



PART OF ELEIVING GROUP

Joint stock company Mogo

Unified registration number LV50103541751

Annual report

for the year ended
31 December 2023

Including financial statements

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

Together with independent auditor's report

Riga, 2024

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General information

Name of the Company	mogo		
Legal status of the Company	JSC		
Unified registration number, place and date of registration	50103541751, Latvia, 03.05.2012		
Registered office	Skanstes street 52, Riga, Latvia		
Shareholders		Eleving Stella JSC	Other
	Shareholders from 05.01.2024	100%	-
	Shareholders from 11.08.2023	98%	2%
	Shareholders from 13.06.2023 till 10.08.2023	97%	3%
	Shareholders on 12.06.2023	95%	5%
	Shareholders from 01.09.2021 till 11.06.2023	98%	2%
Ultimate parent company	Eleving Group S.A. (Luxembourg)		
Board Members	Vladislavs Mejerčāls - Chairman of the Board from 01.03.2024. Anete Pallo - Chairman of the Board from 04.08.2023 till 01.03.2024. Krišjānis Znotiņš - Chairman of the Board from 17.08.2020 till 04.08.2023. Aivis Lonskis - Member of the Board from 17.08.2020. till 31.05.2022.		
Council Members	Valerij Petrov - Chairman of the Council from 17.08.2020. Vladislavs Mejerčāls - Deputy Chairman of the Council from 17.08.2020. till 01.03.2024. Neringa Plauškiene - Member of the Council from 17.08.2020.		
Subsidiary	Renti JSC, Latvia (100%)		
Financial year	January - December 2023		
Previous financial year	January - December 2022		
Auditors	SIA "BDO ASSURANCE" Commercial licence No. 182 Kaļķu street 15-3B, Riga, Latvia, LV-1050 Certified auditor in charge Raivis Jānis Jaunkalns Sworn auditor Certificate No. 237		

Management report

18 April 2024

General information

JSC mogo (hereinafter – the Company) is a part of international fintech group "Eleving Group", specializing in providing used car financing for private individuals in Latvia through leasing and consumer loan products, as well as operational management services to other companies operating in used car financing or rent. The Company provides quick and convenient car financing services through more than 220 partners (professional car sellers) network, Company's branded website, mobile homepage, lending brokerage platforms and on site at customer service centre located in the strategic location at Road Traffic Safety Directorate (CSDD) premises.

During year 2023 the Company continued to successfully serve its existing customers, achieved stable sales volumes and provided full-cycle services, from product design and development to customer service and debt collection to JSC Renti and related business entity JSC Primero Finance.

Operations and Financial Results

Despite challenging market conditions, which saw negative trend in used vehicle sales, as well as worsening consumer solvency and creditworthiness in Latvia, total assets of the Company reached 44.3 million euro (20% decrease, compared to 2022), interest and similar income reached 6.6 million euro (5% decrease compared to 2022), and net profit of the Company amounted to 0 million euro.

Gross value of the lease and loans portfolio reached 4.4 million euro (15% increase compared to 2022) at the end of December 2023.

The Company has finished year 2023 with net loss of 27 thousand euro, which is mostly attributable to the impairment for investment in subsidiary Renti JSC in the amount of 1.7 million euro. Operational results of the Company are in line with previous year results, new loan issuances have reached 4.1 million euro (20% increase to 2022), including 940 thousand euro of issued instalment loans, which the Company added to the product portfolio in Q2 of 2023.

Significant share of Company's earnings still came from providing services, despite drop in other operating income from 1.8 million euro in 2022 to 0.9 million euro in 2023. Company continued to fund related entities, although the volume of provided financing has decreased from 44.2 million euro at the end of 2022 to 31.8 million euro at the end of 2023.

Administrative expenses have remained on the same level, slightly decreasing from 1.9 million euro in 2022 to 1.8 million euro in 2023.

In 2023, the Company continued its operations to accomplish its mission – make personal mobility accessible to all residents of Latvia and diversify its product portfolio to suit variety of customer's needs. Investments in the customer journey automation process continued during 2023 and will continue going forward.

The future development of the Company

The Company plans to continue investing in process automation and digitalization, creating a seamless experience for customers and improving cooperation-related processes for partners. The main focus areas in 2024 will be to continue ensuring stable portfolio quality and providing improved customer experience for the Company's offered products and related party servicing. The Company expects to continue growing sales volumes, as well as further work on diversifying product portfolio to suit every need of Company's customer segment.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Company's overall risk management focuses on minimizing potential adverse effects on the Company's financial performance.

Subsequent events

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

On 5 January 2024, Eleving Stella JSC closed share purchase agreement for 8 500 A category mogo JSC shares purchase. As a result of the transaction, Parent Company Eleving Stella JSC become a 100% shareholder of mogo JSC.

On 11 January 2024, mogo JSC closed Share sale and purchase agreement for Primero Finance OU share purchase from Eleving Stella AS.

Chairman of the management board, Anete Pallo, left his position at March 1, 2024. His role has been taken over by Vladislavs Mejerčāls.

On 2 April 2024, AS mogo made bonds repayment to existing bondholders in amount of 17 181 000 EUR and consequently exited the regulated market.

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

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejerčāls, Chairman of the Board

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

Statement of Management Responsibility

18 April 2024

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

Management of the Company declares that in accordance with the information in their possession, separate financial statements have been prepared in accordance with accounting transaction documentation and with IFRS Accounting Standards as adopted by the European Union to give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2023, results of operations and cash flows for the year ended 31 December 2023.

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

The Company's management is responsible for detection and prevention of the error, inaccuracy and / or fraud. The Company's management is responsible for the Company's activities to be carried out in compliance with the legislation of the Republic of Latvia.

The management report includes a fair view of the development of the Company's business and results of operation.

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejertāls, Chairman of the Board

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Separate Financial Statements

Separate Statement of Comprehensive Income

		2023 EUR	2022 EUR
Interest revenue	4	6 625 164	6 972 460
Interest expense	5	(3 961 223)	(4 160 750)
Net interest income		2 663 941	2 811 710
Fee and commission income related to finance lease activities	6	6 522	33 488
Impairment expense	7	(2 182 502)	(226 672)
Net gain from de-recognition of financial assets measured at amortised cost	8	614 824	860 168
Expenses related to peer-to-peer platforms services	9	(13 989)	(48 634)
Cost of sales of cars		(1 618)	(255)
Selling expense	10	(94 833)	(43 238)
Administrative expense	11	(1 796 339)	(1 868 040)
Other operating income	12	861 147	1 761 965
Other operating expense	13	(78 879)	(100 787)
Net operating expenses		(2 685 667)	367 995
Net foreign exchange result		258	(62 734)
Profit/(loss) before tax		(21 468)	3 116 971
Corporate income tax	14	(5 858)	(5 124)
Net profit/(loss) for the period		(27 326)	3 111 847
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive income/(loss) for the year		(27 326)	3 111 847
Profit/(loss) is attributable to:			
Equity holders of the Parent Company		(26 779)	3 049 610
Non-controlling interests		(547)	62 237
Net profit/(loss) for the year		(27 326)	3 111 847
Other comprehensive income/(loss) is attributable to:			
Equity holders of the Parent Company		(26 779)	3 049 610
Non-controlling interests		(547)	62 237
Comprehensive income /(loss) for the year		(27 326)	3 111 847

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejeritāls, Chairman of the Board
Laura Bunkša, Chief accountant

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Separate Statement of Financial Position

ASSETS		31.12.2023.	31.12.2022.
		EUR	EUR
NON-CURRENT ASSETS			
Tangible assets			
Right-of-use assets	16, 17	579 581	703 605
Property and equipment	16	9 092	22 549
Leasehold improvements	16	919	1 989
Total tangible assets		589 592	728 143
Non-current financial assets and lease receivables			
Finance lease receivables	18	1 743 838	1 699 996
Loans and advances to customers	19	2 153 018	1 370 742
Loans to related parties	32	29 421 118	44 162 985
Investments in Subsidiary	33	3 800 871	5 500 000
Trade receivables	21	10 349	134 987
Total non-current financial assets and lease receivables		37 129 194	52 868 710
TOTAL NON-CURRENT ASSETS		37 718 786	53 596 853
CURRENT ASSETS			
Receivables and other current assets			
Finance lease receivables	18	230 560	331 371
Loans and advances to customers	19	286 069	413 455
Loans to related parties	32	5 144 663	133 644
Trade receivables	21	179 226	490 236
Prepaid expense	20	66 112	71 118
Other receivables	22	232 836	16 504
Contract assets	23	324 440	366 556
Cash and cash equivalents	24	153 378	82 397
Total receivables and other current assets		6 617 284	1 905 281
TOTAL CURRENT ASSETS		6 617 284	1 905 281
TOTAL ASSETS		44 336 070	55 502 134

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejeritāls, Chairman of the Board
Laura Bunkša, Chief accountant

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Separate Statement of Financial Position

EQUITY AND LIABILITIES		31.12.2023.	31.12.2022.
EQUITY		EUR	EUR
Share capital	25	425 000	425 000
Foreign currency translation reserve	25	1	1
Other reserves	35	(376 473)	(376 473)
Retained earnings		22 479 213	22 505 992
brought forward		22 505 992	19 456 382
for the period		(26 779)	3 049 610
Total equity attributable to equity holders of the Parent Company		22 527 741	22 554 520
Non-controlling interests		458 760	459 306
TOTAL EQUITY		22 986 501	23 013 827
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	27	-	28 886 905
Funding attracted through peer-to-peer platforms	27	871 741	1 536 870
Lease liabilities for right-of-use assets	17, 27	492 024	613 371
Loans from related parties	27	1 226 000	-
Total non-current liabilities		2 589 765	31 037 146
Provisions for financial guarantees	35	2 214	108 238
Other provisions	26	157 316	164 648
Total provisions for liabilities and charges and financial guarantees		159 530	272 886
Current liabilities			
Liabilities for issued debt securities	27	17 605 018	-
Funding attracted through peer-to-peer platforms	27	126 961	336 488
Loans from related parties	27	25 039	-
Lease liabilities for right-of-use assets	17, 27	109 132	105 593
Prepayments and other payments received from customers	28	44 262	42 865
Trade payables to related companies	32	122 151	5 733
Trade payables		27 944	86 652
Corporate income tax payable	14	3 515	3 129
Taxes payable	29	22 458	20 853
Other liabilities	30	301 784	386 921
Accrued liabilities	31	212 010	190 041
Total current liabilities		18 600 274	1 178 275
TOTAL LIABILITIES		21 349 569	32 488 307
TOTAL EQUITY AND LIABILITIES		44 336 070	55 502 134

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejeris, Chairman of the Board
Laura Bunkša, Chief accountant

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Separate Statement of Changes in Equity

