JOINT STOCK COMPANY RENTI

(UNIFIED REGISTRATION NUMBER 40203174147)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(3rd financial year)

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

Riga, 2022

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General information

Name of the Company	AS “Renti”
Legal status of the Company	join-stock company
Unified registration number, place and date of registration	40203174147 10th October 2018 Rīga
Legal and postal address	Skanstes street 52, Riga, LV-1013
Board Members	Krišjānis Znotiņš, Chairman of the Board from 14th March 2019 Aivis Lonskis, Board member from 25th February 2020 to 8th June 2022
Council Members	Māris Kreics, Chairman of the Council from 28th May 2020 Vladislavs Mejertāls, Deputy chairman of the Council from 28th May 2020 Kārlis Bērziņš, Council Member from 28th May 2020
Parent company details	AS “mogo” Participation in the capital: 100% Skanstes street 52, Riga, LV-1013
Financial year	1 January – 31 December 2021
Auditors	Irita Cimdare Latvian Certified Auditor Certificate No 103 BDO ASSURANCE SIA 15-3B Kaļķu street Latvia, LV – 1010 License No 182

Management report

Type of activity

AS Renti (hereinafter the Company) is one of the largest long-term car rent companies in Latvia. The company was founded in October 2018 and since its establishment has occupied a different position in the long-term rental market, providing affordable used car long-term rental. The service provided by the company is in direct competition with leasing service providers, changing the car buying habits of customers. Until December 2021, the Company continued to purchase used cars from more than 220 partners in Riga and the regions, which were passed on to customers on long-term lease. Since December 2021, the Company has only offered its existing fleet to customers and has not purchased new cars for the traditional Renti long-term rental business model. These cars are offered for long-term lease or purchase.

Cars can be viewed and received for long-term rental use at AS Renti's car sales area at Maskavas street 469c. On average, there are slightly under 300 cars in the Renti sales area, of which around 200 are available to customers for long-term rental and around 100 are being prepared or sold to buyers for spare parts sales. The shopping area is located among other used car sales areas in “Rumbula”, which together form the largest offer of used cars in Latvia. This place attracts potential car buyers from Riga and other Latvian cities, thus it is successful for offering a long-term car rental service. Information about rental products and the cars available at the Renti sales area can be found on the Renti.lv website.

In December 2021, the Company launched a new car subscription product, Renti plus. The product has been created to keep pace with mobility developments in Europe and worldwide. Renti plus offers customers both individuals and legal entities the opportunity to subscribe to a new car with a full range of services included (insurance, maintenance, tire change, etc.) for a period of 1-36 months. Cars are purchased and available immediately. Three types of subscriptions provide flexible and customer-friendly terms of use. The types of subscriptions and the range of cars can be viewed on the Rentiplus.lv website. The company will increase the sales of Renti plus, while simultaneously reducing the number of cars available for long-term rental of traditional Renti, as already described above.

Brief description of the Company's activities during the year under review

The turnover of AS Renti has grown during the reporting period, reaching EUR 6.5 million (+5% compared to 2020). In 2021, the Company concluded 90 new long-term lease contracts on average per month, reaching around 4 000 active customers at the end of the year (the same as in 2020). As a result of car depreciation, the total value of the rental car fleet decreased to EUR 10.7 million. The number of active customers has remained at the level of 2020.

The company closed the reporting year with EUR 922 thousand losses (1.6 times loss reduction compared to 2020) and EUR 2.7 million EBITDA (1.4 times increase compared to 2020).

In order to improve the company's profitability in 2021, work was continued on improving the principles of customer evaluation, as well as revised criteria for the technical quality and suitability of cars before they are purchased for the rental product. The changes made have made it possible to significantly reduce the company's loss level, and continuous work on improving the Company's efficiency continues.

Comparing the number of car rent issued by AS Renti with used cars financed or leased on the Latvian leasing market in the group older than 2 years, AS Renti has maintained its position as one of the largest market participants with an average 10% market share.

Future development of society

Renti expects to be profitable within 2-3 years. Further improvement in results is expected based on further improvement in the quality of the long-term rental customer portfolio and the market penetration of the new Renti plus product.

Management report (cont’d)

Impact of COVID-19

In the conditions of economic uncertainty caused by the COVID-19 pandemic, the overall size of the used car market has fluctuated, but on an annual basis, activity has exceeded the level of 2020. Customer demands for solutions to short-term solvency problems remain, especially when new restrictions are introduced. The company has developed solutions for clients to overcome short-term financial difficulties. In addition, cost reduction and control measures and work with our customers are continued. The Latvian government has decided to cancel the most important restrictions related to COVID-19 on April 1, 2022. A faster rise in the used car market is expected, as well as a gradual improvement in the solvency of customers.
Employees of the company, who do not directly participate in the delivery or acceptance of the car, are provided with the opportunity to work remotely, if necessary. The employees who provide the reception and delivery of cars are provided with the highest security measures to avoid the possible risk of infection with COVID.

Events after the last day of the reporting year

In 2022, the European Union and other countries introduced a number of significant sanctions against Russia and Belarus, companies of these countries, companies in other countries, officials, businessmen and other persons in connection with the hostilities in Ukraine, which began on February 24, 2022. The introduced sanctions and restrictions and the impact of hostilities create economic uncertainty in the world and in Latvia. The exact impact of sanctions, restrictions and hostilities on the Company's economic activity in 2022 cannot be predicted, but the Company believes that the sanctions and restrictions introduced after the date of the financial report and the consequences of hostilities will not significantly affect the Company's activities either directly or indirectly, as the Company operates in the Latvian market. This assumption is based on the information available at the date of signing the financial statement, and the impact of future events on the Company's operations in the future may differ from the Company's assessment.

Proposals for using the Company's profits or covering losses

The Company's losses are expected to be covered by profits in future years. The parent company AS "mogo" will continue to provide additional resources for the further development of the Company.

