412 022)**	**4 150 520**	**34 834 452**

29. Borrowings (continued)

Changes in liabilities	31.12.2019.	Incoming cash flow	Outgoing cash flow	Other	31.12.2020.
Funding attracted through peer-to-peer platforms	8 406 312	1 939 656	(4 999 995)	1 318 655*	6 664 628
Lease liabilities for right-of-use assets	1 123 242	-	(92 875)	(48 675)	981 692
Liabilities for issued debt securities	30 000 000	6 305 000	(12 176 000)	-	24 129 000
Loan from bank	2 106 840	11 053 000	(11 470 222)	-	1 689 618
TOTAL BORROWINGS PRINCIPAL:	**41 636 394**	**19 297 656**	**(28 739 092)**	**1 269 980**	**33 464 938**

*Other movement in Funding attracted through peer-to-peer platforms is related with the offsetting of mutual debts by companies on a weekly basis to each other without cash transfer.

Changes in liabilities	31.12.2019.	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31.12.2020.
Additional bond interest accrual	299 203	-	(9 967)	78 390	367 626
Bonds acquisition costs	(239 960)	-	-	223 449	(16 511)
Bonds interest expenses	-	-	(2 838 225)	2 838 225	-
Accrued interest for financing received from P2P investors	48 868	-	(769 258)	758 896	38 506
Funding attracted through peer-to-peer platforms acquisition costs	(71 647)	-	(3 900)	49 710	(25 837)
Interest expenses from right-of-use assets	-	-	(28 782)	28 782	-
Interest expense from bank loan	-	-	(149 973)	150 181	208
TOTAL INTEREST LIABILITIES:	**36 464**	**-**	**(3 800 105)**	**4 127 633**	**363 992**
TOTAL BORROWINGS:	**41 672 858**	**19 297 656**	**(32 539 197)**	**5 397 613**	**33 828 930**

30. Prepayments and other payments received from customers

	31.12.2021.	31.12.2020.
	EUR	EUR
Unrecognized payments received*	14 627	15 760
Overpayments from historical customers	43 806	34 614
TOTAL:	**58 433**	**50 374**

* Unrecognised payments are payments received from former clients after contractual terms are ended and payments received which cannot be identified and allocated to a respective finance lease or loan and advance to customer balance.

Advances received from customers are shown under finance lease receivables and loans and advances to customers in year 2021 and 2020.

31. Taxes payable

	31.12.2021.	31.12.2020.
	EUR	EUR
Social security contributions	29 411	60 129
Personal income tax	15 376	43 467
Other taxes	4 489	-
TOTAL:	**49 276**	**103 596**

32. Other liabilities

	31.12.2021.	31.12.2020.
	EUR	EUR
Liabilities against employees for salaries	54 374	60 120
Payable for received payments from customers of the related parties	305 856	315 566
Other liabilities	3 663	8 040
TOTAL:	**363 893**	**383 726**

33. Accrued liabilities

	31.12.2021. EUR	31.12.2020. EUR
Accrued liabilities for services from non related parties	54 510	74 408
Accrued liabilities for management services from related parties	39 031	69 174
Accrued unused vacation	67 323	81 377
Accruals for bonuses	51 240	63 397
Accrued expenses from attracted funding through peer-to-peer platform (Note 29)	16 779	7 026
TOTAL:	**228 883**	**295 382**

34. Related parties disclosures

Receivables and payables incurred are not secured with any kind of pledge.

Transactions with related parties for years 2021 and 2020 were as follows:	**2021** EUR	**2020** EUR
Services provided		
- Revenue from recharging expenses (Note 12)*	**635 297**	**786 579**
*- Parent company*******	6 442	19 958
- Subsidiary	66 316	375 861
*- HUB***	15 696	126 028
- Other related companies	546 843	264 732
- Other services provided	**1 617 806**	**1 284 785**
- Client acquisition services and other provided services to Subsidiary (Note 12)	970 409	833 637
- Client acquisition services and other services provided for other related companies	647 397	451 148
Services received		
- Management services (Note 11)****	**558 916**	**515 980**
- Eleving Stella JSC (parent company from 01.09.2021)	558 916	390 808
- Eleving Luna JSC (parent company till 31.08.2021)	-	125 172
- Other services received***	**199 962**	**51 117**
*- HUB***	143 661	11 702
- Parent company	19 677	2 063
- Subsidiary	20 211	20 065
*- Longo Latvia JSC******	-	11 939
- Other related companies	16 414	5 348
Assets	**201 450**	**312 758**
*- Purchase of fixed assets from HUB***	2 020	-
- Vehicles sold to subsidiary	199 430	312 758
Acquired vehicles for sale through finance leases [1)]	**67 590**	**32 395**
- Cars from subsidiary	67 590	32 395
Interest income (Note 4)	**5 155 060**	**3 814 270**
- Eleving Group S.A.	2 329 958	2 715 262
- Parent company	1 133 292	-
- Subsidiary	808 705	591 360
- Other related companies	883 105	507 648
Interest expenses (Note 5)	**16 062**	**34 008**
- Eleving Group S.A.	12 698	34 008
- HUB**	3 363	-
Cession income (Note 8) [2)]	**2 112 091**	**734 275**
- Other related companies	2 112 091	734 275

* When another party is involved in providing goods or services to the Company's customers, the Company considers that in these transactions it acts as an agent. (Note 3, 12).

** HUB - under HUB there are disclosed the Company's related parties JSC Mogo Balkans and Central Asia, JSC Eleving Stella (JSC Mogo Eastern Europe) transactions till 31.08.2021, JSC Eleving Solis (JSC Eleving Africa), JSC Eleving Finance and JSC Eleving Vehicle Finance, JSC Eleving Luna (JSC Mogo Baltics and Caucasus) transactions from 01.09.2021.