	Share capital	Currency revaluation reserve	Other Reserves	Retained earnings	Total equity attributable to Equity holders of the Parent Company	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 01.01.2022.	425 000	1	(1 925 471)	19 816 601	18 316 131	404 421	18 720 552
Profit for the reporting year	-	-	-	3 049 610	3 049 610	62 237	3 111 847
Total comprehensive income for the period	-	-	-	3 049 610	3 049 610	62 237	3 111 847
Guarantee derecognition (Note 38)	-	-	1 403 970	(360 219)	1 043 751	(7 351)	1 036 400
Balance at 31.12.2022.	425 000	1	(376 473)	22 505 992	22 554 520	459 307	23 013 827
Balance at 01.01.2023.	425 000	1	(376 473)	22 505 992	22 554 520	459 307	23 013 827
Loss for the reporting year	-	-	-	(26 779)	(26 779)	(547)	(27 326)
Total comprehensive loss for the period	-	-	-	(26 779)	(26 779)	(547)	(27 326)
Balance at 31.12.2023.	425 000	1	(376 473)	22 479 213	22 527 741	458 760	22 986 501

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejertāls, Chairman of the Board
Laura Bunkša, Chief accountant

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Separate Statement of Cash Flows

		2023	2022
		EUR	EUR
Cash flows to/from operating activities			
Profit/(loss) before tax from continuing operations		(21 468)	3 111 847
Adjustments for:			
Amortisation and depreciation	15, 16	125 209	126 195
Interest expense	5	3 961 223	4 160 750
Interest income	4	(6 625 164)	(6 972 460)
Disposals of property, equipment and intangible assets		-	246
Impairment expense	7	2 182 502	226 672
Financial guarantees	35	(105 766)	(524 077)
Operating profit/(loss) before working capital changes		(483 464)	129 173
Increase in finance lease, loans and advances to customers, trade and other receivables		57 414	3 237 890
Decrease in advances received and trade payables and guarantees		(631 701)	(569 499)
Cash generated to/from operations		(1 057 751)	2 797 564
Interest received		4 314 488	7 440 934
Interest paid		(3 625 052)	(3 821 608)
Corporate income tax paid		(5 472)	(4 938)
Net cash flows to/from operating activities		(373 787)	6 411 953
Cash flows to/from investing activities			
Purchase of property and equipment and other intangible assets	15, 16	-	(203 397)
Loan repayments received from related parties		54 726 867	27 562 000
Loans to related parties		(42 362 000)	(29 560 000)
Net cash flows to/from investing activities		12 364 867	(2 201 397)
Cash flows to/from financing activities			
Proceeds from borrowings	27	11 561 531	17 588 734
Repayments for borrowings	27	(23 305 453)	(21 773 083)
Payments for borrowings acquisition costs	27	(8 698)	(7 527)
Repayment of lease liabilities for right-of-use assets	27	(167 479)	(127 601)
Net cash flows to/from financing activities		(11 920 100)	(4 319 477)
Change in cash		70 981	(108 921)
Cash at the beginning of the year		82 397	191 318
Cash at the end of the year	24	153 378	82 397

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejerāls, Chairman of the Board
Laura Bunkša, Chief accountant

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Notes to the separate financial statements

1. Corporate information

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

The ultimate parent company of mogo JSC is Eleving Group S.A. (Luxembourg). The ultimate beneficiary owner of mogo JSC is Aigars Kesenfelds (38,1024%). The share of the rest shareholders does not exceed 25%.

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

On March 1, 2021, through public offering the Company issued new secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 is included in the regulated market of NASDAQ OMX Baltic. On 2 April 2024, AS mogo made bonds repayment to existing bondholders and consequently exited the regulated market.

For additional information see Note 27.

Annual report of 2023 has been approved by decision of the board on 18 April 2024.

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

	2023	2022
Average number of employees during the reporting year	19	27

2. Summary of significant accounting policies

a) Basis of preparation

These annual separate financial statements as of and for the year ended 31 December 2023 are prepared in accordance with IFRS Accounting Standards as adopted by the European Union (hereinafter - IFRS).

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

The consolidated financial statements for the year ended 31 December 2023 are prepared separately.

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

The Company's presentation and functional currency is euro (EUR). The separate financial statements cover the period from 01 January 2023 till 31 December 2023. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Going concern

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

Going concern assumptions in the context of subsequent events are disclosed under 'Going concern (non-adjusting subsequent events)' (Note 3).

b) Changes in accounting policy disclosures and presentation

Adoption of new and revised standards and interpretations

New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. See the applicable notes for further details on how the amendments affected the Company.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as A Layout Company. The Company carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Company.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the separated financial statements of the Company but affect the disclosure of accounting policies of the Company.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

2. Summary of significant accounting policies (continued)

b) Changes in accounting policies (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the annual separated financial statements of the Company.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management of A Layout has determined that the Company is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Company.

c) New standards, interpretations and amendments not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. Except for COVID-19 - Related Rent Concessions (Amendment to IFRS 16) as explained in section before.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Company does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

d) Significant accounting policies

Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of Company's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Internally generated intangible assets cost value is increased by the Company's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives 5 years. The main internally generated intangible assets are software programs ERP; Rubie, Mintos BI.

According to IAS38, development costs shall be capitalized if, and only if, the Company can meet all of the following criteria:

- the project is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the project is demonstrated;
- there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
- the Company has the ability to use or sell the intangible asset arising from the project;
- the Company can demonstrate how the intangible asset will generate probable future economic benefits;
- the Company has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Company are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in Notes 3 and 15.

Licenses and other intangible assets

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

Other intangible assets mainly consists of acquired computer software products.

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

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

Property and equipment

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

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

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

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

Financial assets

Financial instruments – initial recognition

Date of recognition

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

Initial recognition and measurement

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

Classification of financial assets

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

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

Business model assessment

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial assets (continued)

SPPI test

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

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

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

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

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

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

Embedded derivatives

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

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

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

Reclassification of financial assets

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

Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2023 or 2022.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables

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

Derecognition due to substantial modification of terms and conditions

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

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

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

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

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

Derecognition other than for substantial modification

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

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

Modifications

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables (continued)

Treatment of non-substantial modifications

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

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

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

Overview of the expected credit loss principles

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

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

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

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

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

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

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

Finance lease receivables and secured loans:

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

Loans and advances to customers (unsecured loans):

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

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

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

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

Defining credit rating (continued)

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

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

The first years of this decade have heralded a particularly disruptive period in human history. The return to a "new normal" following the COVID-19 pandemic was quickly disrupted by the outbreak of war in Ukraine, ushering in a fresh series of crises in food and energy – triggering problems that decades of progress had sought to solve. Return to "older" risks is noticed, as inflation, cost-of-living crises, widespread social unrest, geopolitical confrontation which negatively impacted Group's operations and caused increase in credit risk. Outlook for 2024 and upcoming at least two years remains negative. Inflation, lack of economic opportunities, economic downturn, interstate armed conflicts remains in the top 10 risk over the short term and might negatively affect macroeconomic outlook.

Analyzing and evaluating Group's responses to such non-standard situations in past, management decided to keep and maintain introduced during Covid-19 pandemic so-called TDR (temporary debt restructuring) program. Forbearance tools (TDR and restructuring, i.e., change of the original payment schedule) is almost the only feasible solution to reduce financial burden on customers crisis circumstances, thus fact of the forbearance as such does not lead to the recognition of SICR if customer pays according to new terms and later returns to the original schedule or close to it.

Following the crisis situation Group's management might decide to activate TDR program for certain market for defined period (from 3 to 6 months). In mentioned situation – cases where the Group has sound grounds to expect customer to return to the regular discipline not longer than in 12-month time should not be classified as SICR even if customer has been granted forbearance tool.

Temporary debt restructuring (TDR) and other forbearance tools:

1. Alternative schedule (AS) – a temporary reduction of monthly payment, typically not more than 50%. Customers use this option for several, e.g. 3-6 months in row.
2. Extension – is a payment holiday for 1 month. Customer pays extension fee (in some cases free extensions are possible) and returns to the original schedule in next 1-3 months.
3. Restructurings – permanent amendment of the schedule (term end increase, monthly payment decrease, interest decrease).

TDR is granted upon customer's request. Customer is on TDR program if he complies with agreed terms (no SICR is recognized). If terms are breached customer returns to the original schedule and his credit risk is assessed as per actual DPD.

The calculation of ECLs

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

Key elements of the model are, as follows:

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

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

- EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cash flows due at the moment of default and those that the lender would expect to receive, including from the realization of any collateral and deducting expenses related to cash collections or collateral realization processes. It is usually expressed as a percentage of the defaulted balance.
- Lifetime period is estimated as average remaining contractual term of respective portfolio.

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

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

$$ECL = EAD * PD * LGD * [DDV]$$

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

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

Write off of unrecoverable debts

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

Impairment of financial assets other than loans and advances

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

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

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

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

Impairment for loans to related parties

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

Impairment of cash and cash equivalents

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, i.e., a few days.

Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default. For cash and cash equivalents no Stage 2 is applied given that any past due days would result in default.

Financial guarantees

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

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

- Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial liabilities (continued)

Modification of financial liabilities

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

Treatment of non-substantial modifications

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

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

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

Derecognition

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

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

Offsetting of financial instruments

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

Provisions for financial guarantees and Other reserves

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

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

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

Finance lease – Company as lessor

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Finance lease – Company as lessor (continued)

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

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

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

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

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

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

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

Initial measurement

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

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

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

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

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

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

Subsequent measurement

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

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

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

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

Operating lease – Company as lessor

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

Company as lessee

Lease liability

Initial recognition

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Lease liability (continued)

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

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

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

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

Subsequent measurement

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

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Right-of-use assets

Initial recognition

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

Subsequent measurement

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

Company involvement with the underlying asset before the commencement date

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

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

Initial recognition exemptions applied

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

- (a) Short term leases – for all classes of underlying assets; and
- (b) Leases of low-value assets – on a lease-by-lease basis.

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

(a) Short term leases

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

(b) Leases of low-value assets

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

- 1) has a value, when new of 5 000 EUR or less. The Company assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.
- 2) the Company can benefit from use of the assets on its own, or together with, other resources that are readily available to the Company; and
- 3) the underlying asset is not dependent on, or highly interrelated with, other assets.

Sale and leaseback transactions

The Company also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Company purchases the underlying asset and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Company applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset as loans and advances to customers by applying IFRS 9.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Sale and leaseback transactions (continued)

The Company has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in the case 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). Other contract elements relevant to SPPI assessment for components include the leased asset repurchase options, where the option value is below the car market value at the moment of exercise and significant termination penalties for certain non-recourse contracts.

The Company has made relevant judgements and concluded that SPPI test is met in all above circumstances as

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

Cash and cash equivalents

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

Assets held for sale

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

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

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

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

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

Investments in subsidiary

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

Other investments

Equity investments at FVOCI

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

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

Debt instruments at FVOCI

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

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Transactions with peer-to-peer platforms

Background

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

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

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

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

Receivables and payables from/to P2P platform

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

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Company (Note 22).

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

Funding attracted through peer-to-peer platform

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

Liabilities to investors are recognized in the statement of financial position caption Funding attracted through peer-to-peer platform (Note 27) and are treated as loans received.