Krišjānis Znotiņš
Chairman of the Board

December 16 2022

Financial statements

Statement of Comprehensive income

	Notes	2021 EUR	2020 EUR
Revenue from contracts with Customers	4	6 543 201	6 240 662
Cost of Sales	5	(3 559 871)	(3 856 686)
Gross profit		**2 983 330**	**2 383 976**
Selling expense	6	(130 512)	(38 481)
Administrative expense	7	(1 663 891)	(1 085 827)
Other operating revenue	8	1 013 867	839 986
Other operating expense	9	(1 904 954)	(2 532 731)
Other interest and similar income	10	4 449	4 024
a) from related companies		-	-
b) from other persons		4 449	4 024
Interest and similar charges	11	(1 220 609)	(1 012 795)
a) from related companies		(808 705)	(598 445)
b) from other persons		(411 904)	(414 350)
Loss before corporate income tax		**(918 320)**	**(1 441 848)**
Corporate income tax for the reporting year	12	(3 584)	(482)
Loss for the reporting year		**(921 904)**	**(1 442 330)**

The accompanying notes form an integral part of these financial statements.

Krišjānis Znotiņš
Chairman of the Board

Linda Misule
Chief Accountant

December 16 2022

Statement of Financial Position

	Notes	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Non-current assets				
Intangible investments				
Concessions, patents, licences, trademarks and similar rights	13	-	41	113
Total intangible investments		**-**	**41**	**113**
Fixed assets				
Rental fleet	14	10 699 741	14 549 784	13 492 048
Right-of-use assets	14	104 360	153 606	257 155
Other fixed assets and inventories	14	6 686	7 672	11 142
Total fixed assets		**10 810 787**	**14 711 062**	**13 760 345**
Total non-current investments		**10 810 787**	**14 711 103**	**13 760 458**
Current assets				
Receivables				
Trade receivables	15	254 187	389 129	142 920
Receivables from related parties	16	796	557	3 100
Other receivables	17	15 118	2 611	988
Deferred expenses	18	166 635	599 325	1 167 187
Accrued income	19	279 251	296 136	286 930
Total debtors		**715 987**	**1 287 758**	**1 601 125**
Cash and cash equivalents	20	**212 496**	**61 427**	**105 996**
Total current assets		**928 483**	**1 349 185**	**1 707 121**
Total assets		**11 739 270**	**16 060 288**	**15 467 579**

The accompanying notes form an integral part of these financial statements.

Krišjānis Znotiņš
Chairman of the Board

Linda Misule
Chief Accountant

December 16 2022

Statement of financial position

	Note	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Equity				
Share capital	21	5 500 000	5 500 000	5 500 000
Other reserves	33	(271 613)	(611 075)	(666 692)
Uncovered losses:				
uncovered losses from previous years		(3 304 896)	(1 415 463)	-
loss for the reporting year	22	(921 904)	(1 442 330)	(1 415 463)
Total equity	22	**1 001 587**	**2 031 132**	**3 417 845**
Provisions				
Provisions for financial guarantees	33	257 411	322 677	63 548
Total provisions for financial guarantees		**257 411**	**322 677**	**63 548**
Non-current liabilities				
Long-term creditors				
Funding attracted through peer-to-peer platforms	23	2 093 636	5 852 526	3 647 064
Amounts owed to related companies	25	6 978 212	5 620 212	3 950 921
Lease liabilities for right-of-use assets	24	58 018	108 247	178 935
Total non-current liabilities		**9 129 866**	**11 580 985**	**7 776 920**
Current liabilities				
Funding attracted through peer-to-peer platforms	23	814 153	840 957	2 551 972
Advance payments from customers		105 854	127 471	118 849
Trade payables		45 078	36 725	28 542
Payables to related parties	25	93 332	659 370	554 576
Taxes payable	26	59 927	175 762	46 320
Other liabilities	27	9 968	9 050	15 887
Lease liabilities for right-of-use assets	24	50 230	48 765	80 987
Accrued liabilities	28	171 864	227 394	236 133
Total short-term creditors		**1 350 406**	**2 125 494**	**3 633 266**
Total creditors		**10 480 272**	**13 706 479**	**11 410 186**
Total liabilities		**11 739 270**	**16 060 288**	**14 891 579**

Krišjānis Znotiņš
Chairman of the Board

Linda Mišule
Chief Accountant

Statement of cash flows

	Notes	2021 EUR	2020 EUR
Cash flows to/ from operating activities			
Profit before tax		**(921 904)**	**(1 442 330)**
Adjustment for:			
Amortisation and depreciation	14	2 353 887	2 271 202
Taxes accrued	26	1 006 682	969 532
Disposals of property, equipment and intangible assets	14	4 946 092	5 769 299
Impairment expenses	14,15	125 119	721 815
Financial guarantees	33	(172 907)	(261 254)
Decrease/ (increase) in accrued liabilities		432 690	567 862
Increase / (decrease) in accrued liabilities		(55 530)	(8 739)
Decrease/ (increase) in accrued income	19	16 885	(9 206)
		7 731 014	**8 578 181**
Adjustment for:			
(Increase)/ decrease in trade receivables, contract assets and prepayments		135 482	(871 575)
Increase/ (decrease) in trade and other payables, contract liabilities and refund liabilities		(578 384)	114 762
Cash generated to /from operations, gross		**7 288 112**	**7 821 368**
VAT and other taxes paid		(1 122 085)	(839 866)
Corporate income tax paid	12	(432)	(224)
Net cash flows to/ from operating activities		**6 165 595**	**6 981 278**
Cash flows to/ from investing activities			
Purchase of property and equipment and other intangible assets	**13,14**	(3 538 068)	(9 086 675)
Net cash flows to/ from investing activities		**(3 538 068)**	**(9 086 675)**
Cash flows to/ from financing activities			
Increase from borrowings		2 166 705	2 267 736
Repayments for borrowings		(3 373 790)	908 797
Interest paid		(1 220 609)	(1 012 795)

Repayment of lease liabilities for right-of-use assets	(48 764)	(102 910)
Net cash flows to/ from financing activities	**(2 476 458)**	**2 060 828**
Change in cash and cash equivalents for the year	**151 069**	**(44 569)**
Cash and cash equivalents at the beginning of the year	**61 427**	**105 996**
Cash and cash equivalents at the end of the year	**212 496**	**61 427**

The accompanying notes form an integral part of these financial statements.

