mogo

PART OF ELEVING GROUP

Riga, 2022

Consolidated annual report

for the year ended
31 december 2021

Joint stock company MOGO
Unified registration number LV50103541751

Consolidated financial statements prepared in accordance with international financial reporting standards as adopted by the EU

Together with independent auditor's report

Signature not validated

Digitally signed by LAURA BUNKŠA
Date: 2022.04.30 21:01:26 EEST

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General information

Name of the Parent Company	mogo	
Legal status of the Parent Company	JSC	
Unified registration number, place and date of registration	50103541751, Latvia, 03.05.2012	
Registered office	Skanstes street 52, Riga, Latvia	
Shareholders		31.12.2021.
	Eleving Stella JSC (Mogo Eastern Europe JSC) from 01.09.2021.	98%
	Eleving Luna JSC (Mogo Baltics and Caucasus JSC) till 31.08.2021.	98%
	Other	2%
	TOTAL	**100%**
Ultimate parent company	Eleving Group S.A. (Mogo Finance S.A.), Luxembourg	
Board Members	Krišjānis Znotiņš - Chairman of the Board from 17.08.2020. Krišjānis Znotiņš - Member of the Board from 14.03.2019. till 17.08.2020. Aivis Lonskis - Member of the Board from 17.08.2020.	
Council Members	Valerij Petrov - Chairman of Council from 17.08.2020. Vladislavs Mejertāls - Deputy Chairman of Council from 17.08.2020. Neringa Plauškiene - Member of the Council from 17.08.2020.	
Subsidiaries	Renti JSC, Latvia (100%)	
Financial year	1 January - 31 December 2021	
Previous financial year	1 January - 31 December 2020	
Auditors	KPMG Baltics SIA Commercial license No. 55 Vesetas iela 7, Riga, Latvia, LV-1013 Certified auditor in charge Armine Movsisjana Certificate No. 178	

Management report

30 April 2022

The Directors of the Group present the report on the consolidated financial statements for the year ended 31 December 2021. All the figures are presented in EUR (euro).

General information

JSC mogo (hereinafter – the Parent company) and its subsidiary JSC Renti (together - The Group) are between leading companies in Latvia in used car financing/long term rent for a number of reasons. The Group provides quick and convenient car financing and rent services through more than 220 partners (profesional car sellers) network, Group's branded websites, mobile homepages and onsite at customer service centre located in strategic location at road traffic safety directorate (CSDD).

During the year Parent company continued to serve its existing customers, ensure stable new sales and increase service and development operations provided to JSC Renti and related company JSC Primero finance. Services include full cycle from product development to customer service and debt collection activities.

JSC Renti continued to buy used cars from partners in Riga and regions later to be rented out to customers., since December 2021 JSC Renti markets to customers only cars already acquired or returned back from rent by customers, thus not increasing total car stock available to customers. The existing operational car fleet is available for long term rent as well as purchase.

In December 2021 JSC Renti have launched new car subscription service Renti plus. Offering is developped following the Latvian market demand, as well as the developments of customer behaviour and trends in Europe and worldwide. Renti plus offers new car subscription service to private individuals and legal entities with possibility to have all car related services included in monthly subscription fee (insurance, maintenance works, tyre change, etc.) for any period of 1-36 months. JSC Renti purchase the brand new cars and make them available for customer rentals immediately. The offer to the clients is provided in a form of 3 subscription service levels which are flexible and represent different customer needs. Subscription types and cars available are displayed on www.rentiplus.lv. New subscription product is planned to become the core JSC Renti offering to its customers at the same time decreasing sales amount of used car long term rent.

Group companies continue to develop websites www.mogo.lv (mogo financing products), www.renti.lv (Renti long term rent and car sales offering) and www.autotev.lv (car portal for Groups partners official car dealers) with aim to support improvements in customer journey.

The Group complies with local laws relating to environmental protection.

Mission and values

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

Values

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

Operations and Financial Results

Total revenue of the Group including net interest on financial products and income from long term rent services reached 13.5 million euro (16% decrease compared to 2020). Income from car rent have increased by 5% comparing to 2020, reaching 6.5 million euro. Net profit of the Group amounted to 5.6 million euro, reaching same level as in 2020 (5.6 million euro).

Total assets as of 31 December 2021 amounted to 55 million (6% decrease from December 2020). At the end of 2021 gross value of the loan and lease portfolio reached 7.3 million euro (52% decrease compared to 31 December 2020), whereas car fleet decreased to 10.7 million euro (from 14.5 million in 2020).

Management report (continued)

Since establishment in 2012, this year Group have achieved highest net profit, which was secured through servicing related entities and continuing strategy of portfolio sale transactions. Performing portfolios were sold in February and July amounting to nominal amount of 6.5 million euro to JSC Primero Finance. Transactions generated 2 million euro profit and continued to strenghten liquidity and capitalisation. At the same time financing provided to related entities increased from 28 million euros at the end of 2020 to 35 million euro at the end of 2021, thus stressing Groups importance in Eleving group structure. Sufficient capitalization allowed to decrease share capital of Parent company from 5 million euro to 425 thousand euro.

On average the Group concluded 145 new customer contracts monthly, having 14% market share in used car rent and leasing. Further operational improvements in our customer service and partner account management processes were implemented, enabling us to serve our customers more efficiently. Group have improved car sale processes significantly, what enabled to decrease loss from car sales from 1.2 million euro in 2020 to 112 thousand euro in 2021. Decreasing portfolio and stable customer payment discipline have helped to decrease impairement level from 2.4 million euro in 2020 to 1.8 million euro in 2021.

Income from related parties servicing increased from 448 thousand euro in 2020 to 822 thousand euro in 2021, allowing to keep stable other operating income level at 2.4 million euros.

Historical gross underperforming portfolio in amount of 2.7 million euro, including unsecured balances and complicated cases, was sold as a result of forward flow transactions and one off cession tenders. Groups balance sheet was cleaned, having loss of 39 thousand euro.

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

The Group proceeded with various digital and offline marketing campaigns in order to promote the brand visibility and strengthen the Group brand awareness and recognition. Special focus in digital marketing was on Renti brand for long term rent services and car sale.

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

Other information

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

Starting from 2019 the Group is also preparing a non financial report.

Operational risks

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

Management report (continued)

Legal risks

Legal risks are mainly derived from regulatory changes which the Group successfully manages with the help of in-house legal department and external legal advisors that closely follow latest developments in regulatory and legal environment developments.
See Note 40 for further information.

Financial risks

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

Liquidity risk
The Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer platforms, which provides management greater flexibility to manage the level of borrowings and available cash balances. Also the Group manages its longer term liquidity need and financing activities by issuing bonds.

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

Liquidity risk
The Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer platforms, which provides management greater flexibility to manage the level of borrowings and available cash balances. Also the Group manages its longer term liquidity need and financing activities by issuing bonds.
Credit risks
The Group is exposed to credit risk through its finance lease receivables, as well as cash and cash equivalents.
The key areas of credit risk policy cover lease granting process (including solvency check of the lessee), monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals to significantly reduce credit risks.
The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria includes assessing the credit history of the customer, means of lease and loan repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each and every customer.
When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed a lease monitoring process that helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized, and, where appropriate, sufficient provisions are being made.

The Group does not have a significant credit risk exposure to any single third party counterparty, but is exposed to risks to group of counterparties having similar characteristics.
See Note 40 for more information.

The future development of the Group

The Group's management plans to continue investing in process of automation and digitalization, creating seemless digital experience to customers. The main focus areas in 2022 will be to develop the newly launched rental subscription product "Renti+", continue ensuring stable portfolio quality and providing improved customer experience for the Group's offered products and related party servicing.

Financial risk management

The Group's key principles of financial risk management are presented in the Note 40 and above.

Management report (continued)

Assessment of COVID-19 impact

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

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

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

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

Subsequent events

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

The Group's corporate governance statement for 2021 is prepared according with the requirements of the Financial Instruments Market Law part 3 of article 56.2 and is available to the public electronically on the Nasdaq Baltic webpage www.nasdaqbaltic.com.

The Parent company's shareholder has changed from Eleving Group to Eleving Stella AS in 2021 due to internal restructuring of Eleving Group. The new shareholder has decreased Parent company's share capital in December 2021.

The share capital of the Parent company is EUR 425 000 and consists of 425 000 shares as at 31 December 2021. The par value of each share is EUR 1. All the shares are fully paid.

Signed on behalf of the Group on 30 April 2022 by:

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

Statement of Management Responsibility

30 April 2022

The Group management is responsible for preparation of the consolidated financial statements.

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

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

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

Signed on behalf of the Group on 30 April 2022 by:

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

Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Notes	2021 EUR	2020 EUR
Interest revenue	**4**	6,951,645	9,880,509
Interest expense	**5**	(4,517,067)	(4,549,068)
Net interest income		**2,434,578**	**5,331,441**
Income from car rent	**6**	6,543,201	6,240,662
Fee and commission related to finance lease activities and rent contracts	**7**	651,031	581,089
Impairment expense	**8**	(1,847,759)	(2,156,835)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	**9**	2,072,246	584,633
Expenses related to peer-to-peer platforms services	**10**	(126,554)	(188,084)
Revenue from car sales	**11**	3,777,225	4,084,877
Cost of sales of cars	**11**	(3,889,443)	(5,344,165)
Selling expense	**12**	(154,229)	(112,152)
Administrative expense	**13**	(5,636,788)	(5,506,704)
Other operating income	**14**	2,415,400	2,431,010
Other operating expense	**15**	(639,596)	(379,887)
Net foreign exchange result		(42,379)	(6)
Profit before tax		**5,556,933**	**5,565,879**
Net profit for the period		**5,556,933**	**5,565,879**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Debt investments at FVOCI - net change in fair value		23,991	(23,991)
Other comprehensive income for the year		**23,991**	**(23,991)**
Total comprehensive income for the year		**5,580,924**	**5,541,888**
Profit is attributable to:			
Equity holders of the Parent Company		5,445,794	5,454,561
Non-controlling interests		111,139	111,318
Net profit for the year		**5,556,933**	**5,565,879**
Other comprehensive loss is attributable to:			
Equity holders of the Parent Company		5,469,306	5,431,050
Non-controlling interests		111,618	110,838
Comprehensive income for the year		**5,580,924**	**5,541,888**

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

Signed on behalf of the Group on 30 April 2022 by:

Krišjānis Znotiņš, Chairman of the Board

Aivis Lonskis, Member of the Board

Laura Bunkša, Chief accountant

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Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS	Notes	31.12.2021. EUR	31.12.2020. EUR
Intangible assets			
Other intangible assets	**16**	-	14,552
Total intangible assets		**-**	**14,552**
Tangible assets			
Rental fleet	**17**	10,699,741	14,549,784
Right-of-use assets	**17, 18**	707,505	1,180,256
Property and equipment	**17**	50,925	83,161
Leasehold improvements	**17**	3,804	6,322
Total tangible assets		**11,461,975**	**15,819,523**
Non-current financial assets			
Finance lease receivables	**19**	2,004,863	1,999,765
Loans and advances to customers	**20**	2,447,696	6,453,877
Loans to related parties	**36**	35,101,118	28,332,765
Other investments	**37**	20	26
Investment in debt securities	**21**	-	609,000
Trade receivables from related parties	**23**	512,164	187,315
Total non-current financial assets		**40,065,861**	**37,582,748**
TOTAL NON-CURRENT ASSETS		**51,527,836**	**53,416,823**
Receivables and other current assets			
Finance lease receivables	**19**	462,314	872,351
Loans and advances to customers	**20**	963,524	2,657,254
Loans to related parties	**36**	-	246,530
Trade receivables from related parties	**23**	868,127	355,622
Trade receivables	**25**	326,297	420,792
Prepaid expense	**24**	86,329	114,993
Other receivables	**26**	40,639	293,961
Contract assets	**27**	471,061	370,948
Cash and cash equivalents	**28**	403,812	160,318
Total receivables and other current assets		**3,622,103**	**5,492,769**
Assets held for sale	**22**	32,117	62,640
Total assets held for sale		**32,117**	**62,640**
TOTAL CURRENT ASSETS		**3,654,220**	**5,555,409**
TOTAL ASSETS		**55,182,056**	**58,972,232**

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

Signed on behalf of the Group on 30 April 2022 by:

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Aivis Lonskis, Member of the Board

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Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY	Notes	31.12.2021. EUR	31.12.2020. EUR
Share capital	**29**	425,000	5,000,000
Foreign currency translation reserve	**29**	1	1
Fair value reserve	**29**	-	(23,511)
Other reserves	**39**	(2,197,084)	(4,085,406)
Retained earnings		15,518,120	13,095,232
brought forward		10,072,326	7,640,671
for the period		5,445,794	5,454,561
Total equity attributable to equity holders of the Parent Company		**13,746,037**	**13,986,316**
Non-controlling interests		321,408	271,481
TOTAL EQUITY		**14,067,445**	**14,257,797**
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	**31**	29,205,008	-
Funding attracted through peer-to-peer platforms	**31**	4,770,954	10,629,172
Lease liabilities for right-of-use assets	**18, 31**	590,475	986,860
Loans from related parties	**31**	1,705,000	-
Total non-current liabilities		**36,271,437**	**11,616,032**
Provisions for financial guarantees	**39**	2,008,420	1,986,481
Other provisions	**30**	140,053	432,922
Total provisions for liabilities and charges and financial guarantees		**2,148,473**	**2,419,403**
Current liabilities			
Liabilities for issued debt securities	**31**	-	24,480,115
Funding attracted through peer-to-peer platforms	**31**	1,024,814	2,956,198
Loans from banks	**31**	-	1,689,826
Lease liabilities for right-of-use assets	**18, 31**	128,051	151,844
Prepayments and other payments received from customers	**32**	164,287	177,845
Payables to related companies	**36**	5,344	-
Trade payables		162,974	128,887
Corporate income tax payable		6,493	3,163
Taxes payable	**33**	105,653	278,956
Other liabilities	**34**	771,595	392,777
Accrued liabilities	**35**	325,490	419,389
Total current liabilities		**2,694,701**	**30,679,000**
TOTAL LIABILITIES		**41,114,611**	**44,714,435**
TOTAL EQUITY AND LIABILITIES		**55,182,056**	**58,972,232**