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

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

Assignments with recourse rights (buy back guarantee)

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

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

Assignments without recourse rights (no buy back guarantee)

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

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

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

Reserves

Foreign currency translation reserve

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

Fair value reserve

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

Other reserves

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

Provisions

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Contingencies

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

Share-based payments

Equity-settled transactions

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

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

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

Income and expenses

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

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

The effective interest rate method

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

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

Income from cession of bad debt

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

Expenses related to attracting funding

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

Revenue and expenses from contracts with customers

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

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- can be identified each party's rights regarding the goods or services to be transferred;
- can be identified the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Revenue and expenses from contracts with customers (continued)

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

- customer simultaneously receives and consumes the benefits;
- customer controls the asset as it is created or enhanced;
- the Company's performance creates an asset and has a right to payment for performance completed.

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

In the year 2023 and 2022 the Company did not enter into contracts with rights of return, financing components, non cash considerations or consideration payable to customer.

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

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

- a) a good or another asset from the other party that it then transfers to the customer.
- b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

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

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

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

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

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

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

Revenue from car sales (Note)

Sale of motor vehicles (point in time)

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

Other operating income (Note 12)

Revenue from client acquisition (point in time)

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

Variable consideration revenue from client acquisition (point in time)

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Other operating income (Note 12) (continued)

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

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

Revenue from service fee (point in time):

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

Contract balances

Contract assets

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

At 31 December 2023 the Company have contract assets in its statement of financial position. See Note 23.

Trade receivables

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

These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 21).

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

Contract liabilities

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

At 31 December 2023 the Company had no contract liabilities in its statement of financial position.

Income taxes

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

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

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

According to amendments to the CIT Law adopted in 2024, credit institutions and consumer credit providers have pay an annual corporate income tax surcharge of 20%, which is calculated on the basis of their financial data of pre-taxation year. In essence, the tax surcharge is an advance payment that will be taken into account for an unlimited period in calculating the tax payable on distributions of dividends. The CIT surcharge is recognised in the income statement in the financial year, and as a tax liability of the current period for the reporting period payable to the tax authorities in 2024.

Related parties

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

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

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- The entity is controlled or jointly controlled by a person identified in (a);
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability and distribution of retained earnings in the separate financial statements in the period in which the dividends are approved by the shareholders (Note 25).

Subsequent events

Post period-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the separate financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material (Note 38).

3. Significant accounting judgments, estimates and assumptions

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

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the separate financial statements.

Going concern

These financial statements are prepared on going concern basis.

On 1 March 2021, through public offering the Company issued new secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 is included in the regulated market of NASDAQ OMX Baltic. On 2 April 2024, AS mogo made bonds repayment to existing bondholders and consequently exited the regulated market (Note 27)

The Company controls its liquidity by managing the amount of funding it attracts through P2P platform Mintos and other sources. P2P platform Mintos provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in Mogo as a stable company, and they continue to invest in Mogo loans.

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

Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Company operates in will not have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

Impairment of financial assets

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

Probability of default (PD)

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

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

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

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

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

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

Forward-looking macroeconomic indicators model for portfolio impairment assessment

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

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

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

Impairment of financial assets (continued)

Following variables are used:

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

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

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

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

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

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

To account for future uncertainty in case the model yields positive PD correction, the Company decided to be prudent and not to apply improving PD effect for impairment correction. In such case 0% improvement ceiling is set for 2023.

Result of the macro model is then applied to stage 1 PDs for each month close starting from December 2021. Macro outlook is updated in a consistent manner once per quarter; thus, the macro model is expected to be updated once per quarter in 2024.

The Default distribution vector (DDV)

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

Loss Given Default

Finance lease receivables

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

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

- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a three-year period. For the 31 December 2023 impairment purposes 92.5% (31.12.2022.: 90.4%) recovery rate for renewed cases was applied. Above described LGD rate is used for all portfolio groups except for unsecured portfolio part. For unsecured portfolio part LGD is estimated using triangular recovery matrix on all unsecured cases. Received recovery is discounted with effective interest rate depending on the number of months between the date account got unsecured status and the date when recovery was received. Given that majority of the car sales happen before unsecured status, the LGD for unsecured portfolio is higher than for other buckets.

Loans and advances to customers (unsecured loans)

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

Exposure at default (EAD) modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2023, it is applied for Stage 1 exposures only. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed. Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity.

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

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

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

Impairment assessment of investments in subsidiary

Key assumptions used in value in use calculations:

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

In 2023 to determine the recoverable amount, discount rate applied to the cash flow projections was 9.93% (2022: 12.62%) and was based on external sources of information. Other key assumption, on which management based its cash flow projections for the period, was future profitability of the operation of the subsidiary. Taking into account all the aspects mentioned above, as at 31 December 2023 the Company has recognised impairment loss on the investment into subsidiary in the amount of 1 699 129 eur (2022: 0 EUR).

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

Impairment assessment of investments in subsidiary (continued)

Sensitivity scenarios: assuming decrease by 10% in operating cash flow during the two-year period and increase in discount rate by 1% while other assumptions remain unchanged, the recoverable amount would decrease by 11%, and impairment would increase by EUR 400 thousand.

Determination of the FVLCTS of assets held for sale

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

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

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

Separation of embedded derivatives from the host contract

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

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

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

Financial guarantees

Fair value (FV) determination and initial recognition

The Company has elected to determine the FV of guarantee using valuation of expected loss approach. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is determined based on the contractual guaranteed amount per guarantee agreement (Note 35) and considering Company's pro-rata share of the guaranteed amount estimated considering the total assets of guarantors (Company and other Subsidiary of Eleving Group S.A.) as at end of the reporting period included in the respective guarantee agreement.

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

ECL determination for subsequent measurement

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

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

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

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

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

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

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

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

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

Sale and leaseback transactions

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

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

SPPI assessment

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

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

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

Principal versus agent assessment

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

The Company is also acting as an agent (Note 12 and Note 32) in purchasing specific goods and services from 3rd parties on behalf of customers and related parties - mainly legal, recruitment and similar services.

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

4. Interest revenue

	2023	2022
	EUR	EUR
Interest income from finance lease receivables	575 487	766 168
Interest income from intercompany loans	5 429 081	5 317 794
Interest income from loans and advances to customers	619 379	888 498
Other interest income	1 217	-
TOTAL:	6 625 164	6 972 460

5. Interest expense

	2023	2022
	EUR	EUR
<i>Interest expenses on financial liabilities measured at amortised cost:</i>		
Interest expense on issued bonds	3 696 204	3 605 030
Interest expenses for loans from P2P platform investors	142 433	349 050
Interest expenses for loans from related parties	68 239	15 290
Interest expenses for lease liabilities	19 788	20 760
Interest expenses for loans from banks	34 559	170 620
TOTAL:	3 961 223	4 160 750

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

See Note 27 for additional information.

6. Fee and commission income related to finance lease activities

	2023	2022
	EUR	EUR
<i>Revenue from contracts with customers recognised point in time:</i>		
Gross income from debt collection activities	8 721	10 455
Gross expenses from debt collection activities	(39 157)	(60 707)
Net debt collection income:	(30 436)	(50 252)
Income from commissions	1 012	602
Income from penalties received	35 946	83 138
TOTAL:	6 522	33 488

7. Impairment expense

	2023	2022
	EUR	EUR
Change in impairment in finance lease (see Note 18)	167 214	26 034
Change in impairment in loans and advances to customers (see Note 19)	229 725	(244 028)
Change in impairment in investments in Subsidiary	1 699 129	-
Written off debts	86 434	444 666
TOTAL:	2 182 502	226 672

Impairment testing of the investments in subsidiary has been performed by the management of the Company using valuation methods and based on assumptions described in section impairment testing. As a result of performed impairment test calculations there is additional impairment recognised in the year ended 31 December 2023 in amount of 1 699 129 EUR (2022: null).

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

	2023	2022
	EUR	EUR
<i>Financial lease</i>		
Income arising from cession of financial lease receivables to related parties	1 605 932	2 200 814
Loss arising from cession of financial lease receivables to related parties	(1 204 922)	(1 726 480)
TOTAL:	401 010	474 334
<i>Financial lease</i>		
Income arising from cession of financial lease receivables to non related parties	85 325	94 103
Loss arising from cession of financial lease receivables to non related parties	(63 558)	(96 466)
TOTAL:	21 767	(2 363)
<i>Loans and advances to customers</i>		
Income arising from cession of loans and advances to customers receivables to related parties	1 008 330	2 264 855
Loss arising from cession of loans and advances to customers receivables to related parties	(807 984)	(1 847 326)
TOTAL:	200 346	417 529
<i>Loans and advances to customers</i>		
Income arising from cession of loans and advances to customers receivables to non related parties	35 261	24 073
Loss arising from cession of loans and advances to customers receivables to non related parties	(43 560)	(53 405)
TOTAL:	(8 299)	(29 332)
Net Income/ (Loss) arising from cession of financial lease and loans and advances to customers receivables	614 824	860 168

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

During 2023 the Company performed cessions to related and non related parties. See Note 32 for additional information on transactions with related parties.

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

When financial lease receivables or Loans and advances to customers portfolio is sold in cession, the Company reverses the respective part of impairment allowance of the ceded assets. For additional information see Note 18 and 19.

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

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

	2023	2022
	EUR	EUR
Service fee for using P2P platform	13 989	48 634
TOTAL:	13 989	48 634

10. Selling expense

	2023	2022
	EUR	EUR
Marketing services (include out-of-home advertising)	66 493	12 566
Online advertising	2 833	41
Total marketing expenses	69 326	12 607
Other selling expenses	25 507	30 631
TOTAL:	94 833	43 238

730 666

11. Administrative expense

	2023	2022
	EUR	EUR
Employees' salaries	563 650	915 794
Amortization and depreciation	125 209	126 332
Management fee	730 666	493 905
Professional services*	80 355	55 901
Credit database expenses	31 848	41 322
Donations	3 200	-
IT services	104 378	98 788
Office and branches' maintenance expenses	72 383	62 502
Recruitment fees	1 016	10 057
Business trips	180	1 209
Communication expenses	11 109	10 058
Other personnel expenses	26 452	23 542
Low value equipment expenses	5 369	734
Bank commissions	35 849	17 655
Transportation expenses	1 286	804
Other administration expenses	3 389	9 437
TOTAL:	1 796 339	1 868 040

*Audit fees for Company 2023 separate financial statements audit amounts to - 39 900 EUR (2022: EUR 46 000)

Key management personnel compensation

	2023	2022
	EUR	EUR
<i>Board and Council Members</i>		
Remuneration	68 827	154 774
Social security contribution expenses	15 967	36 511
TOTAL:	84 793	191 285

There are no outstanding balances as of 31 December 2023 with members of the Company's Management Board members (none at 31 December 2022). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

12. Other operating income

	2023 EUR	2022 EUR
Commission for client acquisition*	332 782	517 763
Income from service fee	369 578	655 933
Income recognised from amortization of financial guarantee (Note 35)	105 766	524 077
Profit from sale of subsidiary	-	600
Other operating income	53 021	63 592
TOTAL:	861 147	1 761 965

*Income from commission for client acquisition includes income from subsidiary and related party.

