

OÜ Primero Finance
(UNIFIED REGISTRATION NUMBER 12401448)

FINANCIAL REPORT
Translation of Estonian original
For the period ended 31.12.2022

Tallinn, 2023

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General information

Name of the company	Primero Finance OÜ
Legal status of the company	PRIVATE LIMITED COMPANY
Unified registration number, place and date of registration	12401448 Tallinn, 8 January 2013
Registered office	Meistri 14 13517 Tallinn, Estonia
Major shareholders	Eleving Luna AS (100%) Skanstes iela 52 LV-1013 Riga, Latvia
Board Members	Marti Küttis from 16 September 2020 Helen Bolton from 11 June 2021
Financial year	1 January - 31 December 2022
Previous financial year	1 January - 31 December 2021
Auditors	Aktsiaselts BDO Eesti Commercial licence No. 1 Veskiposti 2, 10138 Tallinn, Estonia Certified auditor in charge Sven Siling Certificate No. 502

Management report

29th June, 2023

General information

Primero Finance OÜ (hereinafter – Primero) is part of Eleving Group S.A., the region’s leading provider of vehicle-focused credit solutions.

We are focused on issuing vehicle-based credit solutions.

Loans up to 25 000 euros with maturities ranging up to six years are available for both private consumers as well as legal entities. Financing is offered online through the mogo.ee and primero.ee website and onsite at customer service centers located in Tallinn and Tartu. Primero is also cooperating through more than 100 independent partners selling new and pre-owned vehicles in dealerships across the country.

	2022	2021
Average number of employees during the reporting year	20	20

In addition to the employees, the company also has 2 board members.

Mission, vision and values

Primero's aim is to be a reliable partner to clients in car financing area and to be among strongest non-bank lenders in sector. By ensuring excellent customer service and favourable terms and conditions, the Company provides a flexible service to its customers.

Primero believes the general public should have a wider array of affordable financing options to support their ability to purchase much needed vehicles under fair conditions.

Our mission and vision are based on our core values. At Primero, we are helpful, knowledgeable, flexible and comprehensive.

Operations and financial results

2022 was a turbulent year characterized by uncertainty in capital markets, high inflation, pension pillar payouts and weakening economic outlook. Situation where one crisis is followed by another remains.

High inflation and interest rate hikes by the European Central Bank to control it have led to postponing car buying decisions or, if unavoidable, opting for cheaper vehicles. Considering that we are focused on financing more affordable vehicles, the market situation has not become more difficult for us compared to the time of the pandemic.

There were no changes in our product portfolio compared to the end of 2021. Primero continues to focus on offering various vehicle finance products:

- The car lease option is available to customers who wish to purchase a new car.
- Unsecured car loan is available to customers who wish to purchase a vehicle, but do not have exact vehicle yet reserved.
- Company also offers the option of loans secured against the customer’s own vehicle.

However, for the unsecured car loan product launched at the end of 2021, the learning process and finding the perfect balance point between products took place in 2022. As a result, impairment increased in the reporting year and the company profit fell short of expectations.

Compared to 2021, the gross portfolio (excluding impairment) was maintained at the same level of 11.8 million euros and net interest income was also maintained at the same level, i.e. 4.2 million euros. Net profit for 2022 decreased by 51% to 1.12 million euros.

In the reporting year, investment was made in intra-group loans, the share of intra-group loans increased by 17,3 million euros. Investment was part of intra-group loan restructuring. Detailed information can be found in Note 16.

Development projects were continued in system reliability, robust creditworthiness assessment and affordability processes. In the reporting year total cost of IT projects was 69 018 euros. The goal of the project is to ensure even higher quality credit decisions and a quick and convenient customer journey, which we can support with excellent customer service. We also continued to strengthen our foundation through team development. In the coming year, we will continue to invest in system reliability and robust creditworthiness assessment processes, as well as focus on building even stronger partnerships.

Due to the rapidly changing economy and environment, Primero keeps focusing on improving internal processes, client contract management, after-sales services and partner relations.

Primero's aim is to be a reliable partner to clients in car financing area and to be among strongest non-bank lenders in Estonia.

To achieve this goal, the Company deploys a combination of targeted marketing, robust creditworthiness and affordability assessment processes, effective cooperation with partners and high-level customer support.

The biggest contribution to the success of Primero is made by its employees and the Company is committed to investing into the development and training of its staff.

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. More information in Note 28.

Financial Indicators and Ratios

The main financial indicators and ratios of Primero Finance OÜ are the following:

Indicator	Formula	2022 year	2021 year
Profit for current period, EUR		1 120 212	2 295 885
Return on assets (ROA), %	net profit / average total assets	4%	10%
Return on equity (ROE), %	net profit / average equity	8%	19%

Indicator	31.12.2022	31.12.2021
Credit portfolio*, EUR	11 825 366	11 831 552

* does not include impairment or loans to related parties.

Signed on behalf of the Company on 29th June, 2023 by:

Marti Küttis
Member of the Board

Financial statements
Statement of Comprehensive income

		12 months 2022	12 months 2021
		EUR	Restated* EUR
Interest revenue	4	4 922 113	5 651 208
Interest expense	5	(701 587)	(1 465 640)
Net interest income		4 220 526	4 185 568
Fee and commission income	6	95 420	208 408
Impairment expense	7	(291 731)	402 216
Net gain/(loss) from de-recognition of financial assets measured at amortised cost	8	(573 066)	(278 939)
Expenses related to peer-to-peer platforms services		(58 398)	(92 791)
Revenue from car sales		10 711	10 050
Expenses from car sales		(11 218)	(10 047)
Selling expense	9	(167 337)	(173 412)
Administrative expense	10	(2 343 835)	(2 260 176)
Other operating income	11	248 931	318 273
Other operating expense	12	(9 791)	(13 265)
Profit before tax		1 120 212	2 295 885
Net profit for the period		1 120 212	2 295 885
Other comprehensive income		-	-
Total comprehensive income for the period		1 120 212	2 295 885
Net profit for the year		1 120 212	2 295 885

* Information regarding the reclassifications and corrections made in 2021 financial statements is disclosed in note 2. Summary of significant accounting policies.

Signed on behalf of the Company on 29th June, 2023 by:

Marti Küttis
Member of the Board

Statement of Financial Position

ASSETS		31.12.2022	31.12.2021	01.01.2021.
		EUR	Restated*	Restated*
NON-CURRENT ASSETS			EUR	EUR
Intangible assets				
Internally generated intangible assets	13	-	-	552
Intangible assets	13	2 116	3 262	1 889
Total intangible assets		2 116	3 262	2 441
Tangible assets				
Property, plant and equipment	13	17 525	14 587	18 116
Right-of-use assets	13	220 082	77 372	156 663
Leasehold improvements	13	923	2 407	1 332
Total tangible assets		238 530	94 366	176 111
Non-current financial assets				
Finance lease receivables	14	4 509 929	5 480 559	6 407 974
Loans to customers	15	3 405 409	2 340 247	1 914 800
Loans to related parties	16	25 592 591	8 264 401	489 848
Total non-current financial assets		33 507 929	16 085 207	8 812 622
TOTAL NON-CURRENT ASSETS		33 748 575	16 182 835	8 991 174
CURRENT ASSETS				
Receivables and other current assets				
Finance lease receivables	14	1 938 442	2 231 016	2 979 837
Loans to customers	15	1 197 189	1 222 271	1 621 071
Loans to related parties	16	276 411	-	11 274 706
Trade receivables		4 227	-	7 321
Prepaid expense		21 253	15 434	39 889
Other receivables	17	56 712	5 997	21 440
Total receivables and other current assets		3 494 234	3 474 718	15 944 264
Cash and cash equivalents	18	125 452	151 874	155 426
TOTAL CURRENT ASSETS		3 619 686	3 626 592	16 099 690
TOTAL ASSETS		37 368 261	19 809 427	25 090 864

* Information regarding the reclassifications and corrections made in 2021 financial statements is disclosed in note 2. Summary of significant accounting policies.

Signed on behalf of the Company on 29th June, 2023 by:

 Marti Küttis
 Member of the Board

Statement of Financial Position
EQUITY AND LIABILITIES

		31.12.2022	31.12.2021	01.01.2021.
		EUR	Restated*	Restated*
EQUITY			EUR	EUR
Share capital	19	60 000	60 000	60 000
Other reserves	27	-	(433 343)	(1 053 071)
Retained earnings/(losses)		14 723 220	13 676 247	11 968 740
brought forward		13 603 008	11 380 362	11 968 740
for the period		1 120 212	2 295 885	-
TOTAL EQUITY		14 783 220	13 302 904	10 975 669
LIABILITIES				
Non-current liabilities				
Borrowings	20	20 904 416	4 125 853	8 086 929
Total non-current liabilities		20 904 416	4 125 853	8 086 929
Provisions for financial guarantees	27	-	401 655	578 958
		-	401 655	578 958
Current liabilities				
Borrowings	20	1 408 539	1 580 484	4 083 249
Prepayments received from customers		-	-	190
Trade payables		22 161	38 059	23 935
Taxes payable	22	69 722	74 470	59 559
Other liabilities	23	68 147	113 834	1 147 884
Accrued liabilities	24	112 056	172 168	134 491
Total current liabilities		1 680 625	1 979 015	5 449 308
TOTAL LIABILITIES		22 585 041	6 506 523	14 115 195
TOTAL EQUITY AND LIABILITIES		37 368 261	19 809 427	25 090 864

* Information regarding the reclassifications and corrections made in 2021 financial statements is disclosed in note 2. Summary of significant accounting policies.