*** Other services received - include car dealership commissions (that form part of net finance lease receivable). It also includes vacation compensations to employees who moved from mogo JSC to HUB - and no gain or loss occurred on this transaction.

**** Management services - include non deductible VAT.

***** Starting from 03.03.2020 Longo Latvia JSC is not related party.

****** Parent company - JSC Eleving Luna till 01.09.2021, JSC Eleving Stella from 01.09.2021.

1) The Company has acquired vehicles from Subsidary and these vehicles were sold to customers through finance lease (Note 18). No gain or loss occurred on these transactions.

2) Cession income from transaction with related parties is included in the net gain/(loss) from de-recognition of financial assets measured at amortized costs (Note 8).

34. Related parties disclosures (continued)

Receivables from related companies

Non-current	Interest rate per annum (%)	Maturity	31.12.2021. EUR	31.12.2020. EUR
Loan receivable from related company 1)	12.50	April 2023	700 000	23 173 036
Loan receivable from related company 2)	12.00	April 2023	8 827 118	-
Loan receivable from related company 3)	12.00	June 2026	7 934 000	-
Loan receivable from related company 4)	12.00	October 2026	17 640 000	-
Loan receivable from subsidiary company 5)	12.50	January 2024	6 978 212	5 620 212
Loan receivable from other related company 6)	12.50	September 2024	-	5 159 729
Current				
Accrued interest 1)			-	246 530
		TOTAL:	**42 079 330**	**34 199 507**

1) In 2017 the Company has signed the loan agreement with its ultimate Parent Company Eleving Group S.A. Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 27.04.2023.

2) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 9.12 million EUR with maturity date 27.04.2023.

3) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 21.06.2026.

4) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 17.64 million EUR with maturity date 13.10.2026.

5) On 03.01.2019 the Company signed loan agreement with Renti JSC for credit line of EUR 10 000 000 with maturity date 03.01.2024 and fixed interest rate 12.5%.

6) On 09.04.2020 the Company signed loan agreement with Eleving Vehicle Finance JSC for credit line of EUR 15 000 000 with maturity date 24.09.2024 and fixed interest rate 12.5%.

An analysis of loan receivable staging and the corresponding ECL allowances at the year end are as follows:

2021	Stage 1	Stage 2	Stage 3	**Total**
Loan receivable from ultimate Parent company	700 000	-	-	700 000
Loan receivable from Subsidiary company	6 978 212	-	-	6 978 212
Loan receivable from related company	34 401 118	-	-	34 401 118

Loan receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD rate was based on Standard & Poor's corporate statistics studies. The LGD has been assessed considering the related parties' financial position.
As a result no ECLs are recognized for the loan receivable from related parties (2020: EUR nil).

2020	Stage 1	Stage 2	Stage 3	**Total**
Loan receivable from ultimate Parent company	23 419 566	-	-	23 419 566
Loan receivable from Subsidiary company	5 620 212	-	-	5 620 212
Loan receivable from related company	5 159 729	-	-	5 159 729

The distribution of issued loans by related party has changed due to the change of the parent company.

Current		31.12.2021. EUR	31.12.2020. EUR
Receivables from Eleving Stella JSC		175	-
Receivables from subsidiary		93 332	655 616
Receivables from cession to related parties		1 121 470	465 168
Receivables from related companies		258 646	77 769
	TOTAL:	**1 473 623**	**1 198 553**
	TOTAL RECEIVABLES:	**43 552 953**	**35 398 060**

Ageing of receivables from related companies is disclosed in Note 23.

Payables and other liabilities to related companies

		31.12.2021. EUR	31.12.2020. EUR
Other liabilities to Primero Finance JSC (see Note 32)		305 856	315 566
Payables to subsidiary		796	-
Payables to other related companies		5 344	-
	TOTAL:	**311 996**	**315 566**

35. Investments in subsidiary

The Company’s investments in subsidiary as of 31 December 2021 and 31 December 2020 are set out below:

			Company's investment	
			31.12.2021.	31.12.2020.
Company	Business	Shareholding	EUR	EUR
Renti JSC	Vehicle rent	100%	5 500 000	5 500 000
		Impairment:	**-**	**-**
		Total Net Investments in subsidiary:	**5 500 000**	**5 500 000**

Impairment testing of the investments in subsidiary has been performed by the management of the Company using valuation methods and based on assumptions described in section impairment testing. As a result of performed impairment test calculations there is no additional impairment recognised in the year ended 31 December 2021 (2020: nill).

Income from investments

There were no dividends received from Company's subsidiary during years 2021 and 2020.

Additional investments in subsidiary

The following settlements for the new equity shares were made by the Company:	31.12.2021.	31.12.2020.
	EUR	EUR
Establishment / increase of Renti JSC	-	-
TOTAL:	**-**	**-**

Impairment testing

The recoverable amount of Renti JSC is determined based on a value in use calculation using cash flow projections from financial budgets approved by the management. As a result of performed calculations the management has not identified impairment for Company’s investment in Renti JSC for the year ended 31 December, 2021 the same approach as for the year ended 31 December, 2020.

Please refer to the Note 3 for more details on sensitivity of key assumptions used.

Operating results of Renti JSC are presented below:	2021	2020
	EUR	EUR
Revenue from rent	6 543 201	6 240 662
Loss	(1 094 813)	(1 442 333)

	31.12.2021.	31.12.2020.
	EUR	EUR
Current assets	928 483	1 562 656
Non-current assets	10 810 787	14 711 103
Current liabilities	(1 350 478)	(2 346 248)
Non-current liabilities	(9 129 799)	(11 896 383)
Net assets	**1 258 993**	**2 031 128**

36. Other investments

		31.12.2021.	31.12.2020.
Company	Shareholding	EUR	EUR
Mogo IFN (Romania)	0.01%	20	20
LLC Mogo Belarus	0.01%	-	6
	TOTAL:	**20**	**26**

Equity investments are classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future.