Revenue from contracts with customers recognized point in time where the Company acted as an agent *

	2023 EUR	2022 EUR
Gross income from transactions with related parties	271 600	656 855
Gross expenses transactions with related parties	(271 600)	(656 855)
TOTAL:	-	-

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

13. Other operating expense

	2023 EUR	2022 EUR
Annual lending license fee	55 000	55 000
Change in provisions for possible VAT liabilities and penalty (Note 26)	17 944	24 594
Other operating expenses	5 935	21 193
TOTAL:	78 879	100 787

The amount of the annual state fee for the supervision of the activities of a credit service provider is 55 000 EUR (2022: EUR 55 000).

14. Corporate income tax payable

	31.12.2023. EUR	31.12.2022. EUR
Corporate income tax (liabilities)	(3 515)	(3 129)
TOTAL:	(3 515)	(3 129)

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

15. Intangible assets

	Licenses	Other intangible assets	Total intangible assets
Cost	38 670	56 946	95 616
Accumulated amortization	(38 670)	(56 946)	(95 616)
As at 1 January 2022	-	-	-
2022			
Revaluation surplus			
Additions	-	-	-
Reclassification	10 162	(10 162)	-
Amortization charge	-	-	-
Disposals (amortization)	-	-	-
Reclassification	(10 162)	10 162	-
Cost	48 832	46 784	95 616
Accumulated amortization	(48 832)	(46 784)	(95 616)
As at 31 December 2022	-	-	-
2023			
Additions		-	-
Disposals (cost)			-
Amortization charge			-
Disposals (amortization)	-	-	-
Cost	48 832	46 784	95 616
Accumulated amortization	(48 832)	(46 784)	(95 616)
As at 31 December 2023	-	-	-

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

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

	Property and equipment	Leasehold improvements	Right-of-use premises	TOTAL
Cost	194 817	19 283	675 714	889 814
Accumulated depreciation	(150 578)	(15 480)	(72 569)	(238 627)
As at 1 January 2022	44 239	3 803	603 145	651 187
2022				
Additions	-	-	203 397	203 397
Disposals (cost)	(988)	-	-	(988)
Depreciation charge	(21 444)	(1 815)	(102 936)	(126 195)
Disposals (depreciation)	742	-	-	742
Cost	193 829	19 283	879 111	1 092 223
Accumulated depreciation	(171 280)	(17 295)	(175 505)	(364 080)
As at 31 December 2022	22 549	1 988	703 606	728 143
2023				
Additions	-	-	-	-
Disposals (cost)	(23 665)	-	(21 764)	(45 429)
Depreciation charge	(13 457)	(1 069)	(110 683)	(125 209)
Disposals (depreciation)	23 665	-	8 422	32 087
Cost	170 164	19 283	857 347	1 046 794
Accumulated depreciation	(161 072)	(18 364)	(277 766)	(457 202)
As at 31 December 2023	9 092	919	579 581	589 592

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

17. Right-of-use assets and lease liabilities

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

	31.12.2023.	31.12.2022.
	EUR	EUR
ASSETS		
Non-current assets		
Right-of-use assets - premises	579 581	703 605
TOTAL:	579 581	703 605
EQUITY AND LIABILITIES		
Non-current liabilities		
Lease liabilities for right-of-use assets	492 024	613 371
Current liabilities		
Lease liabilities for right-of-use assets	109 132	105 593
TOTAL:	601 156	718 964
	2023	2022
	EUR	EUR
Leases in the statement of comprehensive income		
Depreciation of right-of-use premises (Note 16)	(110 683)	(102 936)
Other income		
Income/(expenses) from disposal of the rights of use assetss (Note 13)	61	-
Interest expense (finance cost)		
Interest expense for right-of-use premises (Note 5)	(19 788)	(20 760)
Total expenses from leases	(274 973)	(239 166)

The weighted average borrowing rate for lease liabilities in 2023 was 2.73% (2022: 2.73%).

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2023. There were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

18. Finance Lease Receivables

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

	2023			2022	
	EUR	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Finance lease receivables					
Not past due	1 764 590	56 511	5 962	1 827 063	1 862 426
1-30	185 840	59 604	2 836	248 280	198 508
31-60	-	27 654	28 108	55 762	28 993
>60	-	-	273 962	273 962	457 311
TOTAL, GROSS:	1 950 430	143 768	310 868	2 405 067	2 547 238

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

	2023			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January 2023	1 951 121	95 643	500 474	2 547 238
Transfer to Stage 1	35 118	(29 310)	(5 808)	-
Transfer to Stage 2	(82 154)	82 154	-	-
Transfer to Stage 3	(53 302)	(9 814)	63 116	-
New financial assets acquired	1 803 282	118 380	108 787	2 030 449
Receivables settled	(79 998)	(8 210)	(9 201)	(97 409)
Bad debts written off	-	-	(26 632)	(26 632)
Receivables written off	(1 216 539)	(34 698)	(213 007)	(1 464 245)
Receivables partially settled	(407 099)	(70 375)	(106 860)	(584 334)
Balance at 31 December 2023	1 950 430	143 768	310 868	2 405 067

18. Finance Lease Receivables (continued)

	2022			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January 2022	2 343 061	225 049	433 993	3 002 102
Transfer to Stage 1	96 623	(83 873)	(12 750)	-
Transfer to Stage 2	(42 708)	45 743	(3 035)	-
Transfer to Stage 3	(159 637)	(51 549)	211 186	-
New financial assets acquired	1 677 343	42 288	99 350	1 818 982
Receivables settled	(178 089)	(18 672)	(2 970)	(199 730)
Receivables written off	(1 686 840)	(55 325)	(112 802)	(1 854 968)
Receivables partially settled	(98 632)	(8 018)	(112 499)	(219 149)
Balance at 31 December 2022	1 951 121	95 643	500 474	2 547 238

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

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

	2023			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Impairment allowance				
Balance at 1 January 2023	52 445	16 768	371 772	440 985
Transfer to Stage 1	6 891	(4 594)	(2 297)	-
Transfer to Stage 2	(3 194)	3 194	-	-
Transfer to Stage 3	(1 364)	(1 519)	2 882	-
Impairment for new financial assets acquired	54 076	22 602	71 212	147 891
Reversed impairment for settled receivables	(2 049)	(1 346)	(4 090)	(7 485)
Bad debts written off	-	-	(24 461)	(24 461)
Reversed impairment for written off receivables	(56 755)	(19 540)	(180 049)	(256 345)
Net remeasurement of loss allowance	11 166	11 474	28 629	51 269
Balance at 31 December 2023	61 217	27 039	263 599	351 854

	2022			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Impairment allowance				
Balance at 1 January 2022 (reclassified)	49 544	38 519	326 889	414 952
Transfer to Stage 1	19 175	(14 206)	(4 969)	-
Transfer to Stage 2	(1 430)	2 612	(1 183)	-
Transfer to Stage 3	(4 113)	(8 917)	13 030	-
Impairment for new financial assets acquired	42 425	8 132	54 187	104 745
Reversed impairment for settled receivables	(4 368)	(3 506)	(1 939)	(9 812)
Net remeasurement of loss allowance	(15 446)	3 246	52 750	40 550
Balance at 31 December 2022	52 445	16 768	371 772	440 985

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

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

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

	Minimum lease payments		Minimum lease payments	
	EUR	%	EUR	%
	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Finance lease receivables				
Stage 1	1 950 430	81%	1 951 121	77%
Stage 2	143 768	6%	95 643	4%
Stage 3	310 868	13%	500 474	20%
TOTAL, GROSS:	2 405 067	100%	2 547 238	100%

18. Finance Lease Receivables (continued)

	Minimum lease payments	Change during the period	Minimum lease payments
	EUR	EUR	%
<i>Finance lease receivables</i>	31.12.2023.		31.12.2022.
Stage 1	1 950 430	(691)	0%
Stage 2	143 768	48 126	50%
Stage 3	310 868	(189 606)	-38%
TOTAL, GROSS:	2 405 067	(142 171)	-6%

	Impairment allowance		Impairment allowance
	EUR	%	EUR
<i>Impairment allowance on finance lease receivables</i>	31.12.2023.	31.12.2023.	31.12.2022.
Stage 1	61 217	17%	52 445
Stage 2	27 039	8%	16 768
Stage 3	263 599	75%	371 772
TOTAL, ALLOWANCE:	351 854	100%	440 985

	Impairment allowance	Change during the period	Impairment allowance
	EUR	EUR	%
<i>Impairment allowance on finance lease receivables</i>	31.12.2023.		31.12.2022.
Stage 1	61 217	8 772	17%
Stage 2	27 039	10 270	61%
Stage 3	263 599	(108 174)	-29%
TOTAL, ALLOWANCE:	351 854	(89 131)	-20%

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
<i>Finance lease receivables</i>	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Up to one year	1 071 813	533 162	1 258 250	736 616
Years 2 through 5 combined	2 708 892	1 327 036	2 778 253	1 420 813
More than 5 years	662 396	544 869	525 985	389 809
TOTAL, GROSS:	4 443 100	2 405 067	4 562 488	2 547 238

	31.12.2023.	31.12.2022.
	EUR	EUR
<i>Unearned finance income</i>		
Up to one year	538 651	521 634
Years 2 through 5 combined	1 381 856	1 357 440
More than 5 years	117 527	136 176
TOTAL, GROSS:	2 038 033	2 015 250

	31.12.2023.	31.12.2022.
	EUR	EUR
<i>Finance lease receivables</i>		
Non-current finance lease receivables	1 871 905	1 810 622
Current finance lease receivables	480 797	680 133
Accrued interest	52 365	56 483
TOTAL, GROSS:	2 405 067	2 547 238

18. Finance Lease Receivables (continued)

	31.12.2023.	31.12.2022.
	EUR	EUR
Movement in impairment allowance		
Impairment allowance as at 1 January	440 985	414 952
Change in impairment allowance	167 214	312 635
Elimination of impairment allowance due to cession of receivables	(256 345)	(286 602)
Impairment allowance as at 31 December	351 854	440 985

	Non-Current 31.12.2023.	Current 31.12.2023.	Non-Current 31.12.2022.	Current 31.12.2022.
	EUR	EUR	EUR	EUR
Finance lease receivables, net				
Finance lease receivables	1 871 905	480 797	1 810 622	680 133
Accrued interest	-	52 365	-	56 483
Fees paid and received upon loan disbursement	(62 708)	(16 106)	(54 438)	(20 448)
Impairment allowance	(65 359)	(286 496)	(56 188)	(384 797)
	1 743 838	230 560	1 699 996	331 371

As of 31 December 2023 part of the gross finance lease portfolio in the amount of EUR 163 966 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2022: EUR 151 403).