Signed on behalf of the Company on 29th June, 2023 by:

 Marti Küttis
 Member of the Board

Statement of Cash Flows

		12 months 2022	12 months 2021
Cash flows to/from operating activities		EUR	Restated* EUR
Net Profit of the period		1 120 212	2 295 884
Adjustments for:			
Amortisation and depreciation	13	67 304	54 243
Interest expense	5	701 587	1 465 715
Interest income	4	(4 922 113)	(5 651 208)
Loss/(gain) on disposal of property, plant and equipment	13	31 639	46 587
Non-cash loan settlements		140 039	(78 809)
Impairment of finance lease receivables and loans to customers expense	7	291 731	(402 216)
Financial guarantees	27	(401 655)	(299 067)
Increase/(decrease) in accrued liabilities	24	(60 112)	37 677
Operating profit before working capital changes		(3 031 369)	(2 531 194)
Decrease/(Increase) in finance lease receivables, loans to customers and other current assets		(111 950)	1 973 858
Increase/(decrease) in payables and guarantees		150 482	(758 725)
Cash generated to/from operations		(2 992 837)	(1 316 061)
Interest received		4 628 281	5 887 727
Interest paid		(668 494)	(1 480 684)
Net cash flows to operating activities		966 951	3 090 982
Cash flows to/from investing activities			
Purchase of property, plant and equipment and intangible assets		(15 636)	(46 619)
Loan repayments received from related parties		4 245 000	22 694 848
Loans issued to related parties		(4 287 000)	(19 320 000)
Net cash flows to investing activities		(57 636)	3 328 229
Cash flows to/from financing activities			
Proceeds from borrowings	20	5 288 029	27 600 096
Repayments of borrowings	20	(6 132 589)	(33 950 863)
Payments for borrowings acquisition costs	20	(8 142)	(19 899)
Lease payments	20	(83 034)	(52 097)
Net cash flows to financing activities		(935 736)	(6 422 763)
Change in cash and cash equivalents		(26 422)	(3 552)
Cash at the beginning of the year		151 874	155 426
Cash at the end of the period		125 452	151 874

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

Signed on behalf of the Company on 29th June, 2023 by:

Marti Küttis
Member of the Board

Statement of Changes in Equity

	Share capital EUR	Other reserves for financial guarantees EUR	Retained earnings EUR	Total EUR
Balance as at 01.01.2021.	60 000	(1 053 071)	11 968 740	10 975 669
Net profit for the period	-	-	2 295 885	2 295 885
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	2 295 885	2 295 885
Derecognition of guarantees	-	-	(588 378)	(588 378)
Increase in the guarantee limit	-	619 728	-	619 728
Balance as at 31.12.2021.	60 000	(433 343)	13 676 247	13 302 904
Balance as at 01.01.2022.	60 000	(433 343)	13 676 247	13 302 904
Net profit for the reporting period	-	-	1 120 212	1 120 212
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1 120 212	1 120 212
Derecognition of guarantees	-	433 343	(73 239)	360 104
Balance as at 31.12.2022.	60 000	(0)	14 723 221	14 783 221

Signed on behalf of the Company on 29th June, 2023 by:

Marti Küttis
Member of the Board

Notes to the Financial Statements

1. Corporate information

Primero Finance OÜ (hereinafter – the Company) was registered with the Republic of Estonia Business Register on 8 January 2013. The registered office of the Company is at Meistri 14, 13517 Tallinn, Estonia. The Company's sole and shareholder is Eleving Luna AS (registered in Latvia), which owns 100% of the Company's equity.

The core business activity of the Company comprises of providing vehicle financing, title loans and consumer loans.

These financial statements have been approved for issue by the Board on 29th June, 2023.

The shareholders of the Company have a statutory right to approve or not these financial statements and to require preparation of a new set of the financial statements.

2. Summary of significant accounting policies

a) Basis of preparation

These annual financial statements for the year ended 31 December 2022 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

The financial statements are prepared on a historical cost basis except for the recognition of financial instruments measured at fair value. The Company's functional and presentation currency is euro (EUR). The financial statements cover the period from 1 January 2022 till 31 December 2022. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Going concern

These 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 31).

b) Correction of errors and changes in presentation

- 1) Extension fee was reclassified from "Interest revenue" to "Fee and commission income".
- 2) Income from Services Rendered to Related Parties was reclassified from "Fee and commission income" to "Other operating income".
- 3) Debt Collection Expense and Repo car maintenance were reclassified from "Fee and commission income" to "Administrative expense".
- 4) Sold debts to 3rd parties was reclassified from "Impairment expense" to "Net gain/(loss) from de-recognition of financial assets measured at amortised cost".
- 5) Cession part in prov.for doubtful debts was reclassified from "Net gain/(loss) from de-recognition of financial assets measured at amortised cost" to "Impairment expense".
- 6) VAT from operational service fee and Expenses of disposal of fixed assets were reclassified from "Administrative expense" to "Other operating expense".
- 7) Repossessed cars for sale and Impairment for repossessed cars were reclassified from "Non-current assets held for sale" to "Finance lease receivables" and "Loans to customers".
- 8) ECL for trade receivables was reclassified from "Other receivables" to "Trade receivables".
- 9) Mintos fee expenses and interest expense for right of use assets were added to "Interest expense", "Interest paid" and "Payments for borrowings acquisition costs".
- 10) "Non-cash loan settlements" adjustment row was added.
- 11) Lease payments were moved from "Purchase of property, plant and equipment and intangible assets" to "Lease payments" and "Increase/(decrease) in payables and guarantees". Adjustments for lease payments were also done in "Proceeds from borrowings" and "Repayments of borrowings".
- 12) Mintos loan gross amounts were added to "Proceeds from borrowings" and "Repayments of borrowings".

Statement of Comprehensive income	31.12.2021 before restatement	Correction	31.12.2021 restated
Interest revenue ¹⁾	5 795 769	(144 561)	5 651 208
Fee and commission income ^{1) 2) 3)}	6 702	201 706	208 408
Impairment expense ^{4) 5)}	(163 140)	565 356	402 216
Net gain/(loss) from de-recognition of financial assets measured at amortised cost ^{4) 5)}	286 417	(565 356)	(278 939)
Administrative expense ³⁾	(2 174 224)	(85 952)	(2 260 176)
Other operating income ²⁾	288 273	30 000	318 273
Other operating expense ⁶⁾	(12 072)	(1 193)	(13 265)
TOTAL:		-	

	31.12.2021	Correction	31.12.2021
Statement of Financial position	before restatement		restated
<i>Receivables and other current assets</i>			
Finance lease receivables ⁷⁾	2 248 364	(17 348)	2 231 016
Loans to customers ⁷⁾	1 164 892	57 379	1 222 271
Non-current assets held for sale ⁷⁾	40 031	(40 031)	-
TOTAL:		-	
Statement of Cash Flows			
	31.12.2021	Correction	31.12.2021
	before restatement		restated
Interest expense ⁹⁾	1 451 668	14 047	1 465 715
Interest income ¹⁾	(5 795 769)	144 561	(5 651 208)
Non-cash loan settlements ¹⁰⁾	-	(78 809)	(78 809)
Impairment of finance lease receivables and loans to customers expense ^{4) 5)}	163 140	(565 356)	(402 216)
Decrease/(Increase) in finance lease receivables, loans to customers and other current assets ^{4) 5)}	1 408 372	565 486	1 973 858
Increase/(decrease) in payables and guarantees ¹¹⁾	(838 008)	79 283	(758 725)
Interest received ¹⁾	6 032 288	(144 561)	5 887 727
Interest paid ⁹⁾	(1 477 200)	(3 484)	(1 480 684)
Purchase of property, plant and equipment and intangible assets ¹¹⁾	(19 906)	(26 713)	(46 619)
Proceeds from borrowings ^{11) 12)}	12 699 270	14 900 825	27 600 096
Repayments of borrowings ^{11) 12)}	(19 128 845)	(14 822 018)	(33 950 863)
Payments for borrowings acquisition costs ⁹⁾	(8 735)	(11 164)	(19 899)
Lease payments ¹¹⁾	-	(52 097)	(52 097)
TOTAL:		-	
Statement of Financial position			
	01.01.2021	Correction	01.01.2021
	before restatement		restated
<i>Non-current financial assets</i>			
Finance lease receivables ⁷⁾	6 393 384	14 590	6 407 974
Loans to customers ⁷⁾	1 910 028	4 772	1 914 800
<i>Current financial assets</i>			
Non-current assets held for sale ⁷⁾	19 362	(19 362)	-
Trade receivables ⁸⁾	8 680	(1 359)	7 321
Other receivables ⁸⁾	20 081	1 359	21 440
TOTAL:		-	

c) New standards, interpretations and amendments adopted from 1 January 2022

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Company.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g., direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g., Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Company does not have any onerous contracts.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

d) New standards, interpretations and amendments not yet effective

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 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

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 not yet effective, to have a material impact on the Company.