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

Signed on behalf of the Group on 30 April 2022 by:

Krišjānis Znotiņš, Chairman of the Board

Aivis Lonskis, Member of the Board

Laura Bunkša, Chief accountant

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Consolidated Statement of Changes in Equity

	Share capital EUR	Fair value reserves EUR	Currency revaluation reserve EUR	Other Reserves EUR	Retained earnings EUR	**Total equity attributable to Equity holders of the Parent Company EUR**	Non-controlling interest EUR	**Total EUR**
Balance at 01.01.2020.	**5,000,000**	**-**	**1**	**(4,769,833)**	**7,640,671**	**7,870,839**	**160,643**	**8,031,482**
Profit for the reporting year	-	-	-	-	5,454,561	5,454,561	111,318	5,565,879
Other comprehensive loss	-	(23,511)	-	-	-	(23,511)	(480)	(23,991)
Total comprehensive income for the period	-	(23,511)	-	-	5,454,561	5,431,050	110,838	5,541,888
Net result of original guarantee derecognition and recognition of modified guarantee (Note 39)	-	-	-	684,427	-	684,427	-	684,427
Total other changes in equity	-	-	-	684,427	-	684,427	-	684,427
Balance at 31.12.2020.	**5,000,000**	**(23,511)**	**1**	**(4,085,406)**	**13,095,232**	**13,986,316**	**271,481**	**14,257,797**
Balance at 01.01.2021	**5,000,000**	**(23,511)**	**1**	**(4,085,406)**	**13,095,232**	**13,986,316**	**271,481**	**14,257,797**
Profit for the reporting year	-	-	-	-	5,445,794	5,445,794	111,139	5,556,933
Other comprehensive income	-	23,511	-	-	-	23,511	480	23,991
Total comprehensive income for the period	**-**	**23,511**	**-**	**-**	**5,445,794**	**5,469,305**	**111,619**	**5,580,924**
Guarantee derecognition (Note 39)	-	-	-	4,085,406	(3,022,906)	**1,062,500**	(61,692)	1,000,808
Share capital decrease (Note 29)	(4,575,000)	-	-	-	-	**(4,575,000)**	-	(4,575,000)
Issue of financial guarantees (Note 39)	-	-	-	(3,312,896)	-	(3,312,896)	-	(3,312,896)
Decrease in fair value of the guarantees due to non-substantial modifications (Note 39)	-	-	-	1,115,812	-	1,115,813	-	1,115,813
Balance at 31.12.2021.	**425,000**	**-**	**1**	**(2,197,084)**	**15,518,120**	**13,746,037**	**321,408**	**14,067,445**

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

Signed on behalf of the Group on 30 April 2022 by:

Krišjānis Znotiņš, Chairman of the Board

Aivis Lonskis, Member of the Board

Laura Bunkša, Chief accountant

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Consolidated Statement of Cash Flows

		2021	2020
Cash flows to/from operating activities	**Notes**	**EUR**	**EUR**
Profit before tax from continuing operations		5,556,933	5,565,879
Adjustments for:			
Amortization and depreciation	**16, 17**	2,503,566	2,484,246
Interest expense	**5**	4,517,067	4,549,068
Interest income	**4**	(6,951,645)	(9,880,509)
Disposals of rental fleets		1,087,247	1,958,372
Disposals of property, equipment and intangible assets		(1,808)	6,306
Impairment expense	**8**	1,847,759	2,156,835
Financial guarantees	**39**	(1,216,319)	(1,644,583)
Rental fleet expected credit loss		138,405	-
Operating profit before working capital changes		**7,481,204**	**5,195,614**
Decrease/ (increase) in finance lease receivables, loans and advances to customers, trade and other receivables		3,460,381	6,954,555
Increase in advances received and trade payables and guarantees		908,551	1,791,152
Cash generated to/from operations		**11,850,137**	**13,941,321**
Interest received		7,909,945	9,887,589
Interest paid		(4,609,724)	(4,231,088)
Corporate income tax paid		-	(8,476)
Net cash flows to/from operating activities		**15,150,358**	**19,589,346**
Cash flows to/from investing activities			
Purchase of property and equipment and other intangible assets	**16, 17**	(681,495)	(68,610)
Purchase of rental fleets	**17**	(3,534,554)	(9,045,289)
Proceeds from sales of rental fleet		3,858,845	3,731,093
Investment in securities		632,991	(619,908)
Loan repayments received from related parties		47,576,632	30,601,745
Loans to related parties		(54,790,502)	(34,635,710)
Net cash flows to/from investing activities		**(6,938,083)**	**(10,036,679)**
Cash flows to/from financing activities			
Proceeds from borrowings	**31**	45,193,118	24,336,033
Repayments for borrowings	**31**	(47,536,108)	(33,983,759)
Payments for borrowings acquisition costs	**31**	(927,439)	-
Repayment of liabilities for right-of-use assets	**31**	(123,353)	(121,190)
Share capital decrease		(4,575,000)	-
Net cash flows to/from financing activities		**(7,968,781)**	**(9,768,916)**
Change in cash		**243,494**	**(216,249)**
Cash at the beginning of the year		160,318	376,567
Cash at the end of the year	**28**	**403,812**	**160,318**

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

Signed on behalf of the Group on 30 April 2022 by:

Krišjānis Znotiņš, Chairman of the Board

Aivis Lonskis, Member of the Board

Laura Bunkša, Chief accountant

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

Notes to the Consolidated Financial Statements

1. Corporate information

mogo JSC (the "Parent company") and its subsidiaries (together “the Group”) are located in Latvia. The Parent company was incorporated on May 3, 2012 as a joint stock company for an unlimited duration, subject to general company law.

The ultimate parent company of mogo JSC is Eleving Group S.A. (Luxembourg). The ultimate beneficiary owner of mogo JSC is Aigars Kesenfelds (37,985%). The share of the rest shareholders does not exceed 25%.

The consolidated financial statements of the Group include the following subsidiary:

Name	Registration date	Registration number	Country of incorporation	Principal activities	% equity interest	
					2021	**2020**
Renti JSC	10/10/2018	LV40203174147	Latvia	Rent services	100%	100%

The core business activity of the Group comprises of providing finance lease services, leaseback services and loans and advances to customers as well as rent services of vehicles.

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

The Consolidated financial statements of 2021 have been approved by decision of the Board of Directors on 29 April 2022.

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

2. Summary of significant accounting policies

a) Basis of preparation

These consolidated 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 Group’s consolidated annual 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 annual consolidated financial statements.

The Group 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 Group’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 consolidated financial statements, when determinable. See Note 3.

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

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group’s accounting policies.

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

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

Going concern

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

b) Changes in accounting policy disclosures and presentation

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020.

IFRS 16: Leases

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

The effect is reflected for a year 2020 in Note 14 and Note 18, no significant effect for year 2021.

Adoption of new and revised standards and interpretations

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

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

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

Other standards

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

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

d) Significant accounting policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent company (mogo JSC) and its subsidiary as at 31 December 2021. The financial statements of JSC Renti are prepared for the same reporting period as for the Parent company, using consistent accounting policies.

Control is achieved when the Parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealized gains and losses on transactions between members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of profit and loss and other comprehensive income.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group recognizes this effect in retained earnings. If the subsidiary to which these non-controlling interests relate contain accumulated components recognized in other comprehensive income/ (loss), those are reallocated within equity of the Parent.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Basis of Consolidation (continued)

If the Group loses control over a subsidary it:

- Derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in other comprehensive income;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating expense in the statement of profit and loss and other comprehensive income.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through statement of profit and loss and other comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 in statement of comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope and IFRS 9, it is measured at fair value in statement of profit and loss and other comprehensive income.

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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Property and equipment

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

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

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

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

Rental fleet

Rental fleet includes assets leased by the Group (as lessor) under operating leases. The Group accounts for the underlying assets in accordance with IAS 16. Depreciation policy for the underlying assets subject to operating leases is consistent with the Group's depreciation policy for similar assets (vehicles) and amounts to 7 years.

Group 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. Group 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.

Financial assets

Financial instruments – initial recognition

Date of recognition

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

Initial measurement of financial instruments

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

Classification of financial assets

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial assets *(continued)*

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows.

SPPI test

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

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

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

In general, the loan contracts stipulate that in case of default and collateral repossession the claim is not limited to the collateral repossession and if the collateral value does not cover the remaining debt, additional resources can still be claimed from the borrower to compensate for credit risk losses. Accordingly, this aspect does not create obstacles to passing SPPI test. However, in some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans).

The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

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

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

Embedded derivatives

The Group has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Embedded derivatives (continued)

The Group accounts for an embedded derivative separately from the host contract when:

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

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

Reclassification of financial instruments

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

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

Derecognition of financial assets and finance lease receivables

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

Derecognition due to substantial modification of terms and conditions

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

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

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

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

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

Derecognition other than for substantial modification

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables (continued)

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

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

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

- Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

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

Modifications

The Group sometimes makes modifications to the original terms of loans/lease as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a lease/loan restructured when such modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include default or having at least 5 DPDs prior to the modifications. Such modifications may involve renewing (in the case of renewal of a terminated agreement) or extending (in case of customer having at least 5 DPD) the payment arrangements. Other modifications treated as non-substantial include modification of agreement conditions such as term or principal decrease or changes in payment dates, which are typically implemented due to customers' initiative.

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss in interest revenue/expenses calculated using the effective interest method (Note 4, 5) in the consolidated statements of comprehensive income, to the extent that an impairment loss has not already been recorded (Note 8). Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

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

Treatment of non-substantial modifications

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Overview of the expected credit loss principles

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

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

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

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

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

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

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

Finance lease receivables and secured loans:

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

Loans and advances to customers (unsecured loans):

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

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

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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

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

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

Temporary debt restructuring (TDR) and restructuring

As response to COVID-19 the Group introduced TDR program which consists of two main products:

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

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

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

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

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

The calculation of ECLs

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

• PD The Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL). The Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon.

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

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

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

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

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

ECL=EAD*PD*LGD*[DDV]

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

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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

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

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

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

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

Write off of unrecoverable debts

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

Impairment of financial assets other than loans and advances

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

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

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

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

In 2021 for vehicle rental product (trade receivables / rent receivables) the Group 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 Group 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 Group determine grouping for receivables based on delay days and debt collection strategy, as debt collection process triggers important milestones that affect recoverability of the receivable, and apply discounted historical recovery rates for each bucket separately.

Impairment for loans to related parties

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

Impairment of cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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

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 Group 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 Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

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

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

Financial liabilities at fair value through the statement of comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of comprehensive income.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are 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 Group has not designated any financial liability as at fair value through statement of comprehensive income.

- Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Modification of financial liabilities

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial liabilities (continued)

Treatment of non-substantial modifications

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

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

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

Derecognition

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

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

Offsetting of financial instruments

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

Provisions for financial guarantees and accounting through Other reserves

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

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

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

Finance lease – Group as lessor

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Finance lease – Group as lessor (continued)

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

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

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

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

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

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

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

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

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

Initial measurement

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

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

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

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

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

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

Subsequent measurement

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

The Group recognizes income from variable payments that are not included in the net investment in the lease (e.g. performance based variable payments, such as penalties or debt collection income) separately in the period in which the income is earned. Such income is recognized under 'Fee and commission income and expense' (Note 7).

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Operating lease – Group as lessor

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

Group as lessee

Lease liability

Initial recognition

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

• fixed payments (including in-substance fixed payments), less any lease incentives receivable;

• variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

• amounts expected to be payable by the Group under residual value guarantees;

• the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

• payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

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

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

Subsequent measurement

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

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

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

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

Right-of-use assets

Initial recognition

At the commencement date of the lease, the Group 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

Group 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 Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group 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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Right-of-use assets (continued)

Group involvement with the underlying asset before the commencement date

If the Group 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 Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:

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

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

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognize a lease liability or right-of-use asset. The Group 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 Group defines a low-value asset as one that:

1) has a value, when new of 5 000 EUR or less. Group 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 Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and

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

Sale and leaseback transactions

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Cash and cash equivalents

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

Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale includes vehicles which are obtained by enforcement of repossession in case clients default on existing lease agreements. Such repossessed collaterals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell (FVLCTS). Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

Other investments

Equity investments at FVTOCI

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

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

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

— The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;

— The contractual terms of the financial asset meet the SPPI test.

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

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

Transactions with peer-to-peer platforms

Background

The Parent and a subsidiary, as loan originators, have 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 Group 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 Group 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 Group.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Transactions with peer-to-peer platforms (continued)

Assignment agreements are of two types:

1) Agreements with recourse rights which require the Group to guarantee full repayment of invested funds by the investor in case of default of Group's customer (buy back guarantee);

2) Agreements without recourse rights which do not require the Group to guarantee repayment of invested funds by the investor in case of default of the customer (no buy back guarantee).