Krišjānis Znotiņš
Chairman of the Board

Linda Misule
Chief Accountant

December 16 2022

Statement of changes in equity

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2020	**5 500 000**	**(666 692)**	**(1 415 463)**	**3 417 845**
Increase / decrease in reserve balance		55 617		55 617
Profit for the reporting year			(1 442 330)	(1 442 330)
Total comprehensive income recognized in the reporting year	-	-	(1 442 330)	(1 442 330)
Balance as at 31 December 2020	**5 500 000**	**(611 075)**	**(2 857 793)**	**2 031 132**
Increase / decrease in reserve balance		339 462		339 462
Profit for the reporting year			(921 904)	(921 904)
Other comprehensive income			(447 103)	(447 103)
Total comprehensive income recognized in the reporting year			(1 369 007)	(1 369 007)
Balance as at 31 December 2021	**5 500 000**	**(271 613)**	**(4 226 800)**	**1 001 587**

[1] For information on transaction with shareholders see Note 21.

The accompanying notes form an integral part of these financial statements.

Krišjānis Znotiņš
Chairman of the Board

Linda Misule
Chief Accountant

December 16 2022

Notes to the financial statements

(1) Corporate information

AS Renti (the "Company") are located in Latvia. The Company was incorporated on October 10, 2018 as a joint stock company for an unlimited duration, subject to general company law.

The Parent company of AS Renti is AS mogo, reg. No. 50103541751. The Parent Company has 100% participating interest in AS Renti.

The company's activities are long- term and short- term car rent and sales of cars and other light vehicles.

The Financial statements of 2021 have been approved by decision of the Board of Directors on December 16 2022.

(2) Summary of significant accounting policies

a) Basis of preparation

These 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 financial statements 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 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 financial statements, when determinable. See Note 3.

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

The Companies presentation and functional currency is euro (EUR). The financial statements cover the period from 01 January 2020 till 31 December 2021. Accounting policies and methods are consistent with those applied in the previous years.

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.

Transition to IFRS

Financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2021, the Company prepared its financial statements in accordance with Latvian generally accepted accounting principles (Latvian GAAP).

(2) Summary of significant accounting policies (continued)

Transition to IFRS (continued)

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2020, the Company's date of transition to IFRS.

No extra adjustments haven't been made during financial statement preparation in accordance with IFRS as Company balance sheet items "Right-of-use assets", "Lease liabilities" and "Provisions for financial guarantees", which are recognized and assessed in accordance with International Financial Reporting Standard No. 16 "Lease" and No. 9 "Financial instruments" requirements.

Going concern

These financial statements are prepared on the going concern basis.

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

The following new and amended standards are not expected to have a significant impact on the financial statement.

— 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.

c) 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 consist 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, licenses 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.

(2) Summary of significant accounting policies (continued)

Property and equipment (continued)

Amortization 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 cashgenerating 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 profit and loss and other comprehensive income in the year the item is derecognized

Rental fleet

Rental fleet includes assets leased by the Company under operating leases. The Company accounts for the underlying assets in accordance with IAS 16. Depreciation policy for the underlying assets subject to operating leases is consistent with the Company's depreciation policy for similar assets (vehicles) and amounts to 7 years.
Company adds initial direct costs, including The Global Positioning System (GPS) costs and dealership commissions, incurred in obtaining the operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income. Company applies the general principles described under 'Significant accounting judgments, estimates and assumptions' (Note 3) to determine whether an underlying asset subject to an operating lease may have residual value unrecoverable and impairment loss may need to be recognized.

Impairment of financial assets other than loans and advances

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

In 2021 for vehicle rental product the Company changed the benchmarked general approach and estimates ECL based on simplified approach. Simplified approach for ECL calculation is justified by product nature – for trade receivables provision matrix can be applied. A provision matrix is nothing more than applying the relevant loss rates to the trade receivable balances outstanding.
The Company do not consider forward looking macro-economic factor for vehicle rental product, as for short term trade receivables the determination of forward-looking economic scenarios is less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses.
To use provision matrix, approach the Company determine grouping for receivables based on delay days and debt collection strategy and apply discounted historical recovery rates for each bucket separately.

For the sake of more accurate ECL assessment the Company divides portfolio into buckets based on DPD and debt collection stages, as debt collections process triggers important milestones that affect recoverability of the receivable.
The DPDs are splited into periods by days - by ageing:

- current
- 1-30 DPD (Bucket consists of receivables 1 to 30 days past due date)
- 61-90 DPD (Bucket consists of receivables 61 to 90 days past due date)
- 91-180 DPD (Bucket consists of receivables 91 to 180 days past due date)
- >=180 DPD (Bucket consists of receivables equal or above 180 days past due date)

(2) Summary of significant accounting policies (continued)

Impairment of financial assets other than loans and advances (continued)

We can observe that each of the agreements (Client) is classified in the specific bucket, based on the days past due the last monthly payment of agreement:

- Current (All of payments from Customer are received up to date, no overdue payments or other mistakes are observed)
- 1-30 DPD (Rent payment is overdue for 1-30 days past due)
- 31-60 DPD (Rent payment is overdue for 31-60 days past due)
- active settlement agreement
- for repossession
- for sale
- payment schedule
- inkasso
- unsecured in process
- low probability of recovery, which further is divided into 13 more classifications in order to understand if there is a chance to receive the recovery or if cession is possible.

For active agreements historical cure rates are used, which represents recovery in certain period since the agreement started delaying particular number of days. Cure Rate shows how many delaying invoices were recovered during time horizon. Horizon which is taken for recovery is 60 days corresponding early debt collect stage.

For terminated agreement triangle recovery matrix is used, which represents recovery by months since the agreement got particular debt collection status. Horizon over which recovery is calculated is called horizontal window, and its length depends on the length of the representative history. To avoid seasonality fluctuations recovery of the last ‘n’ available months (vertical window) is summed in each respective month of horizontal window. Length of vertical window depends on the stability of business processes and can be shorter than 12 months (full calendar year), if such horizon includes not comparable from underwriting, pricing, and product prospective periods. However, vertical horizon should not be shorter than 3 months. For agreements prepared for cession, historical cession price is used discounted by average days till cession.

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`s 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. The Group’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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company’s financial liabilities include trade and other payables, loans and borrowings.

(2) Summary of significant accounting policies (continued)
Financial liabilities (continued)

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 recognized 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.

Right-of-use assets

Initial recognition

At the commencement date of the lease, the Company recognizes 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 Group; and
- an estimate of costs to be incurred by the Group 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

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 recognized 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 Group`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's involvement with the underlying asset before the commencement date

If the 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. Group 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.

(2) Summary of significant accounting policies (continued)

Right-of-use assets (continued)

For leases qualifying as short-term leases and/or leases of low-value assets, the Company does not recognize a lease liability or right-of-use asset. The Company recognizes 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. 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.

