Mogo LLC

Financial Statements
for 2021

Contents

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Independent Auditors' Report

To the Supervisory Board of Mogo LLC

Qualified Opinion

We have audited the financial statements of Mogo LLC (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As described in Note 24 (b) to the financial statements, as at 31 December 2021 the Company considers it is probable that the taxation authority will accept the tax treatment of the Company's related party transactions. However, this judgement is not appropriately supported by the respective tax litigation practice and significant economic outflow is expected. Reflection of an effect of the uncertain tax treatment is required by International Financial Reporting Standard IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments: if the entity concludes that it is not probable that a particular tax treatment is accepted by the taxation authority, the entity has to use most likely amount or the expected value of the tax treatment. Had such tax consequences been recognized, the effect would have been to increase a tax liability and tax expenses, decrease retained earnings and net profit and total comprehensive income by GEL 2,700 thousand as at and for the year ended 2021.

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

Statement of Management Report

Management is responsible for the Management Report. Our opinion on the financial statements does not cover the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the Management Report when it becomes available and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We do not express any form of assurance conclusion on the Management Report. We have read the Management Report and based on the work we have performed, we conclude that the Management Report:

- is consistent with the financial statements and does not contain material misstatement;
- contains the information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Vakhtang Kezheradze

KPMG Georgia LLC
Tbilisi, Georgia
25 July 2022

GEL	Note	31 December 2021	31 December 2020
Assets			
Intangible assets		69	2,116
Property, plant and equipment	10	84,249	162,352
Right-of-use assets	10	1,589,004	462,931
Finance lease receivables	11	21,178,060	17,427,647
Loans and advances to customers	12	13,033,263	12,076,145
Non-current assets		**35,884,645**	**30,131,191**
Finance lease receivables	11	8,652,065	10,037,769
Loans and advances to customers	12	6,823,875	8,799,814
Other assets held for sale	14	663,476	332,259
Tax assets	24	3,298,605	2,095,998
Other receivables	15	1,573,047	812,434
Cash at bank	16	1,815,364	771,672
Current assets		**22,826,432**	**22,849,946**
Total assets		**58,711,077**	**52,981,137**
Equity			
Charter capital	17(a)	200,000	200,000
Other reserves	17(b)	(2,833,431)	(1,794,773)
Retained earnings		36,175,611	27,343,748
Total equity		**33,542,180**	**25,748,975**
Loans and borrowings	18	16,719,632	10,634,896
Provision for financial guarantee	20	1,320,684	1,056,328
Lease liabilities		1,118,461	115,676
Total non-current liabilities		**19,158,777**	**11,806,900**
Loans and borrowings	18	4,062,428	13,450,916
Lease liabilities		491,663	411,959
Trade payables		456,126	133,250
Other liabilities	19	999,903	1,429,137
Current liabilities		**6,010,120**	**15,425,262**
Total liabilities		**25,168,897**	**27,232,162**
Total equity and liabilities		**58,711,077**	**52,981,137**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 46.

GEL	Note	2021	2020
Interest income	5	19,485,005	17,814,685
Interest expense	5	(2,445,359)	(2,465,586)
Net interest income		**17,039,646**	**15,349,099**
Net expense from debt collection activities	6	(260,706)	(438,998)
Income from penalties received		2,159,720	2,857,134
Penalties paid		(82,645)	(62,107)
Credit loss expense	13	(2,862,880)	(3,387,607)
Loss from sale of financial assets measured at amortized cost	11	(1,151,421)	-
Expenses related to peer-to-peer platforms services		(281,721)	(354,813)
Selling expense	7	(439,045)	(229,221)
Administrative expense	8	(8,597,929)	(7,947,350)
Other finance income		-	-
Other operating income	9	1,163,914	1,617,483
Other operating expense	9	(371,566)	(79,999)
Net operating expenses		**(10,724,279)**	**(8,025,478)**
Net foreign exchange loss		2,516,496	(6,527,155)
Profit before income tax		**8,831,863**	**796,466**
Income tax expense		-	-
Net profit and total comprehensive income for the year		**8,831,863**	**796,466**

These financial statements were approved by management on 25 July 2022 and were signed on its behalf by:

Shota Kekelia
General Director

Nato Vachnadze
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 46.

GEL	Charter capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020	**5,626,474**	**(2,717,023)**	**26,547,282**	**29,456,733**
Total comprehensive income for the year	-	-	796,466	796,466
Decrease in fair value of the guarantees due to non-substantial modifications (Note 20)	-	922,250	-	922,250
Decrease in capital (Note 17 (a))	(5,426,474)	-	-	(5,426,474)
Balance at 31 December 2020	**200,000**	**(1,794,773)**	**27,343,748**	**25,748,975**
Balance at 1 January 2021	**200,000**	**(1,794,773)**	**27,343,748**	**25,748,975**
Total comprehensive income for the year	-	-	8,831,863	8,831,863
Increase in fair value of the guarantees	-	(1,038,658)	-	(1,038,658)
Balance at 31 December 2021	**200,000**	**(2,833,431)**	**36,175,611**	**33,542,180**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 46.

GEL	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		8,831,863	796,466
Adjustments for:			
Depreciation and amortisation		808,898	805,019
Interest expense	5	2,445,359	2,465,586
Loss from sale of financial assets measured at amortized cost	11	1,151,421	-
Income from guarantees	20	(659,651)	(977,361)
Credit loss expense	13	2,862,880	3,387,607
Net foreign exchange loss		(2,516,496)	6,527,155
Operating cash flows before working capital changes		**12,924,274**	**13,004,472**
Changes in:			
Finance lease receivables and loans and advances to customers		(7,712,721)	2,244,705
Other receivables and tax assets		(1,598,444)	(981,797)
Other assets held for sale		(331,217)	425,859
Trade payables and other liabilities		(106,359)	(92,159)
Cash generated from operations		**3,175,533**	**14,601,080**
Interest paid on lease liability	22	(65,982)	(63,905)
Interest paid on loans and borrowings	18	(2,315,245)	(2,379,601)
Net cash flows from operating activities		**794,306**	**12,157,574**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(78,001)	(6,173)
Cash receipts from sale of financial assets measured at amortized cost		1,500,264	-
Net cash (used in)/from investing activities		**1,422,263**	**(6,173)**
Cash flows from financing activities			
Proceeds from loans and borrowings	19	22,197,929	7,507,856
Repayment of loans and borrowings	19	(22,315,772)	(13,227,010)
Repayment of lease liability	23	(722,562)	(629,655)
Decrease in charter capital	18	-	(5,426,474)
Net cash used in financing activities		**(840,405)**	**(11,775,283)**
Net increase/(decrease) in cash and cash equivalents		**1,376,164**	**376,118**
Cash and cash equivalents at 1 January		771,672	629,052
Effect of movements in exchange rates on cash and cash equivalents		(332,472)	(233,498)
Cash and cash equivalents at 31 December	16	**1,815,364**	**771,672**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 46.

1. Reporting entity

(a) Georgian business environment

The Company's operations are located in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The COVID-19 coronavirus pandemic and war in Ukraine in 2022 have further increased uncertainty in the business environment.

The financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

(b) Organisation and operations

Mogo LLC (the "Company") is a limited liability company as defined in the Law on Entrepreneurs of Georgia and was incorporated on 14 March 2014. The Company's identification number is 404468688.

The Company's registered office is 42-42a, Al. Kazbegi Avenue, 0160 Tbilisi, Georgia.

The Company's principal business activity is providing automobile lease and sale and leaseback services for the amounts up to GEL 30,000 with duration of up to seven years in Georgia. In both instances, the vehicle is used as a collateral and appropriately, all loans issued by the Company are secured. Funding is being offered at the customer service centres.

As at 31 December the shareholding structure of the Company was as follows:

	Ownership structure, %	
Owners	**2021**	**2020**
A.S. Mogo Baltics and Caucasus (the Parent)	100%	100%
	100%	**100%**

In 2021 the Ultimate Parent Company, Mogo Finance S.A., was renamed to Eleving Group S.A. and as at 31 December 2021 the Company is ultimately controlled by Eveling Group S.A. (the Ultimate Parent Company). The Company's beneficial owner is Aigars Kesenfelds (43.69%). The share of the remaining shareholders does not exceed 25%.

Related party transactions are further disclosed in Note 25.

2. Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in GEL is rounded to the nearest GEL, except when otherwise indicated.

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 13 – Credit loss expense;
Note 20 – Provision for financial guarantee.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the notes:

determination of fair value of financial guarantee issued - Note 20 and 28(k);

classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Notes 28(j) and 28(p).

impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 11, 12, 13 and 28(m)(i).

Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. The fair value have been determined for measurement and disclosure purposes.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in Note 21(a) - Accounting classifications and fair values.

5. Net interest income

GEL	2021	2020
Interest income		
Interest income from finance lease receivables	15,126,338	11,801,238
Interest income from loans and advances to customers according to effective interest rate method	4,358,667	6,013,447
	19,485,005	**17,814,685**
Interest expense		
Interest expenses for loans from P2P platform investors	(1,889,736)	(2,114,312)
Interest expenses for loans from banks	(218,688)	(283,326)
Interest expenses for loans from related parties	(270,953)	(4,043)
Interest expenses for lease liabilities (Note 22)	(65,982)	(63,905)
	(2,445,359)	**(2,465,586)**
Net interest income	**17,039,646**	**15,349,099**

6. Net expense from debt collection activities

GEL	2021	2020
Income from debt collection activities	116,181	349,532
Expenses from debt collection activities	(376,887)	(788,530)
	(260,706)	**(438,998)**

7. Selling expense

GEL	2021	2020
Marketing expenses	432,708	218,838
Other selling expenses	6,337	10,383
	439,045	**229,221**

8. Administrative expense

GEL	2021	2020
Management services	3,572,858	2,953,663
Employees’ salaries	2,761,383	2,806,747
Depreciation and amortization	808,898	805,019
Office and branches’ maintenance expenses	345,730	354,373
GPS equipment cost	300,166	281,584
Professional services	254,776	265,875
Credit database expenses	123,023	140,130
Communication expenses	110,361	96,690
IT services	153,787	84,448
Bank commissions	57,041	48,787
Other personnel expenses	35,733	26,101
Transportation expenses	27,243	20,540
Low value equipment expenses	23,858	8,930
Insurance	-	2,193
Repair and maintenance	91	427
Other administrative expenses	22,981	51,843
	8,597,929	**7,947,350**

9. Other operating income, net

GEL	2021	2020
Other operating income		
Income from guarantee provided (Note 20)	659,651	977,361
Commission income	245,369	-
Reversal of a provision for accrued vacation	42,291	218,438
Interest income on bank deposits	58,695	216,982
Gain from the disposal of repossessed assets	50,431	80,361
Other	107,477	124,341
	1,163,914	**1,617,483**
Other operating expense		
Other	(371,566)	(79,999)
	(371,566)	**(79,999)**
Other operating income, net	**792,348**	**1,537,484**

10. Property, plant and equipment and right-of-use assets

GEL	Equipment	Leasehold improvements	Right-of-use assets	Total
**Cost**				
Balance at 1 January 2020	1,184,962	65,153	1,453,590	2,703,705
Additions	6,173	-	295,448	301,621
Disposals	(69,304)	(8,895)	(87,464)	(165,663)
At 31 December 2020	**1,121,831**	**56,258**	**1,661,574**	**2,839,663**
At 1 January 2021	1,121,831	56,258	1,661,574	2,839,663
Additions	78,001	-	1,862,813	1,940,814
Disposals	(112,974)	-	(1,528,886)	(1,641,860)
At 31 December 2021	**1,086,858**	**56,258**	**1,995,501**	**3,138,617**
**Accumulated depreciation**				
At 1 January 2020	(810,501)	(59,187)	(592,661)	(1,462,349)
Depreciation for the year	(182,246)	(3,359)	(613,836)	(799,441)
Depreciation on disposals	30,661	8,895	7,854	47,410
At 31 December 2020	**(962,086)**	**(53,651)**	**(1,198,643)**	**(2,214,380)**
At 1 January 2021	(962,086)	(53,651)	(1,198,643)	(2,214,380)
Depreciation for the year	(107,851)	(1,955)	(695,253)	(805,059)
Depreciation on disposals	66,676	-	1,487,399	1,554,075
At 31 December 2021	**(1,003,261)**	**(55,606)**	**(406,497)**	**(1,465,364)**
**Carrying amounts**				
At 1 January 2020	374,461	5,966	860,929	1,241,356
At 31 December 2020	**159,745**	**2,607**	**462,931**	**625,283**
At 31 December 2021	**83,597**	**652**	**1,589,004**	**1,673,253**

11. Finance lease receivables

GEL	31 December 2021	31 December 2020
Finance lease receivables, gross	31,956,652	39,684,894
Expected credit losses	(2,126,527)	(12,219,478)
Finance lease receivable, net	**29,830,125**	**27,465,416**

During 2021, the Company sold the portfolio of impaired finance lease receivables and loans to customers with carrying amount of GEL 1,405,659 and GEL 1,573,978 respectively for a consideration of GEL 1,828,216. The loss from the transaction of GEL 1,151,421 was recognised in the statement of profit or loss and other comprehensive income.

	31 December 2021		
GEL	Minimum lease payments	Unearned finance income	Finance lease receivables, gross
Up to one year	20,821,481	10,667,339	10,154,142
Years 2 through 5 combined	35,525,531	16,062,989	19,462,542
More than 5 years	3,167,315	827,347	2,339,968
	59,514,327	**27,557,675**	**31,956,652**

	31 December 2020		
GEL	Minimum lease payments	Unearned finance income	Finance lease receivables, gross
Up to one year	31,067,830	9,312,359	21,755,471
Years 2 through 5 combined	28,036,970	11,502,696	16,534,274
More than 5 years	1,857,274	462,125	1,395,149
	60,962,074	**21,277,180**	**39,684,894**

GEL	Non-current	Current	Non-current	Current
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Finance lease receivables	21,843,065	9,342,367	17,784,151	20,498,749
Accrued interest and handling fee	-	825,578	-	1,077,823
Fees paid and received upon loan disbursement	(40,555)	(13,803)	145,272	178,899
Less: expected credit losses	(624,450)	(1,502,077)	(501,776)	(11,717,702)
Total finance lease receivable, net	**21,178,060**	**8,652,065**	**17,427,647**	**10,037,769**

The table below shows the credit quality and the maximum exposure to credit risk based on delays days and year-end stage classification. The Company does not have the system of internal credit rating. The amounts presented are gross of expected credit losses.