The Group 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 Group and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from P2P platform.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 26).
P2P platform commissions and service fees incurred by the Group are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 10.

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 31) 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 Group's client, which can be up to 72 months.

Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement based on IFRS 9. Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest expenses calculated using effective interest method (Note 5).

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 Group and the respective share of interest earned by the investor.

Reserves

Foreign currency translation reserve

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

Fair value reserve

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

Other reserves

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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.

Contingencies

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

Share-based payments

Equity-settled transactions

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

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

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

Income and expenses

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

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

The effective interest rate method

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Income and expenses (continued)

Income from cession of bad debt

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

Expenses related to attracting funding

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

Revenue and expenses from contracts with customers

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

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

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

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

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

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

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

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

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

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:

– customer simultaneously receives and consumes the benefits;

– customer controls the asset as it is created or enhanced;

– the Group's performance creates an asset and has a right to payment for performance completed.

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Revenue and expenses from contracts with customers (continued)

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

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

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

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

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

Fee and commission income and expenses (Note 7)

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

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

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

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

Revenue from car sales (Note 11)

Sale of motor vehicles (point in time)

The Group earns part of its revenues from the sales of used vehicles that were either bought from third parties or repossessed from its non-performing leasing customers. The Group is calculating minimum sales price based on initial cost or value after repossession plus additional cost incurred (e.g. repairs) and a margin added in order to make profit from the deal. The performance obligation is satisfied when car is registered on client's name.

Other operating income (Note 14)

Revenue from client acquisition (point in time)

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

Variable consideration revenue from client acquisition (point in time)

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Other operating income (Note 14) (continued)

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

In the case of loan defaults, the parties agreed to measure the default loss. In the cases when not all outstanding debt has been covered after the collateral sale, the Group returns part (proportional to the uncovered debt) of the additional fee, which has been invoiced to JSC Primero Finance. From the signing date to 31 December 2021 there were 98 default cases, and for 30 cases the additional fee had been returned (31 December 2020 there were 18 default cases, and for 3 cases the additional fee had been returned). Revenue from variable and fixed parts are recognized in the statement of profit and loss and other comprehensive income and classified as client acquisition fee income, for detailed information see (Note 14).

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

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

Revenue from service fee (point in time):

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration. At 31 December 2021 the Group has contract assets in its statement of financial position. See Note 27.

Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 25). Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. At 31 December 2021 the Group had no contract liabilities in its consolidated statement of financial position.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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 consolidated statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

The consolidated 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 consolidated 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 Group are shareholders who could control or who have significant influence over the Group in accepting operating business decisions, key management personnel of the Group including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

The Group 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.

Dividend distribution

Dividend distribution to the shareholders of the Group is recognized as a liability and distribution of retained earnings in the consolidated financial statements in the period in which the dividends are approved by the shareholders. (Note 29)

Subsequent events

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

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

The preparation of the consolidated 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 Group's ability to continue as a going concern, while significant areas of estimation used in the preparation of the consolidated 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 Group's accounting policies, management has made the following key judgements and applied estimates, which have the effect on the amounts recognized in the consolidated financial statements:

Going concern

These consolidated financial statements are prepared on going concern basis.

The Group's performance

The Group has successfully performed through first, second, and counting Covid-19 waves, all of which have left minimal impact on the operational performance for the Group. The Group has had relative stable portfolio quality throughout this period, and it comfortably enters 2022 from both operational perspective as well as future funding availability perspective:

- In 2022 new subscription service "Renti plus" is planned to become the core JSC Renti product offering to its customers, at the same time, as a result of decreasing sales amount of used cars, the long term rent is planned to be at 1.3 million EUR level and continuing issuances of JSC Mogo shall reach 3.3 million EUR. The Group will continue its service and provide agency arrangements with related party JSC Primero finance.
- EBITDA to net portfolio ratio is expected to be at 63% as at the 2022 end.

The Group monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Group are capitalization ratio and interest coverage ratio. As at 31 December 2021, the Group's capitalization ratio and interest coverage ratio were accordingly 2,39 and 2,81 (31 December 2020: 1,19 and 2,77), indicating stable liquidity outlook for the Group. The Group has maintained strong funding and liquidity position with its robust diversified funding base, and it has improved significantly after public offering. As at 31 of December 2021 the Group is compliant with all financial covenants. The Group's management foresees that it will be able to fully satisfy the requirements of financial covenants in the future as well.

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

The Group controls its liquidity by managing the amount of funding it attracts through P2P platform Mintos and other sources. P2P platform Mintos provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in Mogo as a stable company, and they continue to invest in Mogo loans. The Management believes that current macro economical environment is favorable for further sustained debt raise. For more information on liquidity risk refer to Note 40.

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

Going concern (continued)

Valuation of rental fleet

The Group 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 Group 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%. In measuring VIU the Group 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.

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

***Valuation of rental fleet* (continued)**

For assets with an active and inactive lease agreement, the Group 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 Group's 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 Group 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 Group 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 Group recognized impairment of rental fleet see Note 17. Sensitivity analysis of the residual value of the leased fleet is disclosed in Note 17.

Impairment of financial assets

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

The Probability of Default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon, where default is defined as: 61 DPD.

In order to estimate PDs the Group utilizes Markov chains methodology. This methodology employs statistical analysis of historical transitions between delinquency buckets to estimate the probability that loan will eventually end up in default state which is set as absorbing state.

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

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

Impairment of financial assets (continued)

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

The Group uses 6 months (continuous horizon) transition window and estimation over lifetime is defined as nth power of 6 months matrix. The approach improves consistency of PD calculations, i.e., accounted for 6 months seasonality effect and smoothened volatile impact of the regular changes in the business processes. Calculations are applied at product level (leasing and secured loans vs unsecured loans). Exposures are grouped into buckets of days past due (DPD) loans/leases.

Forward-looking macroeconomic indicators model for portfolio impairment assessment

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

Macro model uses expected changes in macroeconomic indicators and assumes the same or similar change to Stage 1 PD.

Following variables are used:

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

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

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

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

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

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

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

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

The Default distribution vector (DDV)

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

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

Impairment of financial assets (continued)

Loss Given Default

Finance lease receivables

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

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

Loans and advances to customers (unsecured loans)

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

Exposure at default (EAD) modelling

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

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

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

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

Determination of the FVLCTS of assets held for sale

Determination of the FVLCTS for repossessed vehicles is performed on an individual basis at the moment of the repossession.
Management estimate is based on available data from historical sales transactions for such assets in previous reporting periods. The Group also considers factors such as historical actual average loss (if any) from the previous years. Management considers whether also events after the reporting year indicate a decline in the sales prices of such assets.

Separation of embedded derivatives from the host contract

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

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

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

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

Financial guarantees

Fair value (FV) determination and initial recognition

The Group has elected to determine the FV of guarantee using valuation of expected loss approach. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is determined based on the contractual guaranteed amount per guarantee agreement (Note 39) and considering Group's pro-rata share of the guaranteed amount estimated considering the total assets of guarantors (Group and other subsidiaries of Eleving Group S.A.) as at end of the reporting period included in the respective guarantee agreement.

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

ECL determination for subsequent measurement

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

Lease term determination under IFRS 16 (Group 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 Group 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 Group 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 Group's options to extend or not to terminate the lease the Group evaluates what are the rights of the Group and the lessor under such options. The Group considers whether options included in the lease agreements (1) give an unilateral right for one party (i.e. Group) and (2) creates an obligation to comply for the other party (i.e. lessor). If neither party in the contract has an obligation then Group 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 Group 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 (Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has used market rates as its incremental borrowing rate. The Group 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 Group's assessment each of the Group's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Group results.

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

Sale and leaseback transactions

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

The key indicators that control has passed to the Group include the Group having:

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

SPPI assessment

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

In making the assessment, the Group considers:

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

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

Lease classification for rental fleet (Group as a lessor)

The Group has entered into vehicle leases on its rental fleet (Note 17). These lease agreements have a non-cancellable term of 18 month (6 month) and an optional term of up to 60 months (72 month). After the non-cancellable term of 18 months the lessee can return the leased asset to the Group and losses associated with the cancellation are borne by the Group. The leased asset is not transferred to lessee at the end of lease term. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Principal versus agent assessment

In provision of agency services (Note 7) the Group has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions.

The Group is also acting as an agent (Note 14 and Note 36) in purchasing specific goods and services from 3rd parties on behalf of customers - mainly legal, recruitment and similar services, as it does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price.

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

Segment reporting

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group assess and identify all potential business segments and determine whether these segments should be accounted for separately. The Group reports the segment if it contributes 10% or more of the entity's total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments. See Note 42.

4. Interest revenue

	2021	2020
	EUR	EUR
Interest income from finance lease receivables	1,067,622	1,397,369
Interest income from intercompany loans calculated applying effective interest rate method	4,346,354	3,222,910
Interest income from loans and advances to customers calculated applying effective interest rate method	1,537,669	5,260,230
TOTAL:	**6,951,645**	**9,880,509**

Interest income contains earned interest on portfolio derecognized from the Group's assets (see Note 19 and Note 20).

Gross and net earned interest are as follows:

	2021	2020
	EUR	EUR
Gross interest income	6,954,644	9,883,508
Interest derecognized due to derecognition of portfolio from the Group's assets*	(2,999)	(2,999)
TOTAL NET INTEREST:	**6,951,645**	**9,880,509**

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

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

5. Interest expense

	2021	2020
	EUR	EUR
Interest expenses on financial liabilities measured at amortized cost:		
Interest expense on issued bonds	3,551,695	3,106,056
Interest expense on issued bonds related parties	-	34,008
Interest expenses for loans from P2P platform investors	826,391	1,217,218
Interest expenses for lease liabilities	23,988	34,520
Interest expenses for loans from banks	98,932	150,181
Other interest expenses for loans from related parties	16,061	7,085
TOTAL:	**4,517,067**	**4,549,068**

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

See Note 31 for additional information.

6. Income from car rent

	2021	2020
	EUR	EUR
Revenue from operating lease*	6,543,201	6,240,662
TOTAL:	**6,543,201**	**6,240,662**

*Lease income on operating leases is fixed and does not contain variable lease payments.

7. Fee and commission related to finance lease activities and rent contracts

Revenue from contracts with customers recognized point in time:	2021 EUR	2020 EUR
Gross income from debt collection activities	339,532	547,608
Gross expenses from debt collection activities	(208,529)	(328,435)
Net debt collection income:	**131,003**	**219,173**
Income from penalties received	306,163	311,731
Commissions income	1,149	1,535
Commissions and fees income from rent contracts*	212,716	48,650
TOTAL:	**651,031**	**581,089**

* Fee and commission income from rent contracts is recognized according to IFRS 16 Leases.

8. Impairment expense

	2021 EUR	2020 EUR
Change in impairment in finance lease (see Note 19)	(349,111)	(200,512)
Change in impairment in loans and advances to customers (see Note 20)	(1,184,875)	(595,643)
Change in impairment in rental fleet (Note 17)	138,405	95,529
Change in impairment in rent receivables (Note 25)	(13,286)	626,286
Written off rental fleet	989,459	321,810
Written off debts	2,267,167	1,909,365
TOTAL impairment expenses:	**1,847,759**	**2,156,835**

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

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

Receivables from rent contracts	2021 EUR	2020 EUR
Receivables from rent contracts	171,767	-
Income arising from cession of customers receivables to non-related parties	(121,524)	-
TOTAL:	**50,243**	**-**
Net gain/ (loss) arising from cession of financial lease and loans, advances to customers receivables and rent contracts	**2,072,246**	**584,633**

During 2021 and 2020 the Group performed cessions to related and non-related parties. See Note 36 for additional information on transactions with related parties.

The portfolio that was ceded to the related party includes only the active contracts, which significantly increased the proceeds from the cession, while the contracts ceded to non-related parties include bad debtors with which the contracts have been terminated and the Group did not expect to receive all debt amount repayment to renew the contract.

When financial lease receivables or Loans and advances to customers portfolio is sold in cession, the Group reverses the respective part of impairment allowance of the ceded assets (Note 19) and (Note 20).

The Group then separately recognizes net losses arising from derecognition of the ceded portfolio, which is reduced by the respective cession income.

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

		2021	2020
		EUR	EUR
Service fee for using P2P platform		126,554	188,084
	TOTAL:	**126,554**	**188,084**

11. Revenue from car sales

		2021	2020
Revenue from contracts with customers recognized point in time:		EUR	EUR
Income from sale of vehicles		3,777,225	4,084,877
	TOTAL:	**3,777,225**	**4,084,877**

		2021	2020
Expenses from contracts with customers recognized point in time:		EUR	EUR
Expenses from sale of vehicles		(3,889,443)	(5,344,165)
	TOTAL:	**(3,889,443)**	**(5,344,165)**
Total Net revenue/(loss) from contracts with customers recognized point in time:		**(112,218)**	**(1,259,288)**

Net result from sales is loss in 2021 and 2020, the Group recovers car value through continuing use - e.g. rental income - before actual sale.