Cash and cash equivalents

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

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

Transactions with peer-to-peer platforms

Background

The Company, as loan originator, has signed cooperation agreements with operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreements 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 Companie’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.

(2) Summary of significant accounting policies (continued)

Transactions with peer-to-peer platforms (continued)

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Company (Note 23). 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 statement of financial position caption Funding attracted through peer-to-peer platform (Note 23) 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.

Group 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 Companies' 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 based on IFRS 9. Therefore, the Companies' 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 expenses calculated using effective interest method (Note 23).

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 Group'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 19) 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.

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 Group.

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.

(2) Summary of significant accounting policies (continued)

Provisions (continued)

Where the Group 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 profit or loss 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.

Recognition of 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 from contracts with customers (Rental revenue)

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because Company controls the goods or services before transferring them to the customer.

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.

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. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.
The financial statements include the current income tax of subsidiaries located in Latvia. The income tax rate in Latvia is 20%. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.
No provision is recognized for income tax payable on a dividend distribution before dividends are declared but information on the contingent liability is disclosed in the notes to the financial statements.
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.

(2) Summary of significant accounting policies (continued)

Related parties (continued)

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 following conditions applies:
• The entity and the reporting entity are members of the same group (which means that each parent, and fellow 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.

Fair value measurement

The Company measures non-financial assets such as biological assets, at fair value at each balance sheet date.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(2) Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

The Company's Management determines the policies and procedures for both recurring fair value measurement, such as biological assets, and for non-recurring measurement.

At each reporting date, the Company's Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company's Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group 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.

Subsequent events

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

(3) Summary of significant accounting policies

The preparation of the 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 Companies's ability to continue as a going concern, while significant areas of estimation used in the preparation of the financial statements relate to impairment evaluation of financial assets and rental fleet and fair value of financial guarantees. Although these and other estimates described in this section 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 Companies's accounting policies, management has made the following key judgements and applied estimates, which have the effect on the amounts recognized in the financial statements:

Going concern

These financial statements are prepared on going concern basis.

Valuation of rental fleet

The Company assesses at each reporting date whether there is an indication that the expected residual value of the rental fleet asset at the end of the current rental period may not be recoverable. The residual value is an estimate of the amount that could be received from disposal of the vehicle at the reporting date if the asset were already of the age and in the condition that it will be in when Company expects to dispose of it (i.e. after expiration of the ultimate lease period, if any). Therefore, if any indication exists, in order to determine the recoverable amount for rental fleet assets, the management uses valuation models based on two methods primarily depending from the status of the lease agreement:
1) value in use (VIU) - for assets with active lease agreements; and
2) fair value less costs of disposal (FVLCOD)- for assets with inactive lease agreements.
VIU is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a weighted average cost of capital (WACC) rate which is 13.52%.

(3) Summary of significant accounting policies (continued)
Valuation of rental fleet (continued)

In measuring VIU the Company bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset covering in a total 7-year period.
For assets with an active and inactive lease agreement, the Company applies probability-weighted scenarios in determining the possible future cash flows. These scenarios for CGU with the active lease agreements are (a) the probability the lease agreement will end in its full term, (b) the probability the lease agreement will be early repaid by the client, (c) the probability that the lease agreement will be terminated and the vehicle returned to the Company, and (d) the probability that the lease agreement will be terminated and the vehicle will be lost. The scenarios for CGU with the inactive lease agreement are (a) the probability the vehicle will be issued in the active lease agreement, and (b) the probability the vehicle will be disposed of. The outcome of the probability-weighted scenario has been determined based on the Companies' historical data.
According to management assessment, for the scenarios when the asset value is expected to be recovered through continuing use of rather than sale transaction, VUI method has been applied. For the scenarios when the asset carrying amount is expected to be recovered principally through disposal, the Company determines the residual value based on FVLCOD method. Assumptions applied for determination of the FVLCOD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. In addition, management considers whether events after the reporting year indicate a decline in the sales prices of such assets. Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash generating unit, excluding finance costs and income tax expense.
For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revaluated amount, in which case the reversal is treated as a revaluation increase. As at 31 December 2021 and 2020 the Company recognized impairment of rental fleet see Note 14. Sensitivity analysis of the residual value of the leased fleet is disclosed in Note 14.

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 Companies 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 level. As per Company's assessment each of the Comapny's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Company results.

(4) Revenue from Contracts with Customers

Turnover is the revenue obtained during the year from the Company's principal activity of providing services- provision of services without value added tax, minus discounts.

Type of activity

	2021 EUR	2020 EUR
Rental income	6 543 201	6 240 662
	6 543 201	**6 240 662**

Breakdown of net turnover by geographical markets:

	2021 EUR	2020 EUR
Latvia	6 543 201	6 240 662
	6 543 201	**6 240 662**

(5) Cost of Sales

The item shows the costs used to achieve the net turnover - the related costs of the services provided.

	2021 EUR	2020 EUR
Depreciation of fixed assets and amortization of intangible assets	2 304 600	2 207 203
Agent costs	459 281	995 110
Fleet maintenance costs	517 385	321 460
Personnel costs	191 510	212 181
GPS equipment maintenance costs	42 572	48 030
Office costs	22 908	13 148
Changes in vacation savings	(3 156)	(19 668)
Other costs	24 771	79 222
	3 559 871	**3 856 686**

(6) Selling costs

	2021 EUR	2020 EUR
Advertising and representation costs	130 512	38 481
	130 512	**38 481**

(7) Administrative costs

	2021 EUR	2020 EUR
Management services	536 197	500 464
Business support services *	970 409	415 850
Depreciation of fixed assets	49 246	63 999
Audit and accounting costs	33 125	42 153
Personnel costs	54 693	37 116
Office costs	11 037	16 055
Cost of server maintenance, etc.services	-	5 828
Bank fees	4 713	5 470
Changes in vacation savings	3 317	(2 184)
Professional services	630	640
Costs of legal services	524	436
	1 663 891	**1 085 827**

* As of July 1st 2020, the Company receives business support services from the Parent Company, which include services related to marketing, car valuation, debt collection, support and maintenance if IT systems, promotion of cooperation with partners and other similar services.