37. Commitments and contingencies

Starting from 14 October 2021 Eleving Group and certain of its Subsidiaries (including Mogo JSC) entered into several pledge agreements with TMF Trustee Services GmbH, establishing pledge over shares of those Subsidiaries, pledge over present and future loan receivables of those Subsidiaries, pledge over trademarks of those Subsidiaries, general business pledge over those Subsidiaries, pledge over primary bank accounts if feasible, in order to secure Eleving Group obligations towards bondholders deriving from Eleving Group bonds (ISIN: XS2393240887). The value of the assets pledged in accordance with the commercial pledge agreement concluded with TMF Trustee Services GmbH is estimated to be 53.2 million EUR as of 31/12/2021.

Starting from 14 October, 2018 Eleving Group S.A. as Issuer and its Subsidiaries (including Mogo JSC) as Guarantors have entered into a guarantee agreement dated 14 October 2021 (as amended and restated from time to time) according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Eleving Groupe S.A. bonds (ISIN: XS2393240887) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group S.A. bonds (ISIN: XS2393240887) offering memorandum (Note 38).

On 26 February 2018 the Company entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018, with a maximum liability not exceeding the principal amount EUR 1 000 000. As described in the Note 38 below, the surety agreement has been prolonged till 2022.

On 11 December 2018 mogo JSC issued a payment guarantee No.2018.12.05 for the benefit of third party with a maximum liability not exceeding EUR 200 000, where the liability of mogo JSC is limited to the performance of other subsidiary's Eleving Luna JSC obligations from the secured agreement with this party.

37. Commitments and contingencies (continued)

On 31 July 2019 mogo JSC has concluded a Commercial pledge with JSC Citadele banka by virtue of which certain receivables of mogo JSC are pledged in favor of JSC Citadele banka in order to secure mogo JSC (Latvia), mogo OU (Estonia) and JSC mogo LT (Lithuania) obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019. The same Commercial pledges are issued by the remaining Credit line agreement parties - mogo OU (Estonia) and JSC mogo LT (Lithuania). On 23 December 2021 Renti JSC (Latvia) and on Renti LT JSC (Lithuania) have as well concluded Commercial pledges with JSC Citadele banka by virtue of which certain receivables are pledged in favor of JSC Citadele banka in order to secure mogo JSC, mogo OU and JSC mogo LT obligations, if the credit line is also used to finance the loans and receivables issued by Renti JSC (Latvia) and Renti LT JSC (Lithuania). The commercial pledge providers are jointly liable for the maximum amount of EUR 22.5 million, however, the rights of claims referred to the commercial pledge agreement are variable as Credit line amounts granted to the parties shall not exceed 90% of the total amount of the rights specified as pledged to the Bank. As of 31 December 2021 the Parent company's finance lease portfolio in the amount of EUR 0.8 million was pledged in favor of the JSC Citadele bank as collateral (31 December 2020: EUR 1,3 millions). The credit facility terms have been updated after the reporting period, see Note 41.

On 5 December 2017 mogo JSC entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure mogo JSC obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017. The Company pledged gross receivables in amount of EUR 3 328 587 on 31.12.2021 (31.12.2020.: 7 279 306 EUR).

On 12 December 2018 the Company issued guarantee letters for the benefit of SIA Skanste City (previously SWH Grupa JSC) to secure Eleving Vehicle Finance JSC (previously Mogo Group JSC) and previously related party Longo Group JSC obligations from the secured office space lease agreements concluded on 12 December 2018. According to the guarantee letters, the Company undertook to fulfil Eleving Vehicle Finance JSC and Longo Group JSC obligations towards SIA Skanste City if they are overdue on liabilities under the agreements terms. The guarantees expire if the lease agreements are amended, renewed without prior written approval by the Company and is effective for the entire duration of the respective lease agreements. At the beginning of 2020 lease agreement was amended and the Company provided the new guarantee to secure only obligations of Eleving Vehicle Finance JSC. The guarantee for Longo Group JSC is deemed to be expired.

Externally imposed capital requirements
The Company considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Company is subject to externally imposed capital requirements. Main requirements are listed below:

Mogo JSC credit limit agreement with JSC Citadele banka
- To maintain Mogo Group (Latvia) capitalization ratio of minimum 10%;
- To maintain capitalization ratio of minimum 15% until full repayment of the bonds;
- To ensure that DSCR* is above certain level.

Mogo JSC Bonds
There are restrictions in prospectus for bonds issued in Nasdaq Baltic (ISIN: LV0000802452)
- To maintain positive amount of equity at all times;
- To maintain capitalization ratio of minimum 15% until full repayment of the bonds;

Cooperation agreement with P2P platform

There are no specific capital requirements applied on the Company, except for the limitations on capital movement (share capital change, dividend distribution, etc.) if the respective agreements Guarantor (Eleving Group S.A.) does not comply with specific financial covenants (Capitalization ratio, DSCR* to be ensured above certain level).

* DSCR (debt service coverage ratio) is EBITDA / (divided by) sum of all payments of interest and principal for all interest bearing debt (loan commitments, bonds and other financing) to be paid under all concluded agreements within period for which DSCR is calculated.

During the reporting period the Company complied with all externally imposed capital requirements to which it was subjected to.