12. Selling expense

		2021	2020
		EUR	EUR
TV and radio marketing expenses		7,019	3,459
Marketing services (include out-of-home advertising)		53,891	38,824
Online advertising		79,273	53,983
Total marketing expenses		**140,183**	**96,266**
Other selling expenses		14,046	15,886
	TOTAL:	**154,229**	**112,152**

13. Administrative expense

		2021	2020
		EUR	EUR
Employees' salaries		1,510,693	1,489,302
Amortization and depreciation		2,503,566	2,484,245
Management fee		1,095,113	1,016,444
Professional services*		104,193	156,205
Credit database expenses		104,900	90,333
IT services		94,659	39,536
Office and branches' maintenance expenses		79,572	83,586
Recruitment fees		-	210
Business trips		-	163
Communication expenses		19,954	22,635
Other personnel expenses		33,927	40,024
Low value equipment expenses		6,668	5,815
Bank commissions		23,585	9,799
Transportation expenses		495	1,838
Other administration expenses		59,463	66,569
	TOTAL:	**5,636,788**	**5,506,704**

*Audit fees for the Group's entities' 2021 financial statements audit amounts to 87 000 EUR, the Parent Company - 55 000 EUR (2020: EUR 92 000; the Parent Company – 60 000 EUR).

Key management personnel compensation

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

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

14. Other operating income

	2021	2020
	EUR	EUR
Commission for client acquisition*	529,705	221,064
Income from service fee	292,947	227,481
Income recognized from amortization of financial guarantee (Note 39)	1,216,319	1,644,584
Change in provisions for possible VAT liabilities and penalty (Note 30)	211,280	130,013
Income from the discount application of the rights of use assets (Note 18)	-	20,575
Other operating income	165,149	187,293
TOTAL:	**2,415,400**	**2,431,010**

*Income from commission for client acquisition includes income from related party. Income from related party increased from EUR 221 064 in 2020 to EUR 529 705 in 2021 which is explained by the JSC Primero Finance business development.

Revenue from contracts with customers recognized point in time where the Group acted as an agent *	2021	2020
	EUR	EUR
Gross income from transactions with related parties	556,495	411,504
Gross expenses from transactions with related parties	(556,495)	(411,504)
TOTAL:	**-**	**-**

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

15. Other operating expense

	2021	2020
	EUR	EUR
Penalty fees	279	836
Loss from cancellation of the rights of use assets (Note 18)	42,155	-
Rental fleet maintenance costs*	528,815	327,356
Other operating expenses	68,347	51,695
TOTAL:	**639,596**	**379,887**

*Expenses are related to the maintenance of the Group company JSC Renti vehicles, including minor repairs, state registration of cars expenses as well as insurance costs.

16. Intangible assets

	Licenses	Other intangible assets*	Total intangible assets
Cost	50,590	123,549	**174,139**
Accumulated amortization	(50,590)	(95,536)	**(146,126)**
As at 1 January 2020	**-**	**28,013**	**28,013**
2020			
Additions	**-**	**12,918**	**12,918**
Disposals (cost)	**-**	**(70,667)**	**(70,667)**
Amortization charge	**-**	**(26,379)**	**(26,379)**
Disposals (amortization)	**-**	**70,667**	**70,667**
Cost	**50,590**	**65,800**	**116,390**
Accumulated amortization	**(50,590)**	**(51,248)**	**(101,838)**
As at 31 December 2020	**-**	**14,552**	**14,552**
2021			
Additions		-	**-**
Disposals (cost)		-	**-**
Reclassification	(11,920)		**(11,920)**
Amortization charge		(14,552)	**(14,552)**
Reclassification	11,920		**11,920**
Cost	38,670	65,800	**104,470**
Accumulated amortization	(38,670)	(65,800)	**(104,470)**
As at 31 December 2021	**-**	**-**	**-**

Amortization costs are included in Note 13 - 'Administrative expense'.

17. Rental fleet, property and equipment and right-of-use assets

	Rental fleet	Property and equipment	Advance payments for assets	Leasehold improvements	Right-of-use premises	Right-of-use motor vehicles	**Total Right-of-use assets**	**TOTAL**
Cost	15,041,415	421,057	37,584	18,386	1,551,665	13,664	**1,565,329**	**17,083,771**
Accumulated depreciation and impairment	(1,549,366)	(288,735)	-	(11,781)	(147,999)	(9,936)	**(157,935)**	**(2,007,817)**
As at 1 January 2020	**13,492,049**	**132,322**	**37,584**	**6,605**	**1,403,666**	**3,728**	**1,407,394**	**15,075,954**
2020								
Additions	9,045,289	12,762	1,896	2,500	38,534	-	**38,534**	**9,100,981**
Transferred	-	1,896	(37,448)	-	35,552	-	**35,552**	**-**
Disposals (cost)	(6,505,249)	(239,349)	(2,032)	(1,603)	(209,661)	(13,664)	**(223,325)**	**(6,971,558)**
Depreciation charge	(2,202,559)	(60,795)	-	(1,534)	(190,909)	(2,070)	**(192,979)**	**(2,457,867)**
Disposals (depreciation)	815,783	236,325	-	354	103,074	12,006	**115,080**	**1,167,542**
Impairment	(95,529)	-	-	-	-	-	**-**	**(95,529)**
Cost	17,581,455	196,366	-	19,283	1,416,090	-	**1,416,090**	**19,213,194**
Accumulated depreciation and impairment	(3,031,671)	(113,205)	-	(12,961)	(235,834)	-	**(235,834)**	**(3,393,671)**
As at 31 December 2020	**14,549,784**	**83,161**	**-**	**6,322**	**1,180,256**	**-**	**1,180,256**	**15,819,523**
2021								
Additions	3,534,554	15,132	-	-	666,363	-	**666,363**	**4,216,049**
Transferred	-	-	-	-	-	-	**-**	**-**
Disposals (cost)	(6,123,063)	(255)	-	-	(1,172,495)	-	**(1,172,495)**	**(7,295,813)**
Depreciation charge	(2,300,100)	(49,169)	-	(2,518)	(137,220)	-	**(137,220)**	**(2,489,007)**
Disposals (depreciation)	1,176,971	2,056	-	-	170,601	-	**170,601**	**1,349,628**
Impairment	(138,405)	-	-	-	-	-	**-**	**(138,405)**
Cost	14,992,946	211,243	-	19,283	909,958	-	**909,958**	**16,133,430**
Accumulated depreciation impairment	(4,293,205)	(160,318)	-	(15,479)	(202,453)	-	**(202,453)**	**(4,671,455)**
As at 31 December 2021	**10,699,741**	**50,925**	**-**	**3,804**	**707,505**	**-**	**707,505**	**11,461,975**

Reassessment of the residual value of non-financial assets (rental fleet) at the end of the lease term

As at 31 December 2021 management has assessed recoverable values for rental fleet and as a result additional impairment allowance in amount EUR 138 405 (2020: EUR 95 529 was recognized).

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the rental fleet assets exceeded their recoverable amounts. If WACC would have increased by 2.0%, all other assumptions remaining the same including the rental income, the recoverable amount of assets with impairment indications would equal to EUR 3 946 373 and an additional impairment of EUR 51 638 would need to be recognized.

For detailed description of impairment testing refer to 'Impairment of non-financial assets (rental fleet)' (Note 8).

18. Right-of-use assets and lease liabilities

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

		31.12.2021.	31.12.2020.
ASSETS		**EUR**	**EUR**
Non-current assets			
Right-of-use assets - premises		707,505	1,180,256
	TOTAL:	**707,505**	**1,180,256**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities for right-of-use assets		590,475	986,860
Current liabilities			
Lease liabilities for right-of-use assets		128,051	151,844
	TOTAL:	**718,526**	**1,138,704**

	2021	2020
Leases in the statement of comprehensive income	**EUR**	**EUR**
Administrative expense		
Expenses relating to leases of low-value assets and short-term leases	(150,790)	(66,269)
Depreciation of right-of-use assets - premises (Note 17)	(137,220)	(190,909)
Depreciation of right-of-use assets - vehicles (Note 17)	-	(2,070)
Other income		
Disposal (expenses)/income from discounts of right-of-use assets (Note 14)	-	20,575
Disposal (expenses)/income from cancellation of right-of-use assets	(42,155)	-
Net finance costs		
Interest expense for right-of-use premises	(23,988)	(34,488)
Interest expense for right-of-use vehicles	-	(32)
Total cash outflow from leases	**(354,153)**	**(273,193)**

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

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

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

19. Finance Lease Receivables

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

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

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

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

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

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

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

19. Finance Lease Receivables (continued)

	2021			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	47,606	41,811	654,012	743,429
Transfer to Stage 1	14,383	(9,005)	(5,378)	0
Transfer to Stage 2	(2,793)	8,156	(5,363)	-
Transfer to Stage 3	(1,919)	(4,011)	5,930	-
Impairment for new financial assets acquired	37,934	10,765	34,755	83,453
Reversed impairment for settled receivables	(3,620)	(4,347)	(11,202)	(19,168)
Reversed impairment for written off receivables	(30,938)	(10,986)	(396,440)	(438,364)
Net remeasurement of loss allowance	(11,110)	6,136	29,943	24,968
Balance at 31 December	**49,544**	**38,519**	**306,256**	**394,318**

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

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

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

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

	Minimum lease payments			
	EUR	%	EUR	%
Finance lease receivables	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Stage 1	2,343,060	79%	2,556,602	69%
Stage 2	225,049	8%	329,679	9%
Stage 3	392,332	13%	803,613	22%
TOTAL, GROSS:	**2,960,440**	**100%**	**3,689,894**	**100%**

	Minimum lease payments	Change during the period		Minimum lease payments
	EUR	EUR	%	EUR
Finance lease receivables	12/31/2021			12/31/2020
Stage 1	2,343,060	(213,542)	-8%	2,556,602
Stage 2	225,049	(104,630)	-32%	329,679
Stage 3	392,332	(411,281)	-51%	803,613
TOTAL, GROSS:	**2,960,440**	**(729,454)**	**-20%**	**3,689,894**

19. Finance Lease Receivables (continued)

	Impairment allowance			
	EUR	%	EUR	%
Impairment allowance on finance lease receivables	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Stage 1	49,544	13%	47,606	6%
Stage 2	38,519	10%	41,811	6%
Stage 3	306,256	78%	654,012	88%
TOTAL, ALLOWANCE:	**394,318**	**100%**	**743,429**	**100%**

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
Impairment allowance on finance lease receivables	12/31/2021			12/31/2020
Stage 1	49,544	1,938	4%	47,606
Stage 2	38,519	(3,292)	-8%	41,811
Stage 3	306,256	(347,756)	-53%	654,012
TOTAL, ALLOWANCE:	**394,318**	**(349,111)**	**-47%**	**743,429**

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
Finance lease receivables	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Up to one year	1,452,080	789,066	2,417,908	1,551,062
Years 2 through 5 combined	3,035,507	1,469,936	3,145,113	1,983,123
More than 5 years	863,037	701,438	197,081	155,709
TOTAL, GROSS:	**5,350,624**	**2,960,440**	**5,760,102**	**3,689,894**

	12/31/2021	12/31/2020
Unearned finance income	EUR	EUR
Up to one year	663,014	866,846
Years 2 through 5 combined	1,565,571	1,161,990
More than 5 years	161,599	41,372
TOTAL, GROSS:	**2,390,184**	**2,070,208**

	12/31/2021	12/31/2020
Finance lease receivables	EUR	EUR
Non-current finance lease receivables	2,171,376	2,138,832
Current finance lease receivables	730,687	1,449,159
Accrued interest	58,377	101,903
TOTAL, GROSS:	**2,960,440**	**3,689,894**

19. Finance Lease Receivables (continued)

Movement in impairment allowance	12/31/2021 EUR	12/31/2020 EUR
Impairment allowance as at 01 January	743,429	943,941
Net impairment loss for the year	89,211	177,739
Net impairment elimination due to cession of receivables	(438,322)	(378,251)
Impairment allowance as at 31 December	**394,318**	**743,429**

Finance lease receivables, net	**Non-Current** 12/31/2021 EUR	**Current** 12/31/2021 EUR	**Non-Current** 12/31/2020 EUR	**Current** 12/31/2020 EUR
Finance lease receivables	2,171,377	730,687	2,138,832	1,449,159
Accrued interest	-	58,377	-	101,903
Fees paid and received upon lease disbursement	(74,034)	(24,912)	(44,320)	(30,029)
Impairment allowance	(92,480)	(301,838)	(94,747)	(648,682)
	2,004,863	**462,314**	**1,999,765**	**872,351**

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

Transactions with peer-to-peer platforms

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

Total gross portfolio and associated liabilities for the portfolio derecognized from the Group financial assets were:

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

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

20. Loans and advances to customers

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

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

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

	2021			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	8,311,441	999,138	2,070,342	11,380,921
Transfer to Stage 1	427,654	(317,909)	(109,746)	-
Transfer to Stage 2	(175,972)	204,977	(29,005)	-
Transfer to Stage 3	(168,886)	(158,785)	327,671	-
New financial assets acquired	1,116,793	33,539	40,745	1,191,077
Receivables settled	(814,182)	(93,939)	(40,886)	(949,007)
Receivables written off	(5,013,229)	(252,351)	(1,252,682)	(6,518,262)
Receivables partially settled	(524,058)	(66,079)	(183,701)	(773,838)
Balance at 31 December 2021	**3,159,562**	**348,591**	**822,739**	**4,330,891**

	2020			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	16,263,860	1,583,838	2,264,216	20,111,914
Transfer to Stage 1	443,158	(381,254)	(61,904)	-
Transfer to Stage 2	(731,461)	757,670	(26,209)	-
Transfer to Stage 3	(839,788)	(332,186)	1,171,974	-
New financial assets acquired	1,114,243	41,745	81,453	1,237,441
Receivables settled	(2,093,092)	(151,673)	(116,746)	(2,361,511)
Receivables written off	(4,429,680)	(348,866)	(778,672)	(5,557,218)
Receivables partially settled	(1,415,799)	(170,136)	(463,770)	(2,049,705)
Balance at 31 December 2020	**8,311,441**	**999,138**	**2,070,342**	**11,380,921**