	2021			
GEL	Stage 1	Stage 2	Stage 3	Total
- not overdue	26,396,033	444,493	220,842	27,061,368
- overdue less than 35 days	2,125,521	698,140	49,891	2,873,552
- overdue more than 35 days and less than 60 days	-	372,625	7,885	380,510
- overdue more than 60 days	-	-	1,641,222	1,641,222
Total gross finance lease receivables	**28,521,554**	**1,515,258**	**1,919,840**	**31,956,652**

	2020			
GEL	Stage 1	Stage 2	Stage 3	Total
- not overdue	23,304,195	245,567	224	23,549,986
- overdue less than 35 days	1,813,636	380,766	500,468	2,694,870
- overdue more than 35 days and less than 60 days	-	-	215,757	215,757
- overdue more than 60 days	-	-	13,224,281	13,224,281
Total gross finance lease receivables	**25,117,831**	**626,333**	**13,940,730**	**39,684,894**

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

	Finance lease receivables		
GEL	**31 December 2021**	**Change during the year**	**1 January 2021**
Stage 1	28,521,554	3,403,723	25,117,831
Stage 2	1,515,258	888,925	626,333
Stage 3	1,919,840	(12,020,890)	13,940,730
	31,956,652	**(7,728,242)**	**39,684,894**

	Finance lease receivables		
GEL	**31 December 2020**	**Change during the year**	**1 January 2020**
Stage 1	25,117,831	(1,863,105)	26,980,936
Stage 2	626,333	(110,788)	737,121
Stage 3	13,940,730	853,988	13,086,742
	39,684,894	**(1,119,905)**	**40,804,799**

	Credit loss allowance		
GEL	**31 December 2021**	**Change during the year**	**1 January 2021**
Stage 1	608,202	320,042	288,160
Stage 2	290,619	246,802	43,817
Stage 3	1,227,706	(10,659,795)	11,887,501
	2,126,527	**(10,092,951)**	**12,219,478**

	Credit loss allowance		
GEL	**31 December 2020**	**Change during the year**	**1 January 2020**
Stage 1	288,160	(156,885)	445,045
Stage 2	43,817	(28,209)	72,026
Stage 3	11,887,501	1,394,375	10,493,126
	12,219,478	**1,209,281**	**11,010,197**

The following tables show reconciliations from the opening to the closing balances of the expected credit losses for finance lease receivables for the year ended 31 December 2021 and 31 December 2020:

GEL	**2021**			
Finance lease receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**25,117,831**	**626,333**	**13,940,730**	**39,684,894**
Transfer to Stage 1	236,558	(139,978)	(96,580)	-
Transfer to Stage 2	(752,278)	826,061	(73,783)	-
Transfer to Stage 3	(861,430)	(101,407)	962,837	-
New financial assets originated or purchased	15,852,866	685,194	490,988	17,029,048
Receivables settled	(9,184,427)	(186,321)	(140,850)	(9,511,598)
Receivables written off	(942,188)	(141,532)	(12,646,615)	(13,730,335)
Receivables partially settled	(945,378)	(53,092)	(516,887)	(1,515,357)
Balance as at 31 December 2021	**28,521,554**	**1,515,258**	**1,919,840**	**31,956,652**

GEL	**2021**			
Impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**288,160**	**43,817**	**11,887,501**	**12,219,478**
Transfer to Stage 1	34,848	(9,459)	(25,389)	-
Transfer to Stage 2	(13,084)	30,646	(17,562)	-
Transfer to Stage 3	(12,317)	(7,015)	19,332	-
New financial assets originated or purchased	330,188	132,320	248,776	711,284
Reversed impairment for settled receivables	(101,008)	(12,592)	(39,325)	(152,925)
Reversed impairment for written off receivables	(16,710)	(10,476)	(11,019,194)	(11,046,380)
Net remeasurement of loss allowance	98,125	123,378	173,567	395,070
Balance as at 31 December 2021	**608,202**	**290,619**	**1,227,706**	**2,126,527**

GEL	2020			
Finance lease receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**26,980,936**	**737,121**	**13,086,742**	**40,804,799**
Transfer to Stage 1	483,239	(374,195)	(109,044)	-
Transfer to Stage 2	(481,548)	518,316	(36,768)	-
Transfer to Stage 3	(2,110,578)	(167,328)	2,277,906	-
New financial assets originated or purchased	12,280,171	193,474	610,962	13,084,607
Receivables settled	(7,629,091)	(151,227)	(118,897)	(7,899,215)
Receivables written off	(298,078)	(34,959)	(776,069)	(1,109,106)
Receivables partially settled	(4,107,220)	(94,869)	(994,102)	(5,196,191)
Balance as at 31 December 2020	**25,117,831**	**626,333**	**13,940,730**	**39,684,894**

GEL	2020			
Impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**445,045**	**72,026**	**10,493,126**	**11,010,197**
Transfer to Stage 1	64,845	(35,627)	(29,218)	-
Transfer to Stage 2	(11,735)	21,587	(9,852)	-
Transfer to Stage 3	(42,697)	(17,776)	60,473	-
New financial assets originated or purchased	133,811	13,677	238,848	386,336
Reversed impairment for settled receivables	(124,565)	(14,449)	(59,829)	(198,843)
Reversed impairment for written off receivables	(7,649)	(3,568)	(648,922)	(660,139)
Net remeasurement of loss allowance	(168,895)	7,947	1,842,875	1,681,927
Balance as at 31 December 2020	**288,160**	**43,817**	**11,887,501**	**12,219,478**

The Company has amended classification of finance lease receivables and loans and advances in comparative information in order to make it consistent with year 2020 presentation.