38. Provisions for financial guarantees

	2021	2020
Effect on other reserves	EUR	EUR
	Other reserves	**Other reserves**
Outstanding as at 1 January	**(3 474 331)**	**(4 103 142)**
Fair value of the newly issued guarantees (1), (2)	(2 886 850)	-
Guarantees derecognition (3), (4)	3 474 331	-
Decrease in fair value of the guarantees due to revaluation	961 379	628 811
Outstanding as at 31 December	**(1 925 471)**	**(3 474 331)**

	2021	2020
Effect on provisions for financial guarantees	EUR	EUR
	Financial	**Financial**
Outstanding as at 1 January	**1 663 804**	**3 675 944**
Fair value of the newly issued guarantees (1), (2)	2 886 850	-
Decrease in fair value of the guarantees due to revaluation	(961 379)	(628 811)
Amortized as income prior to derecognition	(826 570)	-
Derecognition of guarantee (3),(4)	(837 234)	-
Fair value of the guarantees subsequent to modification	**1 925 471**	**3 047 133**
Foreign exchange gain/loss	42 379	-
Amortised as income for newly issued guarantees	(216 842)	(1 383 329)
Outstanding as at 31 December	**1 751 009**	**1 663 804**
Financial guarantee in favour of bondholders of Eleving Group S.A.	1 465 319	1 647 579
Financial guarantee in favour of Ardshinbank	285 690	16 225
Total	**1 751 009**	**1 663 804**
Total recognized as income (Note 12)	**(1 043 412)**	**(1 383 329)**

38. Provisions for financial guarantees (continued)

(1) On 14 October 2021 the Company entered a financial guarantee agreement issued in favor of bondholders of Eleving Group. The guarantee was issued to secure Eleving Group exposure after issuing corporate bonds, ISIN XS2393240887 (as of 31 December 2021 the total nominal value of bonds is EUR 150 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Company irrevocably guarantees the payment of Eleving Group liabilities towards its bondholders in case of default of Eleving Group under the provisions of bond prospectus.
The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under “Other reserves”. Liabilities under the financial guarantee agreement are recognized in income (Note 12) on straight line basis till bond maturity, which is October 2026.

(2) On 15 June 2021 the Company entered into a surety agreement with Ardshinbank CJSC and Mogo UCO LLC (Armenia), in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo UCO LLC.

The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 12) on straight line basis till loan maturity, which is February 2024.

(3) On 9 July 2018 the Company entered a financial guarantee agreement issued in favor of bondholders of Eleving Group S.A. The guarantee was issued to secure Eleving Group S.A. exposure after issuing corporate bonds, ISIN XS1831877755 (as of 31 December 2020 and 2019 the total nominal value of bonds is EUR 100 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Company irrevocably guarantees the payment of Eleving Group S.A. liabilities towards its bondholders in case of default of Eleving Group S.A. under the provisions of bond prospectus.
The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under “Other reserves”. Liabilities under the financial guarantee agreement are recognized in income (Note 12) on straight line basis till bond maturity, which is July 2022.
On 12 October 2021 was signed Global release agreement stipulating that all collateral documents (guarantees and pledges) of the old bonds will be terminated in full after the redemption of the old bonds.Under that agreement, the guarantee was terminated and Other reserves and provision were derecognized.

(4) On 26 February 2018 the Company entered into a surety agreement with Ardshinbank CJSC and Mogo LLC (Georgia), in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC.

The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 12) on straight line basis till loan maturity. The surety agreement has significant changes in loan agreement therefore previous guarantee provisions and other reserves were derecognized.

39. Financial risk management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including the currency risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal (compliance, regulatory) risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

Operational risks
The Company's operational risks are managed by successful risk underwriting procedures in the loan issuance process as well as efficient debt collection procedures.

Legal risks
Legal risks are mainly derived from regulatory changes, which the Company successfully manages with the help of in-house legal department and external legal advisors, which assist in addressing any current or future regulatory developments that might have an impact on Company’s business activities.

See further information in Note 37.

Compliance risk
Compliance risk refers to the risk of losses or business process disruption resulting from inadequate or failed internal processes systems, that have resulted in a breach of applicable law or other regulation currently in place.

Regulatory risk
The Company’s operations are subject to regulation by a variety of consumer protection, financial services and other state authorities, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing.

Anti-money laundering and Know Your Customer laws compliance risk
The Company is subject to anti-money laundering laws and related compliance obligations. The Company has put in place anti-money laundering policies. As a financial institution, the Company is required to comply with anti-money laundering regulations that are generally less restrictive than those that apply to banks.

As a result, the Company often relies on anti-money laundering and know your customer checks performed by our customers’ banks when such customers open new bank accounts, however Company has implemented further internal policies to minimise these risks. The Company has put in place internal control framework to identify and report all suspicious transactions with a combination of IT based solutions and human involvement. Internal policies of the Company typically include customers’ background check against sanctioned lists and other public sources as required by local law and Consumer Rights Protection Centre.

Privacy, data protection compliance risk
The Company’s business is subject to a variety of laws and regulations internationally that involve user privacy, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The Company has put in place an internal control framework consisting from a combination of IT based solutions and business procedures that are designed to capture any potential non-compliance matter before it has occurred and to ensure compliance with these requirements.

39. Financial risk management (continued)

Financial risks

The main financial risks arising from the Company's financial instruments are liquidity and credit risk.

Market risks

The Company takes on exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility or market rates or prices such as interest rates.

Interest rate risk

The Company is not exposed to interest rate risk because all of its interest bearing assets and liabilities are with a fixed interest rate.

Capital risk management

The Company considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Company manages its capital to ensure that it will be able to continue as going concern. In order to maintain or adjust the capital structure, the Company may attract new credit facilities, issue bonds, borrow in P2P platform, increase its share capital or sell the assets to reduce the debt. The management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Company.

The Company monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus as well as other financing agreements. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio. During the reporting period the Company has complied with all externally imposed equity capital requirements to which it is subject as stated in Note 37. The Company has several other covenants to comply with due to the bonds issued and funds borrowed in P2P platform - Company has complied with all of them during the reporting period.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company controls its liquidity risk by managing the amount of funding it attracts through P2P platforms, which provide management greater flexibility to manage the level of borrowings and the cash levels. In addition, it issues bonds and attracts external credit facilities.

The table below presents the cash flows payable by the Company and to the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow. Cash flow payable for borrowings includes estimated interest payments assuming principal is paid in full at maturity date.