(8) Other operating revenue

	2021 EUR	2020 EUR
Revenue from costs reimbursed by customers	370 138	399 045
Income from financial guarantees (see note 31)	172 907	261 254
Fines received	173 977	98 190
Revenue from commissions on car sales	16 686	15 083
Revenue from OCTA services	61 899	10 829
Revenue from the sale of receivables	-	41
Other revenue	218 260	55 544
	1 013 867	**839 986**

(9) Other operating expenses

	2021 EUR	2020 EUR
Result on disposal of fixed assets, net*)	1 101 862	1 579 239
Changes in provisions for uncollectible trade receivables	(13 286)	626 286
Losses from assignment transactions**)	486 927	-
Debt collection costs	91 955	122 560
Costs related to peer-to-peer lending platform services	63 135	76 383
Fines	9 815	25 631
Write-offs of uncollectible receivables	25 573	2 217
Costs not related to economic activity	334	337
Changes in provisions for impairment of fixed assets	138 405	95 529
Other costs	234	4 549
	1 904 954	**2 532 731**

*) The company's income from the sale of fixed assets during the reporting period amounted to EUR 3,844,230, while the residual value of excluded fixed assets amounted to EUR 4,946,092, the total net result - losses EUR 1,101,862.
**) The item includes revenues from assignment transactions and the write-off of the book value of receivables disposed of as a result of assignment transactions.

(10) Other interest and similar income

	2021 EUR	2020 EUR
Interest income from other persons	4 449	4 024
	4 449	**4 024**

(11) Interest and similar charges

	2021 EUR	2020 EUR
Interest expense on borrowings from related companies	808 705	598 445
Other interest and similar charges*)	407 917	408 612
Interest expense on the right to use premises	3 987	5 738
	1 220 609	**1 012 795**

*) The remaining interest payments in the reporting year in the amount of EUR 407,917 consist of payments to the global online loan market platform holder Mintos (Mintos Finance Estonia OU).

(12) Corporate income tax for the reporting year

	2021 EUR	2020 EUR
Calculated tax according to the declaration	3 584	482
	3 584	**482**

(13) Intangible investments

	Concessions, patents, licences, trademarks and similar rights EUR
Initial value	
As at 01.01.2020.	**173**
As at 31.12.2020.	**173**
As at 31.12.2021.	**173**
Accumulated depreciation	
As at 01.01.2020.	**60**
Calculated depreciation	72
31.12.2020.	**132**
Calculated depreciation	41
31.12.2021.	**173**
Closing net carrying amount at 01.01.2020.	**113**
Closing net carrying amount at 31.12.2020.	**41**
Closing net carrying amount at 31.12.2021.	**-**

(14) Statement of movements in fixed assets

	Rental fleet	Right of use assets	Others fixed assets and inventories	Costs of creating fixed assets and unfinished construction objects	Total
	EUR	EUR	EUR	EUR	EUR
Initial value					
As at 01.01.2020.	15 041 415	327 459	13 936	-	15 382 810
Additions	9 045 289	38 482	1 008	1 896	9 086 675
Reclassification	-	-	1 896	(1 896)	-
Disposals	(6 505 249)	(131 698)	(1 896)	-	(6 638 843)
As at 31.12.2020.	**17 581 455**	**234 243**	**14 944**	**-**	**17 830 642**
Additions	3 534 554	-	3 514	-	3 538 068
Disposals	(6 123 063)	-	-	-	(6 123 063)
As at 31.12.2021.	**14 992 946**	**234 243**	**18 458**	**-**	**15 245 647**
Accumulated depreciation and impairment					
As at 01.01.2020.	**1 549 367**	**70 304**	**2 794**	**-**	**1 622 465**
Deprecation charges for the year	**2 202 559**	**63 999**	**4 572**	**-**	**2 271 130**
Disposals	**(815 784)**	**(53 666)**	**(94)**	**-**	**(869 544)**
Impairment	**95 529**	**-**	**-**	**-**	**95 529**
As at 31.12.2020.	**3 031 671**	**80 637**	**7 272**	**-**	**3 119 580**
Deprecation charges for the year	2 300 100	49 246	4 500	-	2 353 846
Disposals	(1 176 971)	-	-	-	(1 176 971)
Impairment	138 405	-	-	-	138 405
As at 31.12.2021.	**4 293 205**	**129 883**	**11 772**	**-**	**4 434 860**
Closing net carrying amount at 01.01.2020	**13 492 048**	**257 155**	**11 142**	**-**	**13 760 345**
Closing net carrying amount at 31.12.2020	**14 549 784**	**153 606**	**7 672**	**-**	**14 711 062**
Closing net carrying amount at 31.12.2021.	**10 699 741**	**104 360**	**6 686**	**-**	**10 810 787**

On December 31, 2021, the management has assessed the recoverable values of the rental car fleet, as a result of which an increase in provisions was recognized in the amount of EUR 138 405 (2020: additional provision from impairment of EUR 95 529). The company's management performed an impairment test based on future lease revenue, potential planned costs attributable to these contracts, as well as vehicle sales prices, and calculated the weighted average cost of capital (WACC 13.52%). Future cash flows for cars with active contracts at the end of December 31st, 2021 were adjusted assuming that the customers could make early repayments and/or default, for example, the car might not be repossessed or returned to the Company. The future cash flow of cars that were on the car sales floor as of December 31, 2021 was calculated with the probability that they will be issued in new rent or sold.

The recoverable amount was calculated for each cash-generating unit. Each car is defined as a cash-generating unit as the smallest group of assets that mostly each generate independent cash flow. Impairment losses were recognized where the recoverable amount of the cash-generating unit was less than its carrying amount. Total asset impairment losses amount to EUR 662 289, and they refer to fixed assets, the calculated recoverable amount of which is EUR 4 257 634.

A sensitivity analysis was performed to assess what changes in key assumptions could affect whether the carrying value of rental fleet assets exceeds their recoverable amount. If the weighted average cost of capital interest rate were to increase by 0.17% per month (2.0% per annum), but all other assumptions, including rental income, would remain unchanged, an additional impairment of EUR 51 638 would have to be recognized. The methodology of the impairment test is described in the section "Impairment of non-financial assets (lease car fleet)" (Note 1).