19. Loans and advances to customers

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

	2023			2022	
	EUR	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Loans and advances to customers					
Not past due	2 231 550	34 644	6 037	2 272 231	1 582 249
1-30	275 221	59 257	198	334 676	232 506
31-60	0	51 546	7 240	58 787	45 854
>60	0	0	411 210	411 210	557 652
TOTAL, GROSS:	2 506 771	145 447	424 684	3 076 902	2 418 261

19. Loans and advances to customers (continued)

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

	2023			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
Balance at 1 January 2023	1 635 352	143 313	639 596	2 418 262
Transfer to Stage 1	32 409	(32 409)	-	-
Transfer to Stage 2	(61 105)	61 105	-	-
Transfer to Stage 3	(60 760)	(16 144)	76 904	-
New financial assets acquired	2 339 254	93 386	168 626	2 601 266
Receivables settled	(126 266)	(13 848)	(11 362)	(151 476)
Bad debts written off	-	-	(59 802)	(59 802)
Receivables written off	(814 386)	(26 734)	(283 767)	(1 124 887)
Receivables partially settled	(437 726)	(63 223)	(105 511)	(606 460)
Balance at 31 December 2023	2 506 771	145 447	424 684	3 076 903

	2022			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
Balance at 1 January 2022	3 159 559	348 591	854 720	4 362 870
Transfer to Stage 1	124 020	(99 851)	(24 169)	-
Transfer to Stage 2	(79 962)	87 363	(7 401)	(0)
Transfer to Stage 3	(125 626)	(80 109)	205 735	-
New financial assets acquired	1 218 547	23 245	51 433	1 293 224
Receivables settled	(440 550)	(39 792)	(34 893)	(515 236)
Receivables written off	(2 060 852)	(68 326)	(309 022)	(2 438 199)
Receivables partially settled	(159 784)	(27 806)	(96 808)	(284 397)
Balance at 31 December 2022	1 635 352	143 313	639 596	2 418 262

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

	2023			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Impairment allowance				
Balance at 1 January 2023	46 607	23 642	508 971	579 220
Transfer to Stage 1	5 617	(5 617)	-	-
Transfer to Stage 2	(2 483)	2 483	-	-
Transfer to Stage 3	(2 161)	(2 604)	4 765	-
Impairment for new financial assets acquired	95 106	29 189	125 304	249 600
Bad debts written off	-	-	(58 925)	(58 925)
Reversed impairment for settled receivables	(3 268)	(2 147)	(6 853)	(12 269)
Written off impairment for written off receivables	(25 598)	(13 704)	(252 545)	(291 847)
Net remeasurement of loss allowance	(7 734)	7 808	51 244	51 318
Balance at 31 December 2023	106 086	39 051	371 961	517 098

	2022			
	EUR	EUR	EUR	EUR
	Stage 1	Stage 2	Stage 3	Total
Impairment allowance				
Balance at 1 January 2022	87 666	58 939	676 644	823 248
Transfer to Stage 1	26 900	(15 958)	(10 942)	-
Transfer to Stage 2	(3 784)	6 669	(2 884)	-
Transfer to Stage 3	(4 524)	(13 331)	17 855	-
Impairment for new financial assets acquired	29 154	3 515	26 255	58 924
Reversed impairment for settled receivables	(11 542)	(6 794)	(23 669)	(42 005)
Reversed impairment for written off receivables	(51 836)	(12 827)	(229 417)	(294 080)
Balance at 31 December 2022	46 607	23 642	508 971	579 220

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

19. Loans and advances to customers (continued)

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

	Present value of minimum loan payments		Present value of minimum loan payments	
	EUR	%	EUR	%
Loans and advances to customers	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Stage 1	2 506 771	81%	1 635 352	68%
Stage 2	145 447	5%	143 313	6%
Stage 3	424 684	14%	639 596	26%
TOTAL, GROSS:	3 076 903	100%	2 418 262	100%

	Change during the period		Change during the period	
	EUR	%	EUR	%
Loans and advances to customers	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Stage 1	2 506 771	81%	1 635 352	68%
Stage 2	145 447	5%	143 313	6%
Stage 3	424 684	14%	639 596	26%
TOTAL, GROSS:	3 076 903	100%	2 418 262	100%

	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
Impairment allowance on loans and advances to customers	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Stage 1	106 086	21%	46 607	8%
Stage 2	39 051	8%	23 642	4%
Stage 3	371 961	72%	508 971	88%
TOTAL, ALLOWANCE:	517 098	100%	579 220	100%

	Impairment allowance		Change during the period	
	EUR	%	EUR	%
Impairment allowance on loans and advances to customers	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Stage 1	106 086	21%	46 607	8%
Stage 2	39 051	8%	23 642	4%
Stage 3	371 961	72%	508 971	88%
TOTAL, ALLOWANCE:	517 098	100%	579 220	100%

	Minimum loan payments		Minimum loan payments	
	EUR	EUR	EUR	EUR
Loans and advances to customers	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Up to one year	1 435 835	768 433	1 399 374	962 204
Years 2 through 5 combined	3 256 540	1 751 086	2 250 904	1 274 318
More than 5 years	1 114 768	557 384	273 623	181 740
TOTAL, GROSS:	5 807 143	3 076 903	3 923 901	2 418 262

	Unearned finance income		Unearned finance income	
	EUR	EUR	EUR	EUR
Unearned finance income	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Up to one year	667 402	437 170	667 402	437 170
Years 2 through 5 combined	1 505 454	976 586	1 505 454	976 586
More than 5 years	557 384	91 883	557 384	91 883
TOTAL, GROSS:	2 730 240	1 505 639	2 730 240	1 505 639

	Loans and advances to customers		Loans and advances to customers	
	EUR	EUR	EUR	EUR
Loans and advances to customers	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
Non-current loans and advances to customers	2 308 469	1 456 058	2 308 469	1 456 058
Current loans and advances to customers	688 715	896 587	688 715	896 587
Accrued interest	79 719	65 617	79 719	65 617
TOTAL, GROSS:	3 076 903	2 418 262	3 076 903	2 418 262

19. Loans and advances to customers (continued)

	31.12.2023.	31.12.2022.
	EUR	EUR
Movement in impairment allowance		
Impairment allowance as at 1 January	579 220	823 248
Impairment loss recognised during the year	229 725	(128 344)
Elimination of impairment allowance due to cession of receivables	(291 847)	(115 684)
Impairment allowance as at 31 December	517 098	579 220

	Non-Current	Current	Non-Current	Current
	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
	EUR	EUR	EUR	EUR
Loans and advances to customers, net				
Loans and advances to customers	2 308 469	688 715	1 456 058	896 587
Accrued interest	-	79 718	-	65 616
Fees paid upon loan disbursement	59 433	17 731	40 120	24 704
Fees received upon loan disbursement	(152 410)	(45 470)	(74 063)	(45 605)
Impairment allowance	(62 474)	(454 625)	(51 373)	(527 847)
	2 153 018	286 069	1 370 742	413 455

As of 31 December 2023 part of the gross loan portfolio in the amount of EUR 217 681 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2022: EUR 312 962).

20. Prepaid Expense

	31.12.2023.	31.12.2022.
	EUR	EUR
Other prepaid expenses	66 112	71 118
TOTAL:	66 112	71 118

21. Trade receivables

	31.12.2023.	31.12.2022.
	EUR	EUR
Receivables from cession to related parties non-current	10 349	134 987
Receivables from cession to related parties current	124 638	377 177
Receivables from related parties	54 588	102 949
Receivables from cession to non related parties current	-	9 510
Other receivables	-	600
TOTAL:	189 575	625 223

21. Trade receivables (continued)

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

	Non-current receivables		Current receivables				Total current receivables
	Without delay	Total Non-current receivables	Without delay	1-30	31-90	> 90 days	
2023							
Receivables from cession to related parties	10 349	10 349	124 638	-	-	-	124 638
Receivables from related parties	-	-	54 588	-	-	-	54 588
Other trade receivables	-	-	-	-	-	-	-
Total trade receivables	10 349	10 349	179 226	-	-	-	179 226

As at year end ECLs for receivables from cession to related parties are assessed based on expected settlement. The management has performed an assessment of the receivables from the related party, and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2022: EUR 0 as well).

	Non-current receivables		Current receivables				Total current receivables
	Without delay	Total Non-current receivables	Without delay	1-30	31-90	> 90 days	
2022							
Receivables from cession to related parties	134 987	134 987	377 177	-	-	-	377 177
Receivables from related parties	-	-	102 789	-	-	160	102 949
Receivables from cession	-	-	9 510	-	-	-	9 510
Total trade receivables	134 987	134 987	489 476	-	600	160	490 236
Total ECL calculated	-	-	-	-	-	-	-

As at year end ECLs are assessed based on expected settlement. Accordingly, no ECL is recognized as at the end of the reporting period. (2022: EUR 0).

22. Other receivables

	31.12.2023. EUR	31.12.2022. EUR
Receivable for attracted funding through P2P platform (Note 27)	103 778	-
Advances paid for goods and services	2 310	3 132
Overpaid company risk fee	8	10
Other debtors	126 740	13 362
TOTAL:	232 836	16 504

23. Contract assets

	31.12.2023. EUR	31.12.2022. EUR
Contract asset from subsidiary	4 020	11 024
Contract asset from related parties	320 420	355 532
TOTAL:	324 440	366 556

Majority of the invoices are issued after the year end and receivables from these invoices are paid, except for EUR 292 563 (2022: EUR 325 648) representing the accrued revenue from related party JSC Primero Finance as a result of revenue variable consideration recognition.

The Company assesses material amounts recovery individually. The Company's management decides on the performance assessment on an individual basis, reflecting the possibility of obtaining information on a particular contract asset and a significant increase in the credit risk of that particular contract asset. As at year end ECLs are as well assessed based on the expected settlements. The contract assets, which are settled shortly after end of reporting period, have no ECL recognised. The management has performed an assessment of the contract assets and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2022: EUR 0 as well).

24. Cash and cash equivalents

	31.12.2023.	31.12.2022.
	EUR	EUR
Cash at bank	153 378	82 397
TOTAL:	153 378	82 397

This financial asset is not impaired as of 31.12.2023. (31.12.2022.: 0 EUR).

The Company has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2021: 0 EUR).

25. Share capital

The Share Capital of the Company on 31 December 2023 is EUR 425 000 and consist of 425 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

	Share capital EUR
Opening balance as at 1 January 2022	425 000
Decrease	-
Closing balance as at 31 December 2022	425 000
Opening balance as at 1 January 2023	425 000
Decrease	-
Subscriptions	-
Redemptions	-
Closing balance as at 31 December 2023	425 000

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

26. Other provisions

During financial year 2016, the Company adjusted its VAT returns for the periods from 2014 to 2016 which resulted in additional input VAT. The same approach is applied also for all periods until 31.12.2023. However, there is uncertainty of possible recovery of those input VAT and as a result possible VAT liabilities might arise. Due to this, the Company recognizes a provision at the amount of the declared input tax as at 31.12.2023 EUR 123 798 (at 31.12.2022 EUR 143 363).

	31.12.2023.	31.12.2022.
Provision for possible VAT liabilities*	123 798	143 363
Provision for possible penalties	33 518	21 285
TOTAL:	157 316	164 648

* Provision for possible taxes and duties are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 3% (2022:3%) for estimated litigation process period of remaining of 3 years. The provisions are made for VAT possible liabilities.