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

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

20. Loans and advances to customers (continued)

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

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

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

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

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

	Minimum loans and advances to customers payments			
	EUR	%	EUR	%
Loans and advances to customers	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Stage 1	3,159,562	73%	8,311,441	73%
Stage 2	348,591	8%	999,138	9%
Stage 3	822,739	19%	2,070,342	18%
TOTAL, GROSS:	**4,330,891**	**100%**	**11,380,921**	**100%**

	Minimum loans and advances to customers payments	Change during the period		Minimum loans and advances to customers payments
	EUR	EUR	%	EUR
Loans and advances to customers	12/31/2021			12/31/2020
Stage 1	3,159,562	(5,151,879)	-62%	8,311,441
Stage 2	348,591	(650,547)	-65%	999,138
Stage 3	822,739	(1,247,603)	-60%	2,070,342
TOTAL, GROSS:	**4,330,891**	**(7,050,030)**	**-62%**	**11,380,921**

20. Loans and advances to customers (continued)

	Impairment allowance			
	EUR	%	EUR	%
Impairment allowance on loans and advances to customers	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Stage 1	87,666	11%	230,953	12%
Stage 2	58,939	7%	146,243	7%
Stage 3	655,753	82%	1,610,037	81%
TOTAL, ALLOWANCE:	**802,358**	**100%**	**1,987,233**	**100%**

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
Impairment allowance on loans and advances to customers	12/31/2021			12/31/2020
Stage 1	87,666	(143,287)	-62%	230,953
Stage 2	58,939	(87,304)	-60%	146,243
Stage 3	655,753	(954,284)	-59%	1,610,037
TOTAL, ALLOWANCE:	**802,358**	**(1,184,875)**	**-60%**	**1,987,233**

	Minimum loan payments	Present value of minimum loan payments	Minimum loan payments	Present value of minimum loan payments
	EUR	EUR	EUR	EUR
Loans and advances to customers	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Up to one year	2,604,212	1,652,966	6,876,843	4,361,318
Years 2 through 5 combined	3,786,083	2,258,047	10,389,693	6,553,564
More than 5 years	508,622	419,878	571,415	466,039
TOTAL, GROSS:	**6,898,917**	**4,330,891**	**17,837,951**	**11,380,921**

	12/31/2021	12/31/2020
Unearned finance income	EUR	EUR
Up to one year	951,246	2,515,525
Years 2 through 5 combined	1,528,036	3,836,129
More than 5 years	88,744	105,376
TOTAL, GROSS:	**2,568,026**	**6,457,030**

	12/31/2021	12/31/2020
Loans and advances to customers	EUR	EUR
Non-current loans and advances to customers	1,652,966	4,361,318
Current loans and advances to customers	2,258,047	6,553,564
Accrued interest	419,878	466,039
TOTAL, GROSS:	**4,330,891**	**11,380,921**

20. Loans and advances to customers (continued)

	12/31/2021	12/31/2020
Movement in impairment allowance	EUR	EUR
Impairment allowance as at 01 January	1,987,233	2,582,876
Net impairment loss for the year	88,100	825,171
Net impairment elimination due to cession of receivables	(1,272,975)	(1,420,814)
Impairment allowance as at 31 December	**802,358**	**1,987,233**

	Non-Current	**Current**	**Non-Current**	**Current**
	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Loans and advances to customers, net	EUR	EUR	EUR	EUR
Loans and advances to customers	2,677,925	1,546,681	7,019,602	4,032,307
Accrued interest	-	106,282	-	329,012
Fees paid upon loan disbursement	37,707	21,779	75,116	43,149
Fees received upon loan disbursement	(112,069)	(64,727)	(254,581)	(146,241)
Impairment allowance	(155,867)	(646,491)	(386,260)	(1,600,973)
	2,447,696	**963,524**	**6,453,877**	**2,657,254**

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

21. Investment in debt securities

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

		12/31/2021	12/31/2020
		EUR	EUR
Investment in Eleving Group S.A issued bonds		-	609,000
	TOTAL:	**-**	**609,000**

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

None of investments were disposed during 2020 and there were no transfers of any cumulative revaluation gain or loss. The change in fair value on these investments was 23 991 EUR for the year ended 31 December 2020 and recognized in fair value reserves and other comprehensive income.

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

22. Assets held for sale

	31.12.2021.	31.12.2020.
Other non-current assets held for sale, net	EUR	EUR
Repossessed collateral	32,117	62,640
	32,117	**62,640**

Repossessed collaterals are vehicles taken over by the Group in case of default by the Group's clients on the related lease agreements. After the default of the client, the Group has the right to repossess the vehicle and sell it to third party. The Group does not have the right to repossess, sell or pledge the vehicle in the absence of default by Group's clients. The Group usually sells the repossessed vehicles within 90 days after repossession.

23. Trade receivables from related parties

		31.12.2021.	31.12.2020.
		EUR	EUR
Cession receivables from related parties non-current		512,164	187,315
Cession receivables from related parties, current		609,306	277,853
Receivables from related parties		258,821	77,769
	TOTAL:	**1,380,291**	**542,937**

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

	Non-current receivables from related parties		Current receivables from related parties				
2021	**Without delay**	**Total Non-current receivables**	**Without delay**	**1-30**	**31-90**	**> 90 days**	**Total current receivables**
Receivables from cession	512,164	512,164	609,306	-	-	-	609,306
Receivables for commissions	-	-	124,268	134,393	-	160	258,821
Total trade receivables	**512,164**	**512,164**	**733,574**	**134,393**	**-**	**160**	**868,127**

	Non-current receivables from related parties		Current receivables from related parties				
2020	**Without delay**	**Total Non-current receivables**	**Without delay**	**1-30**	**31-90**	**> 90 days**	**Total current receivables**
Receivables from cession	187,315	187,315	277,853	-	-	-	277,853
Receivables for commissions	-	-	77,769	-	-	-	77,769
Total trade receivables	**187,315**	**187,315**	**355,622**	**-**	**-**	**-**	**355,622**

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

24. Prepaid Expense

		31.12.2021.	31.12.2020.
		EUR	EUR
Prepaid Mintos service fee		-	32,634
Other prepaid expenses		86,329	82,359
	TOTAL:	**86,329**	**114,993**

25. Trade receivables

		31.12.2021.	31.12.2020.
		EUR	EUR
Receivables from rent services		276,270	389,129
Receivables from cession		12,192	14,350
Receivables from commissions		37,590	17,313
Other receivables		245	-
	TOTAL:	**326,297**	**420,792**

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

2021	**current**	**1-30**	**31-90**	**> 90 days**	**Total**
Receivables for rent services	23,700	106,391	22,883	835,029	988,003
Receivables from cession	12,192	0	0	0	12,192
Receivables for commissions	37,835	0	0	0	37,835
Total trade receivables	**73,727**	**106,391**	**22,883**	**835,029**	**1,038,030**
Total ECL calculated for rent services	(2,210)	(27,736)	(9,080)	(672,707)	(711,733)

2020	**current**	**1-30**	**31-90**	**> 90 days**	**Total**
Receivables for rent services	94,452	103,981	66,354	871,444	1,136,231
Receivables from cession	14,350	0	0	0	14,350
Receivables for commissions	17,313	0	0	105	17,418
Total trade receivables	**126,115**	**103,981**	**66,354**	**871,549**	**1,167,999**
Total ECL calculated for rent services	(1,728)	(7,868)	(14,870)	(722,636)	(747,102)

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

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 behavior of rent portfolio is similar to finance lease portfolio. Additionally rent portfolio has the same or very similar to financial lease portfolio operational processes.

26. Other receivables

		31.12.2021.	31.12.2020.
		EUR	EUR
Receivable for attracted funding through P2P platform* (Note 31)		-	242,474
Advances paid for goods and services		14,093	8,754
Security deposit for office lease (Note 18)		-	22,179
Other debtors		26,546	20,554
	TOTAL:	**40,639**	**293,961**

*Due to less loans put in P2P platform at the 31 December 2021 comparing 31 December 2020, the Group has receivables from P2P platform at 31 December 2020. Due to more repurchased loans from P2P platform the Group has payables to P2P platform on 31 December 2021. See Note 34.

27. Contract assets

	31.12.2021. EUR	31.12.2020. EUR
Contract assets from rent services, gross	236,817	274,954
ECL on contract assets from rent services	(22,083)	-
Contract assets from related parties	256,327	95,994
TOTAL:	**471,061**	**370,948**

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

The Group assesses material amounts recovery individually. The Group's management decides on the performance assessment on an individual basis, reflecting the possibility of obtaining information on a particular contract asset and a significant increase in the credit risk of that particular contract asset. As at year end ECLs are as well assessed based on the expected settlements. The contract assets, which are settled shortly after end of reporting period, have no ECL recognized. Contract assets from rent services had recognized ECL of EUR 22 083 on 31.12.2021 (2020: EUR 0).

28. Cash and cash equivalents

	31.12.2021. EUR	31.12.2020. EUR
Cash at bank	391,548	160,318
Cash on hand*	12,264	-
TOTAL:	**403,812**	**160,318**

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

*The cash on hand is held in client service office and is kept there to ensure daily cash transactions.

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

29. Share capital

The share capital of the Parent company on 1 January 2021 was EUR 5 000 000 and consisted of 5 000 000 shares. During the Shareholders Meeting held on 29 October 2021, it was decided to decrease share capital by EUR 4 575 000. The share capital of the Company on 31 December 2021 is EUR 425 000 and consist of 425 000 shares. Dividends weren't distributed in 2021, the same as 2020. The par value of each share is EUR 1. All the shares are fully paid. The Group has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR.

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

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

30. Other provisions

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

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

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

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

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

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

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

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

31. Borrowings

Non-current

Liabilities for issued debt securities	*Interest rate per annum (%)*	*Maturity*	31.12.2021. EUR	31.12.2020. EUR
Bonds 30 million EUR notes issue (3)	11%	31.03.2024.	29,859,000	-
Bond additional interest accrual (6)			29,753	-
Bonds acquisition costs			(683,744)	-
		TOTAL:	**29,205,009**	**-**
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms (4)	6% - 10.5%	31.12.2028.	4,797,494	10,662,288
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(26,541)	(33,116)
		TOTAL:	**4,770,953**	**10,629,172**
Other borrowings				
Loans from related parties	12%	10/18/2026	1,705,000	-
		TOTAL:	**1,705,000**	**-**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises (5)	2.14-2.96%	up to 5 years	153,365	549,750
Lease liabilities for right-of-use assets - vehicles (5)	2.14-2.96%	>1 year - < 5	437,110	437,110
		TOTAL:	**590,475**	**986,860**
		TOTAL NON CURRENT BORROWINGS:	**36,271,437**	**11,616,032**

Current

Liabilities for issued debt securities	*Interest rate per annum (%)*	*Maturity*	12/31/2021 EUR	12/31/2020 EUR
Bonds 20 million EUR notes issue (1)	10%	31.03.2021.	-	17,166,000
Bonds 10 million EUR notes issue (2)	10%	31.03.2021.	-	6,963,000
Bond additional interest accrual (6)			-	367,626
Bonds acquisition costs			-	(16,511)
		TOTAL:	**-**	**24,480,115**
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms (4)	6% - 10.5%	31.12.2028.	997,446	2,895,677
Accrued interest for funding attracted through peer-to-peer platforms			27,368	60,521
		TOTAL:	**1,024,814**	**2,956,198**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises (5)	2.14-2.96%	up to 1 years	128,051	151,844
		TOTAL:	**128,051**	**151,844**
Other borrowings				
Loans from banks (7)	8%	30.09.2023.	-	1,189,618
Loans from banks (8)	8%	26.02.2021.	-	500,000
Accrued interest for loans from banks				208
		TOTAL:	**-**	**1,689,826**
		TOTAL CURRENT BORROWINGS:	**1,152,865**	**29,277,983**

31. Borrowings (continued)

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

The Group has raised a total of EUR 17 166 000 as at 31 December 2020. In 2020, the Group bought back its own issued bonds with the aim of decreasing the Group's net debt position. This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

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

The Group has raised a total of EUR 6 963 000 as at 31 December 2020. In 2020, the Group bought bonds back its own issued bonds with the aim of decreasing the Group's net debt position.
This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the alternative market Firth north of NASDAQ OMX Baltic and are "private issued notes".

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

3) On March 1, 2021, through public offering JSC "mogo" successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 are included in the regulated market – the Baltic Bond List of "Nasdaq Riga" stock exchange.
The notes are issued at par, have a maturity of three years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo JSC bondholders and other retail and institutional investors from the Baltic region. For more information see Note 43.
4) Attracted funding from P2P platform is transferred to Group's bank accounts once per week. The Group has placed less loans in P2P platform in December 2021 than in December 2020.
5) The Group has entered into several lease agreements for office premises and branches as well as several vehicle rent agreements. (Note 2 section IFRS 16: Leases). In the previous reporting year, the Group closed its branches except for the branch in the "Road Traffic Safety Directorate", as a result almost all branch lease agreements were terminated, also vehicles rent agreements were terminated in the financial year. During 2021 the Company has signed new office rent agreement with related company JSC Eleving Vehicle Finance for period till August 2029.
6) The item represents accrued interest, which is to be paid at the maturity of the bonds, therefore the accrued interest is classified as long term in 2021 and short term in 2020.
7) On 2nd August 2019 JSC "Citadele banka" granted to JSC "mogo" (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) the credit line up to EUR 10 million at the cost of 6M EURIBOR + 8% for refinancing of existing indebtedness. The agreement has been amended in 2021 November by increasing the credit line limit to EUR 15 million and changing the interest rate to 6M EURIBOR + 7.5% or 6M EURIBOR + 8% depending on the amount. Maturity of agreement is 30th September 2023.
8) On 29 December 2020 JSC "Signet Bank" granted to JSC "mogo" the credit in the amount of EUR 500 000. Maturity of agreement - February 2021. The loan principal and accrued interest were repaid in February 2021.
9) On 15 December 2021 JSC Eleving Vehicle Finance granted to JSC mogo the credit in the amount of EUR 5 000 000. Maturity of agreement - October 2026.