(15) Trade receivables

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Carrying amount of trade receivables	988 003	1 136 231	263 736
Provisions for bad and doubtful debtors	(733 816)	(747 102)	(120 816)
	254 187	**389 129**	**142 920**

Provisions for bad and doubtful debtors			
Provisions at the beginning of the period	(747 102)	(120 816)	-
Provisions for bad and doubtful debtors	(523 884)	(626 286)	(215 766)
Excludes provisions for bad debts after their foreclosure	537 170	-	94 950
Provision at the end of the period	**(733 816)**	**(747 102)**	**(120 816)**

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

2021	**current** EUR	**1-30** EUR	**31-90** EUR	**>90** EUR	**Total** EUR
Receivables for rent services	23 700	106 391	22 883	835 029	988 003
Total ECL calculated for rent services	(2 210)	(27 736)	(9 080)	(694 790)	(733 816)
% from gross trade receivables	0%	3%	1%	70%	74%

2020	**current** EUR	**1-30** EUR	**31-90** EUR	**>90** EUR	**Total** EUR
Receivables for rent services	94 452	103 981	66 354	871 444	1 136 231
Total ECL calculated for rent services	(1 728)	(7 868)	(14 870)	(722 636)	(747 102)
% from gross trade receivables	0%	1%	1%	64%	66%

For rent receivables in 2021 year ECL recognized in amount of EUR 733 816. (2020: EUR 747 102). To assess ECL for rent contacts the Group applies the same model as for finance lease portfolio and respectively benchmarks PD and LGD to the same portfolio.
Stable credit history for rent contracts is insufficient and should also be evaluated with elevated uncertainty due to effect from COVID-19 outbreak. Benchmarking ensures the most accurate estimation of ECL for rent contacts, as historical behaviour of rent portfolio is similar to finance lease portfolio. Additionally rent portfolio has the same or very similar to financial lease portfolio operational processes.

(16) Receivables from related parties

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Carrying amount of debt owed by related companies	796	557	3 100
	796	**557**	**3 100**

(17) Other receivables

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Other trade receivables	1 826	767	650
Other debtors	13 292	1 844	338
	15 118	**2 611**	**988**

(18) Deferred expenses

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Insurance	5 510	857	2 124
Press subscriptions	-	294	267
Subscription to information databases	534	-	
Other deferred charges	603	-	
Advertising services	5 300	-	
Agent services	154 688	598 174	1 164 796
	166 635	**599 325**	**1 167 187**

According to the commercial agent agreement, which was terminated on June 30, 2020, the parent company provided agent services to AS Renti with the aim of attracting new clients to AS Renti. Within the scope of this agreement, the company received various types of services, such as legal services, customer attraction, receivables management and similar services. The fee for the agent's service was determined in the amount of the agreed percentage of the total payments of the concluded lease agreement. In accordance with this agreement, AS Renti received the services of a commercial agent, listing them as future period expenses in the assets of the balance sheet, and accordingly including the expenses linearly in the period ½ of the term of the concluded agreement.

(19) Accrued income

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Accrued rental revenue	236 817	274 954	205 566
Proceeds from assignment of receivables for which invoices have not yet been issued	-	-	81 364
Accrued revenue from OCTA mediation	37 590	17 208	-
Accrued income from commissions for OCTA mediation	4 835	2 753	-
Accrued income from related companies	9	1 221	-
	279 251	**296 136**	**286 930**

(20) Cash and cash equivalents

Distribution of funds by currency:	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Cash in hand	12 263	-	21 250
Cash in bank account	200 233	61 427	84 746
	212 496	**61 427**	**105 996**

All funds are in EUR currency and kept in a current account of a credit institution registered in the Republic of Latvia without restrictions on use.

(21) Share capital

The share capital of the Company on December 31, 2021 is EUR 5 500 000 and consists of 5 500 000 shares with a nominal value of EUR 1 each.

(22) Uncovered losses

The reporting year of the Company ended with losses in the amount of EUR 921,904.

The result of the company's reporting period is losses, however, the amount of losses has decreased 1.6 times compared to 2020. Equity remains positive in the amount of EUR 1,001,587. The introduction of a new product line at the end of 2021 and the stabilization of the existing portfolio of long-term rental customers allow planning for further improvement of financial indicators. Management believes that there are no significant doubts about the Company's ability to continue its operations in the future.

(23) Funding attracted through peer-to-peer platforms

	31.12.2021	31.12.2020	01.01.2020
Long-term part	**EUR**	**EUR**	**EUR**
Other borrowings	2 093 636	5 852 526	3 647 064
	2 093 636	**5 852 526**	**3 647 064**
Short-term part			
Other borrowings	814 153	840 957	2 551 972
	814 153	**840 957**	**2 551 972**
Total other borrowings	**2 907 789**	**6 693 483**	**6 199 036**

Borrowing

The agreement on the funding raised through peer-to-peer lending platforms was signed on January 21, 2019. The repayment term of the funding raised on the peer-to-peer lending platform is equal to the lease agreement with the longest term entered into by the Company at that point in time. It bears an interest rate of 6%-9.5% per annum . The balance of the borrowing at December 31, 2021 amounts to EUR 2 907 789.

The amount repayable under the contract more than one year after the balance sheet date amounts to EUR 2 093 636 on December 31, 2021. There are no contracts repayable more than five years after the balance sheet date as of December 31, 2021.

Non-current

	Interest rate per annum (%)	Maturity	31.12.2021	31.12.2020
Funding attracted through peer-to-peer platforms	6%-10.5%	30.11.2025	2 093 636	5 852 526

Current

	Interest rate per annum (%)	Maturity	31.12.2021	31.12.2020
Funding attracted through peer-to-peer platforms	6%-10.5%	30.11.2025	8 143	8 407

(24) Lease liabilities for right-of-use assets

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Long-term part			
Lease liabilities for right-of-use assets	58 018	108 247	178 935
	58 018	**108 247**	**178 935**
Short-term part			
Lease liabilities for right-of-use assets	50 230	48 765	80 987
	50 230	**48 765**	**80 987**
Total lease liabilities for right-of-use assets	**108 248**	**157 012**	**259 922**

The company has concluded several lease agreements for the lease of premises and car sales areas. Since the Company has made a decision to apply IFRS No. 16, it has recognized the lease obligations in the estimated lease period. (Note 1 section of IFRS No. 16: "Leases").