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

Changes in other provisions	31.12.2022.	Provisions for current year	Reversed provisions*	Unwinding of discount	Total increase/ (decrease) in provisions	Increase in VAT liabilities	31.12.2023.
Provision for possible VAT liabilities in Latvia	143 363	51 103	(70 668)	-	(19 565)	-	123 798
Provision for possible penalties in Latvia	21 285	12 233	-	-	12 233	-	33 518
TOTAL:	164 648	63 336	(70 668)	-	(7 332)	-	157 316

*During the financial year 2023 the Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period January to November 2019 due to the expiry of the statute of limitations in accordance with the national legislation.

	31.12.2021.	Provisions for current year	Reversed provisions*	Unwinding of discount	Total increase/ (decrease) in provisions	Increase in VAT liabilities	31.12.2022.
Provision for possible VAT liabilities in Latvia	108 421	45 568	(21 192)	10 566	34 941	-	143 363
Provision for possible penalties in Latvia	31 632	-	(10 347)	-	(10 347)	-	21 285
TOTAL:	140 053	45 568	(31 539)	10 566	24 594	-	164 648

*During the financial year 2022 the Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period January to November 2018 due to the expiry of the statute of limitations in accordance with the national legislation.

27. Borrowings

	Interest rate per annum (%)	Maturity	31.12.2023.	31.12.2022.
Non-current				
<i>Liabilities for issued debt securities</i>			EUR	EUR
Bonds 30 million EUR notes issue ¹⁾	11%	31.03.2024	-	29 196 000
Bond additional interest accrual ⁴⁾			-	86 833
Bonds acquisition costs			-	(395 928)
TOTAL:			-	28 886 905
<i>Funding attracted through peer-to-peer platforms</i>				
Funding attracted through peer-to-peer platforms ²⁾	6.5% - 15.5%	31.12.2028	881 109	1 549 634
Liabilities for acquisition costs for funding attracted through peer-to-peer platform			(9 368)	(12 764)
TOTAL:			871 741	1 536 870
<i>Lease liabilities for right-of-use assets</i>				
Lease liabilities for right-of-use assets - premises ³⁾	2.14-2.96%	> 5 years	-	75 142
Lease liabilities for right-of-use assets - premises ³⁾	2.14-2.96%	>1 year - < 5 year	492 024	538 229
TOTAL:			492 024	613 371
<i>Loans from related parties</i>				
Loans from related parties ⁵⁾	12.00%	01.11.2026	1 226 000	-
			1 226 000	-
TOTAL NON CURRENT BORROWINGS:			2 589 765	31 037 146
Current				
<i>Liabilities for issued debt securities</i>			EUR	EUR
Bonds 30 million EUR notes issue ¹⁾	11%	31.03.2024	17 481 000	-
Bond additional interest accrual ⁴⁾			171 461	-
Bonds acquisition costs			(47 443)	-
TOTAL:			17 605 018	-
<i>Funding attracted through peer-to-peer platforms</i>				
Funding attracted through peer-to-peer platforms ²⁾	6.5% - 15.5%	31.12.2028	121 792	321 911
Accrued interest for funding attracted through peer-to-peer platforms			5 169	14 577
TOTAL:			126 961	336 488
<i>Lease liabilities for right-of-use assets</i>				
Lease liabilities for right-of-use assets - premises ³⁾	2.14-2.96%	up to 1 year	109 132	105 593
TOTAL:			109 132	105 593
<i>Loans from related parties</i>				
Accrued interest for loans from related parties ⁵⁾			25 039	-
TOTAL:			25 039	-
TOTAL CURRENT BORROWINGS:			17 866 150	442 081

1) On March 1, 2021, through public offering JSC mogo successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 are included in the regulated market – the Baltic Bond List of "Nasdaq Riga" stock exchange and 71.4% of issued both emissions are refinanced.

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

In September 2023, Eleving Group announced an exchange offer for mogo JSC bonds, whereby bondholders holding mogo bonds with ISIN code LV0000802452 could exchange them for new Eleving Group bonds. As a result of the transaction, mogo JSC repurchased the bonds to the extent of the exchanged bonds.

On 2 April 2024, AS mogo made bonds repayment to existing Bondholders consequently exited the regulated market.

27. Borrowings (continued)

Allocation results are as follows:

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

Geographic breakdown as at 31.12.2023:

Country:	Nominal amount (% of issue size)
Latvia	67.68%
Estonia	12.43%
Other	19.89%
TOTAL:	100%

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

2) Attracted funding from P2P platform is transferred to the Company's bank accounts once per week. In year 2023 The Company repurchased more loans back than placed in P2P platform in year 2022.

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

4) The item represents accrued interest, which is to be paid at the maturity of the bonds, therefore the accrued interest is classified as short term in 2023.

5) In 2021 the Company has signed the borrowing agreement with its ultimate Parent Company Eleving Group S.A. Borrowing agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 15 million EUR with maturity date 01.11.2026.

6) On 2nd August 2019 JSC "Citadele banka" granted to JSC "mogo" (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) the credit line up to EUR 10 million at the cost of 6M EURIBOR + 8% for refinancing of existing indebtedness. The agreement has been amended in October 2023 by determining the credit line limit to EUR 5,5 million at the cost of 6M EURIBOR + 7.5% or 6M EURIBOR + 8% depending on the amount. Maturity of agreement is 26 October 2024.

7) On 15 December 2021 JSC Eleving Vehicle Finance granted to JSC mogo the credit in the amount of EUR 5 000 000. Maturity of agreement - October 2026. Credit line was not used during reporting period.

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

	31.12.2023. EUR	31.12.2022. EUR
(Payable)/ Receivable from attracted funding through P2P platform (Note 22, 30)	103 778	(2 953)
TOTAL:	103 778	(2 953)

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

	31.12.2023. EUR	31.12.2022. EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 31)	2 342	8 748
TOTAL:	2 342	8 748

Changes in liabilities	31.12.2022.	Incoming cash flow	Outgoing cash flow	Other	31.12.2023.
Funding attracted through peer-to-peer platforms	1 871 545	938 860	(2 075 974)	268 470*	1 002 901
Lease liabilities for right-of-use assets	718 964	49 671	(167 479)	-	601 156
Liabilities for issued debt securities	29 196 000	804 000	(12 519 000)	-	17 481 000
Loans from related party	-	9 769 000	(8 543 000)	-	1 226 000
TOTAL BORROWINGS PRINCIPAL:	31 786 510	11 561 531	(23 305 453)	268 470	20 311 057

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

Changes in liabilities	31.12.2022.	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31.12.2023.
Additional bond interest accrual	86 833	1 203	-	83 424	171 461
Deferred bonds acquisition costs	(395 929)	-	(8 698)	357 183	(47 443)
Bonds interest expenses	-	-	(3 356 763)	3 356 763	-
Accrued interest for financing received from P2P investors	14 577	-	(141 589)	132 181	5 169
Funding attracted through peer-to-peer platforms acquisition costs	(12 764)	-	(6 644)	10 041	(9 367)
Interest expenses from right-of-use assets	-	-	(19 788)	19 788	-
Interest expense from related party loans	-	-	(57 010)	82 049	25 039
Interest expense from bank loan	-	-	(34 559)	34 559	-
TOTAL INTEREST LIABILITIES:	(307 282)	1 203	(3 625 052)	4 075 988	144 858
TOTAL BORROWINGS:	31 479 228	11 562 734	(26 930 505)	4 344 458	20 455 915

27. Borrowings (continued)

<i>Changes in liabilities</i>	31.12.2021.	Incoming cash flow	Outgoing cash flow	Other	31.12.2022.
TOTAL BORROWINGS PRINCIPAL:	35 501 380	17 588 734	(21 900 684)	597 079	31 786 510

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

<i>Changes in liabilities</i>	31.12.2021.	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31.12.2022.
Additional bond interest accrual	29 753	1 311	(401)	56 171	86 833
Deferred bonds acquisition costs	(683 744)	-	-	287 816	(395 929)
Bonds interest expenses	-	-	(3 285 973)	3 285 973	-
Accrued interest for financing received from P2P investors	13 537	-	(321 036)	322 077	14 578
Funding attracted through peer-to-peer platforms acquisition costs	(26 473)	-	(7 527)	21 236	(12 764)
Interest expenses from right-of-use assets	-	-	(20 760)	20 760	-
Interest expenses from related party loans	-	-	(15 290)	15 290	-
Interest expense from bank loan	-	-	(170 620)	170 620	-
TOTAL INTEREST LIABILITIES:	(666 928)	1 311	(3 821 608)	4 179 943	(307 282.24)
TOTAL BORROWINGS:	34 834 452	17 590 045	(25 722 292)	4 777 022	31 479 228

28. Prepayments and other payments received from customers

	31.12.2023.	31.12.2022.
	EUR	EUR
Unrecognized payments received*	16 024	14 626
Overpayments from historical customers	28 238	28 239
TOTAL:	44 262	42 865

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

Advances received from customers are shown under finance lease receivables and loans and advances to customers in year 2023 and 2022.

29. Taxes payable

	31.12.2023.	31.12.2022.
	EUR	EUR
Social security contributions	7 689	13 665
Personal income tax	5 266	7 188
Other taxes	9 503	-
TOTAL:	22 458	20 853

30. Other liabilities

	31.12.2023.	31.12.2022.
	EUR	EUR
Liabilities against employees for salaries	25 030	30 973
Payable for received payments from customers of the related parties	275 584	350 625
Payable for attracted funding through P2P platform (Note 28)*	-	2 953
Other liabilities	1 170	2 370
TOTAL:	301 784	386 921

31. Accrued liabilities

	31.12.2023.	31.12.2022.
	EUR	EUR
Accrued liabilities for services from non related parties	79 467	62 407
Accrued liabilities for management services from related parties	62 149	43 289
Accrued unused vacation	30 819	37 898
Accruals for bonuses	37 233	37 699
Accrued expenses from attracted funding through peer-to-peer platform (Note 27)	2 342	8 748
TOTAL:	212 010	190 041

32. Related parties disclosures

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

Transactions with related parties for years 2023 and 2022 were as follows:

	2023	2022
	EUR	EUR
<u>Services provided</u>		
- Revenue from recharging expenses (Note 12)*	271 600	656 855
- Parent company	6 607	9 913
- Subsidiary	13 360	11 990
- HUB**	11 714	19 418
- Other related companies	239 920	615 535
- Other services provided	771 446	1 101 593
- Client acquisition services and other provided services to Subsidiary (Note 12)	87 131	436 334
- Client acquisition services and other services provided for other related companies	684 315	665 259
<u>Services received</u>		
- Management services (Note 11)****	647 499	434 884
- Eleving Stella JSC (parent company from 01.09.2021)	647 499	434 884
- Other services received***	137 036	276 029
- HUB**	480	154 323
- Parent company	86 802	70 418
- Subsidiary	13 865	34 954
- Other related companies	35 888	16 334
<u>Assets</u>	145 460	208 330
- Purchase of fixed assets from HUB**	-	-
- Vehicles sold to subsidiary	145 460	208 330
<u>Acquired vehicles for sale through finance leases¹⁾</u>	11 950	26 310
- Cars from subsidiary	11 950	26 310
<u>Interest income (Note 4)</u>	4 322 773	5 241 588
- Eleving Group S.A.	72 800	271 949
- Parent company	3 466 427	4 205 963
- Subsidiary	445 153	629 187
- Other related companies	338 393	134 489
<u>Interest expenses (Note 5)</u>	68 239	15 290
- Eleving Group S.A.	68 239	-
- HUB**	-	15 290
<u>Cession income (Note 8)²⁾</u>	601 356	891 863
- Other related companies	601 356	891 863

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

** HUB - under HUB there are disclosed the Company's related parties JSC Mogo Balkans and Central Asia, JSC Mogo Eastern Europe JSC, JSC Mogo Africa, JSC Mogo Consumer Finance and JSC Mogo Car Finance.