[The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods.

- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.]

e) Significant accounting policies

Licenses and other intangible assets

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

Other intangible assets mainly consists of acquired computer software products.

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

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

Property and equipment

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

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

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

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

Financial assets

Financial instruments – initial recognition

Date of recognition

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

Initial 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 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 groups of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the 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.

SPPI test

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

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

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

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

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

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

Reclassification of financial assets

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

Financial liabilities are never reclassified.

Derecognition of financial assets and finance lease receivables

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

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 in the statements of comprehensive income, to the extent that an impairment loss has not already been recorded. Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

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

Treatment of non-substantial modifications

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the 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 Company'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 to customers

Defining credit rating

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

The Company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. When estimating ECLs on a collective basis for a Company of similar assets, the Company 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 (lease):

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

Loans and advances to customers (loan):

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

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.

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

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

Temporary debt restructuring (TDR) and restructuring

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. Also, “older” risks as inflation, cost-of-living crises, widespread social unrest, geopolitical confrontation returned, which negatively impacted Company's operations and caused increase in credit risk.

Analyzing and evaluating Company's responses to such non-standard situations in past, management decided to keep and maintain so-called TDR (temporary debt restructuring) program that was introduced during Covid-19 pandemic. 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.

Temporary debt restructuring (TDR) and other forbearance tools:

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

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

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

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

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

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%.

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 EIR method. 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 in the statement of comprehensive income.

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

Modification of financial liabilities

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

Treatment of non-substantial modifications

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

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

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

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. Such profit or loss is recognized under "Revenue from leases".

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 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 in financial statements separately as part of liabilities due to uncertainty of how they will be utilized.

Prepayments received from customers are recorded in 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" 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.

Lease – 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.

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.

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.

Vacation pay reserve

Vacation pay reserve is calculated by multiplying the average daily salary of an employee for the last six months with the number of unused vacation days as at the end of the financial reporting period.

Transactions with peer-to-peer platforms

Background

The Company, as loan originators, has 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.

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.

Funding attracted through peer-to-peer platform

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

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform 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 effective interest method.

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 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.

In 2022 the Company did not have assignments without recourse rights.

Reserves

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.

Accruals and deferrals

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

Contingencies

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

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 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 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.

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 2022 and 2021 the Company did not enter into contracts with variable considerations, 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.

Fee and commission income related to finance lease activities

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

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

Revenue from agency services (point in time)

Agency services consist of different services, such as settlement of costs on behalf of 3rd parties and recharging those costs to customers. 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 and the 3rd party. The performance obligation is satisfied when respective service has been provided.

Contract balances

Contract assets

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

At 31 December the Company did not have any contract assets in its statement of financial position.

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'.

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

Contract liabilities

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

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

Corporate income tax

According to the Income Tax Act the Company's annual profit is not subject to taxation in Estonia. Corporate Income tax is paid on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business related disbursements and transfer pricing adjustments. Corporate Income tax is applied at the rate of 20/80 on net dividends paid out by the Company. Corporate Income tax related to the dividends payment is recognized as a liability. Corporate Income tax expense is recognized in the period in which the dividends are declared.

Due to the specific nature of the taxation system, there is no difference in the carrying and taxation values of assets and consequently there are no deferred Income tax assets and liabilities.

Amendments to the Estonian Income Tax Act that entered into force on 1 January 2018 enable companies to use a 14% reduced tax rate for regular dividend payments. The 14% reduced tax rate can be applied to dividends distributed on or after 1 January 2019 as follows: the 14% rate is applicable to the amount equal to a third of the last financial year's dividend distribution, while the portion of the distribution exceeding this threshold shall remain taxable at 20%. The reduced rate can be used on the share of the distribution equal to the company's last three years' average profit distributions.

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 and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

Dividend distribution

Dividend distribution to the Shareholder of the Company is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's Shareholder.

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 financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to depreciation and amortization, fair value measurement of repossessed collaterals, and impairment evaluation. Although these estimates 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 financial statements:

Going concern

These financial statements are prepared on going concern basis.

Impairment of financial assets

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

Probability of default (PD)

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

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

The Company 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 smoothed 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.

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 Estonia weights are the following: UR – 48%, IR – 48% and GDP – 5%.

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

Result of the macro model is then applied to stage 1 PDs for each month close starting from December 2022. Macro outlook is updated in a consistent manner once per quarter; thus, the macro model is expected to be updated once per quarter in 2023.

The Default distribution vector (DDV)

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

Loss Given Default

Finance lease receivables

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

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

- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a four-year period. For the 31 December 2022 impairment purposes 91.95% (31.12.2021: 95.63%) recovery rate for renewed cases was applied. Above described LGD rate is used for all portfolio groups except for unsecured portfolio. For unsecured portfolio 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 significantly 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 2022, 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.

Financial guarantees

Fair value (FV) determination and initial recognition

The Company has elected to determine the FV of guarantee using the credit spread method. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is the contractual commitment or guaranteed amount per guarantee agreement.

ECL determination for subsequent measurement

For the purposes of FV estimation the Company is using benchmarking of a similar credit risk entity such as the ultimate parent of the Company. 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 16 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. As per Company's assessment the Company would qualify as a good quality borrower in the local markets in the context of overall the Company results.

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.

4. Interest revenue

	12 months 2022 EUR	12 months 2021 EUR
<i>Interest income on financial assets measured at amortised cost:</i>		
Interest income from finance lease receivables	2 301 755	2 821 177
Interest income from loans to customers	1 330 350	958 290
Interest income from intercompany loans (Note 25)	1 289 978	1 871 710
Other interest income	30	31
TOTAL:	4 922 113	5 651 208

5. Interest expense

	12 months 2022 EUR	12 months 2021 EUR
<i>Interest expenses on financial liabilities measured at amortised cost:</i>		
Interest expenses for loans from related parties (Note 25)	(15 558)	(635 875)
Interest expenses for loans from P2P platform investors	(556 799)	(708 792)
Interest expenses for loans from banks	(125 209)	(117 799)
Interest expenses for lease liabilities	(4 021)	(3 174)
TOTAL:	(701 587)	(1 465 640)

6. Fee and commission income

	12 months 2022 EUR	12 months 2021 EUR
Income from commissions	47 474	147 297
Income from penalties received	25 571	29 249
Debt collection income	22 375	31 862
TOTAL:	95 420	208 408

7. Impairment expense

	12 months 2022 EUR	12 months 2021 EUR
Change in impairment	(191 069)	609 928
Written off debts	(100 662)	(207 712)
TOTAL:	(291 731)	402 216

For the unsecured car loan product launched at the end of 2021, the learning process and finding the perfect balance point between products took place in 2022. As a result, impairment increased in the reporting year and the company profit fell short of expectations

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

	12 months 2022 EUR	12 months 2021 EUR
Financial lease		
Loss arising from cession of financial lease receivables	(443 594)	(568 644)
Income arising from cession of financial lease receivables	262 132	416 271
TOTAL:	(181 462)	(152 373)
Loans and advances to customers		
Loss arising from cession of loans and advances to customers receivables	(911 410)	(553 440)
Income arising from cession of loans and advances to customers receivables	519 806	426 874
TOTAL:	(391 604)	(126 566)
Net Income/ (Loss) arising from cession of financial lease and loans and advances to customers receivables	TOTAL:	(573 066)
		(278 939)

During 2022 the Company performed cessions to non related parties.

The portfolio that was 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 14 and 15.