Non-current

	Interest rate per annum (%)	Maturity	31.12.2021	31.12.2020
Lease liabilities for right-of-use assets - premises	2.14-2.96%	1-5 years	58 018	108 247

Current

	Interest rate per annum (%)	Maturity	31.12.2021	31.12.2020
Lease liabilities for right-of-use assets - premises	2.14-2.96%	1-5 years	50 230	48 65

(25) Amounts owed to related companies

a) Due to related companies

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Long-term part			
Borrowing from AS mogo*)	6 978 212	5 620 212	3 653 212
Borrowings from Mogo Finance S.A.	-	-	290 306
Accumulated interest on the loan from Mogo Finance S.A.	-	-	7 403
	6 978 212	**5 620 212**	**3 950 921**
Short-term part			
Product debt	-	22 550	700
Debt for services received	93 332	636 820	553 876
Total amounts owed to related companies	**93 332**	**659 370**	**554 576**

*) The item shows the debt to the parent company AS mogo for the received loan in accordance with the loan agreement from January 3, 2019 and its annexes. The loan is repayable until January 3, 2024, and its interest rate is 12.5% per annum. The loan balance on December 31, 2021 amounts to EUR 6 978 212.

(26) Taxes payable

Type of tax	Balance 31.12.2020 EUR	Estimated in 2021 EUR	Paid in 2021 EUR	Balance 31.12.2021 EUR
Enterprise income tax	398	3 584	(432)	3 550
Business risk state fee	5	68	(68)	5
Value added tax	154 501	900 631	(1 006 301)	48 831
Social security contributions	13 415	65 821	(74 325)	4 911
Personal income tax	7 443	36 578	(41 391)	2 630
	175 762	**1 006 682**	**(1 122 517)**	**59 927**
Including:				
Tax overpayment	-			-
Tax debt	175 762			59 927

(27) Other liabilities

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Settlement of liabilities to employees of the Company	8 831	7 932	15 582
Other creditors	1 137	1 118	305
	9 968	**9 050**	**15 887**

(28) Accrued liabilities

	31.12.2021 EUR	31.12.2020 EUR	01.01.2020 EUR
Savings for vacations	12 221	11 432	33 284
Accrued liabilities for uncollected invoices	49 192	43 636	30 379
Accrued liabilities for uncollected invoices from related parties	100 611	166 650	172 470
Accrued liability for payment of annual bonuses	9 840	5 676	-
	171 864	**227 394**	**236 133**

(29) Number of persons employed by the company

	2021	2020	2019
Average number of persons employed	16	15	26

(30) Personnel costs

Type of costs	2021 EUR	2020 EUR	2020 EUR
Remuneration for work	196 450	194 902	322 132
State social insurance contributions	46 342	46 873	77 610
Other personnel costs	3 411	7 522	18 598
	246 203	**249 297**	**418 340**

(31) Related parties, related party transactions

During the reporting year, the Company had transactions with related parties as part of its economic activity. The most important transactions and their volumes are as follows:

		Amount of the transaction		
Related party	Description of the transaction	2021 EUR	2020 EUR	2019 EUR
Parent company				
	Purchased goods	199 430	312 758	980 280
	Goods sold	67 590	32 470	92 400
	Services received	970 409	922 153	197 4374
	Services provided	17 009	15 000	-
	Other purchases	66 316	375 933	715 050
	Other sales	3 101	4 942	8 561
	Borrowings	10 542 000	4 770 000	16 565 212
	Borrowings repaid	9 184 000	2 803 000	12 912 000
	Interest expense	808 705	591 360	319 150
	Interest income	-	-	4 540
Other related companies				
	Purchased goods	-	137 287	1 379 477
	Goods sold	-	101 870	
	Services received	536 197	515 630	495 989
	Services provided	-	-	
	Other purchases	1 996	-	18 015
	Other sales	-	-	
	Loan received			290 306
	Borrowings repaid	-	290 306	-
	Interest expense	-	7 085	7 403

(32) Details of off-balance sheet commitments and pledged assets

On January 25, 2019 Renti AS and Mintos Finance Estonia OU entered into Commercial Pledge Agreement No 49/2018-P. The basic agreement is the Cooperation Agreement on the issuance of loans No. 49/2018-L concluded on January 25, 2019. Subject of commercial pledge: existing and future claim rights of the commercial pledger against Third Parties. The maximum amount of secured claims is EUR 10 000 000.

Starting from October 14, 2021, Eleving Group and some of its subsidiaries (including AS "Renti") entered into several pledge agreements with TMF Trustee Services GmbH, establishing a pledge over the shares of these subsidiaries, a pledge over the existing and future shares of these subsidiaries loan debts, pledge of trademarks from these subsidiaries, general business pledge over these subsidiaries, pledge primary bank accounts, if possible, to secure Eleving group's obligations to bondholders arising from Eleving group bonds (ISIN: XS2393240887). According to the commercial pledge agreement concluded with TMF Trustee Services GmbH, the value of the pledged assets as of December 31, 2021 is EUR 11.74 million.

(33) Provisions for financial guarantees

Changes in other reserves	2021 EUR	2020 EUR	2019 EUR
1 January	**(611 075)**	**(666 692)**	**-**
Fair value of new guarantees issued (1)	(426 046)	-	(113 134)
Derecognition of warranties (2)	611 075	-	-
Decrease in fair value of guarantees due to revaluation	154 433	55 617	(553 558)
31 December	**(271 613)**	**(611 075)**	**(666 692)**

Changes in provisions for financial guarantees			
1 January	**322 677**	**639 548**	**-**
Fair value of new guarantees issued (1)	426 046	-	113 134
Increase in expected credit losses			136 721
Decrease in fair value of guarantees due to revaluation	(154 433)	(55 617)	
Amortised to income before derecognition	(158 705)	-	(6 059)
Derecognition of warranties (2)	(163 971)		
Amortised as income on new guarantees issued	(14 203)	(261 254)	395 752
31 December	**257 411**	**322 677**	**639 548**
Financial guarantee in favour of the bondholders of Mogo Finance S.A.	**257 411**	**322 677**	**639 548**
Total recognised in other operating income (Note 6)	**(172 907)**	**(261 254)**	**(27 144)**