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

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

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

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

32. Related parties disclosures (continued)

Receivables from related companies

	Interest rate per annum (%)	Maturity	31.12.2023. EUR	31.12.2022. EUR
<i>Non-current</i>				
Loan receivable from related company ¹⁾	12.50	April 2023	-	-
Loan receivable from related company ²⁾	12.00	December 2025	8 827 118	8 827 118
Loan receivable from related company ³⁾	12.00	June 2026	2 954 000	1 724 000
Loan receivable from related company ⁴⁾	12.00	October 2026	17 640 000	17 640 000
Loan receivable from subsidiary company ⁵⁾	12.50	January 2024	-	6 968 212
Loan receivable from subsidiary company ⁶⁾	12.50	December 2025	-	4 503 655
Loan receivable from subsidiary company ⁷⁾	12.50	December 2025	-	4 500 000
Total non-current			29 421 118	44 162 985
<i>Current</i>				
Loan receivable from related company ⁸⁾	12.50	September 2024	2 377 000	-
Accrued interest			2 767 663	133 644
Total current			5 144 663	133 644
TOTAL:			34 565 781	44 296 629

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

2) In 2021 the Company has signed the loan agreement with its Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 9.12 million EUR with maturity date 31.12.2025.

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

4) In 2017 the Company has signed the loan agreement with its Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 17.64 million EUR with maturity date 13.10.2026.

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

6) On 28.12.2022 the Company has signed loan agreement with Renti JSC for amount of EUR 4 503 655. Loan agreement allows both parties to agree on flexible loan repayment dates with maturity date 31.12.2025.

7) On 28.12.2022 the Company has signed loan agreement with Renti JSC for amount of EUR 4 500 000. Loan agreement allows both parties to agree on flexible loan repayment dates with maturity date 31.12.2025.

8) In 2020 the Company has signed the loan agreement with related Company Eleving Vehicle Finance JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 15 million EUR with maturity date 24.09.2024.

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

2023	Stage 1	Stage 2	Stage 3	Total
Loan receivable from related company	31 798 118	-	-	31 798 118

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

As a result no ECLs are recognized for the loan receivable from related parties (2022: EUR nil).

2022	Stage 1	Stage 2	Stage 3	Total
Loan receivable from Subsidiary company	16 029 305	-	-	16 029 305
Loan receivable from related company	28 267 324	-	-	28 267 324

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

	31.12.2023. EUR	31.12.2022. EUR
Receivables from cession to related parties	134 987	512 164
Receivables from related companies	54 588	102 949
TOTAL:	189 575	615 113
TOTAL RECEIVABLES:	34 755 356	44 911 742

Ageing of receivables from related companies is disclosed in Note 21.

Payables and other liabilities to related companies

	31.12.2023. EUR	31.12.2022. EUR
Other liabilities to Primero Finance JSC	277 331	350 625
Payables to subsidiary	1 210	1 829
Payables to other related companies	119 194	3 904
TOTAL:	397 735	356 358

33. Investments in subsidiary

The Company's investments in subsidiary as of 31 December 2023 and 31 December 2022 are set out below:

Company	Business	Shareholding	Company's investment	
			31.12.2023.	31.12.2022.
			EUR	EUR
Renti JSC	Vehicle rent	100%	5 500 000	5 500 000
Impairment:			(1 699 129)	-
Total Net Investments in subsidiary:			3 800 871	5 500 000

Impairment testing of the investments in subsidiary has been performed by the management of the Company using valuation methods and based on assumptions described in section impairment testing. As a result of performed impairment test calculations there is additional impairment recognised in the year ended 31 December 2023 in amount of 1 699 129 EUR (2022: nil).

Income from investments

There were no dividends received from Company's subsidiary during years 2023 and 2022.

There were no investments in Company's subsidiary during years 2023 and 2022.

Impairment testing

Impairment testing of the investments in subsidiary has been performed by the management of the Company using valuation methods and based on assumptions described under Note 3 Significant accounting judgments, estimates and assumptions under subsection: Impairment assessment of investments in subsidiary. As a result of performed impairment test performed the impairment on investment into subsidiary is recognised in the year ended 31 December 2023 in amount of 1 699 129 EUR (2022: nil).

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

Operating results of Renti JSC are presented below:

	2023	2022
	EUR	EUR
Revenue from rent	3 381 757	5 141 592
Profit / (Loss)	843 455	531 762
	31.12.2023.	31.12.2022.
	EUR	EUR
Current assets	502 463	1 081 662
Non-current assets	5 172 628	20 474 504
Current liabilities	(1 484 755)	(1 477 999)
Non-current liabilities	(1 556 126)	(18 287 412)
Net assets	2 634 210	1 790 755

34. Commitments and contingencies

Starting from 14 October 2021 Eleving Group and certain of its Subsidiaries (including Mogo JSC) entered into several pledge agreements with TMF Trustee Services GmbH, establishing pledge over shares of those Subsidiaries, pledge over present and future loan receivables of those Subsidiaries, pledge over trademarks of those Subsidiaries, general business pledge over those Subsidiaries, pledge over primary bank accounts if feasible, in order to secure Eleving Group obligations towards bondholders deriving from Eleving Group bonds (ISIN: XS2393240887). Subsequently additional pledgors were added who became material (subsidiaries with net portfolio of more than EUR 7 500 000 and represents at least 3% of the Net Loan Portfolio) according to terms and conditions of the bonds. In 2022 the following amendments were made to these commercial pledges with TMF Trustee Services GmbH: On 8 June 2022 amendments to the terms of commercial pledge No 100195518 was registered, where the commercial pledgor is mogo JSC (Latvia).

Starting from 14 October 2021 Eleving Group as Issuer and certain of its Subsidiaries (subsidiaries with net portfolio of more than EUR 7 500 000 and represents at least 3% of the Net Loan Portfolio) as Guarantors have entered into a guarantee agreement dated 14 October 2021 (as amended and restated from time to time) according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Eleving Group bonds (ISIN: XS2393240887) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group bonds (ISIN: XS2393240887) offering memorandum. (Note 36).

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

As described in the Note 39 below, the surety agreement has been prolonged till 4 February 2024.

On 31 July 2019 mogo JSC has concluded a Commercial pledge (as amended from time to time) with JSC Citadele banka by virtue of which certain receivables of mogo JSC are pledged in favor of JSC Citadele banka in order to secure mogo JSC, Primero OU and UAB mogo LT obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019 (as amended from time to time). On 14 February 2022 mogo JSC (Latvia) registered an amendment to the commercial pledge. As of 31 December 2023 part of the gross finance lease portfolio in the amount of EUR 0.4 million was pledged in favor of the Citadele bank as collateral for the credit line (31 December 2022: EUR 0.5 millions).

The credit facility terms have been updated after the reporting period, see the 39.

34. Commitments and contingencies (continued)

On 5 December 2017 mogo JSC entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure mogo JSC obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017.

The Company pledged gross receivables in amount of EUR 46 793 on 31.12.2023 (31.12.2022.:EUR 891 516). The last amendments to this commercial pledge was registered on 17 May 2022.

On 6 May 2022 mogo JSC entered into a commercial pledge agreement with Mintos Marketplace JSC and Mintos Finance No1 LLC in order to secure mogo JSC obligations towards Mintos Marketplace JSC and Mintos Finance No1 LLC deriving from Cooperation agreement on issuance of loans No. LVMM/06-07-2021-130, dated 6 May 2022. The subject of the pledge is the right of claim arising from leasing or loan agreements for a maximum amount of secured claim is EUR 7.2 million.

Externally imposed capital requirements

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

Main requirements are listed below:

mogo JSC Bonds

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

- To maintain positive amount of equity at all times;

Cooperation agreement with P2P platform

1) The Company needs to maintain the net performing loan ratio at the agreed level.

The Company is regularly monitoring respective indicators and ensures that covenants are satisfied. The Company is in compliance with these covenants at 31 December 2023 and 31 December 2022.

35. Provisions for financial guarantees

	2023	2022
	EUR	EUR
Effect on other reserves	Other reserves	Other reserves
Outstanding as at 1 January	(376 473)	(1 925 471)
Fair value of guarantees (1),(2)	-	-
Guarantees derecognition (3),(4)	-	1 403 970
Decrease in fair value of the guarantees due to non-substantial modifications	-	145 028
Outstanding as at 31 December	(376 473)	(376 473)
Effect on provisions for financial guarantees	Financial guarantees	Financial guarantees
	2023	2022
	EUR	EUR
Outstanding as at 1 January	108 238	1 751 009
Fair value of the issued guarantees	-	-
Decrease in fair value of the guarantees due to non-substantial modifications	-	(145 028)
Amortized as income prior to derecognition	-	-
Derecognition of guarantee (3), (4)	-	(1 036 400)
Fair value of the guarantees subsequent to modifications	108 238	569 581
Foreign exchange gain / loss	(258)	62 733
Amortised as income for issued guarantees	(105 766)	(524 077)
Outstanding as at 31 December	2 214	108 238
Financial guarantee in favour of Ardshinbank	2 214	108 238
Total	2 214	108 238
Total recognized as income (Note 12)	(105 766)	(524 077)

(1) On 14 October 2021 the Company entered a financial guarantee agreement issued in favor of bondholders of Eleving Group S.A The guarantee was issued to secure Eleving Group S.A exposure after issuing corporate bonds, ISIN XS2393240887 (as of 31 December 2021 the total nominal value of bonds is EUR 150 million), which are listed on the Open Market of the Frankfurt Stock Exchange. The bonds additionally are secured by multiple share, asset and bank account pledges granted by several other material group entities.

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

Under the guarantee agreement the Company and Renti JSC amongst other material group entities, irrevocably guarantees the payment of Eleving Group S.A liabilities towards its bondholders in case of default of Eleving Group S.A under the provisions of bond prospectus, however considering that the bonds are primarily secured by multiple share, asset and bank account pledges granted by several other material group entities, the Company and Renti JSC has reevaluated the fair value of this guarantee by assessing the value of all unencumbered assets of each material group entity guaranteeing the payment of Eleving Group S.A liabilities towards its bondholders, as well as the potential liability exposure of each guarantor under the bonds, and considers that the fair value of this financial guarantee is insignificant.