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

9. Selling expense

	12 months 2022	12 months 2021
	EUR	EUR
Marketing expenses	(51 726)	(45 350)
Other selling expenses	(115 611)	(128 062)
TOTAL:	(167 337)	(173 412)

10. Administrative expense

	12 months 2022	12 months 2021
	EUR	EUR
Employees' salaries	(882 441)	(836 573)
Management services (Note 25)	(783 294)	(732 750)
Professional services	(73 368)	(121 471)
Amortization and depreciation (Note 13)	(67 304)	(54 243)
Credit database expenses	(87 757)	(73 706)
Transportation expenses	(8 821)	(5 480)
IT services	(69 018)	(52 417)
Insurance expense	(1 431)	(1 300)
Business trip expenses	(11 371)	(8 960)
Recruitment fees	(3 621)	(1 663)
Bank commissions	(10 038)	(7 280)
Communication expenses	(11 634)	(38 480)
Other personnel expenses	(9 032)	(8 941)
Low value equipment expenses	(6 349)	(7 202)
Other administration expenses	(318 356)	(309 709)
TOTAL:	(2 343 835)	(2 260 175)

Salary expenses	12 months 2022		12 months 2021	
	Salary expense	Average number of persons	Salary expense	Average number of persons
	EUR		EUR	
Members of the board (Note 25)	(167 473)	2	(125 129)	2
Employees	(714 968)	20	(711 444)	20
TOTAL:	(882 441)	22	(836 573)	22

11. Other operating income

	12 months 2022	12 months 2021
	EUR	EUR
Income recognised from amortization of financial guarantee	41 551	145 953
Income from services rendered to related parties (Note 25)	163 328	162 090
Other income	44 052	10 230
TOTAL:	248 931	318 273

12. Other operating expense

	12 months 2022 EUR	12 months 2021 EUR
Other operating expense	(8 116)	(8 498)
Expenses of disposal of fixed assets	(1 675)	(1 192)
Penalties paid	-	(3 575)
TOTAL:	(9 791)	(13 265)

13. Long term assets
Intangible assets

	Licences and similar rights EUR	Other intangible assets* EUR	TOTAL EUR
Cost	4 018	25 907	29 925
Accumulated amortization and impairment	(4 018)	(23 466)	(27 484)
As at 1 January 2021	-	2 441	2 441
2021			
Additions	-	2 400	2 400
Amortization charge	-	(1 579)	(1 579)
Cost	4 018	28 307	32 325
Accumulated amortization and impairment	(4 018)	(25 045)	(29 063)
As at 31 December 2021	-	3 262	3 262
2022			
Additions	-	-	-
Amortization charge	-	(1 147)	(1 147)
Cost	4 018	28 307	32 325
Accumulated amortization and impairment	(4 018)	(26 191)	(30 209)
As at 31 December 2022	-	2 116	2 116

* Other intangible assets mainly consist of Company's developed ERP system. Amortization costs are included in Note - "Administrative expense".

Property, plant and equipment

	Property and equipment	Leasehold improve- ments	Right-of-use assets	TOTAL
	EUR	EUR	EUR	EUR
Cost	71 510	4 615	224 782	300 906
Accumulated depreciation and impairment	(53 394)	(3 283)	(68 118)	(124 795)
As at 1 January 2021	18 116	1 332	156 663	176 111
2021				
Additions	8 422	3 055	6 029	17 506
Disposals	(7 837)	(1 364)	(98 002)	(107 203)
Depreciation of disposed assets	7 583	426	52 607	60 616
Depreciation charge	(11 696)	(1 042)	(39 926)	(52 665)
Cost	72 094	6 306	132 809	211 209
Accumulated depreciation and impairment	(57 508)	(3 899)	(55 437)	(116 844)
As at 31 December 2021	14 587	2 407	77 372	94 365
2022				
Additions	12 170	943	228 848	241 961
Disposals	(9 494)	(5 052)	(93 749)	(108 295)
Depreciation of disposed assets	8 610	3 397	64 648	76 656
Depreciation charge	(8 348)	(772)	(57 038)	(66 157)
Cost	74 770	2 196	267 909	344 876
Accumulated depreciation and impairment	(57 245)	(1 273)	(47 827)	(106 345)
As at 31 December 2022	17 525	923	220 082	238 530

14. 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.

Finance lease receivables	2022			2021
	Stage 1	Stage 2	Stage 3	TOTAL
Not past due	4 814 604	92 413	68 481	4 975 498
1-30	1 410 990	84 347	22 052	1 517 388
31-60	-	74 219	62 154	136 373
>60	-	-	215 365	215 365
TOTAL, GROSS:	6 225 593	250 979	368 052	6 844 625

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

Finance lease receivables	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	7 427 721	333 818	315 520	8 077 059
Transfer to Stage 1	172 537	(137 571)	(34 966)	-
Transfer to Stage 2	(217 880)	226 922	(9 042)	-
Transfer to Stage 3	(296 034)	(41 191)	337 225	-
New financial assets acquired	1 520 953	24 696	25 418	1 571 067
Receivables settled	(1 242 438)	(22 805)	(25 945)	(1 291 188)
Receivables written off	(222 676)	(67 624)	(156 803)	(447 103)
Receivables partially settled	(916 588)	(65 267)	(83 356)	(1 065 211)
Foreign exchange movements	-	-	-	-
Balance at 31 December 2022	6 225 593	250 979	368 052	6 844 625

Finance lease receivables	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	8 758 453	634 441	1 120 016	10 512 910
Transfer to Stage 1	359 619	(240 569)	(119 050)	-
Transfer to Stage 2	(242 837)	257 773	(14 935)	-
Transfer to Stage 3	(204 292)	(37 012)	241 305	-
New financial assets acquired	1 865 005	21 141	41 178	1 927 324
Receivables settled	(1 675 662)	(89 380)	(42 907)	(1 807 949)
Receivables written off	(238 213)	(122 983)	(825 746)	(1 186 942)
Receivables partially settled	(1 194 353)	(89 591)	(84 340)	(1 368 284)
Foreign exchange movements	-	-	-	-
Balance at 31 December 2021	7 427 721	333 818	315 520	8 077 059

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.

Impairment allowance	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	120 780	45 206	137 180	303 167
Transfer to Stage 1	28 324	(18 285)	(10 038)	-
Transfer to Stage 2	(5 816)	8 412	(2 596)	-
Transfer to Stage 3	(6 602)	(5 477)	12 079	-
Impairment for new financial assets acquired	30 901	3 369	8 269	42 539
Reversed impairment for settled receivables	(19 287)	(2 884)	(13 570)	(35 741)
Reversed impairment for written off receivables	(5 493)	(9 197)	(65 269)	(79 958)
Net remeasurement of loss allowance	(10 112)	14 611	73 559	78 058
Foreign exchange movements	-	-	-	-
Balance at 31 December 2022	132 695	35 755	139 614	308 064

<i>Impairment allowance</i>	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	201 696	90 593	693 407	985 696
Transfer to Stage 1	68 084	(31 351)	(36 733)	-
Transfer to Stage 2	(9 601)	15 977	(6 375)	-
Transfer to Stage 3	(5 634)	(5 760)	11 394	-
Impairment for new financial assets acquired	26 362	2 755	13 607	42 723
Reversed impairment for settled receivables	(32 032)	(10 679)	(17 466)	(60 177)
Reversed impairment for written off receivables	(8 799)	(17 724)	(542 643)	(569 166)
Net remeasurement of loss allowance	(119 295)	1 396	21 990	(95 910)
Foreign exchange movements	-	-	-	-
Balance at 31 December 2021	120 780	45 206	137 180	303 167

<i>Finance lease receivables</i>	EUR	%	EUR	%
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Stage 1	6 225 593	91%	7 427 721	92%
Stage 2	250 979	4%	333 818	4%
Stage 3	368 052	5%	315 520	4%
TOTAL, GROSS:	6 844 625	100%	8 077 059	100%

<i>Finance lease receivables</i>	Change during the period			EUR
	EUR	EUR	%	
	31.12.2022			31.12.2021
Stage 1	6 225 593	(1 202 127)	-16%	7 427 721
Stage 2	250 979	(82 839)	-25%	333 818
Stage 3	368 052	52 532	17%	315 520
TOTAL, GROSS:	6 844 625	(1 232 435)	-15%	8 077 059

<i>Impairment allowance on finance lease receivables</i>	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Stage 1	132 695	43%	120 780	40%
Stage 2	35 755	12%	45 206	15%
Stage 3	139 614	45%	137 180	45%
TOTAL, ALLOWANCE:	308 064	100%	303 167	100%

<i>Impairment allowance on finance lease receivables</i>	Impairment allowance		Change during the period		Impairment allowance	
	EUR	%	EUR	%	EUR	%
	31.12.2022				31.12.2021	
Stage 1	132 695	10%	11 915	10%	120 780	10%
Stage 2	35 755	-21%	(9 451)	-21%	45 206	15%
Stage 3	139 614	2%	2 434	2%	137 180	45%
TOTAL, ALLOWANCE:	308 064	2%	4 898	2%	303 167	100%

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Finance lease receivables				
Up to one year	3 838 447	2 136 364	4 533 641	2 412 568
Years 2 through 5 combined	7 174 774	4 360 353	8 483 004	5 151 112
More than 5 years	387 601	347 908	572 519	513 379
TOTAL, GROSS:	11 400 822	6 844 625	13 589 164	8 077 059

	31.12.2022	31.12.2021
	EUR	EUR
Unearned finance income		
Up to one year	1 702 083	2 121 073
Years 2 through 5 combined	2 814 421	3 331 892
More than 5 years	39 693	59 140
TOTAL, GROSS:	4 556 197	5 512 105

	31.12.2022	31.12.2021
	EUR	EUR
Finance lease receivables		
Non-current finance lease receivables	4 708 261	5 664 492
Current finance lease receivables	1 996 691	2 246 829
Accrued interest and handling fee	139 673	165 738
TOTAL, GROSS:	6 844 625	8 077 059