(1) On October 14, 2021, the Related Company entered into a financial guarantee agreement in favor of Eleving Group bondholders. The guarantee was issued to ensure Eleving Group's exposure to risk transactions following the issuance of corporate bonds ISIN XS2393240887 (as of December 31, 2021, the total nominal value of the bonds is EUR 150 million), which are listed on the open market of the Frankfurt Stock Exchange. The guarantee agreement stipulates that the Related Company irrevocably guarantees the payment of Eleving Group's obligations to the bondholders in the event that Eleving Group fails to fulfill its obligations under the terms of the prospectus. AS "Renti" joined the aforementioned financial guarantee agreement as a guarantor on October 14, 2021. AS "Renti" has not received compensation for this issued guarantee. The fair value of financial guarantees is recognized as a liability and the distribution of equity in other reserves. The amount of the financial guarantee liability is amortized as income (Note 6) in accordance with the straight-line method until the maturity date of the notes, which is October 2026.
(2) On July 9, 2018, the Related Company concluded a financial guarantee agreement in favor of Mogo Finance S.A. bondholders. The guarantee was issued to ensure Mogo Finance S.A. exposure to risk transactions following the issue of corporate bonds ISIN XS1831877755 (as of December 31, 2019 and as of December 31, 2020, the total nominal value of the bonds is EUR 100 million), which are listed on the open market of the Frankfurt Stock Exchange. The guarantee agreement stipulates that the Related Company irreversibly guarantees Mogo Finance S.A. payment of obligations to bondholders in the event that Mogo Finance S.A. a default under the terms of the prospectus will occur. AS "Renti" joined the aforementioned financial guarantee agreement as a guarantor on May 31, 2019. AS "Renti" has not received compensation for this issued guarantee. The fair value of financial guarantees is recognized as a liability and the distribution of equity in other reserves. The amount of the financial guarantee liability is amortized as income (Note 6) in accordance with the straight-line method until the maturity date of the notes, which is July 2022. On October 12, 2021, the Global Release Agreement was signed, which stipulates that all security documents (guarantees and pledges) of the old bonds will be completely terminated after the redemption of the old bonds. Pursuant to this agreement, the warranty was terminated and the remaining reserves and provisions were extinguished.

(34) Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair value:

Assets for which fair value is disclosed	Carrying value 31.12.2021 EUR	Fair value 31.12.2021 EUR	Carrying value 31.12.2020 EUR	Fairs value 31.12.2020 EUR
Other short term receivables from related parties (do not include receivables from mogo group companies)	186 589	186 589	819 836	819 836
Cash and cash equivalents	212 495	212 495	61 427	61 427
Total assets for which fair value is disclosed	**399 084**	**399 084**	**881 263**	**881 263**
Liabilities for which fair value is disclosed				
Lease liabilities for right-of-use assets	108 248	108 248	157 012	157 012
Financing received from P2P investors	2 481 603	2 481 603	6 908 073	6 908 073
Trade payables	45 080	45 080	40 481	40 481
Other liabilities	(740 349)	(740 349)	(1 008 382)	(1 008 382)
Total liabilities for which fair value is disclosed	**1 894 582**	**1 894 582**	**6 097 184**	**6 097 184**
Total liabilities measured at fair value and liabilities for which fair value is disclosed	**1 894 582**	**1 894 582**	**6 097 184**	**6 097 184**

Fair value of financial assets and liabilities (cont'd)

The table specified analysis by fair value levels as at 31 December 2021 (based on their carrying amounts):

	Level 1 31.12.2021 EUR	Level 2 31.12.2021 EUR	Level 3 31.12.2021 EUR	Level 1 31.12.2020 EUR	Level 2 31.12.2020 EUR	Level3 31.12.2020 EUR
Assets for which fair value is disclosed						
Other short-term receivables from related parties (do not include receivables from mogo group companies)	-	-	186 589	-	-	819 836
Cash and cash equivalents	212 495	-	-	61 427	-	-
Total assets for which fair value is disclosed	**212 495**	-	**186 589**	**61 427**	**-**	**819 836**
Liabilities for which fair value is disclosed						
Lease liabilities for right-of-use assets	-	-	108 248	-	-	157 012
Financing received from P2P investors	-	-	2 481 603	-	-	6 908 073
Trade payables	-	-	45 080	-	-	40 481
Other liabilities	-	-	(740 349)	-	-	(1 008 382)
Total liabilities for which fair value is disclosed	**-**	**-**	**1 894 582**	**-**	**-**	**6 097 184**
Total liabilities measured at fair value and liabilities for which fair value is disclosed	**-**	**-**	**1 894 582**	**-**	**-**	**6 097 184**

(35) Continuing operations

The Company has closed the year with a loss, with negative working capital at December 31, 2021. AS "Renti" plans to work with profit in 2-3 years. Further improvement of results is expected, based on further improvement of the quality of the portfolio of long-term rental customers and the progress of the new Renti plus product on the market.

In order to ensure the Company's liquidity, the Company has received a confirmation from the parent Company to provide financial and other support, as necessary, for the continuation of the Company's economic activity.

It is planned to cover the loss of the reporting year with the profits of the following periods.

(36) Events after the balance sheet date

In 2022, the European Union and other countries introduced a number of significant sanctions against Russia and Belarus, companies of these countries, companies in other countries, officials, businessmen and other persons in connection with the hostilities in Ukraine, which began on February 24, 2022. The introduced sanctions and restrictions and the impact of hostilities create economic uncertainty in the world and in Latvia. The exact impact of sanctions, restrictions and hostilities on the Company's economic activity in 2022 cannot be predicted, but the Company believes that the sanctions and restrictions introduced after the date of the financial report and the consequences of hostilities will not significantly affect the Company's activities either directly or indirectly, as the Company operates in the Latvian market. This assumption is based on the information available at the date of signing the financial statement, and the impact of future events on the Company's operations in the future may differ from the Company's assessment.

Krišjānis Znotiņš
Chairman of the Board

Linda Misule
Chief Accountant

December 16 2022

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Independent Auditor's Report

To the shareholder of AS "Renti"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS "Renti" (the Company) set out on pages 6 to 38 of the accompanying annual report, which comprise:

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

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

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

Emphasis of Matter

We draw your attention to the fact that these financial statements have been prepared with application of IFRS 1 "First-time Adoption of International Financial Reporting Standards", as described in the Note 2 - "Basis of preparation".
The financial statements, prepared in accordance with "Law on the Annual Reports and Consolidated Annual Reports" of the Republic of Latvia of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on June 15, 2022. Our opinion is not modified in respect of this matter.

Reporting on Other Information

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

- Company Information as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report.

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

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

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

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

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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.

BDO ASSURANCE SIA
Kalku street 15-3B, Riga, LV1050
License No 182

Irita Cimdare
Certified auditor
Certificate No 103
Member of the Board

Riga, Latvia
16 December 2022