12. Loans and advances to customers

GEL	31 December 2021	31 December 2020
Loans and advances to customers	21,634,082	35,306,380
Expected credit losses	(1,776,944)	(14,430,421)
Total net loans and advances to customers at amortised cost	**19,857,138**	**20,875,959**

	31 December 2021		
GEL	Minimum lease payments	Unearned finance income	Loans and advances to customers, gross
Up to one year	14,963,012	(6,830,400)	8,132,612
Years 2 through 5 combined	21,224,863	(9,079,169)	12,145,694
More than 5 years	1,837,593	(481,817)	1,355,776
	38,025,468	**(16,391,386)**	**21,634,082**

	31 December 2020		
GEL	Minimum lease payments	Unearned finance income	Loans and advances to customers, gross
Up to one year	29,467,209	(6,701,763)	22,765,446
Years 2 through 5 combined	19,239,115	(7,559,665)	11,679,450
More than 5 years	1,143,061	(281,577)	861,484
	49,849,385	**(14,543,005)**	**35,306,380**

GEL	Non-current 31 December 2021	Current 31 December 2021	Non-current 31 December 2020	Current 31 December 2020
Loans and advances to customers	13,526,202	7,555,994	12,439,329	21,447,975
Accrued interest and handling fee	-	588,474	-	1,130,692
Fees paid and received upon loan disbursement	(24,732)	(11,856)	101,605	186,779
Less: expected credit losses	(468,207)	(1,308,737)	(464,789)	(13,965,632)
Total loans and advances to customers, net	**13,033,263**	**6,823,875**	**12,076,145**	**8,799,814**

	2021			
GEL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
- not overdue	16,581,638	380,660	132,377	17,094,675
- overdue less than 35 days	1,946,124	697,531	74,733	2,718,388
- overdue more than 35 days and less than 60 days	-	314,185	15,625	329,810
- overdue more than 60 days	-	-	1,491,209	1,491,209
Total gross loans and advances to customers	**18,527,762**	**1,392,376**	**1,713,944**	**21,634,082**

	2020			
GEL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
- not overdue	15,962,714	268,484	948	16,232,146
- overdue less than 35 days	2,018,580	443,453	659,430	3,121,463
- overdue more than 35 days and less than 60 days	-	-	244,896	244,896
- overdue more than 60 days	-	-	15,707,875	15,707,875
Total gross loans and advances to customers	**17,981,294**	**711,937**	**16,613,149**	**35,306,380**

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:

	Loans and advances to customers		
GEL	**31 December 2021**	**Change during the year**	**1 January 2021**
Stage 1	18,527,762	546,468	17,981,294
Stage 2	1,392,376	680,439	711,937
Stage 3	1,713,944	(14,899,205)	16,613,149
	21,634,082	**(13,672,298)**	**35,306,380**

	Loans and advances to customers		
GEL	**31 December 2020**	**Change during the year**	**1 January 2020**
Stage 1	17,981,294	(3,241,753)	21,223,047
Stage 2	711,937	(124,372)	836,309
Stage 3	16,613,149	469,079	16,144,070
	35,306,380	**(2,897,046)**	**38,203,426**

	Credit loss allowance		
GEL	**31 December 2021**	**Change during the year**	**1 January 2021**
Stage 1	428,101	202,141	225,960
Stage 2	269,158	217,002	52,156
Stage 3	1,079,685	(13,072,620)	14,152,305
	1,776,944	**(12,653,477)**	**14,430,421**

	Credit loss allowance		
GEL	**31 December 2020**	**Change during the year**	**1 January 2020**
Stage 1	225,960	(152,339)	378,299
Stage 2	52,156	(33,773)	85,929
Stage 3	14,152,305	1,170,989	12,981,316
	14,430,421	**984,877**	**13,445,544**

The following tables show reconciliations from the opening to the closing balances of the expected credit losses for loans and advances to customers for the year ended 31 December 2021 and 31 December 2020:

GEL	**2021**			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**17,981,294**	**711,937**	**16,613,149**	**35,306,380**
Transfer to Stage 1	324,560	(170,241)	(154,319)	-
Transfer to Stage 2	(755,771)	836,054	(80,283)	-
Transfer to Stage 3	(696,858)	(98,586)	795,444	-
New financial assets originated or purchased	9,320,227	610,161	324,083	10,254,471
Receivables settled	(6,923,042)	(186,750)	(175,922)	(7,285,714)
Receivables written off	(719,613)	(204,324)	(15,131,152)	(16,055,089)
Receivables partially settled	(3,035)	(105,875)	(477,056)	(585,966)
Balance as at 31 December 2021	**18,527,762**	**1,392,376**	**1,713,944**	**21,634,082**

GEL	**2021**			
Impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**225,960**	**52,156**	**14,152,305**	**14,430,421**
Transfer to Stage 1	48,132	(11,397)	(36,735)	-
Transfer to Stage 2	(16,233)	35,376	(19,143)	-
Transfer to Stage 3	(10,493)	(7,697)	18,190	-
New financial assets originated or purchased	218,203	120,144	146,579	484,926
Reversed impairment for settled receivables	(83,428)	(12,831)	(71,127)	(167,386)
Reversed impairment for written off receivables	(13,947)	(16,920)	(13,137,120)	(13,167,987)
Net remeasurement of loss allowance	59,907	110,327	26,736	196,970
Balance as at 31 December 2021	**428,101**	**269,158**	**1,079,685**	**1,776,944**

GEL	**2020**			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**21,223,047**	**836,309**	**16,144,070**	**38,203,426**
Transfer to Stage 1	474,779	(377,947)	(96,832)	-
Transfer to Stage 2	(575,372)	591,438	(16,066)	-
Transfer to Stage 3	(1,567,164)	(189,951)	1,757,115	-
New financial assets originated or purchased	8,071,409	197,018	785,595	9,054,022
Receivables settled	(6,527,406)	(172,366)	(189,887)	(6,889,659)
Receivables written off	(331,694)	(33,291)	(1,063,751)	(1,428,736)
Receivables partially settled	(2,786,305)	(139,273)	(707,095)	(3,632,673)
Balance as at 31 December 2020	**17,981,294**	**711,937**	**16,613,149**	**35,306,380**

GEL	**2020**			
Impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**378,299**	**85,929**	**12,981,316**	**13,445,544**
Transfer to Stage 1	63,353	(36,525)	(26,828)	-
Transfer to Stage 2	(12,911)	23,074	(10,163)	-
Transfer to Stage 3	(36,276)	(21,143)	57,419	-
New financial assets originated or purchased	99,737	15,317	276,436	391,490
Reversed impairment for settled receivables	(115,787)	(17,495)	(105,555)	(238,837)
Reversed impairment for written off receivables	(8,597)	(3,952)	(860,909)	(873,458)
Net remeasurement of loss allowance	(141,858)	6,951	1,840,589	1,705,682
Balance as at 31 December 2020	**225,960**	**52,156**	**14,152,305**	**14,430,421**

The Company has amended classification of finance lease receivables and loans and advances in comparative information in order to make it consistent with year 2020 presentation.

13. Credit loss expense

The table below shows the movement of finance lease receivables' expected credit loss in the statement of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020:

GEL	2021	2020
Change in impairment of finance lease receivables	(10,092,951)	1,209,281
Written off debts	25,609,308	1,193,449
Change in impairment of loans and advances to customers	(12,653,477)	984,877
Total credit loss expense	**2,862,880**	**3,387,607**

14. Other assets held for sale

Other assets held for sale comprise totally of repossessed collateral. Repossessed collateral represents vehicles acquired by the Company in settlement of overdue finance lease receivables and loans and advances to customers:

GEL	31 December 2021	31 December 2020
Repossessed collateral	663,476	332,259
	663,476	**332,259**

15. Other receivables

GEL	31 December 2021	31 December 2020
Receivables from a related party	629,309	629,309
Receivable from sale of portfolio	327,952	-
Receivable commission fees	283,397	-
Receivables from quick payment providers	163,671	114,786
Advances paid for goods and services	30,459	65,966
Other	138,259	2,373
	1,573,047	**812,434**

As of 31 December 2021, the Company has receivables due from an entity under common control in the amount of GEL 629,309 (31 December 2020: GEL 629,309) from the sale of repossessed vehicles previously classified as other assets held for sale.