	31.12.2022	31.12.2021
	EUR	EUR
Movement in impairment allowance		
Impairment allowance as at 01 January	303 167	985 696
Change in impairment allowance	448 492	(111 298)
Elimination of impairment allowance due to cession of receivables	(443 594)	(571 231)
Impairment allowance as at 31 December	308 064	303 167

	Non-Current	Current	Non-Current	Current
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
	EUR	EUR	EUR	EUR
Finance lease receivables, net				
Finance lease receivables	4 708 261	1 996 691	5 664 492	2 246 829
Accrued interest	-	139 673	-	165 738
Fees paid and received upon loan disbursement	(61 928)	(26 262)	(44 619)	(17 698)
Impairment allowance	(136 404)	(171 660)	(139 314)	(163 853)
	4 509 929	1 938 442	5 480 559	2 231 016

15. Loans 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.

<i>Loans to customers</i>	2022			2021	
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	3 508 361	59 990	44 725	3 613 075	2 911 934
1-30	687 826	58 611	19 996	766 433	635 763
31-60	-	140 377	48 598	188 975	103 004
>60	-	-	412 257	412 257	103 791
TOTAL, GROSS:	4 196 187	258 978	525 576	4 980 741	3 754 493

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

<i>Loans and advances to customers</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	3 381 431	189 494	183 566	3 754 492
Transfer to Stage 1	60 654	(43 874)	(16 780)	-
Transfer to Stage 2	(152 100)	155 169	(3 068)	-
Transfer to Stage 3	(183 951)	(12 432)	196 382	-
New financial assets acquired	2 472 570	127 733	329 682	2 929 985
Receivables settled	(640 246)	(23 199)	(4 924)	(668 369)
Receivables written off	(366 354)	(89 010)	(119 105)	(574 469)
Receivables partially settled	(375 818)	(44 902)	(40 176)	(460 897)
Foreign exchange movements	-	-	-	-
Balance at 31 December 2022	4 196 187	258 978	525 576	4 980 741

<i>Loans and advances to customers</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	3 203 871	337 209	739 447	4 280 527
Transfer to Stage 1	151 406	(102 660)	(48 745)	-
Transfer to Stage 2	(148 315)	162 503	(14 189)	-
Transfer to Stage 3	(91 173)	(15 840)	107 014	-
New financial assets acquired	1 392 214	19 584	17 947	1 429 745
Receivables settled	(859 284)	(46 852)	(12 929)	(919 066)
Receivables written off	(198 453)	(128 196)	(568 230)	(894 879)
Receivables partially settled	(68 835)	(36 253)	(36 747)	(141 835)
Foreign exchange movements	-	-	-	-
Balance at 31 December 2021	3 381 431	189 494	183 567	3 754 493

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 receivables movement transferred into a particular stage.

<i>Impairment allowance</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	59 945	36 809	91 690	188 444
Transfer to Stage 1	11 075	(6 258)	(4 818)	-
Transfer to Stage 2	(5 003)	6 844	(1 841)	-
Transfer to Stage 3	(3 703)	(1 954)	5 657	-
Impairment for new financial assets acquired	58 740	28 172	140 225	227 137
Reversed impairment for settled receivables	(11 371)	(3 919)	(2 707)	(17 998)
Reversed impairment for written off receivables	(8 440)	(20 397)	(61 875)	(90 712)
Net remeasurement of loss allowance	126	13 123	54 496	67 744
Foreign exchange movements	-	-	-	-
Balance at 31 December 2022	101 369	52 421	220 826	374 616

Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	119 655	91 068	463 077	673 800
Transfer to Stage 1	48 706	(26 667)	(22 039)	-
Transfer to Stage 2	(7 496)	14 909	(7 413)	-
Transfer to Stage 3	(5 699)	(4 083)	9 781	-
Impairment for new financial assets acquired	19 465	3 111	5 153	27 729
Reversed impairment for settled receivables	(21 531)	(8 706)	(7 200)	(37 437)
Reversed impairment for written off receivables	(12 114)	(40 822)	(395 076)	(448 012)
Net remeasurement of loss allowance	(81 041)	7 999	45 407	(27 635)
Foreign exchange movements	-	-	-	-
Balance at 31 December 2021	59 945	36 809	91 690	188 444

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.

	EUR	%	EUR	%
Loans to customers	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Stage 1	4 196 187	84%	3 381 432	90%
Stage 2	258 978	5%	189 494	5%
Stage 3	525 576	11%	183 566	5%
TOTAL, GROSS:	4 980 741	100%	3 754 493	100%

	Change during the period			
	EUR	EUR	%	EUR
Loans to customers	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Stage 1	4 196 187	814 755	24%	3 381 432
Stage 2	258 978	69 484	37%	189 494
Stage 3	525 576	342 010	186%	183 566
TOTAL, GROSS:	4 980 741	1 226 249	33%	3 754 493

	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
Impairment allowance on loans to customers	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Stage 1	101 369	27%	59 945	32%
Stage 2	52 421	14%	36 809	20%
Stage 3	220 826	59%	91 690	49%
TOTAL, ALLOWANCE:	374 616	100%	188 444	100%

	Impairment allowance		Change during the period		Impairment allowance	
	EUR	%	EUR	%	EUR	%
Impairment allowance on loans to customers	31.12.2022	31.12.2022	31.12.2022	31.12.2021	31.12.2021	31.12.2021
Stage 1	101 369	27%	41 424	69%	59 945	32%
Stage 2	52 421	14%	15 611	42%	36 809	20%
Stage 3	220 826	59%	129 137	141%	91 690	49%
TOTAL, ALLOWANCE:	374 616	100%	186 172	99%	188 444	100%

	Minimum loan payments		Present value of minimum loan payments		Minimum loan payments		Present value of minimum loan payments	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Loans to customers	31.12.2022	31.12.2022	31.12.2022	31.12.2021	31.12.2021	31.12.2021	31.12.2021	
Up to one year	2 619 360	1 418 500	2 280 517	1 343 865				
Years 2 through 5 combined	5 492 413	3 215 326	3 648 270	2 108 567				
More than 5 years	381 658	346 915	347 069	302 061				
TOTAL, GROSS:	8 493 431	4 980 741	6 275 856	3 754 493				

	31.12.2022	31.12.2021
	EUR	EUR
Unearned finance income		
Up to one year	1 200 860	936 652
Years 2 through 5 combined	2 277 088	1 539 705
More than 5 years	34 743	45 008
TOTAL, GROSS:	3 512 691	2 521 365

	31.12.2022	31.12.2021
	EUR	EUR
Loans to customers		
Non-current loans to customers	3 562 242	2 410 629
Current loans to customers	1 297 826	1 266 676
Accrued interest	120 673	77 188
TOTAL, GROSS:	4 980 741	3 754 493

	31.12.2022	31.12.2021
	EUR	EUR
Movement in impairment allowance		
Impairment allowance as at 01 January	188 444	673 800
Impairment loss recognised during the year	74 754	(736 771)
Elimination of impairment allowance due to cession of receivables	111 418	251 416
Impairment allowance as at 31 December	374 616	188 444

	Non-Current	Current	Non-Current	Current
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
	EUR	EUR	EUR	EUR
Loans to customers, net				
Loans to customers	3 562 240	1 297 828	2 410 627	1 266 678
Accrued interest	-	120 673	-	77 188
Fees paid and received upon loan disbursement	(2 585)	(942)	(2 314)	(1 216)
Impairment allowance	(154 246)	(220 370)	(68 066)	(120 379)
	3 405 409	1 197 189	2 340 247	1 222 271

16. Loans to related parties

Non-current

	Interest rate per annum	Maturity	31.12.2022	31.12.2021
	(%)		EUR	EUR
Loans to related parties				
Loan to Eleving Group S.A. (Note 25)	12.75%	12.09.2026	560 401	8 264 401
Loan to Eleving Solis AS (Note 25)	11.05%	31.12.2027	17 286 191	-
Loan to OCN Mogo Loans S.R.L. (Note 25)	11.75%	31.12.2027	7 309 000	-
Loan to Rentiplus OÜ (Note 25)	12.75%	24.08.2027	437 000	-
TOTAL:			25 592 591	8 264 401

Current

	Interest rate per annum	Maturity	31.12.2022	31.12.2021
	(%)		EUR	EUR
Loans to related parties				
Loan to related parties - Eleving Group S.A. (Note 25)	12.75%		199 486	-
Loan to related parties - Eleving Solis AS (Note 25)	11.05%		15 918	-
Loan to related parties - OCN Mogo Loans S.R.L. (Note 25)	11.75%		31 012	-
Loan to related parties - Rentiplus OÜ (Note 25)	12.75%		29 994	-
TOTAL:			276 411	-

17. Other receivables

	31.12.2022	31.12.2021
	EUR	EUR
Receivable for attracted funding through P2P platform	27 276	-
Security deposit for office lease	15 524	5 193
Other debtors	13 912	804
TOTAL:	56 712	5 997

18. Cash and cash equivalents

	31.12.2022	31.12.2021
	EUR	EUR
Cash at bank	121 990	150 651
Cash on hand*	3 462	1 223
TOTAL:	125 452	151 874

This financial asset is not impaired as of 31.12.2022.