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

	31.12.2021.	31.12.2020.
	EUR	EUR
(Payable)/ Receivable from attracted funding through P2P platform (Note 26, 34)	(397,736)	242,474
TOTAL:	**(397,736)**	**242,474**

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

	31.12.2021.	31.12.2020.
	EUR	EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 35)	16,779	7,026
TOTAL:	**16,779**	**7,026**

31. Borrowings (continued)

Changes in liabilities	31/12/2020/	Incoming cash flow	Outgoing cash flow	Other	31/12/2021/
Funding attracted through peer-to-peer platforms*	13,557,965	10,908,109	(19,018,189)	347,055	5,794,941
Lease liabilities for Right-of-use assets	1,138,704	-	(123,353)	(296,825)	718,526
Liabilities for issued debt securities	24,129,000	16,033,708	(10,282,000)	(21,708)	29,859,000
Loans from related parties	-	1,705,000	-	-	1,705,000
Loan from bank	1,689,618	16,546,301	(18,235,919)	-	-
TOTAL BORROWINGS PRINCIPAL:	**40,515,287**	**45,193,118**	**(47,659,461)**	**28,523**	**38,077,467**

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

Changes in liabilities	12/31/2020/	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31/12/2021/
Additional bond interest accrual	367,626	-	(390,512)	52,639	29,753
Bonds acquisition costs	(16,511)	-	(892,978)	225,745	(683,744)
Bonds interest expenses	-	-	(34,461)	34,461	-
Accrued interest for financing received from P2P investors	-	-	(3,238,849)	3,238,849	-
Funding attracted through peer-to-peer platforms acquisition costs	60,521	-	(857,235)	824,083	27,368
Interest expenses for loans to related parties	(33,116)	-	-	6,575	(26,541)
Interest expenses from right-of-use assets	-	-	(23,988)	23,988	-
Interest expenses from loan from bank	-	-	(99,140)	98,932	-
TOTAL INTEREST LIABILITIES:	**378,520**	**-**	**(5,537,163)**	**4,505,271**	**(653,164)**
TOTAL BORROWINGS:	**40,893,807**	**45,193,118**	**(53,196,624)**	**4,533,794**	**37,424,303**

Changes in liabilities	31/12/2019/	Incoming cash flow	Outgoing cash flow	Other	31/12/2020/
Funding attracted through peer-to-peer platforms*	14,548,609	6,978,033	(10,047,231)	2 078 554*	13,557,965
Lease liabilities for Right-of-use assets	1,383,165	-	(121,190)	(123,271)	1,138,704
Liabilities for issued debt securities	30,000,000	6,305,000	(12,176,000)	-	24,129,000
Loans from related parties	290,306	-	(290,306)	-	-
Loan from bank	2,106,840	11,053,000	(11,470,222)	-	1,689,618
TOTAL BORROWINGS PRINCIPAL:	**48,328,920**	**24,336,033**	**(34,104,949)**	**1,955,283**	**40,515,287**

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

Changes in liabilities	31.12.2019.	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	12/31/2020
Additional bond interest accrual		cash flow	cash flow		
Bonds acquisition costs	299,203	-	(9,967)	78,390	367,626
Bonds interest expenses	(239,960)	-		223,449	(16,511)
Accrued interest for financing received from P2P investors	-	-	(2,838,225)	2,838,225	-
Funding attracted through peer-to-peer platforms acquisition costs	71,884	-	(1,174,640)	1,163,277	60,521
Interest expense from loans from related parties	-	-			-
Interest expenses from right-of-use assets	7,403	-	(14,488)	7,085	-
Interest expenses from loan from bank	-	-	(34,520)	34,520	-
TOTAL INTEREST LIABILITIES:	**60,748**	**-**	**(4,081,115)**	**4,398,887**	**378,520**
TOTAL BORROWINGS:	**2,167,588**	**11,053,000**	**(15,551,337)**	**4,398,887**	**2,068,138**

32. Prepayments and other payments received from customers

		31.12.2021.	31.12.2020.
		EUR	EUR
Unallocated payments received*		24,079	15,760
Overpayments from historical customers		34,614	34,614
Customer overpayments from rent services		75,934	119,731
Received deposits from rent customers		29,660	7,740
	TOTAL:	**164,287**	**177,845**

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

Advances received from customers are shown under finance lease receivables and loans and advances to customers in year 2021 and 2020. See Note 19 and Note 20.

33. Taxes payable

		31.12.2021.	31.12.2020.
		EUR	EUR
Social security contributions		34,321	73,543
Personal income tax		18,005	50,911
VAT		48,832	154,502
Other taxes		4,495	-
	TOTAL:	**105,653**	**278,956**

34. Other liabilities

		31/12/2021/	31/12/2020/
		EUR	EUR
Payable for attracted funding through P2P platform*		397,736	-
Payable for received payments from customers of the related parties		305,856	315,566
Liabilities against employees for salaries		63,205	68,052
Other liabilities		4,797	9,159
	TOTAL:	**771,594**	**392,777**

* On 2021 year-end the Group had payables to P2P platform while at 2020 year-end the Group had receivables to P2P platform. For more information see Note 31.

35. Accrued liabilities

		31/12/2021/	31/12/2020/
		EUR	EUR
Accrued liabilities for services received		103,702	118,044
Accrued liabilities for management services from related parties		64,386	132,437
Accrued unused vacation		79,544	92,809
Accruals for bonuses		61,079	69,073
Accrued expenses from attracted funding through peer-to-peer platform (Note 31)		16,779	7,026
	TOTAL:	**325,490**	**419,389**

36. Related parties disclosures

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

Transactions with related parties for years 2021 and 2020 were as follows:

	2021	**2020**
	EUR	EUR
Services provided		
*- Revenue from recharging expenses (Note 14)**	**556,495**	**411,504**
- Eleving Group S.A.	**2,940**	**-**
- Parent company**	2,940	19,957
- HUB**	6,712	126,028
- Other related companies	546,843	265,519
- Other services provided	**670,320**	**451,470**
- Parent company**	3,502	-
- Client acquisition services and other services provided for other related companies	657,834	451,301
Services received		
- Management services (Note 13)****	**1,095,113**	**1,016,444**
*- Parent company***	1,095,113	293,239
- HUB**	-	723,205
- Other services received***	**309,163**	**43,048**
- HUB**	143,661	11,702
- Parent company**	21,842	2,063
- JSC Longo Latvia	-	12,649
- Other related companies	143,661	16,634
Assets	**3,270**	**76,291**
- Purchase of rental fleet from JSC Longo Latvia	-	56,591
- Purchase of rental fleet and fixed assets from other related companies	-	19,700
Interest expenses	**3,363**	**41,093**
- Eleving Group S.A.	-	41,093
Interest income (Note 4)	**4,346,354**	**3,222,910**
- Parent company**	1,133,292	
- Eleving Group S.A.	2,329,958	2,715,262
- HUB**	883,104	-
- Other related companies	-	507,648
Cession income (Note 9) 1)	**2,112,091**	**734,275**
- Other related companies	2,112,091	734,275

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

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

HUB - under HUB there are disclosed the Company's related parties JSC Mogo Balkans and Central Asia, JSC Eleving Stella till 01.09.2021, JSC Eleving Solis, JSC Eleving Finance and JSC Eleving Vehicle Finance, JSC Eleving Luna from 01.09.2021.

*** Other services received - include car dealership commissions (that form part of net finance lease receivable). It also includes recharging expenses from related parties.

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

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

1) Cession income from transaction with related parties is included in the net gain/(loss) from de-recognition of financial assets measured at amortized costs (Note 9).

36. Related parties disclosures (continued)

Receivables from related companies

Non-current	Interest rate per annum (%)	Maturity	31/12/2021/ EUR	31/12/2020/ EUR
Loan receivable from related company 1)	12.50	April 2023	700,000	23,173,036
Loan receivable from related company 2)	12.00	April 2023	8,827,118	-
Loan receivable from related company 3)	12.00	June 2026	7,934,000	-
Loan receivable from related company 4)	12.00	October 2026	17,640,000	-
Loan receivable from subsidiary company 5)	12.50	September 2024	-	5,159,729
Current				
Accrued interest from Eleving Group S.A. loan			-	246,530
		TOTAL:	**35,101,118**	**28,579,295**

1) In 2017 the Company has signed the loan agreement with its ultimate Parent Company Eleving Group S.A. Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 27.04.2023 and fixed interest rate 12.5%.

2) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 9.12 million EUR with maturity date 27.04.2023 and fixed interest rate 12 %.

3) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 21.06.2026 and fixed interest rate 12 %.

4) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 17.64 million EUR with maturity date 13.10.2026 and fixed interest rate 12 %.

5) In 2020 the Company signed loan agreement with Eleving Vehicle Finance JSC for credit line of EUR 15 000 000 with maturity date 24.09.2024 and fixed interest rate 12.5%.

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

2021	Stage 1	Stage 2	Stage 3	**Total**
Loan receivable from ultimate Parent company	700,000	-	-	700,000
Loan receivable from related companies	34,401,118	-	-	34,401,118

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

Loan receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD rate was based on Standard & Poor's corporate statistics studies. The LGD has been assessed considering the related parties' financial position.

As a result no ECLs are recognized for the loan receivable from related parties (2020: EUR nil).

Current		31/12/2021/ EUR	31/12/2020/ EUR
Eleving Stella JSC		175	-
Receivables from cession to related parties		1,121,470	465,168
Receivables from related companies		258,646	77,769
	TOTAL:	**1,380,291**	**542,937**
	TOTAL RECEIVABLES:	**36,481,409**	**29,122,232**

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

Payables and other liabilities to related companies

	31/12/2021/ EUR	31/12/2020/ EUR
Other liabilities to Primero Finance JSC (see Note 34)	305,856	315,566
Payables to other related companies	5,344	-
TOTAL:	**311,200**	**315,566**

37. Other investments

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

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

38. Commitments and contingencies

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

Starting from 14 October 2018 Eleving Group S.A. as Issuer and its Subsidiaries (including Mogo JSC) as Guarantors have entered into a guarantee agreement dated 14 October 2021 (as amended and restated from time to time) according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Eleving Groupe S.A. bonds (ISIN: XS2393240887) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group S.A. bonds (ISIN: XS2393240887) offering memorandum (Note 39).

On 26 February 2018 the Group entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018, with a maximum liability not exceeding the principal amount EUR 1 000 000. As described in the Note 43 below, the surety agreement has been prolonged till 2022.

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

On 31 July 2019 mogo JSC has concluded a Commercial pledge with JSC Citadele banka by virtue of which certain receivables of mogo JSC are pledged in favor of JSC Citadele banka in order to secure mogo JSC (Latvia), mogo OU (Estonia) and JSC mogo LT (Lithuania) obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019. The same Commercial pledges are issued by the remaining Credit line agreement parties - mogo OU (Estonia) and JSC mogo LT (Lithuania). On 23 December 2021 Renti JSC (Latvia) and on 18 January 2022 Renti LT JSC (Lithuania) have as well concluded Commercial pledges with JSC Citadele banka by virtue of which certain receivables are pledged in favor of JSC Citadele banka in order to secure mogo JSC, mogo OU and JSC mogo LT obligations, if the credit line is also used to finance the loans and receivables issued by Renti JSC (Latvia) and Renti LT JSC (Lithuania). The commercial pledge providers are jointly liable for the maximum amount of EUR 22.5 million, however, the rights of claims referred to the commercial pledge agreement are variable as Credit line amounts granted to the parties shall not exceed 90% of the total amount of the rights specified as pledged to the Bank. As of 31 December 2021 the Parent company's finance lease portfolio in the amount of EUR 0.8 million was pledged in favor of the JSC Citadele bank as collateral (31 December 2020: EUR 1,3 millions).

The credit facility terms have been updated after the reporting period, see Note 43.

On 5 December 2017 mogo JSC entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure mogo JSC obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017. The Group pledged gross receivables in amount of 5 796 426.30 EUR (31.12.2020.: 7 279 306 EUR).

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

38. Commitments and contingencies (continued)

Externally imposed capital requirements

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Group is subject to externally imposed capital requirements.

Main requirements are listed below:

mogo JSC Bonds

There are restrictions in prospectus of JSC mogo for bonds issued in Nasdaq Baltic (ISIN: LV0000802452)

1) To maintain positive amount of equity at all times;
2) To maintain capitalization ratio of minimum 15% until full repayment of the bonds;
3) Ensure that DSCR* is above certain level.

mogo JSC credit limit agreement with JSC Citadele banka

1) To maintain Group capitalization ratio of minimum 10%;
2) Ensure that DSCR* is above certain level.