The Company's exposure to credit and currency risks are disclosed in Note 21.

16. Cash at bank

GEL	31 December 2021	31 December 2020
Bank balances	1,815,364	771,672
Cash at bank in the statement of financial position and in the statement of cash flows	**1,815,364**	**771,672**

The Company's exposure to credit and currency risks are disclosed in Note 21.

17. Equity and capital management

(a) Charter capital

As at 31 December 2021 the authorized and fully paid capital of the Company is GEL 200,000 (2020: GEL 200,000).

In January 2020 Mogo Finance S.A. acquired 2% of the Company from George Makaridze and become the sole shareholder of the Company, see also Note 1 (b).

In December 2020 A.S. Mogo Baltics and Caucasus has accepted the transfer of 100% ownership of the Company from Mogo Finance S.A. The Parent company is 100% owned by Eleving Group S.A.

In June 2020 Mogo Finance S.A. has decreased the charter capital of the Company by GEL 5,426,474, in accordance with the relevant resolution.

(b) Other reserves

Other reserves represent non-cash distributions by the Company to the Parent, see Note 20.

(c) Dividends

In accordance with Georgian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs.

The Company has not declared any dividends in 2021 and 2020.

(d) Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company's revenues and profit, and long-term investment plans mainly financed by the Company's operating cash flows. With these measures the Company aims for steady profits growth.

18. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, currency and liquidity risk, see Note 21.

GEL	**31 December 2021**	**31 December 2020**
Non-current liabilities		
Financing received from P2P investors	11,551,232	10,634,896
Loan from Ardshinbank Armenia	-	-
Loans from Eveling Group S.A.	5,168,400	-
	16,719,632	**10,634,896**
Current liabilities		
Financing received from P2P investors	3,223,498	9,401,036
Loan from Ardshinbank Armenia	781,516	4,049,880
Loans from Eveling Group S.A.	57,414	-
	4,062,428	**13,450,916**
	20,782,060	**24,085,812**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

GEL	Currency	Nominal interest rate	Year of maturity	31 December 2021 Face value	31 December 2021 Carrying amount	31 December 2020 Face value	31 December 2020 Carrying amount
Financing received from P2P investors	EUR, GBP	7%-13.5%	2026	14,774,730	14,774,730	20,035,932	20,035,932
Loan from Ardshinbank Armenia	EUR	7.8%	2022	781,516	781,516	4,049,880	4,049,880
Loans from Eveling Group S.A.	EUR	13%	2023	5,225,814	5,225,814	-	-
Total interest-bearing liabilities				**20,782,060**	**20,782,060**	**24,085,812**	**24,085,812**

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

GEL	1 January 2021	Proceeds from borrowings	Interest expense (see Note 5)	Repayment of principal	Repayment of interest	Net foreign exchange loss	31 December 2021
Loans and borrowings	24,085,812	22,197,929	2,379,377	(22,315,772)	(2,315,245)	(3,250,041)	20,782,060

GEL	1 January 2020	Proceeds from borrowings	Interest expense (see Note 5)	Repayment of principal	Repayment of interest	Net foreign exchange loss	31 December 2020
Loans and borrowings	24,587,232	7,507,856	2,401,681	(13,227,010)	(2,379,601)	5,195,654	24,085,812

19. Other liabilities

GEL	31 December 2021	31 December 2020
Accrued liabilities against related parties	412,468	368,308
Advances from customers	-	323,221
Payable for attracted funding through P2P platform	54,408	278,542
Salary payables	150,397	112,210
Other payables	382,630	346,856
	999,903	**1,429,137**

The Company's exposure to currency and liquidity risk related to other liabilities is disclosed in Note 21.

20. Provision for financial guarantee

In 2018 the Company entered into a financial guarantee agreement issued in favor of bondholders of Eveling Group S.A. The guarantee was issued to secure Eleving Group S.A. exposure after issuing corporate bonds (as of 31 December 2021 the total par value of bonds is EUR 150 million, as of 31 December 2020 – EUR 100 mln), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement, the Company and other entities under common control irrevocably guarantee the payment of Eleving Group S.A. liabilities towards its bondholders in case of Eleving Group S.A. default under the provisions of bond prospectus.

In 2021 the Company entered into a financial guarantee agreement issued in favor of lender Ardshinbank CJSC of Mogo UCO LLC. The guarantee was issued to secure the loan received by Mogo UCO LLC in the amount of AMD 3,400 mln. Under the guarantee agreement, the Company and other entities under common control irrevocably guarantee the payment of Mogo UCO LL liabilities towards its lender in case of Mogo UCO LLC default.

The Company did not receive compensation for the guarantees provided. Fair value of the guarantee is recognized as liability and as a distribution of equity under "Other reserves". The amount of the financial guarantee liability is amortized to income in accordance with IFRS 15 on a straight line basis till bond maturity, being July 2022 and loan maturity, which is 2 February 2024

As at 31 December 2021 Eleving Group S.A. was rated "B-" by a third party (31 December 2020: "B-").

In October 2021 the original guarantee agreement was revised following Eleving Group S.A. tap bond issue of additional EUR 50 million. The Company did not receive compensation for guarantee provided. The amended guarantee agreement increased the total exposure of the Company. The change was deemed to be substantial modification of the guarantee agreement. Accordingly, the original guarantee was derecognized and a new financial guarantee was recognized.

Liabilities under financial guarantee agreements are amortized through the statement of profit or loss and other comprehensive income on a straight-line basis till bond maturity. In 2021 GEL 659,651 was recognized in the statement of profit or loss and other comprehensive income as other operating income (2020: GEL 977,361), see also Note 9.

After initial recognition, the liabilities under the financial guarantees are measured at the higher of the amount initially recognized less cumulative amortization recognized through linear amortization and an ECL provision. The ECL provision for the financial guarantees are a Stage 1 exposures. The ECL for the guarantees issued by the Company is lower than related carrying amount as at 31 December 2021 and 31 December 2020 and therefore no ECLs were recognized.

GEL	Provision for financial guarantee	Other reserves
1 January 2020	**2,498,698**	**(2,717,023)**
Remeasurement of financial guarantee	(922,250)	922,250
Foreign exchange and other movements	457,241	-
Amortisation	(977,361)	-
31 December 2020	**1,056,328**	**(1,794,773)**
1 January 2021	**1,056,328**	**(1,794,773)**
Recognition of modified financial guarantee	1,712,055	-
Derecognition of modified financial guarantee	(438,513)	-
Recognition of issued financial guarantee	233,844	
Remeasurement of financial guarantee	(468,728)	(1,038,658)
Foreign exchange and other movements	(114,651)	-
Amortisation (Note 9)	(659,651)	-
31 December 2021	**1,320,684**	**(2,833,431)**

21. Fair values and risk management

(a) Accounting classifications and fair values

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Company has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Company's financial assets and liabilities approximates their carrying amounts.

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

credit risk (see Note 21 (b)(ii));
liquidity risk (see Note 21 (b)(iii));
market risk (see Note 21 (b)(iv)); and
interest rate risk (see Note 21 (b)(v)).