*The cash on hand is held in regional offices and is kept there to ensure daily cash transactions.

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 EUR 0).

19. Share capital and Equity

The share capital of the Company as of 31 December 2022 was EUR 60 000 and consisted of 60 000 shares (as of 31 December 2021 EUR 60 000 and consisted of 60 000 shares). The par value of each share was EUR 1. All the shares were fully paid.

As of 31 December 2022, the Company's retained earnings amounted to EUR 14 723 221 (as of 31 December 2021 EUR 13 676 247). Income tax of 20/80 of net dividend paid is imposed on the profit distributed as dividends. Upon the payment of all retained earnings in 2022, income tax liability would be EUR 2 944 644 (as of 31 December 2021 EUR 2 735 249) and the amount to be paid out to shareholders would total EUR 11 778 577 (as of 31 December 2021 EUR 10 940 998).

20. Borrowings
Non-current

	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.12.2022	31.12.2021
			EUR	EUR
<i>Other borrowings</i>				
Funding attracted through peer-to-peer platforms	5.5%-15.5%	25.12.2028	3 500 253	4 117 373
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(25 873)	(36 118)
TOTAL:			3 474 380	4 081 255
<hr/>				
Lease liabilities for right-of-use assets		up to 5 years	143 845	44 598
TOTAL:			143 845	44 598
<hr/>				
Loan from related parties (Note 25)	11.05%	31.12.2024	17 286 191	-
TOTAL:			17 286 191	-
<hr/>				
TOTAL NON-CURRENT BORROWINGS:			20 904 416	4 125 853

Current

<i>Other borrowings</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.12.2022 EUR	31.12.2021 EUR
Funding attracted through peer-to-peer platforms	5.5%-15.5%		1 289 284	1 519 976
Accrued interest for funding attracted through peer-to-peer platforms	5.5%-15.5%		27 395	28 248
		TOTAL:	1 316 679	1 548 224
Lease liabilities for right-of-use assets			76 302	32 260
		TOTAL:	76 302	32 260
		TOTAL CURRENT BORROWINGS:	1 408 539	1 580 484

Changes in liabilities in 2022

	1.01.2022	Cash flows	Other	31.12.2022
Loan from related parties	-	-	17 286 191	17 286 191
Financing received from P2P investors	5 637 348	(844 560)	-	4 792 788
Lease liabilities	76 857	(83 034)	226 325	220 148
TOTAL BORROWINGS PRINCIPAL:	5 714 206	(927 594)	17 512 516	22 299 127

Total cash flow of borrowings of EUR -927 594 consists of cash inflows EUR 5 288 029, cash outflows of EUR 6 215 623.

	1.01.2022	Cash flows	Other	31.12.2022
Loan acquisition costs	(36 118)	(8 142)	18 387	(25 872)
Acquisition costs of borrowings	(36 118)	(8 142)	18 387	(25 872)

	1.01.2022	Cash flows	Other	31.12.2022
Accrued interest for loans from related parties	-	-	15 558	15 558
Accrued interest for financing received from P2P investors	28 248	(539 264)	538 412	27 395
Accrued interest for loan from bank	-	(125 209)	125 209	-
Interest expenses from right-of-use assets	-	(4 021)	4 021	-
Accrued interest	28 248	(668 494)	683 199	42 953
TOTAL BORROWINGS:	5 706 335	(1 604 230)	18 214 103	22 316 208

Changes in liabilities in 2021

	1.01.2021	Cash flows	Other	31.12.2021
Loan from related parties	2 994 000	(2 994 000)	-	-
Financing received from P2P investors	7 888 222	(2 250 874)	-	5 637 348
Loans from banks	1 105 893	(1 105 893)	-	-
Lease liabilities	155 667	(52 097)	(26 713)	76 857
TOTAL BORROWINGS PRINCIPAL:	12 143 782	(6 402 864)	(26 713)	5 714 205

Total cash flow of borrowings of EUR -6 402 864 consists of cash inflows EUR 27 600 096, cash outflows of EUR 34 002 960.

	1.01.2021	Cash flows	Other	31.12.2021
Loan acquisition costs	(23 029)	(19 899)	6 811	(36 118)
Acquisition costs of borrowings	(23 029)	(19 899)	6 811	(36 118)

	1.01.2021	Cash flows	Other	31.12.2021
Accrued interest for loans from related parties	-	(635 875)	635 875	-
Accrued interest for financing received from P2P investors	49 556	(723 837)	702 529	28 248
Accrued interest for loan from bank	-	(117 799)	117 799	-
Interest expenses from right-of-use assets	-	(3 173)	3 173	-
Accrued interest	49 556	(1 480 684)	1 459 375	28 248
TOTAL BORROWINGS:	12 170 309	(7 903 447)	1 439 474	5 706 335

21. Payables to related parties

	31.12.2022	31.12.2021
	EUR	EUR
Eleving Luna AS (Note 25)	1 330	36 147
Eleving Stella AS (Note 25)	54 212	-
Eleving Vehicle Finance AS (Note 25)	1 819	74 801
	57 361	110 948

22. Taxes payable

	31.12.2022	31.12.2021
	EUR	EUR
Personal income tax liabilities	18 282	21 702
Social tax liabilities	45 004	39 774
Value added tax	1 447	8 231
Other taxes and duties	4 989	4 763
	69 722	74 470

23. Other liabilities

	31.12.2022	31.12.2021
	EUR	EUR
Liabilities against employees	68 147	56 094
Payable for attracted funding through P2P platform	-	57 740
	68 147	113 834

24. Accrued liabilities

	31.12.2022	31.12.2021
	EUR	EUR
Accruals for vacation reserves	25 094	29 161
Other accrued liabilities for received services	86 962	143 007
	112 056	172 168

25. Related parties disclosures

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

Transactions with related parties for years 2022 and 2021 were as follows:

	2022	2021
	EUR	EUR
Services provided (Note 11)	166 512	132 090
- Related company - Eleving Vehicle Finance AS	163 328	132 090
- Related company - Rentiplus OÜ	3 184	-
Services received	783 294	732 808
- Management services (Note 10)	783 294	732 750
- Parent company - Eleving Luna AS	257 225	257 969
- Related company - Eleving Stella AS	54 655	-
- Related company - Eleving Vehicle Finance AS	471 414	474 781
- Other services received (Note 10)	-	58
- Related company - Mogo AS	-	58
Interest income (Note 4)	1 289 978	1 871 710
- Ultimate parent company - Eleving Group S.A.	1 213 054	1 846 179
- Related company - Eleving Solis AS	15 918	-
- Related company - OCN Mogo Loans S.R.L.	31 012	-
- Related company - Rentiplus OÜ	29 994	-
- Related company - Mogo Albania Sh.A.	-	25 531
Interest expenses (Note 5)	15 558	635 875
- Ultimate parent company - Eleving Group S.A.	15 558	-
- Related company - Mogo IFN S.A.	-	635 875
Loans issued to related parties (Note 20)	28 882 191	19 320 000
- Ultimate parent company - Eleving Group S.A.	3 850 000	19 320 000
- Related company - OCN Mogo Loans S.R.L.	7 309 000	-
- Related company - Rentiplus OÜ	437 000	-
- Related company - Eleving Solis AS	17 286 191	-
Loan repayments from related parties (Note 20)	11 554 000	22 694 848
- Ultimate parent company - Eleving Group S.A.	11 554 000	22 205 000
- Related company - Mogo Albania Sh.A.	-	489 848
Loans received from related parties (Note 20)	17 286 191	12 250 000
- Ultimate parent company - Eleving Group S.A.	17 286 191	-
- Related company - Mogo IFN S.A.	-	12 250 000
Loan repayments to related parties (Note 20)	-	15 244 000
- Related company - Mogo IFN S.A.	-	15 244 000

Transactions with board members (Note 10)

	2022	2021
	EUR	EUR
Remuneration	125 993	94 082
Social security contribution expenses	41 480	31 047
TOTAL:	167 473	125 129

Receivables from related companies

	Interest rate per annum (%)	Maturity	31.12.2022	31.12.2021
<i>Non-current</i>			EUR	EUR
Loan receivable from related company ¹⁾ (Note 16)	12.75%	12.09.2026	560 401	8 264 401
Loan receivable from related company ²⁾ (Note 16)	11.05%	31.12.2027	17 286 191	-
Loan receivable from related company ³⁾ (Note 16)	11.75%	31.12.2027	7 309 000	-
Loan receivable from related company ⁴⁾ (Note 16)	12.75%	24.08.2027	437 000	-
TOTAL:			25 592 591	8 264 401

	Interest rate per annum (%)	Maturity	31.12.2022 EUR	31.12.2021 EUR
<i>Current</i>				
Accrued interest for related company ¹⁾ (Note 16)	12.75%		199 486	-
Accrued interest for related company ²⁾ (Note 16)	11.05%		15 918	-
Accrued interest for related company ³⁾ (Note 16)	11.75%		31 012	-
Accrued interest for related company ⁴⁾ (Note 16)	12.75%		29 994	-
		TOTAL:	276 411	-

1) In 2017 the Company has signed the loan agreement with its ultimate Parent Company Elevation Group S.A.