Cooperation agreement with P2P platform

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

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

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

39. Provisions for financial guarantees

Effect on other reserves	2021 EUR	2020 EUR
	Other reserves	**Other reserves**
Outstanding as at 1 January	**(4,085,406)**	**(4,769,833)**
Fair value of the newly issued guarantees (1), (2)	(3,312,896)	-
Guarantees derecognition (3), (4)	4,085,406	-
Decrease in fair value of the guarantees due to revaluation	1,115,812	684,427
Outstanding as at 31 December	**(2,197,084)**	**(4,085,406)**

Effect on provisions for financial guarantees	**Financial guarantees**	**Financial guarantees**
Outstanding as at 1 January	**1,986,481**	**4,315,492**
Fair value of the newly issued guarantees (1), (2)	3,312,896	-
Decrease in fair value of the guarantees due to revaluation	(1,115,812)	(684,428)
Amortized as income prior to derecognition	(985,276)	-
Derecognition of guarantee (3), (4)	(1,001,205)	-
Fair value of the guarantees subsequent to modification	**2,197,084**	**3,631,064**
Foreign exchange gain/loss	42,379	-
Amortized as income for newly issued guarantees	(231,044)	(1,644,583)
Outstanding as at 31 December	**2,008,420**	**1,986,481**
Financial guarantee in favor of bondholders of Eleving Group S.A.	1,722,730	1,970,256
Financial guarantee in favor of Ardshinbank	285,690	16,225
Total	**2,008,420**	**1,986,481**
Total recognized as income (Note 14)	**(1,216,319)**	**(1,644,583)**

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

2) On 15 June 2021 the Parent company entered into a surety agreement with Ardshinbank CJSC and Mogo UCO LLC (Armenia), in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo UCO LLC. The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till loan maturity, which is February 2024.

3) On 9 July 2018 the Parent company entered a financial guarantee agreement issued in favor of bondholders of Mogo Finance S.A (current company name is Eleving Group S.A). Its subsidiary Renti JSC as a guarantor has joined guarantee agreement on 31 May 2019. The guarantee was issued to secure Mogo Finance S.A. exposure after issuing corporate bonds, ISIN XS1831877755 (as of 31 December 2020 and 2019 the total nominal value of bonds is EUR 100 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Parent company irrevocably guarantees the payment of Mogo Finance S.A. liabilities towards its bondholders in case of default of Mogo Finance S.A. under the provisions of bond prospectus.
The Parent company and Renti JSC did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under “Other reserves”. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till bond maturity, which is July 2022.
On 12 October 2021 Global release agreement was signed stipulating that all collateral documents (guarantees and pledges) of the old bonds would be terminated in full after the redemption of the old bonds. Under that agreement, the guarantee was terminated and associated balances were derecognized.

4) On 26 February 2018 the Parent company entered into a surety agreement with Ardshinbank CJSC and Mogo LLC (Georgia), in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC. The Parent company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till loan maturity. The surety agreement has significant changes in loan agreement therefore previous guarantee provisions and other reserves were derecognized.

40. Financial risk management

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

Operational risks

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

Legal risks

Legal risks are mainly derived from regulatory changes, which the Group successfully manages with the help of in-house legal department and external legal advisors, which assist in addressing any current or future regulatory developments that might have an impact on Group's business activities.
See further information in Note 38.

Compliance risk

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

Regulatory risks

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

Anti-money laundering and Know Your Customer laws compliance risk

The Group is subject to anti-money laundering laws and related compliance obligations. The Group has put in place anti-money laundering policies. As a financial institution, the Group is required to comply with anti-money laundering regulations that are generally less restrictive than those that apply to banks.
As a result, the Group often relies on anti-money laundering and know your customer checks performed by our customers' banks when such customers open new bank accounts, however the Group has implemented further internal policies to minimize these risks. The Group has put in place internal control framework to identify and report all suspicious transactions with a combination of IT based solutions and human involvement. Internal policies of the Group typically include customers' background check against sanctioned lists and other public sources as required by local law and Consumer Rights Protection Centre.

Privacy, data protection compliance risk

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

Market risks

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

Financial risks

The main financial risks arising from the Group's financial instruments are interest rate risk, liquidity risk, and credit risk.

40. Financial risk management (continued)

Interest rate risk

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

Capital risk management

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

The Group monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus as well as other financing agreements. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio. During the reporting period the Group has complied with all externally imposed equity capital requirements to which it is subject as stated in Note 38. The Group has several other covenants to comply with due to the bonds issued and funds borrowed in P2P platform - Group has complied with all of them during the reporting period.

Liquidity risk

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

There is a significant gap between the up to 1 year maturity assets and liabilities, which is mainly driven by the maturity of the bonds. As discussed in the Note 43, the Parent Company has managed to issue the new 30 million euros 3-year maturity bond, which, accompanied by the increase borrowing limits from the bank, have sufficiently covered the contractual cash flows disbalance, observed as at the reporting period end. Since the Group's financial year 2022 results are foreseen to be profitable, the management believes the liquidity risk is well minimized as at a reporting date.

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

40. Financial risk management (continued)

		Contractual cash flows				
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	Total
As at 31.12.2021.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash and cash equivalents	403,812	403,812	-	-	-	**403,812**
Loans and advances to customers	3,411,220	-	2,613,507	3,765,730	503,390	**6,882,627**
Loans to related parties	35,101,118	-	4,215,634	46,806,287	-	**51,021,921**
Investment securities	-	-	-	-	23	**23**
Trade receivables from related parties	1,380,291	-	868,127	1,380,116	-	**2,248,243**
Trade receivables	326,297	-	10,579,384	18,983,473	-	**29,562,857**
Finance lease receivables	2,467,177	-	1,454,328	3,031,514	858,068	**5,343,910**
Total financial assets	**43,089,915**	**403,812**	**19,730,980**	**73,967,120**	**1,361,481**	**95,463,393**

		Contractual cash flows				
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	Total
As at 31.12.2021.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Liabilities						
Funding attracted through peer-to-peer platforms	(5,795,768)	-	(1,296,347)	(2,689,317)	(2,707,815)	**(6,693,479)**
Liabilities for issued debt securities	(29,205,008)	-	(3,300,000)	(33,330,009)	-	**(36,630,009)**
Provisions for financial guarantees	(2,008,420)	-	-	(2,008,420)	-	**(2,008,420)**
Loan from related parties	(1,705,000)	-	(204,600)	(2,482,480)	-	**(2,687,080)**
Lease liabilities for right-of-use assets	(718,526)	-	(130,571)	(378,184)	(213,336)	**(722,091)**
Other liabilities	(1,541,836)	-	(1,543,445)	-	-	**(1,543,445)**
Total financial liabilities	**(40,974,558)**	**-**	**(6,474,963)**	**(40,888,410)**	**(2,921,151)**	**(50,284,524)**
Net financial assets / (liabilities)	**2,115,357**	**403,812**	**13,256,017**	**33,078,710**	**(1,559,670)**	**45,178,869**

		Contractual cash flows				
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	Total
As at 31.12.2020.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash and cash equivalents	160,318	160,318	-	-	-	**160,318**
Loans and advances to customers	9,111,131	-	6,876,843	10,389,693	571,415	**17,837,951**
Loans to related parties	28,579,295	-	3,788,126	33,968,595	-	**37,756,721**
Investment securities	609,000	-	63,022	569,969	-	**632,991**
Trade receivables from related paries	542,937	-	355,621	187,171	145	**542,937**
Trade receivables	420,792	-	7,574,515	22,660,554	1,094,075	**31,329,144**
Finance lease receivables	2,872,116	-	2,417,908	3,145,113	197,081	**5,760,102**
Total financial assets	**42,295,589**	**160,318**	**21,076,035**	**70,921,095**	**1,862,716**	**94,020,164**

40. Financial risk management (continued)

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5 years**	**Total**
As at 31.12.2020.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Liabilities						
Funding attracted through peer-to-peer platforms	(13,585,370)	-	(3,794,367)	(12,540,618)	(54,130)	**(16,389,115)**
Liabilities for issued debt securities	(24,480,115)	-	(25,230,115)	-	-	**(25,230,115)**
Provisions for financial guarantees	(1,986,481)	-	-	(1,986,481)	-	**(1,986,481)**
Loan from banks	(1,689,826)	-	(1,728,007)	-	-	**(1,728,007)**
Lease liabilities for right-of-use assets	(1,138,704)	-	(151,844)	(437,110)	(549,750)	**(1,138,704)**
Other liabilities	(1,401,017)	-	(1,401,017)	-	-	**(1,401,017)**
Total financial liabilities	**(44,281,513)**	**-**	**(32,305,350)**	**(14,964,209)**	**(603,880)**	**(47,873,439)**
Net financial assets / (liabilities)	**(1,985,924)**	**160,318**	**(11,229,315)**	**55,956,886**	**1,258,836**	**46,146,725**

Credit risk

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

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

	31/12/2021/ EUR	31/12/2020/ EUR
Finance lease receivables	2,960,441	3,689,894
Loans and advances to customers	4,330,888	11,380,921
Loans to related parties	35,101,118	28,579,295
Investment in securities	-	609,000
Contract assets	471,061	370,948
Trade and other receivables	1,747,227	1,257,690
Cash and cash equivalents	403,812	160,318
TOTAL:	**45,014,547**	**46,048,066**

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

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

At the end of the rent contract the customer has three options: return the car to the Group, agree on further vehicle rent or buy it out. In the case when customer is breaking the contract and not willing neither return the car, nor buy it back, the Group starts repossession process. The Group has dedicated repossession team (skilled personnel equipped with robust processes) to handle the process. Additionally, at the moment when vehicles are rented out, the Group installs GPS trackers, which are of huge help during the repossession process. If in early stages of the rent contract the Group suspects any fraudulent activities, then repossession process can start before the end of the contract. Just a few contracts have reached the end of its term, however, based on available data the Group demonstrates high recovery rates.

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

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.
In order to avoid excessive concentrations of risk, the Group is maintaining a diversified portfolio. It's main product is subprime lease, however it is offering also near prime lease, as well as loans and advances to customers and long-term rent products.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as going concern. The Group fulfills externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may attract new credit facilities or increase its share capital.

41. Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

Fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate. Group's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to mogo JSC. The management recognizes that if a fair value of such assets/liabilities would be assessed as an amount at which an asset could be exchanged or liability settled on an arm's length basis with knowledgeable third parties, the fair values obtained of the respective assets and liabilities would not be materially different.

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

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

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2021.	31.12.2021.	31.12.2020.	31.12.2020.
Financial assets measured at fair value:	EUR	EUR	EUR	EUR
Investment securities	-	-	609,000	609,000
Financial assets not measured at fair value:	EUR	EUR	EUR	EUR
Loans to related parties	35,101,118	35,101,118	28,332,765	28,332,765
Finance lease receivables	2,467,177	3,282,755	2,872,116	4,122,209
Loans and advances to customers	3,411,220	4,397,117	9,111,131	12,767,295
Trade receivables from related parties	1,380,291	1,380,291	542,937	542,937
Trade receivables	326,297	326,297	420,792	420,792
Other receivables	40,639	40,639	293,961	293,961
Cash and cash equivalents	403,812	403,812	160,318	160,318
Total assets for which fair value is disclosed	**43,130,554**	**44,932,029**	**42,343,020**	**47,249,277**

	Carrying value	Fair value	Carrying value	Fair value
	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Liabilities for which fair value is disclosed	EUR	EUR	EUR	EUR
Liabilities for issued debt securities	29,205,008	30,000,000	24,480,115	23,566,794
Funding attracted through peer-to-peer platforms	5,795,768	5,795,768	13,585,370	13,585,370
Loans from banks	-	-	1,689,826	1,689,826
Loans from related parties	1,705,000	1,705,000	-	-
Trade payables	162,974	162,974	128,887	128,887
Other liabilities	1,378,862	1,378,862	1,272,130	1,272,130
Total liabilities for which fair value is disclosed	**38,247,612**	**39,042,604**	**41,156,328**	**40,243,007**

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

Assets at fair value	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	Level 3 31.12.2020. EUR
Loans to related parties	-	-	35,101,118	-	-	28,332,765
Finance lease receivables	-	-	2,467,177	-	-	2,872,116
Loans and advances to customers	-	-	3,411,220	-	-	9,111,131
Investment in debt securities	-	-	-	-	609,000	-
Trade receivables from related parties	-	-	1,380,291	-	-	542,937
Trade receivables	-	-	326,297	-	-	420,792
Other receivables	-	-	40,639	-	-	293,961
Cash and cash equivalents	403,812	-	-	160,318	-	-
Total assets at fair value	**403,812**	**-**	**42,726,742**	**160,318**	**609,000**	**41,573,702**

Liabilities at fair value	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	Level 3 31.12.2020. EUR
Liabilities for issued debt securities	-	29,205,008		-	24,480,115	-
Funding attracted through peer-to-peer platforms	-	-	5,795,768	-	-	13,585,370
Loans from banks	-	-	-	-	-	1,689,826
Loans from related parties	-	-	1,705,000	-	-	-
Trade payables	-	-	162,974	-	-	128,887
Other liabilities	-	-	1,378,862	-	-	1,272,130
Total liabilities at fair value	**-**	**29,205,008**	**9,042,604**	**-**	**24,480,115**	**16,676,213**

42. Segment information

For management purposes, the Group is organized into business units based on its economic activities. Group includes two types of economic activities:

1) Financing activities. This is the major segment of the Group representing entity performing financing activities;

2) Renting activities. This is the major segment of the Subsidiary representing entity performing renting activities.