(i) Risk management framework

The Supervisory Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's finance lease receivables, loans and advances to customers, other receivables and cash at bank.

The key areas of credit risk policy cover lease and loan granting process (including solvability check), monitoring methods, as well as decision making principles. The Company operates by applying a clear set of finance lease and loan granting criteria. These criteria include assessing the credit history of customer, means of lease and loan repayment and understanding the object. The Company takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Company sets the credit limit for each and every customer. When the lease or loan agreement has been signed, the Company monitors the object and the customer's solvency. The Company has developed the monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimized, and, where appropriate, provisions are being made.

The Company does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The maximal credit risk exposure for finance lease receivables and loans and advances to customers are presented in Note 11 and Note 12.

As at 31 December 2021 and 2020 other receivables mainly consist of exposure towards an entity under common control of the Ultimate Parent Company, with the credit rating of B-. Management estimates that the impact of expected credit loss ("ECL") is immaterial at all reporting dates.

Cash at bank is held with the banks, which are rated BB- (long-term rating) and B (short-term rating), based on rating agency Fitch ratings. As at 31 December 2021 and 2020 all balances are neither overdue nor impaired and categorized under Stage 1. The Company does not expect any counterparty to fail to meet its obligations.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters or global pandemic.

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with the related parties.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments:

31 December 2021		**Contractual cash flows**			
GEL	**Carrying amount**	**Total**	**Up to 1 year**	**1-5 years**	**Over 5 years**
Non-derivative financial liabilities					
Loans and borrowings	20,782,060	21,498,955	3,170,044	16,508,390	1,820,521
Lease liabilities	1,610,124	3,111,678	818,085	2,293,593	-
Trade payables	456,126	456,126	456,126	-	-
Other financial liabilities	466,876	466,876	466,876	-	-
Issued financial guarantee	541,070,160	541,070,160	541,070,160	-	-
	564,385,346	**566,603,795**	**545,981,291**	**18,801,983**	**1,820,521**

31 December 2020		**Contractual cash flows**			
GEL	**Carrying amount**	**Total**	**Up to 1 year**	**1-5 years**	**Over 5 years**
Non-derivative financial liabilities					
Loans and borrowings	24,085,812	26,793,416	14,932,144	11,809,491	51,781
Lease liabilities	527,635	629,210	428,366	200,844	-
Trade payables	133,250	133,250	133,250	-	-
Other financial liabilities	646,850	646,850	646,850	-	-
Issued financial guarantee	402,330,000	402,330,000	402,330,000	-	-
	427,723,547	**430,532,726**	**418,470,610**	**12,010,335**	**51,781**

It is not expected that the cash flows included in the maturity analysis table above could occur significantly earlier, or at significantly different amounts.

As at 31 December 2021 the maximum amount of the contingent liability under the issued guarantee to Eleving Group S.A. and Mogo UCO LLC is EUR 150 million (31 December 2020: EUR 100 million) equivalent to GEL 525,600,000 (31 December 2020: GEL 402,330,000), and AMD 2,400 million (31 December 2020: nil) equivalent to GEL 15,470,160 respectively, which could be recalled on demand. The management expects that the guarantees will not be drawn before expiry of the commitment.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company incurs financial liabilities, in order to manage market risks. The Company does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between currencies in which purchases and borrowings are denominated and the functional currency of the Company. The functional currency of the Company is Georgian Lari (GEL). The currency in which these transactions are primarily denominated is EUR.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows:

GEL	EUR -denominated 2021	EUR –denominated 2020
Cash at banks	699,247	43,570
Loans and borrowings	(20,782,060)	(23,760,028)
Provision for financial guarantee	(1,157,063)	(1,056,328)
Other payables	(466,876)	(646,850)
Net exposure	**(21,706,752)**	**(25,419,636)**

The following significant exchange rates have been applied during the year:

in GEL	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
EUR 1	3.8140	3.5519	3.5040	4.0233

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the GEL, as indicated below, against EUR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sale and purchases:

GEL	Profit or loss	
	Strengthening of GEL	Weakening of GEL
31 December 2021		
EUR (20% movement)	4,341,350	(4,341,350)
31 December 2020		
EUR (20% movement)	5,083,927	(5,083,927)

(v) Interest rate risk

The Company is not exposed to interest rate risk, as all lease receivables, loans and advances to customers and borrowings have fixed interest rates.

The Company does not account for any fixed-rate financial instruments as FVTPL or FVOCI. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

22. Leases

(a) Leases as lessee

The Company has entered into several lease agreements for office premises and branches. Lease terms and rental calculations vary between different lease agreements. The leases typically run for a minimum non-cancellable period of 1-3 years.

Information about leases for which the Company is a lessee and records a right-of-use asset and a lease liability is presented below, movements of right-of-use asset is presented in Note 10.

Amounts recognised in profit or loss

GEL	
2021 – Leases under IFRS 16	65,982
Interest on lease liabilities	

GEL	
2020 – Leases under IFRS 16	
Interest on lease liabilities	63,905

Amounts recognised in statement of cash flows

GEL	2021
Interest paid on lease liability	(65,982)
Repayment of lease liability	(722,562)
Total cash outflow for leases	**(788,544)**

GEL	2020
Interest paid on lease liability	(63,905)
Repayment of lease liability	(629,655)
Total cash outflow for leases	**(693,560)**

(b) Lease term and extension options

The Company interprets lease enforceability in lease contracts broadly. A lease term reflects the Company's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Company bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease and forthcoming changes in regulation to be effectively captured in the estimate of the lease term.

In determination of the enforceable period of the lease, the Company also considers the costs of abandoning or dismantling non-removable leasehold improvements, cost of relocation, etc.

All leases are cancellable by the lessee before the maturity of the lease contracts. The Company analysed all the relevant facts and circumstances and concluded that the lease term mostly equals to the period till contractual maturity.

23. Commitments

As at 31 December 2021, the Company has issued a guarantee to the Ultimate Parent Company and fellow subsidiary – Mogo UCO LLC. According to the guarantee contracts the Company unconditionally and irrevocably guarantees the payment of the liabilities of the Ultimate Parent Company and Mogo UCO LLC in amount of EUR 150 million (31 December 2020: EUR 100 million) and AMD 2,400 million (31 December 2020: nil), respectively, towards the bondholders and lenders in case of default by the Ultimate Parent Company and a fellow subsidiary, under the provisions of bond prospectus and loan agreement, respectively (see also Note 20).

24. Contingencies

(a) Insurance

The insurance industry in Georgia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its property, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In December of 2019 the Georgian tax administration has initiated a transfer pricing audit for the Company. The audit covers financial years 2016, 2017 and 2018. The final decision issued by the Georgian tax administration has been received with respect to 2016, 2017 and 2018. The final decision related to fiscal year 2016 was appealed at Tbilisi City Court, the similar appeal related to fiscal year 2018 will be submitted to the Tbilisi City Court shortly. The Georgian tax administration has challenged that interest rate applied by Eleving Group S.A. on loan issued to the Company complies with arm's length principle. According to mentioned decisions additional tax charges in the amount of GEL 1,162 thousand, GEL 892 thousand an GEL 1,148 thousand have been imposed on the Company for 2016, 2017 and 2018, respectively. The amounts have been reduced within the litigation process, partly covered from the existing positive balance with the Georgian state budget and the rest amount was paid therein.