4) In 2022 the Company has signed the loan agreements with Rentiplus OÜ.

3) In 2022 the Company has signed the loan agreement with OCN Mogo Loans S.R.L.

2) In 2022 the Company has signed the loan agreement with Elevation Solis AS.

On 19 December 2022 S.A. Elevation Group S.A. transferred to Primero Finance OÜ its claims (loans) against the OCN Mogo Loans S.R.L in the total aggregate amount of 7 309 000 and in the same amount the loan balance against Elevation Group S.A. was reduced.

In the reporting year, intra-group loans were restructured by Elevation Group S.A., as a result of which the Company took over two loans from Elevation Group S.A. - a loan to OCN Mogo Loans S.R.L. and a loan to Elevation Solis AS.

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

2022	Stage 1	Stage 2	Stage 3	Total
Loan receivable from related parties	25 869 002	-	-	25 869 002

No ECLs are recognized for the loan receivable from related party (2021: EUR 0)

Other receivables from related companies

	31.12.2022 EUR	31.12.2021 EUR
Receivable from Rentiplus OÜ	4 227	-
TOTAL:	4 227	-

Loans from related companies

	Interest rate per annum (%)	Maturity	31.12.2022 EUR	31.12.2021 EUR
<i>Non-current</i>				
Loan receivable from related company ¹⁾ (Note 20)	11.05%	31.12.2024	17 286 191	-
		TOTAL:	17 286 191	-

	Interest rate per annum (%)	Maturity	31.12.2022 EUR	31.12.2021 EUR
<i>Current</i>				
Accrued interest for related company ¹⁾ (Note 20)			15 558	-
		TOTAL:	15 558	-

1) In 2022 the Company has signed the novation agreement with its ultimate Parent Company Elevation Group S.A.

Payables to related companies (Note 21)

	31.12.2022	31.12.2021
	EUR	EUR
Payables to Eleving Luna AS	1 330	36 147
Payables to Eleving Stella AS	54 212	-
Payables to Eleving Vehicle Finance AS	1 819	74 801
TOTAL:	57 361	110 948

On November 13, 2018 the Eleving Group S.A. as Issuer and certain its subsidiaries (including Primero Finance OÜ) as Guarantors signed a guarantee agreement dated 9 July 2018 as amended and restated on 13 November 2018 according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Eleving Group S.A. bonds the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group S.A. bonds prospectus.

26. Commitments and contingencies

On 9 July 2018 Eleving Group S.A. entered into a share pledge agreement with Greenmarck Restructuring Solutions GmbH, pledging any and all shares of Primero Finance OÜ owned by Eleving Group S.A., in order to secure Eleving Group S.A. obligations towards bondholders deriving from Bonds (ISIN XS1831877755) (as amended on 14 November 2018).

On 9 July 2018 Primero Finance OÜ entered into a commercial pledge agreement with Greenmarck Restructuring Solutions GmbH, pledging its entire movable property, except for the property specified in subsection 2 (3) of the Commercial Pledge Act (such exception includes, for the sake of clarity, inter alia, receivables arising from loan agreements concluded with clients (as defined in the agreement), in order to secure Eleving Group S.A. obligations towards bondholders deriving from Bonds (ISIN XS1831877755), with a maximum liability not exceeding EUR 100 000.00 (as amended on 13 November 2018).

On 9 July 2018 Primero Finance OÜ entered into a commercial pledge agreement with Greenmarck Restructuring Solutions GmbH, pledging its entire present and future receivables arising from the concluded loan agreements with its clients, excluding the receivables which Primero Finance OÜ has assigned to third parties via marketplace lending platforms (as defined in the agreement), in order to secure Eleving Group S.A. obligations towards bondholders deriving from Bonds (ISIN XS1831877755) (as amended on 13 November 2018).

On 9 July 2018 Primero Finance OÜ entered into an agreement for establishment of registered security over movables on trademark with Greenmarck Restructuring Solutions GmbH, pledging its trademark, registration No.52482, in order to secure Eleving Group S.A. obligations towards bondholders deriving from Bonds (ISIN XS1831877755), with a maximum liability not exceeding EUR 100 000.00 (as amended on 13 November 2018).

On 9 October 2018 Primero Finance OÜ entered into an account pledge agreement with Greenmarck Restructuring Solutions GmbH, establishing a pledge on Primero Finance OÜ bank account, in order to secure Eleving Group S.A. obligations towards its bondholders deriving from Bonds (ISIN XS1831877755).

Primero Finance OÜ (as the pledgor) has concluded a Commercial pledge agreement with AS Citadele banka by virtue of which specific list of receivables (as amended from time to time) is pledged in favour of AS Citadele banka in order to secure AS Mogo, Primero Finance OÜ and UAB Mogo LT obligations towards AS Citadele banka under the Credit line agreement of 8 July 2019.

On 31 July 2019 Primero Finance OÜ has concluded a Commercial pledge with AS Citadele banka by virtue of which certain receivables of Primero Finance OÜ are pledged in favor of AS Citadele banka in order to secure Mogo JSC, Primero Finance OÜ and UAB Mogo LT obligations towards AS Citadele banka under the Credit line agreement of 8 July 2019. As of 31 December 2021 part of the gross finance lease portfolio in the amount of EUR 2.21 million was pledged in favor of the AS Citadele bank as collateral for the credit line (31 December 2021: 1.37 million)

Externally imposed capital requirements

Cooperation agreement with P2P platform

Cooperation agreements with P2P platforms require to maintain positive amount of equity at all times. Share capital is monitored and increased if needed to satisfy this requirement.

The Company is subject to additional financial covenants relating to the attracted funding through P2P platform. The Company is monitoring the respective indicators regularly and ensures the covenants are satisfied. However, as at 31 December 2022 the Company has breached one of the covenants but received a waiver from the P2P platform as at 31 December 2022. The P2P platform has waived its right to act on the breach for the next 12 month period. The respective covenant has started being met as at the end of February 2023.

27. Provisions for financial guarantees

Effect on other reserves	2022	2021
	EUR	EUR
	Other reserves	Other reserves
Outstanding as at 1 January	(433 343)	(1 053 071)
Fair value of the newly issued guarantees (1),(6)	-	(950 647)
Guarantees derecognition (Retained earnings) RE PE (3), (4)	433 343	1 099 398
Decrease in fair value of the guarantees due to revaluation	-	470 976
Outstanding as at 31 December	-	(433 343)
	2022	2021
	EUR	EUR
	Financial guarantees	Financial guarantees
Outstanding as at 1 January	401 655	578 958
Fair value of the newly issued guarantees	-	950 647
Decrease in fair value of the guarantees due to revaluation	-	(470 976)
Derecognition of guarantee (3),(4)	(401 655)	(511 021)
Outstanding provisions for guarantees before modifications	(0)	547 608
Outstanding provisions for guarantees		
Fair value of the guarantees subsequent to modification	(0)	547 608
Amortised as income subsequent to modifications	-	(145 953)
Outstanding as at 31 December	(0)	401 655
Financial guarantee in favour of bondholders of Elevation Group S.A.	(0)	401 655
Total	(0)	401 655
Total recognized as income	-	(145 953)

1) On 9 July 2018 Primero Finance OÜ entered a financial guarantee agreement issued in favor of bondholders of Elevation Group S.A. Primero Finance OÜ is a guarantor in the agreement. Guarantee was issued to secure Elevation Group S.A. exposure after issuing a 4-year 50 million EUR corporate bond (XS1831877755), which listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Company irrevocably guarantees the payment of Elevation Group S.A. liabilities towards its bondholders in case of default of Elevation Group S.A. under the provisions of bond prospectus. The Company did not receive compensation for the guarantee provided. Fair value of financial guarantee determined amounts to 244 404 EUR, which is recognized as liability and as a distribution of equity under "Other reserves". Liabilities under the financial guarantee agreement are recognized in income on straight line basis till bond maturity, which is July 2022.

2) On 13 November 2018 original guarantee agreement was revised following Elevation Group S.A. tap bond issue of further 25 million EUR. The Parent company did not receive compensation for the guarantee provided. The amended guarantee agreement increases the total exposure of the Parent company under the amended guarantee agreement.

(3) Increase in credit losses in 2019 was identified and measured for the guarantees. It is related to the change in the estimated discount rate applied by the Company. In 2019 the discount rate was applied based on the received credit rating by Fitch B -. Such increase was recognized through profit or loss, offset by the effect of subsequent guarantee derecognition as explained in (4).

(4) On 11 November 2019 original guarantee agreement in (1) was revised following Elevation Group S.A. tap bond issue of further 25 million EUR. The Company did not receive compensation for the guarantee provided. The amended guarantee agreement increases the total exposure of the Company under the amended guarantee agreement. Similar Elevation Group S.A. tap bond issue of 25 million EUR occurred during 2018 which led to derecognition of initial guarantee.