Management monitors mainly the following indicators of operating segments for the purpose of making decisions about resource allocation and performance assessment: interest income, interest expenses, impairment expense, other operating income, other operating expense, total assets and total liabilities.
The Group`s Chief operating decision maker is Group`s CEO.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 or 2020.

Segment information below shows main income and expense items of comprehensive income statement. Other smaller income and expense items are summarized and shown under 'Other income/(expense)' column.

Segment information for the period ended on 31 December 2021 is presented below:

Period ended 31.12.2021.	Interest income	Interest expenses	Impairment expense and the net result from derecognition of financial assets	Other operating income	Other operating expense	Corporate income tax	Segment profit/ (loss) for the period	Total assets	Total liabilities
Financing	7,752,942	(4,105,163)	1,851,565	3,165,435	(2,629,427)	-	6,035,352	50,745,071	36,522,940
Renting	7,409	(1,220,609)	(1,627,078)	11,275,521	(9,357,149)	-	(921,906)	11,739,269	12,337,442
Total segments	7,760,351	(5,325,772)	224,487	14,440,956	(11,986,576)	-	5,113,446	62,484,340	48,860,382
Adjustments and eliminations	(808,705)	808,705	-	(1,054,100)	1,497,586	-	443,486	(7,302,284)	(7,745,771)
Consolidated	6,951,646	(4,517,067)	224,487	13,386,856	(10,488,990)	-	5,556,932	55,182,056	41,114,611

Period ended 31.12.2020.	Interest income	Interest expenses	Impairment expense and the net result from derecognition of financial assets	Other operating income	Other operating expense	Corporate income tax	Segment profit/ (loss) for the period	Total assets	Total liabilities
Financing	10,465,330	(4,127,633)	(526,360)	2,817,681	(2,187,829)	-	6,441,189	49,674,747	34,818,776
Renting	6,539	(1,012,795)	(1,045,842)	10,983,161	(10,372,995)	-	(1,441,932)	16,274,874	17,439,670
Total segments	10,471,869	(5,140,428)	(1,572,202)	13,800,842	(12,560,824)	-	4,999,257	65,949,621	52,258,446
Adjustments and eliminations	(591,360)	591,360	-	(463,204)	1,029,826	-	566,622	(6,977,389)	(7,544,011)
Consolidated	9,880,509	(4,549,068)	(1,572,202)	13,337,638	(11,530,998)	-	5,565,879	58,972,232	44,714,435

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Revenue		2021 EUR	2020 EUR
External customers (interest income and other income)		20,338,502	23,218,147
Elimination of intragroup interest income and other operating income		1,862,805	1,054,564
	TOTAL:	**22,201,307**	**24,272,711**

Reconciliation of profit	12/31/2021 EUR	12/31/2020 EUR
Segment profit	5,113,446	4,999,257
Elimination of intragroup interest income	(808,705)	(591,360)
Elimination of intragroup interest expenses	808,705	591,360
Elimination of intragroup income from dealership commissions	-	(417,787)
Elimination of intragroup income from service fee	(970,409)	(415,850)
Elimination of intragroup other income/(expenses)	1,413,895	1,400,259
Consolidated profit for the period	5,556,932	5,565,879

Reconciliation of assets		
Segment operating assets	62,484,340	65,949,621
Elimination of intragroup loans	(6,978,212)	(5,620,212)
Elimination of other intragroup receivables	(324,072)	(1,357,177)
Total assets	55,182,056	58,972,232

Reconciliation of liabilities		
Segment operating liabilities	48,860,382	52,258,446
Elimination of intragroup borrowings	(6,978,212)	(5,620,212)
Elimination of other intragroup accounts payable	(767,559)	(1,923,799)
Total liabilities	41,114,611	44,714,435

The parent company has only the financing segment, while the subsidiary is shown under the renting segment.

43. Events after reporting period

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

In 2022, many significant sanctions have been imposed by European Union and various countries on Russia and Belarus, certain Russian and Belarusian companies, companies in other jurisdictions, officials, businessmen and other physical persons in connection with the ongoing war in Ukraine, which began on 24 February, 2022. Imposed sanctions and restrictions and military actions creates the economic uncertainty in the World and in Latvia. The full impact of the sanctions and restrictions and military actions on the Group companies' operations in 2022 cannot be fully predicted, but the Group believes that the sanctions and restrictions imposed and military actions after the date of the financial statements will not materially affect the Group's operations both directly and indirectly. Group`s assumption is based on available information at the time of signing the financial statements, and the impact of future events on the Group's future operations may differ from Group's assessment.
In 2022 April the Group has amended the credit line issued by JSC "Citadele banka" granted to JSC "mogo" (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) decreasing its exposure to EUR 12 000 000. The other conditions remained unchanged.

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

Signed on behalf of the Group on 30 April 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Laura Bunkša, Chief accountant

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

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Independent Auditors' Report

To the shareholders of JSC Mogo

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements JSC Mogo ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 82 of the accompanying consolidated Annual Report, which comprise:

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

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

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

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

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

Key Audit Matters

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

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

<table>
<tr><td colspan="2">Impairment allowance for finance lease receivables, loans and advances to customers</td></tr>
<tr><td colspan="2">The gross amount of finance lease receivables as at 31 December 2021: EUR 2 960 (31 December 2020: EUR 3 690 thousand); reversal of impairment allowances on finance lease receivables recognised in 2021: EUR 349 thousand (in 2020: EUR 201 thousand); total impairment allowance as at 31 December 2021: EUR 394 thousand (31 December 2020: EUR 743 thousand).

The gross amount of loans and advances to customers as at 31 December 2021: EUR 4 331 thousand (31 December 2020: EUR 20 112 thousand); reversal of impairment allowances on loans and advances to customers recognised in 2021: EUR 1 185 thousand (in 2020: EUR 596 thousand); total impairment allowance as at 31 December 2021: EUR 802 thousand (31 December 2020: EUR 1 987 thousand).

We refer to the separate financial statements: Note 2 and Note 3 (accounting policy), Notes 8, 19 and 20 (financial disclosures).</td></tr>
<tr><td>Key audit matter</td><td>How we addressed the key audit matter</td></tr>
<tr><td>Finance lease receivables, and loans and advances to customers, collectively (“exposures”), represent approximately 11% of the Group’s assets as at 31 December 2021. Related impairment allowances represent the Management Board’s best estimate of the expected credit losses associated with those exposures at the reporting date.

The Group estimates impairment allowances under the expected credit losses (ECLs) model of IFRS 9, considering multiple scenarios. In the process, the exposures are assigned to one of three stages. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 exposures being those where a significant increase in credit risk since origination (“SICR”) has been observed. Stage 3 loans are non-performing exposures. The ECLs for all are determined collectively, by applying modelling techniques, based on the historical pattern of losses and changes in the exposures’ risk characteristics, adjusted by relevant forward-looking information. Key parameters within the model include those in respect of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").</td><td>Our procedures in the area included, among others:

• inspecting the Group’s ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged whether the level of the methodology’s sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;

• testing selected key controls over the approval and recording of lease receivables and loans, and also those over the management review and approval of the key ECL model inputs and outcomes;

• assisted by our own information technology (IT) specialists, testing the application and general IT controls related to the ECL estimation process, data flows between source systems and calculation of days past due;

• independently assessing and challenging the forward-looking information used in the ECL model, by means of corroborating inquiries of the</td></tr>
</table>

Timely identification of exposures with significant increase in credit risk and those credit impaired also requires significant management judgment. Due to the above factors, and further alleviated in the current uncertain economic environment as a result of COVID-19 pandemic effects, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.	Board of Directors with the assistance of our own financial risk management specialists and inspection of publicly available information; • challenging the LGD, PD and EAD parameters in the model, by inspecting the Group's experience studies, assessing any changes thereto in 2020 and making related inquiries of the Management Board and relevant credit risk personnel; • assessing the appropriateness of the Group's staging of exposures, including identification of exposures with SICR. Considering COVID-19 pandemic outbreak impact and the related increase in granted forbearances and payment holidays we also challenged the identification of SICR for exposures that have been subject to any of the forbearance options offered by the Group. As part of the procedure, we also tested the appropriateness of the impairment rates applied in the model for exposures in a given stage; • critically assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage; • assessing the adequacy of the Group's disclosures on the loss allowances and credit risk management in the notes to the consolidated financial statements.

<table>
<tr><td colspan="2">Interest income recognition from finance lease receivables and loans and advances to customers</td></tr>
<tr><td colspan="2"> Interest income from finance lease receivables in 2021: EUR 1 084 thousand (in 2020: EUR 1 391 thousand); Interest income from loans and advances to customers in 2021: EUR 1 514 thousand (in 2020: EUR 5 260 thousand). We refer to the separate financial statements: Note 2 (accounting policy), Note 4 (financial disclosures). </td></tr>
<tr><td>Key audit matter</td><td>How we addressed the key audit matter</td></tr>
<tr><td> Interest income from finance lease receivables and loans and advances to customers represented 37% of the Group's total interest revenue for the year ended 31 December 2021. The calculation of interest income relies on the application of complex information technology systems, which process substantial amounts of data requiring frequent updates. In addition, interest income to be recognized is determined using the effective interest rate ("EIR") method. In making the determination, the Group applies a model whereby manual adjustments are made to the interest amounts calculated in an automated manner based on contractual interest rate, to reflect incremental costs incurred in securing the underlying lease and loan contracts in the measurement of the EIR and resulting interest income recognized in profit or loss. The above complexities increase the risk of a material error in the recognition of interest income and, because interest income represents one of the Group's key performance indicators, there is an inherent risk that the timing of recognition and the amounts recognized could be manipulated to meet specific targets or expectations. In the wake of the above factors, we considered interest income recognition to be associated with a significant risk of material misstatement due to both error and fraud. Therefore, the area required our </td><td> Our procedures in the area included, among others: obtaining understanding of and evaluating the Group's interest income recognition policies against the requirements of the relevant financial reporting standards;
testing the design and implementation of selected key controls within the interest recognition process, including those over application of appropriate contractual interest rates and other contractual terms in the interest income recognition process and review, and approval of manual accounting entries to measure EIR;
assisted by our own IT specialists. testing IT general controls and selected key process level controls for the systems supporting the automated element of the interest income calculation, using contractual (nominal) interest rates;
in respect of the internal reports and computations for manual adjustments to recognized interest income, testing the mathematical and logical accuracy of the reports and computations and, on a sample basis, tracing selected data inputs used in the reports, as follows:
commissions – by reference to supporting counterparty invoices;
interest rate implicit in the lease, principal outstanding at the year</td></tr>
</table>

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

Impairment of rental fleet assets	
The carrying amount of rental fleet as at 31 December 2021: EUR 10 700 thousand (31 December 2020: EUR 14 550 thousand); change in impairment allowance recognized in 2021 EUR 138 thousand (in 2020 EUR 96 thousand) and impairment allowance as at 31 December 2021: EUR 662 thousand (31 December 2020: EUR 524 thousand). *We refer to the consolidated financial statements: Note 2 and 3 (accounting policy), Note 8 and 17 (financial disclosures).*	
Key audit matter	***How we addressed the key audit matter***
As of 31 December 2021 the carrying amount of the rental fleet assets pertaining to the Group's lease business for vehicles corresponded to 19% of the total assets of the Group. Impairment indicators were identified as at 31 December 2020, and the Group estimated the recoverable amount of the entire portfolio of rental fleet assets and recognized an impairment loss at the above date. For the fleet assets expected to be recovered through future rentals, the recoverable amounts were estimated by the Group by reference to their value-in- use (under the discounted cash flow method). For the remaining assets, the recoverable amount was based on the assessment of their fair value less costs to sell.	Our procedures in the area included, among others: • evaluating against the requirements of the relevant financial reporting standards the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of rental fleet assets; • testing the design and implementation of controls over impairment identification and recognition of any impairment losses in respect of rental fleet assets;

Determination of the assets' recoverable amounts requires making a number of assumptions and judgments, in particular those relating to discount rates used, future cash flows and residual values. In making the assessment, management needs to consider the impact of technological developments and changing laws and regulations affecting the residual values of vehicles. Due to the magnitude of the amounts involved and the complexity of the impairment assessment process, we consider the valuation of the rental fleet as a key audit matter.	• assisted by our own valuation specialists, challenging the reasonableness of the Group's key assumptions and judgments used in estimating the recoverable amount of fleet assets, including: - discount rate - by reference to interest rate implicit in the asset lease contract; - probabilities - evaluating the relevance of the input data and assessing reasonableness of probabilities matrix based on knowledge of the industry and the Group's business. • for a sample of assets expected to be recovered through rental, tracing the selected key inputs in the impairment model, such as the rental period, contractual payments and residual value to underlying operating lease contracts; • for a sample of assets expected to be recovered through disposal, comparing their fair value less cost to sell estimated by the Group to actual sales proceeds from transactions on terminated contracts; • assessing the appropriateness and completeness of impairment-related disclosures in the consolidated financial statements.

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

- Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 4 to 7 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibility, as set out on page 8 of the accompanying consolidated Annual Report,
- the Statement of Corporate Governance for 2021, as set out in separate statement provided by JSC Mogo management and available on the Nasdaq Baltic exchange website https://nas daqbaltic.com JSC Mogo, section Reports.

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

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

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

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

We confirm that:

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

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

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

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

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

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

- the preparation of the consolidated financial statements in the applicable xHTML format;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

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

Auditors' Responsibility for the Examination of the ESEF Report

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

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

- obtaining an understanding of the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

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

Opinion

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

KPMG Baltics SIA
Licence No. 55

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

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