		Contractual cash flows				
As at 31.12.2021.	**Carrying value**	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5 years**	**Total**
Assets	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Cash and cash equivalents	191 318	191 318	-	-	-	**191 318**
Loans and advances to customers	3 411 222	-	2 604 209	3 786 083	508 622	**6 898 914**
Loans to related companies	42 079 330	-	5 087 911	54 656 776	-	**59 744 687**
Trade receivables from related companies (w/o mogo group)	1 380 116	-	867 952	512 141	23	**1 380 116**
Trade receivables from related companies (mogo group)	93 507	-	93 507	-	-	**93 507**
Other trade receivables	7 602	-	7 602	-	-	**7 602**
Finance lease receivables	2 467 177	-	1 452 080	3 035 507	863 039	**5 350 626**
Total undiscounted financial assets	49 630 272	191 318	10 113 261	61 990 507	1 371 684	**73 666 770**
Liabilities						
Funding attracted through peer-to-peer platforms	(3 314 165)	-	(810 385)	(379 801)	(2 711 710)	**(3 901 896)**
Liabilities for issued debt securities	(29 205 009)	-	(3 300 000)	(33 330 009)	-	**(36 630 009)**
Provisions for financial guarantees	(1 751 008)	-	-	(1 751 008)	-	**(1 751 008)**
Lease liabilities for right-of-use assets (mogo group)	(590 789)	-	(72 703)	(304 750)	(213 336)	**(590 789)**
Other lease liabilities for right-of-use assets	(19 489)	-	(5 118)	(14 371)	-	**(19 489)**
Loans from related companies (mogo group)	(1 705 000)	-	(204 600)	(2 482 480)	-	**(2 687 080)**
Payables to related companies (w/o mogo group)	(2 035)	-	(2 035)	-	-	**(2 035)**
Payables to related companies (mogo group)	(4 105)	-	(4 105)	-	-	**(4 105)**
Other trade payables	(117 891)	-	(117 891)	-	-	**(117 891)**
Other current liabilities to related companies (w/o mogo group)	(305 862)	-	(305 862)	-	-	**(305 862)**
Other current liabilities to related companies (mogo group)	(39 025)	-	(39 025)	-	-	**(39 025)**
Other current liabilities	(358 541)	-	(358 541)	-	-	**(358 541)**
Total undiscounted financial liabilities	(37 412 919)	-	(5 220 265)	(38 262 419)	(2 925 046)	**(46 407 730)**
Net undiscounted financial assets / (liabilities)	12 217 353	191 318	4 892 996	23 728 088	(1 553 362)	**27 259 040**

39. Financial risk management (continued)

		Contractual cash flows				
As at 31.12.2020.	**Carrying value**	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5 years**	**Total**
Assets	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Cash and cash equivalents	98 891	98 891	-	-	-	**98 891**
Loans and advances to customers	9 111 131	-	6 876 843	10 389 693	571 415	**17 837 951**
Loans to related companies	34 199 507	-	4 490 652	41 052 403	-	**45 543 055**
Trade receivables from related companies (w/o mogo	542 937	-	355 622	187 315		**542 937**
Trade receivables from related companies (mogo group)	655 616	-	655 616	-	-	**655 616**
Other trade receivables	11 702	-	11 702	-	-	**11 702**
Investment securities	609 000	-	63 022	569 969	-	**632 991**
Finance lease receivables	2 872 116	-	2 417 908	3 145 113	197 081	**5 760 102**
Total undiscounted financial assets	48 100 900	98 891	14 871 365	55 344 493	768 496	**71 083 245**
Liabilities						
Funding attracted through peer-to-peer platforms	(6 677 297)	-	(2 346 167)	(5 751 123)	(25 049)	**(8 122 339)**
Liabilities for issued debt securities	(24 480 115)	-	(25 230 115)	-	-	**(25 230 115)**
Provisions for financial guarantees	(1 663 804)	-	-	(1 663 804)	-	**(1 663 804)**
Loan from banks	(1 689 826)	-	(1 728 007)	-	-	**(1 728 007)**
Lease liabilities for right-of-use assets	(981 692)	-	(103 079)	(437 110)	(441 503)	**(981 692)**
Other trade payables	(88 407)	-	(88 407)	-	-	**-**
Other current liabilities to related parties (w/o mogo group)	(315 566)	-	(315 566)	-	-	**(315 566)**
Other current liabilities to related parties (mogo group)	(69 174)	-	(69 174)	-	-	**(69 174)**
Other current liabilities	(451 501)	-	(451 501)	-	-	**(451 501)**
Total undiscounted financial liabilities	(36 417 382)	-	(30 332 016)	(7 852 037)	(466 552)	**(38 650 605)**
Net undiscounted financial assets / (liabilities)	11 683 518	98 891	(15 460 651)	47 492 456	301 944	**32 432 640**

Credit risk

The Company is exposed to credit risk through its finance lease receivables, loans and advances to customers, trade and other receivables, as well as cash and cash equivalents. Maximum credit risk exposure is represented by the gross carrying value of the respective financial assets.

The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles. The Company uses financed vehicles as collaterals to significantly reduce credit risks, and provides loans in amount of no more than 90% of the market values of the collateral.

	31.12.2021.	31.12.2020.
	EUR	EUR
Finance lease receivables	2 960 440	3 689 894
Loans and advances to customers	4 330 891	11 380 921
Loans to related parties	42 079 330	34 199 507
Investment in securities	-	609 000
Contract assets	331 574	198 160
Trade and other receivables	1 532 142	1 286 463
Cash and cash equivalents	191 318	98 891
TOTAL:	**51 425 695**	**51 462 836**

The Company operates by applying a clear set of finance lease granting criteria. This criteria includes assessing the credit history of customer, means of lease repayment and understanding the lease object. The Company takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Company sets the credit limit for each and every customer.

When the lease agreement has been signed, the Company monitors the lease object and customer's solvency. The Company has developed lease monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimized, and, where appropriate, sufficient provisions are being made.