(5) In 2020, the amount of the provisions for financial guarantees increased by EUR 121 764 due to insignificant changes in the guarantee - changes in the PD rate and NetExposure value.

Liabilities under the new financial guarantee agreement are recognized in income on straight line basis till bond maturity, which is July 2022.

(6) On 14 October 2021, the Company, amongst other material group entities, entered a financial guarantee agreement issued in favor of bondholders of Elevation Group. The guarantee was issued to secure Elevation Group exposure after issuing corporate bonds, ISIN XS2393240887 (as of 31 December 2022 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.

Under the guarantee agreement the Company, amongst other material group entities, irrevocably guarantees the payment of Eleving Group liabilities towards its bondholders in case of default of Eleving Group 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 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 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 and therefore, not recognised as of 31 December 2022.

Financial guarantee is a Stage 1 exposure.

28. 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 interest rate risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

Operational risks

Compliance risk

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

Regulatory risks

The Company's operations are subject to regulation by a variety of consumer protection, financial services and other state authorities in various jurisdictions, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing. The Company closely monitors all the changes in regulatory framework. The Company employs outsourced legal specialists to assist in addressing any current or future regulatory developments that might have an impact on Company's business activities.

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.

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.

Financial risks

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

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.

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and P2P platforms.

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

	Contractual cash flows					Total
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	
As at 31.12.2022	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Cash and cash equivalents (Note 18)	125 452	125 452				125 452
Loans to customers (Note 15)	4 602 596		2 619 360	5 492 413	381 658	8 493 431
Loans to related parties (Note 16)	25 869 002		3 172 511	34 227 905		37 400 416
Trade receivables	4 227		4 227			4 227
Finance lease receivables (Note 14)	6 448 371		3 838 447	7 174 774	387 601	11 400 822
Total undiscounted financial assets	37 049 648	125 452	9 634 545	46 895 092	769 259	57 424 348
Liabilities						
Funding attracted through peer-to-peer platforms (Note 20)	(4 789 537)		(1 449 185)	(3 694 872)	(141 913)	(5 285 970)
Lease liabilities for right-of-use assets (Note 20)	(220 147)		(76 302)	(143 845)		(220 147)
Loans from related parties (Note 20)	(17 286 191)		(1 910 124)	(19 196 315)		(21 106 439)
Other current liabilities	(160 030)		(160 030)			(160 030)
Total undiscounted financial liabilities	(22 455 905)	-	(3 595 641)	(23 035 032)	(141 913)	(26 772 586)
Net undiscounted financial assets / (liabilities)	14 593 743	125 452	6 038 904	23 860 060	627 346	30 651 761

	Contractual cash flows					Total
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	
As at 31.12.2021	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Cash and cash equivalents (Note 18)	151 874	151 874				151 874
Loans to customers (Note 15)	3 562 517		2 280 517	3 648 270	347 069	6 275 856
Loans to related parties (Note 16)	8 264 401		1 053 711	12 215 817		13 269 528
Finance lease receivables (Note 14)	7 711 574		4 533 641	8 483 004	572 519	13 589 164
Total undiscounted financial assets	19 690 366	151 874	7 867 869	24 347 091	919 588	33 286 422
Liabilities						
Funding attracted through peer-to-peer platforms (Note 20)	(5 637 349)		(1 842 516)	(4 337 795)	(312 570)	(6 492 881)
Provisions for financial guarantees (Note 27)	(401 655)			(401 655)		(401 655)
Lease liabilities for right-of-use assets (Note 20)	(76 858)		(32 260)	(44 598)		(76 858)
Other current liabilities	(226 363)		(226 363)			(226 363)
Total undiscounted financial liabilities	(6 342 225)	-	(2 101 139)	(4 784 048)	(312 570)	(7 197 757)
Net undiscounted financial assets / (liabilities)	13 348 141	151 874	5 766 730	19 563 043	607 018	26 088 665

Credit risk

The Company is exposed to credit risk through its finance lease receivables, loans and advances to customers, loans to related parties, 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.

	31.12.2022	31.12.2021
Finance lease receivables	6 844 625	8 077 059
Loans and advances to customers	4 980 741	3 754 493
Loans to related parties	25 869 002	8 264 401
Trade and other receivables	60 939	5 997
Cash and cash equivalents	125 452	151 874
TOTAL:	37 880 759	20 253 823

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, 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.

29. 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 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 2 include assets, for which no active market exists, such as over the counter financial instruments that are traded outside the stock exchange, bonds, as well as balances due from banks and other financial liabilities. Fair value of bank loans is based on effective interest rate which represents current market rate to similar companies. The management recognizes that cash and cash equivalents' fair value is the same as their carrying value therefore the risk of fair value change is insignificant.

Instruments within Level 3 include assets, for which no active market exists - such as loans and receivables, bonds, balances due from banks and other financial liabilities. Fair value of bank loans is based on effective interest rate which represents current market rate to similar companies. The management recognizes that cash and cash equivalents' fair value is the same as their carrying value therefore the risk of fair value change is insignificant.

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 2022 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.

The annual discount rate was determined as 13.65% (2021: 13.50%). 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).

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 Primero Finance OÜ.

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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 those financial assets and liabilities not presented on the Company's statement of financial position at their fair value:

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
	EUR	EUR	EUR	EUR
Assets				
Finance lease receivables	6 448 371	8 292 556	7 711 575	9 754 126
Loans to customers	4 602 598	5 243 894	3 562 518	3 788 710
Loans to related companies	25 869 002	25 869 002	8 264 401	8 264 401
Other receivables	60 939	60 939	5 997	5 997
Cash and cash equivalents	125 452	125 452	151 874	151 874
Total assets	37 106 362	39 591 843	19 696 365	21 965 108
Liabilities				
Loans from related parties	17 286 191	17 286 191	-	-
Payables to related companies	57 361	57 361	110 948	110 948
Loans from non related parties	4 806 618	4 806 618	5 629 478	5 629 478
Trade payables	22 161	22 161	38 059	38 059
Other liabilities	68 147	68 147	113 834	113 834
Accrued liabilities	112 056	112 056	172 168	172 168
Total liabilities	22 352 534	22 352 534	6 064 487	6 064 487

The table below specified analysis by fair value categories as at 31 December 2022 (based on their carrying amounts):

	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	31.12.2022	31.12.2022	31.12.2022	31.12.2021	31.12.2021	31.12.2021
	EUR	EUR	EUR	EUR	EUR	EUR
Assets at fair value						
Finance lease receivables	-	-	8 292 556	-	-	9 754 126
Loans to customers	-	-	5 243 894	-	-	3 788 710
Loans to related companies	-	-	25 869 002	-	-	8 264 401
Other receivables	-	-	60 939	-	-	5 997
Cash and cash equivalents	125 452	-	-	151 874	-	-
Total assets at fair value	125 452	-	39 466 391	151 874	-	21 813 234
Liabilities at fair value						
Loans from related parties	-	-	17 286 191	-	-	-
Payables to related companies	-	-	57 361	-	-	110 948
Loans from non related parties	-	-	4 806 618	-	-	5 629 478
Trade payables	-	-	22 161	-	-	38 059
Other liabilities	-	-	68 147	-	-	113 834
Accrued liabilities	-	-	112 056	-	-	172 168
Total liabilities at fair value	-	-	22 352 534	-	-	6 064 487

30. Management of Capital

The Company manages its capital to ensure that it will be able to continue as going concern. The Company fulfils capital requirements imposed by Estonian Commercial Code. In order to maintain or adjust the capital structure, the Company may attract new credit facilities or increase its share capital. The Company's objectives when managing capital are (i) to comply with the capital requirements set by local regulators where applicable and (ii) to safeguard the Company's ability to continue as a going concern. The Company considers total capital under management to be equity as shown in the statement of financial position. The amount of capital that the Company managed as of 31 December 2022 was 14 783 221 EUR (2021: 13 302 904 EUR). Management reviews its capital position on a regular basis to maintain sufficient funds in order to support the medium- and long-term strategic goals of the Company. The Company has complied with all externally imposed capital requirements throughout 2022 and 2021. The Company is subject to additional financial covenants relating to the attracted funding through P2P platform. The Company is monitoring the respective indicators regularly and ensures the covenants are satisfied. However, as at 31 December 2022 the Company has breached one of the covenants but received a waiver from the P2P platform as at 31 December 2022. The P2P platform has waived its right to act on the breach for the next 12 month period. The respective covenant has started being met as at the end of February 2023.

31. Events after reporting period

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

INDEPENDENT AUDITOR'S REPORT

(Translation of Estonian Original)

To the shareholder of Primero Finance OÜ

Opinion

We have audited the financial statements of Primero Finance OÜ (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

/digitally signed/

Sven Siling
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Aktsiaselts BDO Eesti
Audit firm activity licence no. 1
Veskiposti 2, Tallinn, Harju maakond 10138
29 June 2023