Management of the Company considers that the interest rate applied on the loan from Mogo Finance S.A. is a market rate. Since January 2020 the Company started to appeal the decisions of the Georgian tax administration.

Management's position is to use all available local and international measures to justify its transfer pricing policies and cancel the final decisions for 2016 and 2018 as well as the existing decision for 2017. Management concludes it is not probable that the Georgian Tax administration will accept an uncertain tax treatment. The Company has not recognized tax expenses related to transfer pricing audit in its financial statements.

(c) Litigations

In the ordinary course of business, the Company is subject to legal actions, litigations and complaints. Management believes that the ultimate liability not already provided for, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

25. Related parties

(a) Parent and ultimate controlling party

The Company's immediate parent company is A.S. Mogo Baltics and Caucasus, a Company incorporated in Latvia (see Note 1 (b)). The Company's ultimate parent company is Eleving Group S.A.. The annual report of Eleving Group S.A. is publicly available on its website: www.eleving.com.

(b) Transactions with key management personnel

Key management remuneration

Key management received the following remuneration during the year, which is included in employees' salaries expenses (see Note 8):

GEL	**2021**	**2020**
Salaries and bonuses	168,323	147,372
	168,323	**147,372**

(c) Other related party transactions

GEL	**Transaction value for the year ended 31 December**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Sale of goods and services				
Fellow subsidiaries:				
Other receivables (Note 15)	-	33,877	629,309	629,309

GEL	**Transaction value for the year ended 31 December**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Purchase of goods and services				
Fellow subsidiaries:				
Other liabilities (Note 19)	3,549,439	2,953,663	412,468	368,308
Car dealership commission	4,875	13,917	1,553	6,428

GEL	**Transaction value for the year ended 31 December**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Provision for financial guarantee				
Ultimate Parent Company (Note 20)	100,735	1,442,370	1,157,063	1,056,328
Fellow subisidary	163,621	-	163,621	-

In 2021 amortised income on financial guarantee amounted to GEL 774,302 (2020: GEL 977,361), see Note 20.

GEL	**Transaction value for the year ended 31 December**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Loans given:				
Loans received:				
Ultimate Parent Company (Note 18)	9,492,004	-	5,168,400	-

All outstanding balances with related parties except for the loan received and the provision for financial guarantee are to be settled in cash within six months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of the amounts owed by the related parties.

During 2021 interest accrued on the EUR-denominated loan from the Ultimate Parent Company has amounted equivalent to GEL 270,953 (2020: GEL 4,042). The Company repaid principal and accrued interest in the amount equivalent to GEL 4,213,918 (2020: GEL 323,535).

26. Subsequent events

In March 2022 and May 2022, the Company fully repaid loans received from Ardshinbank CJSC and Eleving Group S.A., respectively.

In June 2022 the Georgian tax administration conducted a cameral audit related to the transfer pricing for the period of 2019-2020 and has issued a decision. According to the decision additional tax charge has been imposed on the Company in the amount of GEL 76,987. The Company has decided to appeal the decision in July 2022.

In June 2022 the court announced the final decision regarding ATR on Mintos interest withholding tax (WHT) tax, which was negative – so the Company intends to fully repay WHT for the period of 2019-2021 and onwards.

27. Basis of measurement

The financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below.

28. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Income from debt collection activities and earned penalties

Income from debt collection activities and penalties is recognized in the statement of profit or 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 a lease or loan agreements, such as exceeding the payment date. In those situations, the Company is entitled to charge the customers in accordance with the agreement terms. The Company recognizes income from penalties at the moment of cash receipt as likelihood and timing of settlement is uncertain. In case customers do not settle the penalty amount, the Company is entitled to enforce repossession of the collateral.

Income from debt collection activities typically arises when customers delay the payments due. The Company’s income encompasses a compensation of internal and external costs incurred by the Company in relation to debt management, legal fees as well as repossession of vehicle in case of the lease or the loan agreement termination, which is recharged to the customers in accordance with the agreement terms. Debt collection income is recognised on net (agent) basis as these amounts are recharged to the customers in accordance with agreement terms and the Company does not control these services before they are transferred to a customer. The performance obligation is satisfied when respective service has been recharged to a customer when issuing the next monthly invoice in accordance with the lease or the loan agreement schedule.

(b) Finance income and costs

The Company's finance income and finance costs include:

– interest expense;
– interest income;
– the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(d) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law will become effective from 1 January 2023.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholders as a dividend. However, some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes. In addition, the tax object includes expenses or other payments not related to the entity's economic activities, free of charge supply and over-limit representative expenses.

Tax reimbursement is available for the current tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2018 or further years.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

(ii) Deferred tax

Due to the nature of the new taxation system described above, the entities registered in Georgia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise.

Tax losses accrued in the prior periods cannot be utilized against the future taxable profits.

(f) Other assets held for sale

Other assets held for sale are repossessed collaterals. The assets are initially recognized at remaining loan value when acquired. Subsequently, non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(g) Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Land is not depreciated.
The estimated useful lives are as follows:

Equipment	2-5 years
Leasehold improvements	2-5 years

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite and are limited to 2-5 years.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

The Company does not have intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Transactions with peer-to-peer platforms

Background

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

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

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

The Company has only first type of agreements with investors.

Funding attracted through peer-to-peer platform.

Liabilities arising from assignments are initially recognized at the fair value being consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in loans and borrowings and are treated as loans received, see Note 18.

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

Therefore, the Company's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under interest expense, see Note 5.

(j) Financial instruments

Financial assets

Initial 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 Company 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 (which is generally equal to the transaction price) adjusted for transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at FVTPL.

Classification of financial assets

The Company measures loans and advances to customers, loans to related parties, receivables from related parties, cash equivalents and other receivables at amortized cost if both of the following conditions are met:

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages the group 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 frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity are also important aspects of the Company's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows. Sales that take place from these portfolios relate to credit events. Loans from portfolios might be sold to debt collector agencies when underlying debtors have defaulted on their obligations. When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. No financial liability reclassifications take place.

SPPI test

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

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

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

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

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

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

Reclassification of financial assets

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

Financial liabilities are never reclassified.

Derecognition of financial assets and finance lease receivables

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

Derecognition due to substantial modification of terms and conditions

The Company derecognizes a loan to a customer or a 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 or lease receivables 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 or a finance lease receivable, the Company evaluates whether the cash flows of the modified asset are substantially different and the Company considers the following qualitative factors:

- Change in currency of the loan/finance lease receivable
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion for financial asset
- Whether legal obligations have been extinguished.
- Furthermore, for loans to customers and finance lease receivables the Company specifically considers the purpose of the modification for increase in lease term. It is evaluated whether the modification was entered for commercial reasons upon a 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 resulted in a 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 the 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 finance 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 the Company's similar financial assets or finance lease receivables) is derecognized when the rights to receive cash flows from the financial asset or finance lease receivable have expired. The Company also derecognizes the financial asset or finance lease receivable if it has both transferred the financial asset or finance lease receivable and the transfer qualifies for derecognition.