The Company does not have a significant credit risk exposure to any single counterparty, but has risk to group of counterparties having similar characteristics.

See Notes 18 and 19 for more information.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Company is maintaining a diversified portfolio. It's main product is subprime lease, however it is offering also near prime lease, as well as loans and advances to customers.

40. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Instruments within Level 1 include highly liquid cash and cash equivalent assets and standard derivative financial instruments traded on the stock exchange.

Fair value for such financial instruments as Financial assets at fair value through profit and loss is mainly determined based on publicly available quoted prices (bid price, obtainable from Bloomberg system).

Instruments within Level 2 include assets, for which no active market exists, such as over the counter financial instruments that are traded outside the stock exchange, bonds. Bonds fair value is observable in Frankfurt Stock Exchange/ Nasdaq Riga Stock Exchange public information.

Instruments within Level 3 include loans and finance lease receivables, other trade receivables, current and non-current borrowings and trade and other trade payables.

Fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate. The Company's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to Mogo JSC.

Fair value of finance lease and loan receivables is equal to the carrying value, which is present value of minimum lease and loan payments discounted using effective agreement interest rate and adjusted for impairment allowance.

Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2021 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.
The annual discount rate was determined as 12.18% (2020: 13.59%). Impairment loss is estimated by applying PD and LGD rates, which are in line with ECL methodology described under 'The calculation of ECLs' (Note 2).

The management recognizes that if a fair value of such assets/liabilities would be assessed as an amount at which an asset could be exchanged or liability settled on an arm’s length basis with knowledgeable third parties, the fair values obtained of the respective assets and liabilities would not be materially different.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

40. Fair value of financial assets and liabilities (continued)

The table below summarizes the carrying amounts and fair values of financial assets and liabilities:

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Financial assets measured at fair value:	EUR	EUR	EUR	EUR
Investment in debt securities (Eleving Group S.A. bonds)	-	-	609 000	609 000
Financial assets not measured at fair value:				
Loans to related companies	42 079 330	42 079 330	33 952 977	33 952 977
Finance lease receivables	2 467 177	3 383 635	2 872 116	4 122 209
Loans and advances to customers	3 411 222	4 505 170	9 111 131	12 767 295
Trade receivables from related companies (w/o mogo group)	1 380 116	1 380 116	542 937	542 937
Trade receivables from related companies (mogo group)	93 507	93 507	655 616	655 616
Trade receivables	7 602	7 602	11 702	11 702
Other receivables	50 917	50 917	76 208	76 208
Cash and cash equivalents	191 318	191 318	98 891	98 891
Total financial assets	**49 681 188**	**51 691 595**	**47 930 578**	**52 836 835**
Financial liabilities not measured at fair value:				
Liabilities for issued debt securities	29 205 009	30 000 000	24 480 115	23 566 794
Funding attracted through peer-to-peer platforms	3 314 165	3 314 165	6 677 297	6 677 297
Loans from banks	-	-	1 689 826	1 689 826
Loans from related companies (w/o mogo group)	-	-	-	-
Loans from related companies (mogo group)	1 705 000	1 705 000	-	-
Trade payables to related companies (w/o mogo group)	2 035	2 035	-	-
Trade payables to related companies (mogo group)	4 105	4 105	-	-
Other trade payables	117 891	117 891	88 407	88 407
Other current liabilities to related companies (w/o mogo group)	305 862	305 862	315 566	315 566
Other current liabilities to related companies (mogo group)	39 025	39 025	69 174	69 174
Other liabilities	358 541	358 541	451 501	451 501
Total financial liabilities	**35 051 633**	**35 846 624**	**33 771 886**	**32 858 565**

The table below specified analysis by fair value levels (based on their carrying amounts):

	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	31.12.2021.	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.	31.12.2020.
Financial assets	EUR	EUR	EUR	EUR	EUR	EUR
Loans to related parties	-	-	42 079 330	-	-	33 952 977
Finance lease receivables	-	-	2 467 177	-	-	2 872 116
Loans and advances to customers	-	-	3 411 222	-	-	9 111 131
Investment in debt securities	-	-	-	-	609 000	-
Trade receivables	-		1 481 225	-		1 210 255
Other receivables	-	-	50 917	-	-	76 208
Cash and cash equivalents	191 318	-	-	98 891	-	-
Total financial assets	**191 318**	**-**	**49 489 870**	**98 891**	**609 000**	**47 222 687**
Financial liabilities						
Liabilities for issued debt securities	-	29 205 009	-	-	24 480 115	-
Funding attracted through peer-to-peer platforms	-	-	3 314 165	-	-	6 677 297
Loans from banks	-	-	-	-	-	1 689 826
Loans from related companies	-	-	1 705 000	-	-	-
Trade payables	-	-	124 031	-	-	88 407
Other liabilities	-	-	703 428	-	-	836 241
Total financial liabilities	**-**	**29 205 009**	**5 846 624**	**-**	**24 480 115**	**9 291 771**

41. Events after reporting period

Since the last day of the reporting year several significant events took place:

In 2022, many significant sanctions have been imposed by European Union and various countries on Russia and Belarus, certain Russian and Belarusian companies, companies in other jurisdictions, officials, businessmen and other physical persons in connection with the ongoing war in Ukraine, which began on 24 February, 2022. Imposed sanctions and restrictions and military actions creates the economic uncertainty in the World and in Latvia. The full impact of the sanctions and restrictions and military actions on the Company's operations in 2022 cannot be fully predicted, but the Company believes that the sanctions and restrictions imposed and military actions after the date of the financial statements will not materially affect the Company's operations both directly and indirectly. Company`s assumption is based on available information at the time of signing the financial statements, and the impact of future events on the Company's future operations may differ from Company's assessment.

In 2022 April the Company has amended the credit line issued by JSC "Citadele banka" granted to JSC “mogo” (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) decreasing its exposure to EUR 12 000 000. The other conditions remained unchanged.