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

The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 12) on straight line basis till loan maturity, which is February 2024. As described in the Note 39 below, the surety agreement has been prolonged till 2024.

36. Financial risk management

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

Operational risks

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

Legal risks

Legal risks are mainly derived from regulatory changes, which the Company successfully manages with the help of in-house legal department and external legal advisors, which assist in addressing. See further information on regulatory matters in Note 34.

Compliance risk

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

Regulatory risk

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

Anti-money laundering and Know Your Customer laws compliance risk

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

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

Privacy, data protection compliance risk

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

36. Financial risk management (continued)

Financial risks

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

Market risks

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

Interest rate risk

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

Capital risk management

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

The Company monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio. During the reporting period the Company has complied with all externally imposed equity capital requirements to which it is subject as stated in Note 34. The Company has several other covenants to comply with due to the bonds issued and funds borrowed in P2P platform - Company has complied with all of them during the reporting period.

36. Financial risk management (continued)

Liquidity risk

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

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

As at 31.12.2023.	Carrying value	Contractual cash flows				Total
		On demand	Up to 1 year	1-5 years	More than 5 years	
Assets	EUR	EUR	EUR	EUR	EUR	EUR
Cash and cash equivalents	153 378	153 378	-	-	-	153 378
Loans and advances to customers	2 439 087	-	1 180 220	2 049 922	366 012	3 596 154
Loans to related companies	34 565 781	-	8 895 565	34 695 618	-	43 591 183
Trade receivables from related companies (w/o mogo group)	187 198	-	187 198	-	-	187 198
Trade receivables from related companies (mogo group)	2 377	-	2 377	-	-	2 377
Finance lease receivables	1 974 398	-	870 872	1 750 393	373 852	2 995 117
Total undiscounted financial assets	39 322 219	153 378	11 136 231	38 495 933	739 864	50 525 406
Liabilities						
Funding attracted through peer-to-peer platforms	(998 702)	-	(189 383)	(993 713)	(79 196)	(1 262 292)
Liabilities for issued debt securities	(17 605 018)	-	(17 605 018)	-	-	(17 605 018)
Provisions for financial guarantees	(2 214)	-	(2 214)	-	-	(2 214)
Accrued interest for loans from related parties	(25 039)	-	(25 039)	-	-	(25 039)
Lease liabilities for right-of-use assets	(601 156)	-	(109 132)	(492 024)	-	(601 156)
Loans from related companies (mogo group)	(1 226 000)	-	(197 198)	(1 495 311)	-	(1 692 509)
Payables to related companies (w/o mogo group)	(274 232)	-	(274 232)	-	-	(274 232)
Payables to related companies (mogo group)	(122 151)	-	(122 151)	-	-	(122 151)
Other trade payables	(27 944)	-	(27 944)	-	-	(27 944)
Other current liabilities to related companies (w/o mogo group)	(1 352)	-	(1 352)	-	-	(1 352)
Other current liabilities to related companies (mogo group)	(62 149)	-	(62 149)	-	-	(62 149)
Other current liabilities	(246 296)	-	(246 296)	-	-	(246 296)
Total undiscounted financial liabilities	(21 192 253)	-	(18 862 108)	(2 981 048)	(79 196)	(21 922 352)
Net undiscounted financial assets / (liabilities)	18 129 966	153 378	(7 725 877)	35 514 885	660 668	28 603 054

36. Financial risk management (continued)

As at 31.12.2022.	Carrying value	Contractual cash flows				Total
		On demand	Up to 1 year	1-5 years	More than 5 years	
Assets	EUR	EUR	EUR	EUR	EUR	EUR
Cash and cash equivalents	82 397	82 397	-	-	-	82 397
Loans and advances to customers	1 784 197	-	1 399 373	2 250 904	273 623	3 923 900
Loans to related companies	44 296 629	-	5 513 062	54 883 022	-	60 396 084
Trade receivables from related companies (w/o mogo group)	613 134	-	478 147	134 987	-	613 134
Trade receivables from related companies (mogo group)	1 979	-	1 979	-	-	1 979
Other trade receivables	9 510	-	9 510	-	-	9 510
Finance lease receivables	2 031 367	-	1 258 250	2 778 253	525 985	4 562 488
Total undiscounted financial assets	48 819 213	82 397	8 660 321	60 047 166	799 608	69 589 492

36. Financial risk management (continued)

Liabilities

Funding attracted through peer-to-peer platforms	(1 873 358)	-	(442 566)	(283 875)	(1 564 627)	(2 291 068)
Liabilities for issued debt securities	(28 886 905)	-	(3 300 000)	(29 711 905)	-	(33 011 905)
Provisions for financial guarantees	(108 238)	-	-	(108 238)	-	(108 238)
Lease liabilities for right-of-use assets	(718 964)	-	(105 593)	(538 229)	(75 142)	(718 964)
Other lease liabilities for right-of-use assets	-	-	-	-	-	-
Payables to related companies (w/o mogo group)	(1 221)	-	(1 221)	-	-	(1 221)
Payables to related companies (mogo group)	(4 559)	-	(4 559)	-	-	(4 559)
Other trade payables	(86 652)	-	(86 652)	-	-	(86 652)
Other current liabilities to related parties (w/o mogo group)	(350 625)	-	(350 625)	-	-	(350 625)
Other current liabilities to related parties (mogo group)	(42 618)	-	(42 618)	-	-	(42 618)
Other current liabilities	(386 921)	-	(386 921)	-	-	(386 921)
Total undiscounted financial liabilities	(32 460 061)	-	(4 720 755)	(30 642 247)	(1 639 769)	(37 002 771)
Net undiscounted financial assets / (liabilities)	16 359 152	82 397	3 939 566	29 404 919	(840 161)	32 586 721

Credit risk

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

The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals to significantly reduce credit risks.

	31.12.2023.	31.12.2022.
	EUR	EUR
Finance lease receivables	2 405 067	2 547 238
Loans and advances to customers	3 076 903	2 418 262
Loans to related parties	29 421 118	44 162 985
Contract assets	324 440	366 556
Trade and other receivables	422 411	641 727
Cash and cash equivalents	153 378	82 397
TOTAL:	35 803 317	50 219 165

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

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

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

See Notes 18 and 19 for more information.

Excessive risk concentration

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

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

37. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

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

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

Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2023 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. A WACC capital structure adjustment (15/85 Equity/ Debt) is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.

The annual discount rate in 2023 was determined as 9.49% (2022: 12.62%). Impairment loss is estimated by applying PD and LGD rates, which are in line with ECL methodology described under 'The calculation of ECLs' (Note 2).

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

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

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

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2023.	31.12.2023.	31.12.2022.	31.12.2022.
	EUR	EUR	EUR	EUR
Financial assets not measured at fair value:				
Loans to related companies	29 421 118	29 421 118	44 162 985	44 162 985
Finance lease receivables	1 974 398	2 995 117	2 031 367	3 383 635
Loans and advances to customers	2 439 087	3 596 154	1 784 197	4 505 170
Trade receivables from related companies (w/o mogo group)	187 198	187 198	613 134	613 134
Trade receivables from related companies (mogo group)	2 377	2 377	1 979	1 979
Trade receivables	0	0	9 510	9 510
Other receivables	232 836	232 836	16 504	16 504
Cash and cash equivalents	153 378	153 378	82 397	82 397
Total financial assets	34 410 392	36 588 178	48 702 073	52 775 315

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

Financial liabilities not measured at fair value:

Liabilities for issued debt securities	17 605 018	17 605 018	28 886 905	30 000 000
Funding attracted through peer-to-peer platforms	998 702	998 702	1 873 358	1 873 358
Accrued interest for loans from related parties	25 039	25 039	-	-
Loans from related companies (mogo group)	1 226 000	1 226 000	-	-
Trade payables to related companies (w/o mogo group)	274 232	274 232	1 221	1 221
Trade payables to related companies (mogo group)	122 151	122 151	4 559	4 559
Other trade payables	27 944	27 944	86 652	86 652
Other current liabilities to related companies (w/o mogo group)	1 352	1 352	350 625	350 625
Other current liabilities to related companies (mogo group)	62 149	62 149	42 618	42 618
Other liabilities	246 296	246 296	386 921	386 921
Total financial liabilities	20 588 883	20 588 883	31 632 859	32 745 954

The table below specified analysis by fair value levels as at 31.12.2022 (based on their carrying amounts):

Financial assets	EUR	EUR	EUR	EUR	EUR	EUR
Loans to related parties	-	-	29 421 118	-	-	44 162 985
Finance lease receivables	-	-	1 974 398	-	-	2 031 367
Loans and advances to customers	-	-	2 439 087	-	-	1 784 197
Trade receivables	-	-	189 575	-	-	624 623
Other receivables	-	-	232 836	-	-	16 504
Cash and cash equivalents	153 378	-	-	82 397	-	-
Total financial assets	153 378	-	34 257 014	82 397	-	48 619 676

Financial liabilities

Liabilities for issued debt securities	-	17 605 018	-	-	28 886 905	-
Funding attracted through peer-to-peer platforms	-	-	998 702	-	-	1 873 358
Loans from related companies	-	-	1 226 000	-	-	-
Trade payables	-	-	424 327	-	-	92 432
Other liabilities	-	-	309 797	-	-	780 164
Total financial liabilities	-	17 605 018	2 983 865	-	28 886 905	2 745 954

38. Events after reporting period

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

On 5 January 2024, Eleving Stella JSC closed share purchase agreement for 8 500 A category mogo JSC shares purchase. As a result of the transaction, Parent Company Eleving Stella JSC become a 100% shareholder of mogo JSC.

On 11 January 2024, mogo JSC closed Share sale and purchase agreement for Primero Finance OU share purchase from Eleving Stella AS.

Chairman of the management board, Anete Palo, left his position at March 1, 2024. His role has been taken over by Vladislavs Mejerāls.

On 2 April 2024, AS mogo made bonds repayment to existing bondholders in amount of 17 181 000 EUR and consequently exited the regulated market.

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

Signed on behalf of the Company on 18 April 2024 by:

Vladislavs Mejerāls, Chairman of the Board
Laura Bunkša, Chief accountant

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

Translation from original in Latvian

Independent Auditor's Report

To the shareholders of AS "mogo"

Our Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of AS "mogo" (the Company) set out on pages 7 to 56 of the accompanying separate annual report, which comprise:

- the separate statement of financial position as at 31 December 2023,
- the separate statement of comprehensive income for the year then ended,
- the separate statement of changes in equity for the year then ended,
- the separate statement of cash flows for the year then ended,
- notes to the separate financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of AS "mogo" as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

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

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

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

Reporting on Other Information

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

- Company Information as set out on page 3 of the accompanying Separate Annual Report,
- the Management Report, as set out on page 4 to 5 of the accompanying Separate Annual Report,
- the Statement of Management Responsibility, as set out on page 6 of the accompanying Separate Annual Report.

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

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

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

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

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

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

Raivis Jānis Jaunkalns
Sworn auditor
Certificate No 237
Member of the Board

Riga, Latvia
18 April, 2024

This document is electronically signed with safe electronical signature and contains time stamp.