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

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

the Company has transferred its contractual rights to receive cash flows from the asset or

It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions when the Company retains the contractual rights to receive 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:

The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;

The Company cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;

The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

The Company has transferred substantially all the risks and rewards of the asset, or

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

Modifications

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

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss in interest revenue/expenses calculated using the effective interest method in the statements of profit or loss, to the extent that an impairment loss has not already been recorded.

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 statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

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

Changes in the contractual cash flows of the asset are recognized in statement of profit or loss 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or other financial liabilities that are measured at amortized cost. All financial liabilities are recognized initially at fair value plus, for an item not at FVTPL, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings, including funding attracted through peer-to-peer platforms.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such upon initial recognition. Net gains or losses, including any interest expense, on liabilities held at FVTPL are recognized in the statement of profit or loss.

The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized; interest expense is recognized 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 profit or loss.

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

Modification of financial liabilities

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

Treatment of non-substantial modifications

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

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

Changes in the contractual cash flows of the asset are recognized in statement of profit or loss 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 profit or loss.

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

(k) Financial guarantees

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

Financial guarantees are initially recognized in at fair value. Subsequently, unless the financial guarantee contract is designated at inception as at fair value through comprehensive income, Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortisation recognized in the statement of profit or loss and other comprehensive income, and ECL provision determined in accordance with IFRS 9. Amortisation is recognized in the statement of profit or loss and other comprehensive income under net other operating income on a straight-line basis over the term of 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 other reserves. Other reserves are transferred to retained earnings upon extinguishment of liabilities under the financial guarantee.

(l) Charter capital

Charter capital is classified as equity.

(m) Impairment

(i) Non-derivative financial assets

The Company recognizes the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and finance lease receivables (as due to lease contract specifics lease receivable does not contain any unguaranteed residual value, IFRS 9 provisions apply to full finance lease receivable balance). In this section all referred to as 'financial instruments'.

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).

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

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

Company's core business assets – financial lease receivables and loans and advances to customers – are of retail nature, therefore are grouped per 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 Company analyzes its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to each receivables' days past due metrics and presence of underlying collateral.

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.
The Company segregates finance lease receivables and loans and advances to customers in the following categories:

Finance lease receivables (lease):

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 (loan):

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)

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

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

A healing period of 1 month 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. Exposures are classified out of Stage 1 if they no longer meet the criteria above.

- Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The Company generally considers leases that have a status of 31-60 DPD to be Stage 2 loans. A loan is considered Stage 2 if DPD is in range of 30 to 60 days. Exposures remain in Stage 2 for a healing period of 1 month, even if they otherwise would meet Stage 1 criteria above during this period.
- Stage 3: Leases and loans considered credit-impaired and at default. The Company records an allowance for the LTECLs. The Company considers a finance lease agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 DPD on its contractual payments or the lease agreement is terminated. The Company considers a loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 days past due on its contractual payments. Exposures remain in Stage 3 for a healing period of 2 months, even if they otherwise would meet Stage 2 criteria above during this period. For immature countries a 1 month healing period is applied to transfer the lease/ loan to Stage 2 due to the lower threshold of DPDs used initially to transfer such exposures in Stage 2.

Due to the nature of credit exposures of the Company (portfolios of rather homogenous and individually insignificant finance lease receivables and loans and advances to customers), qualitative assessment of whether a customer is in default is not performed for these exposures and primary reliance is placed on the above criteria.

The calculation of ECLs

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

- PD: the Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL);
- 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 employs multiplication model across all Stages for the ECL calculation:

ECL=EAD*PD*LGD*[DDV]

Given that DDV is a multidimensional vector (12 or 13 dimensions) it is aggregated into one value before multiplication - [DDV]. DDV aggregated value is obtained as follows:

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

- discount factor is calculated in a regular way (e.g. NPV formula), where discount is calculated on EIR of the portfolio and number of periods corresponds to the dimension of the respective DDV value;
- [DDV] is the sum of all respective multiplications of DDV values with respective discount factors.

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

- Stage 1: The 12mECL is calculated. The Company calculates the 12mECL allowance using 12 months PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are like those explained above, but PDs and DDV are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR using DDV.
- Stage 3: For loans considered credit-impaired, the Company recognizes the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

ECL on restructured and modified loans

Modifications performed to customers that serve to renegotiate terms of an agreement 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 term extension), exposure is moved to Stage 2 for a healing period of 2 months. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Such items will be classified as Stage 2 assets for a healing period of 2 months reflective of the increase from initial credit risk.

Write-off of unrecoverable debts

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

Impairment of financial assets other than lease receivables and loans and advances to customers

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

- Other receivables
- Cash and cash equivalents

Financial assets are aggregated in categories considering the similarities of key risk characteristics and nature of each of these.

For other receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, ie., 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.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit ("CGU").

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A lease term reflects the Company's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Company bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation and the future business plans of the Company to be effectively captured in the estimate of the lease term.

(ii) As a lessor

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, (3) the relevant provisions that apply to derivatives embedded within leases, and (4) relate to sale and leaseback transactions.

The Company is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts. The Company earns its profits predominantly from finance income over the lease term and not from initial selling profit.

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

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

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

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

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

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.

Initial measurement

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

- derecognizes the carrying amount of the underlying asset; and
- recognizes the net investment in the lease.

Upon commencement of finance lease, the Company records the net investment in leases, which consists of the sum of the minimum lease payments receivable by a lessor under a finance lease, discounted at the interest rate implicit in the lease. The contracts with the customers stipulate that the title to the lease object passes to the lessee at the end of the lease term; hence, no unguaranteed residual value accrues to the lessor. The difference between the gross investment and the net investment is recorded as unearned finance lease income. Initial direct costs, such as client commissions and commissions paid by the Company to car dealers, are included in the initial measurement of the lease receivables.

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

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. Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Company 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. The lease term does not reflect the lessee exercising an option to terminate the lease due to high termination fees and resulting low probability of option exercise.

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

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

(p) Sale and leaseback transactions

The Company also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Company purchases the underlying asset from a customer and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Company applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognise the transferred asset and shall recognise 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.

The Company concluded that its sale and leaseback contract provisions are such that the transfer of asset from the seller-lessee to the Company does not satisfy and never satisfied the requirements of IFRS 15.

The Company has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in a case of borrowers' default and are related to repossessed car sales for which any excess gains can be retained by the Company and commissions and other fees charged to the customer that are not directly linked to outstanding principal/interest (e.g. external debt recovery costs being charged to clients with mark-up).

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

29. New standards and interpretations not yet adopted

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following new and amended standards are not expected to have a significant impact on the Company’s financial statements:

– *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).*
– *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
– *Annual Improvements to IFRS Standards 2018–2020.*
– *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
– *Reference to Conceptual Framework (Amendments to IFRS 3).*
– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
– *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*
– *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
– *Definition of Accounting Estimates (Amendments to IAS 8).*
– *Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).*