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

Signed on behalf of the Company on 2 May 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Rita Kaktiņa, Chief accountant

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

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Independent Auditors' Report

To the shareholders of JSC Mogo

Report on the Audit of the Separate Financial Statements

Our Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of JSC Mogo ("the Company") set out on pages 7 to 63 of the accompanying separate Annual Report, which comprise:

- the separate statement of comprehensive income for the year ended 31 December 2021,
- the separate statement of financial position as at 31 December 2021,
- the separate statement of changes in equity for the year then ended,
- the separate statement of cash flows for the year then ended, and
- notes to the separate financial statements, which include a summary of significant accounting policies and other explanatory notes.

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

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 *Auditors' Responsibility for the Audit of the Separate 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) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the '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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

<table>
<tr><th colspan="2">Impairment allowance for finance lease receivables, loans and advances to customers</th></tr>
<tr><td colspan="2"> The gross amount of finance lease receivables as at 31 December 2021: EUR 2 960 (31 December 2020: EUR 3 690 thousand); reversal of impairment allowances on finance lease receivables recognised in 2021: EUR 349 thousand (in 2020: EUR 201 thousand); total impairment allowance as at 31 December 2021: EUR 394 thousand (31 December 2020: EUR 743 thousand).
The gross amount of loans and advances to customers as at 31 December 2021: EUR 4 331 thousand (31 December 2020: EUR 11 381 thousand); reversal of impairment allowances on loans and advances to customers recognised in 2021: EUR 1 185 thousand (in 2020: EUR 596 thousand); total impairment allowance as at 31 December 2021: EUR 802 thousand (31 December 2020: EUR 1 987 thousand).
We refer to the separate financial statements: Note 2 and Note 3 (accounting policy), Notes 7, 18 and 19 (financial disclosures). </td></tr>
<tr><td>Key audit matter</td><td>How we addressed the key audit matter</td></tr>
<tr><td> Finance lease receivables, and loans and advances to customers, collectively (“exposures”), represent approximately 10% of the Company's assets as at 31 December 2021. Related impairment allowances represent the Management Board’s best estimate of the expected credit losses associated with those exposures at the reporting date.
The Company estimates impairment allowances under the expected credit losses (ECLs) model of IFRS 9, considering multiple scenarios. In the process, the exposures are assigned to one of three stages. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 exposures being those where a significant increase in credit risk since origination (“SICR”) has been observed. Stage 3 loans are non-performing exposures. The ECLs for all are determined collectively, by applying modelling techniques, based on the historical pattern of losses and changes in the exposures’ risk characteristics, adjusted by relevant forward-looking information. Key parameters within the model include those in respect of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). </td>
<td> Our procedures in the area included, among others:

inspecting the Company’s ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged whether the level of the methodology’s sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;
testing selected key controls over the approval and recording of lease receivables and loans, and also those over the management review and approval of the key ECL model inputs and outcomes;
assisted by our own information technology (IT) specialists, testing the application and general IT controls related to the ECL estimation process, data flows between source systems and calculation of days past due;
independently assessing and challenging the forward-looking information used in the ECL model, by means of corroborating inquiries of the
</td></tr>
</table>

Timely identification of exposures with significant increase in credit risk and those credit impaired also requires significant management judgment. Due to the above factors, and further alleviated in the current uncertain economic environment as a result of COVID-19 pandemic effects, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.	Board of Directors with the assistance of our own financial risk management specialists and inspection of publicly available information; • challenging the LGD, PD and EAD parameters in the model, by inspecting the Company's experience studies, assessing any changes thereto in 2021 and making related inquiries of the Management Board and relevant credit risk personnel; • assessing the appropriateness of the Company's staging of exposures, including identification of exposures with SICR. Considering COVID-19 pandemic outbreak impact and the related increase in granted forbearances and payment holidays we also challenged the identification of SICR for exposures that have been subject to any of the forbearance options offered by the Company. As part of the procedure, we also tested the appropriateness of the impairment rates applied in the model for exposures in a given stage; • critically assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage; • assessing the adequacy of the Company's disclosures on the loss allowances and credit risk management in the notes to the separate financial statements.

<table>
<tr><td colspan="2">Interest income recognition from finance lease receivables and loans and advances to customers</td></tr>
<tr><td colspan="2"> Interest income from finance lease receivables in 2021: EUR 1 084 thousand (in 2020: EUR 1 391 thousand); Interest income from loans and advances to customers in 2021: EUR 1 514 thousand (in 2020: EUR 5 260 thousand). We refer to the separate financial statements: Note 2 (accounting policy), Note 4 (financial disclosures). </td></tr>
<tr><td>Key audit matter</td><td>How we addressed the key audit matter</td></tr>
<tr><td> Interest income from finance lease receivables and loans and advances to customers represented 34% of the Company's total interest income for the year ended 31 December 2021. The calculation of interest income relies on the application of complex information technology systems, which process substantial amounts of data requiring frequent updates. In addition, interest income to be recognized is determined using the effective interest rate ("EIR") method. In making the determination, the Company applies a model whereby manual adjustments are made to the interest amounts calculated in an automated manner based on contractual interest rate, to reflect incremental costs incurred in securing the underlying lease and loan contracts in the measurement of the EIR and resulting interest income recognized in profit or loss. The above complexities increase the risk of a material error in the recognition of interest income and, because interest income represents one of the Company's key performance indicators, there is an inherent risk that the timing of recognition and the amounts recognized could be manipulated to meet specific targets or expectations. In the wake of the above factors, we considered interest income recognition to be associated with a significant risk of material misstatement due to both error and fraud. Therefore, the area required our </td><td> Our procedures in the area included, among others: obtaining understanding of and evaluating the Company's interest income recognition policies against the requirements of the relevant financial reporting standards;
testing the design and implementation of selected key controls within the interest recognition process, including those over application of appropriate contractual interest rates and other contractual terms in the interest income recognition process and review, and approval of manual accounting entries to measure EIR;
assisted by our own IT specialists. testing IT general controls and selected key process level controls for the systems supporting the automated element of the interest income calculation, using contractual (nominal) interest rates;
in respect of the internal reports and computations for manual adjustments to recognized interest income, testing the mathematical and logical accuracy of the reports and computations and, on a sample basis, tracing selected data inputs used in the reports, as follows:
commissions – by reference to supporting counterparty invoices;
interest rate implicit in the lease, principal outstanding at the year</td></tr>
</table>

increased attention in the audit and as such was determined to be a key audit matter.	end and remaining lease term - by reference to the terms of the underlying finance lease and loan agreements; • examining whether the interest income-related disclosures in the separate financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

<table>
<tr><th colspan="2">Impairment of investment in and loan issued to the subsidiary</th></tr>
<tr><td colspan="2">The carrying amount of investment in the subsidiary as at 31 December 2021: EUR 5 500 thousand (31 December 2020: EUR 5 500 thousand); loan issued to the subsidiary as at 31 December 2021: EUR 6 978 thousand (31 December 2020: EUR 5 620 thousand); related impairment allowances recognized as at 31 December 2021 and as at 31 December 2020, and impairment loss for the year then ended: nil (31 December 2020: nil).

We refer to the separate financial statements: Note 2 and 3 (accounting policy), Note 34 and 35 (financial disclosures).</td></tr>
<tr><td>Key audit matter</td><td>How we addressed the key audit matter</td></tr>
<tr><td>As at 31 December 2021, the Company, in its separate financial statements, carried an investment in its subsidiary, Renti JSC ("Renti"). The investment is accounted for at cost less any related impairment losses. In 2019, the Company provided Renti with a loan up to the amount of EUR 10 000 thousand and with maturity in 2024.

Under the relevant financial reporting standards, at the end of each reporting period, management is required to assess whether there is any indication that investments in subsidiaries may be impaired The indications may include significant current and past losses, negative equity or below-budget performance.

Based on the assessment, management identified impairment triggers in respect of the investment in Renti, as discussed in Note 35. As a result, the Company estimated the recoverable amount the investment, by reference to its value-in-use, using a discounted cash flow model. As at the reporting date, the Company also assessed its loan receivables from Renti for impairment, using the expected credit loss model, including the assessment of whether there is significant increase in credit risk and consequential need to classify the exposure as Stage 2 or Stage 3 per IFRS 9.

The determination of the investment's recoverable amount and the expected</td><td>Our procedures in the area, performed with the assistance from our own valuation specialists, included, among others:

• testing the design and implementation of controls over impairment testing process, including those over the review and approval of the key assumptions applied in the impairment testing and of the test outcomes;

• assessing the appropriateness of impairment testing methods applied to the assets in question, against the requirements of the relevant financial reporting standards and current market practice;

• evaluating the reasonableness of the Management Board's judgment as to the existence of impairment indicators and significant increase in loan credit risk. This included, but was not limited to, discussing the subsidiary's performance with the Company's finance function officers, and assessing its strategy and historical profitability;

• challenging the key assumptions applied in the impairment tests, as follows:

— terminal flow growth rate - by reference to historical financial performance of other related companies, assessed quality of budgeting process, past and expected future market developments;

— discount rates - by assessing whether the cost of debt and cost of equity</td></tr>
</table>

credit losses for the loan receivable requires the Management Board to make subjective judgements, including those in respect of the subsidiary's future operating cash flows, growth rates and discount rates, and is therefore associated with significant estimation uncertainty. Due to the above, we determined impairment assessment in respect of the investment in subsidiary and the loan receivable therefrom to be associated with a significant risk of a material misstatement that required our increased attention in the audit. As such, the area was considered by us to be a key audit matter.	used are within the reasonable range, given Renti's industry, risk profile and financial position; — other key inputs, such as estimates of free cash flows in the first 5 years of operation by inquires of the Management Board members and inspection of supporting documentation (including approved budgets); • performing an independent sensitivity analysis of impairment test' results to changes in key assumptions, such as, primarily, terminal growth and discount rates; • considering the adequacy of the Company's disclosures related to the assumptions and significant judgements used in estimating the recoverable amounts of the investment in subsidiary and the loan issued thereto.

Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4 and 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Statement of Corporate Governance for 2021, as set out in separate statement provided by JSC Mogo management and available on the Nasdaq Baltic exchange website https://nasdaqbaltic.com JSC Mogo, section *Reports*,

Our opinion on the separate financial statements does not cover the other information included in the separate 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 Related to Other Information* section of our report.

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

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, in all material respects:

- the information given in the Management Report for the financial year for which the separate financial statements are prepared is consistent with the separate 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.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

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

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

In preparing the separate 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.

Auditors' Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 separate 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 separate 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 5 October 2021 to audit the separate financial statements of JSC Mogo for the year ended 31 December 2021. Our total uninterrupted period of engagement is 3 years, covering the year ended 31 December 2019, 31 December 2020 and 31 December 2021.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs), referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit, which have not been disclosed in the Management Report or in the separate financial statements of the Company.

Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report

In addition to our audit of the accompanying separate financial statements, as included in the Annual Report, we have also been engaged by the management of the Company to express an opinion on compliance of the separate financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance for the ESEF Report

Management is responsible for the preparation of the separate financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF. This responsibility includes:

— the preparation of the separate financial statements in the applicable xHTML format;
— the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

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

Auditors' Responsibility for the Examination of the ESEF Report

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things, evaluating the appropriateness of the format of the financial statements.

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

Opinion

In our opinion, the ESEF Report of the Company as at and for the year ended 31 December 2021 has been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Baltics SIA
Licence No. 55

Armine Movsisjana
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 178
Riga, Latvia
2 May 2022

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP