delfin group

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AS “DelfinGroup”

Annual accounts
for the year ended
31 December 2021
and
Consolidated
Annual accounts
for the year ended
31 December 2021

prepared in accordance with International Financial Reporting Standards as adopted by EU

Translation from Latvian

Table of Contents

Information on the Company and Subsidiaries

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, Limited liability company)
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (57.53%), 12 Juras Street, Liepaja, Latvia SIA AE Consulting (8.83%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.81%), 50A Skanstes Street, Riga, Latvia Other (14.83%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Zitmane – Member of the Board (from 01.03.2022) Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021) Kristaps Bergmanis – Member of the Board (from 11.07.2014 till 15.12.2021) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

Names and positions of Supervisory Board members	Agris Evertovskis – Chairperson of the Supervisory Board (from 19.01.2021 till 12.04.2021, from 13.04.2021) Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021) Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021) Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021) Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021) Anete Ozoliņa – Deputy Chairman of the Supervisory Board (from 19.01.2021 till 13.04.2021) Uldis Judinskis – Member of the Supervisory Board (from 19.01.2021 till 13.04.2021) Uldis Judinskis – Chairperson of the Supervisory Board (from 16.05.2019 till 19.01.2021) Ramona Miglāne – Deputy Chairman of the Supervisory Board (from 16.05.2019 till 19.01.2021) Anete Ozoliņa – Member of the Supervisory Board (from 16.05.2019 till 19.01.2021)
Financial year	1 January 2021 - 31 December 2021
Name and address of the auditor	SIA BDO ASSURANCE Certified Auditors’ Company license No. 182 Kaļķu street 15-3B, Riga, LV-1050 Latvia Responsible Certified Auditor: Irita Cimdare Certificate No. 103

Information on the Subsidiaries

Subsidiary	SIA ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of AS *DelfinGroup* (hereinafter – the Company) is responsible for the preparation of the financial statements of the Company and for the preparation of the consolidated financial statements of the Compaany and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 10 to 45 are prepared in accordance with the source documents and present the financial position of the Company and the Group as of 31 December 2021 and 31 December 2020 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 7 to 9 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

The financial statements are prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS *DelfinGroup* is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Management is also responsible for compliance with requirements of legal acts of the countries where Group companies and the Parent company operate.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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Management report

According to the audited results of the year 2021 Latvian financial services company AS *DelfinGroup* has increased its revenue to EUR 25.5 million or by 7.7.% a year on year basis and 9.2% on a quarterly basis. In the 4th quarter of 2021 EBITDA increased by 33.3% compared to 3rd quarter of 2021 and for 12 months EBITDA increased by 7.4% and reached EUR 10.2 million. During the 4th quarter of 2021 profit before taxes increased by 41.7% compared to 3rd quarter of 2021 and was EUR 1.7 million and by 7.2% year on year and reached EUR 5.2 million. During the 4th quarter of 2021 the net profit has increased by 60% compared to 3rd quarter. The 4th quarter financial results mark the best results for a give quarter in the history of the Group. The increased revenue and profitability were mainly facilitated by stable growth of online consumer lending and retail of pre-owned goods.

During 2021 AS *DelfinGroup* issued EUR 52.5 million in new loans securing loan issuance growth of 9% year on year. Growth in loan issuance was mainly supported by the significant consumer lending increase which grew by 24% year on year and reached EUR 37 million. The positive trend of consumer loan issuance also reflected in AS *DelfinGroup* net loan portfolio which at the end of 2021 reached a record level – EUR 43 million, a 23.9% increase compared to previous year. Although, due to the restrictions placed on offline services in 2021 pawn loan issuance decreased by 15% year on year, nevertheless, in the 4th quarter of 2021 pawn loan segment has improved by having only a slight 5% decrease in the issuance compared to the same period in 2020.

In the 4th quarter of 2021 AS *DelfinGroup* successfully closed initial public offering (IPO) on *Nasdaq Riga* stock exchange in which a total of 5,927 investors participated. As a result AS *DelfinGroup* raised in total EUR 8.09 million of gross proceeds. The split of the new shareholders is as follows: 4.5 thousand investors from Estonia, 1.2 thousand from Latvia, 0.2 thousand from Lithuania and 44 investors from other countries. On 20 October 2021 AS *DelfinGroup* shares were listed for trading on the *Baltic Main List*. Funds attracted from the IPO substantially improved capital structure of the company as a result equity ratio reaching of 33.4% at the end of 2021.

With the help of funds raised from the IPO, during the 4th quarter 2021 AS *DelfinGroup* repaid and refinanced bonds in total amount of EUR 13.5 million. From those bonds EUR 5 million with 14% coupon rate were repaid according to schedule on 25.10.2021. With the aim to decrease financing costs EUR 5 million bonds with a 14% coupon rate and EUR 3.5 million bonds with 12% coupon rate were redeemed prematurely in November and December of 2021. All the transactions were made according to the IPO prospectus with the goal to decrease the cost of interest-bearing liabilities. As a result, during the 4th quarter the average cost of interest-bearing liabilities decreased from 10.7% to 7.5%. In addition, to support the growing loan portfolio during November 2021 AS *DelfinGroup* registered a new issue of unsecured bonds in the amount of EUR 10 million with an annual coupon rate of 8%. This is the lowest coupon rate in the history of AS *DelfinGroup* and marks a new milestone for the Group. At the end of the reporting period subscription of the bonds was still ongoing.

During 3rd quarter 2021 AS *DelfinGroup* signed a contract with AS Moda Kapitāls (the owner of the fourth largest pawn shop network in Latvia) to purchase AS Moda Kapitāls pawn shop assets. At that time AS Moda Kapitāls owned 25 pawn shop branches throughout Latvia. Among other things, the contract involved the purchase of AS Moda Kapitāls pawn loan portfolio. The transaction was finalized beginning of February 2022.

On December 15 December the composition of the Management Board was changed: Chief Financial Officer Aldis Umblejs was appointed as a Member of the Management Board. He replaced Kristaps Bergmanis who had decided to resign from his positions as Member of the Management Board and undertake other activities outside the Group. On 1 March 2022 Sanita Zitmane was appointed as a Member of the Management Board and Ivars Lamberts resigned from his positions as Member of the Management Board.

On 14 October SIA *ExpressInkasso* and on 1 December SIA *REFIN* were liquidated and excluded from the Register of Enterprises. The activities of these companies will be carried out by the parent company *AS DelfinGroup.*

Management report (CONTINUED)

On 10th December 2021 AS *DelfinGroup* held its first shareholders' meeting as a public stock company. At the meeting AS *DelfinGroup* shareholders approved to pay out an extraordinary dividend in the amount of EUR 512 thousand, namely EUR 0.0113 per share, from the profit of the third quarter of 2021 of AS DelfinGroup. Dividends were paid according to AS *DelfinGroup* dividend policy which anticipate quarterly dividend payments up to 50% from previous quarters' net profit. In addition, shareholders approved the issue of new bonds up to EUR 10 million to fund further business development of the company.

For the twelve months of 2021, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 3.7 million.

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in 2021 as compares to 2020:

Position	EUR, million	Change, %
Net loan portfolio	43.0	+23.9
Assets	52.1	+12.8
Revenue	25.5	+7.7
EBITDA	10.2	+7.4
Profit before taxes	5.2	+7.2
Net profit	4.2	+3.0

And following the Group's key financial figures for the last 5 financial quarters:

Position	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Total income, EUR million	6.7	6.0	5.9	6.5	7.1
EBITDA, EUR million	2.5	2.5	2.1	2.4	3.2
EBITDA margin, %	37%	42%	35%	37%	45%
EBIT, EUR million	2.2	2.3	1.8	2.1	2.8
EBIT margin, %	33%	38%	31%	33%	39%
Profit before taxes, EUR million	1.2	1.1	1.1	1.2	1.7
Net profit, EUR million	0.9	0.8	0.8	1.0	1.6
Net profit margin, %	13%	13%	14%	16%	23%
ROE (annualised), %	42%	36%	38%	46%	47%
Current ratio	1.3	1.0	0.9	1.4	1.5

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation.

EBITDA calculation, EUR million:

Item	2021	2020
Profit before tax	5.2	4.9
Interest expenses and similar expenses	3.9	3.5
Depreciation of fixed assets and amortisation	1.1	1.1
EBITDA, EUR million	**10.2**	**9.5**

Management report (CONTINUED)

As for compliance with the Issue Terms of notes issue ISIN LV0000850048 and ISIN LV0000802536 the financial covenant computation is as follows:

Covenant	**Value as of 31.12.2021**	**Compliance**
to maintain a Capitalization Ratio at least 25%	40%	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.4	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	2.4	yes

Branches
During the period from 1 January 2021 to 31 December 2021, the Group continued to work on branch network efficiency. As at 31 December 2021, the Group had 93 branches in 38 cities in Latvia (31.12.2020 - 89 branches in 38 cities).

Risk management
The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate bonds and loans, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk. All Group transactions are performed in Latvia, the Group has no counterparties in Russia and Belaruss thus the impact of the war in Ukraine and the associated sanctions has insignificant effect on the company's operations.

Distribution of the profit proposed by the Company
The Company's board recommends the distribution of annual dividends in amount of EUR 2.5 million.

The Corporate Governance Report for 2021 has also been submitted to *AS Nasdaq Riga* together with this separate and consolidated Annual Financial Report for year ended 31 December 2021 by *AS DelfinGroup*.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member

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Statement of profit or loss for the year ended 31 December 2021

	Notes	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Net sales	(2)	5 667 337	5 667 337	6 164 231	6 164 231
Cost of sales	(3)	(3 668 010)	(3 668 010)	(4 224 332)	(4 224 332)
Interest income and similar income	(4)	16 527 133	19 821 198	15 459 316	17 499 755
Interest expenses and similar expenses	(5)	(3 497 133)	(3 827 313)	(3 407 017)	(3 633 152)
Credit loss expenses		(1 261 141)	(2 236 898)	(890 243)	(1 505 116)
Gross profit		**13 768 186**	**15 756 314**	**13 101 955**	**14 301 386**
Selling expenses	(6)	(5 820 639)	(6 124 650)	(5 221 723)	(5 446 243)
Administrative expenses	(7)	(4 026 730)	(4 212 808)	(3 108 291)	(3 261 026)
Other operating income		237 719	85 033	71 384	72 395
Other operating expenses		(292 275)	(300 865)	(627 549)	(812 259)
Income from participating interests		262 919	-	-	-
Profit before corporate income tax		**4 129 180**	**5 203 024**	**4 215 776**	**4 854 253**
Income tax expenses	(8)	(873 080)	(979 191)	(753 716)	(754 536)
Net profit		**3 256 100**	**4 223 833**	**3 462 060**	**4 099 717**
Earnings per share	(9)	0.079	0.103	0.087*	0.102*

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member	**Inta Pudāne** Chief accountant

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Balance sheet as at 31 December 2021

Assets	Notes	Company 31.12.2021	Group 31.12.2021	Company 31.12.2020 (restated, Note 1)	Group 31.12.2020 (restated, Note 1)
Non-current assets:		EUR	EUR	EUR	EUR
Intangible assets:					
Patents, licences, trademarks and similar rights		64 037	64 037	124 256	124 256
Internally developed software		376 816	376 816	202 248	202 248
Other intangible assets		42 056	50 669	41 927	54 076
Goodwill		-	127 616	-	127 616
Advances on intangible assets		18 834	18 834	-	-
Total intangible assets:	(10)	**501 743**	**637 972**	**368 431**	**508 196**
Property, plant and equipment:					
Land, buildings, structures and perennials		169 906	169 906	-	85 385
Investments in property, plant and equipment		186 681	186 681	196 607	196 607
Right-of-use assets		2 972 570	2 972 570	3 194 412	3 194 412
Other fixtures and fittings, tools and equipment		206 604	206 604	248 214	248 214
Total property, plant and equipment	(11;12)	**3 535 761**	**3 535 761**	**3 639 233**	**3 724 618**
Non-current financial assets:					
Investments in related companies	(13)	880 000	-	1 685 672	-
Loans to related companies	(25)	1 768 200	-	1 155 565	-
Loans and receivables	(16)	21 164 732	28 569 431	13 987 061	17 711 758
Loans to shareholders and management	(14)	-	-	474 484	474 484
Total non-current financial assets:		**23 812 932**	**28 569 431**	**17 302 782**	**18 186 242**
Total non-current assets:		**27 850 436**	**32 743 164**	**21 310 446**	**22 419 056**
Current assets:					
Inventories:					
Finished goods and goods for sale		1 949 490	1 949 490	1 534 007	1 534 007
Total inventories:	(15)	**1 949 490**	**1 949 490**	**1 534 007**	**1 534 007**
Receivables:					
Loans and receivables	(16)	12 238 336	14 392 319	12 588 435	16 962 096
Loans to related companies	(25)	38 075	-	2 876 548	-
Other debtors		289 554	352 269	135 227	374 756
Deferred expenses		110 109	167 436	224 366	279 523
Total receivables:		**12 676 074**	**14 912 024**	**15 824 576**	**17 616 375**
Cash and cash equivalents	(17)	2 225 535	2 459 862	3 768 356	4 591 954
Total current assets:		**16 851 099**	**19 321 376**	**21 126 939**	**23 742 336**
Total assets		**44 701 535**	**52 064 540**	**42 437 385**	**46 161 392**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš	**Aldis Umblejs**	**Sanita Zitmane**	**Inta Pudāne**
Chairman of the Board	Board Member	Board Member	Chief accountant

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Balance sheet as at 31 December 2021

Liabilities and equity		Company 31.12.2021	Group 31.12.2021	Company 31.12.2020 (restated, Note 1)	Group 31.12.2020 (restated, Note 1)
Equity:	**Notes**	**EUR**	**EUR**	**EUR**	**EUR**
Share capital	(18)	4 531 959	4 531 959	4 000 000	4 000 000
Share premium		6 890 958	6 890 958	-	-
Retained earnings:					
- brought forward		514 359	1 730 571	775 437	1 353 992
- for the reporting period		3 256 100	4 223 833	3 462 060	4 099 717
Total equity:		**15 193 376**	**17 377 321**	**8 237 497**	**9 453 709**
Liabilities:					
Long-term liabilities:					
Bonds issued	(19)	10 825 162	10 825 162	8 441 717	8 441 717
Other borrowings	(20)	5 125 100	8 086 468	5 646 755	6 816 925
Lease liabilities for right-of-use assets	(12)	2 652 498	2 652 498	2 732 136	2 732 136
Total long-term liabilities:		**18 602 760**	**21 564 128**	**16 820 608**	**17 990 778**
Short-term liabilities:					
Bonds issued	(19)	13 003	13 003	5 022 652	5 022 652
Other borrowings	(20)	8 345 402	10 487 168	9 339 999	10 869 932
Lease liabilities for right-of-use assets	(12)	652 699	652 699	703 715	703 715
Trade payables		752 114	805 784	676 305	702 933
Accounts payable to affiliated companies		-	-	243 815	-
Taxes and social insurance	(21)	391 791	398 268	810 031	815 952
Accrued liabilities		750 390	766 169	582 763	601 721
Total short-term liabilities:		**10 905 399**	**13 123 091**	**17 379 280**	**18 716 905**
Total liabilities		**29 508 159**	**34 687 219**	**34 199 888**	**36 707 683**
Total liabilities and equity		**44 701 535**	**52 064 540**	**42 437 385**	**46 161 392**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Statement of changes in equity of the Company's for the year ended 31 December 2021

	Notes	Share capital EUR	Share premium EUR	Retained earnings (restated, Note 1) EUR	Total EUR
As at 31 December 2019		**1 500 000**	**-**	**6 275 437**	**7 775 437**
Dividends paid		-	-	(3 000 000)	(3 000 000)
Share capital transfer		2 500 000	-	(2 500 000)	-
Profit for the reporting period (restated, note 1)		-	-	3 462 060	3 462 060
As at 31 December 2020		**4 000 000**	**-**	**4 237 497**	**8 237 497**
Dividends paid		-	-	(3 723 138)	(3 723 138)
Share capital increase resulted from IPO	(18)	531 959	7 553 823	-	8 085 782
IPO transaction costs	(18)	-	(662 865)	-	(662 865)
Profit for the reporting period		-	-	3 256 100	3 256 100
As at 31 December 2021		**4 531 959**	**6 890 958**	**3 770 459**	**15 193 376**

Statement of changes in equity of the Group for the year ended 31 December 2021

	Notes	Share capital EUR	Share premium EUR	Retained earnings (restated, Note 1) EUR	Total EUR
As at 31 December 2019		**1 500 000**	**-**	**6 867 492**	**8 367 492**
Dividends paid		-	-	(3 000 000)	(3 000 000)
Share capital transfer		2 500 000	-	(2 500 000)	-
Retained earnings subsidiary inclusion		-	-	(13 500)	(13 500)
Profit for the reporting period (restated, note 1)		-	-	4 099 717	4 099 717
As at 31 December 2020		**4 000 000**	**-**	**5 453 709**	**9 453 709**
Dividends paid		-	-	(3 723 138)	(3 723 138)
Share capital increase resulted from IPO	(18)	531 959	7 553 823	-	8 085 782
IPO transaction costs	(18)	-	(662 865)	-	(662 865)
Profit for the reporting period		-	-	4 223 833	4 223 833
As at 31 December 2021		**4 531 959**	**6 890 958**	**5 954 404**	**17 377 321**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Cash flows statement for the year ended 31 December 2021

		Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Cash flow from operating activities					
Profit before corporate income tax		**4 129 180**	**5 203 024**	**4 215 776**	**4 854 253**
Adjustments for non-cash items:					
a) depreciation of fixed assets and amortisation of intangible assets	(10;11)	355 539	362 325	281 390	302 364
b) depreciation of right-of-use assets	(11)	775 932	775 932	762 806	762 806
c) credit loss expenses		1 261 141	2 236 898	890 243	1 505 116
d) cessation results		128 077	160 423	438 240	620 101
e) interest income and similar income	(4)	(16 527 133)	(19 821 198)	(15 459 316)	(17 499 755)
f) interest expenses and similar expenses	(5)	3 497 133	3 827 313	3 407 017	3 633 152
g) liquidation of subsidiaries	(13)	(30 012)	-	-	-
h) other adjustments		-	-	(2 844)	(13 500)
Profit before adjustments of working capital and short-term liabilities		**(6 410 143)**	**(7 255 283)**	**(5 466 688)**	**(5 835 463)**
Change in operating assets/liabilities:					
a) (Increase) on loans and receivables and other debtors		(8 044 211)	(10 236 384)	(4 793 323)	(4 431 656)
b) (Increase) on inventories		(415 483)	(415 483)	(378 655)	(378 655)
c) (Decrease)/increase on trade payable and accrued liabilities		(86 391)	(64 256)	148 584	746 238
Gross cash flow from operating activities		**(14 956 228)**	**(17 971 406)**	**(10 490 082)**	**(9 899 536)**
Interest received		16 466 080	19 690 880	15 097 001	16 951 069
Interest paid		(3 908 926)	(4 271 452)	(3 852 786)	(4 260 782)
Corporate income tax payments		(753 716)	(754 536)	(349 957)	(349 957)
Net cash flow from operating activities		**(3 152 790)**	**(3 306 514)**	**404 176**	**2 440 794**
Cash flow from investing activities					
Acquisition of fixed assets, intangibles		(630 741)	(548 605)	(564 152)	(571 018)
Loans issued (other than core business of the Company)	(14)	(92 850)	(92 850)	(438 669)	(438 669)
Loans repaid (other than core business of the Company)		2 793 172	567 334	2 962 961	1 271 868
Liquidation quota of subsidiaries	(25)	938 691	-	-	-
Net cash flow from investing activities		**3 008 272**	**(74 121)**	**1 960 140**	**262 181**
Cash flow from financing activities					
Share capital increase resulted form IPO (incl. share premium)	(18)	8 085 782	8 085 782	-	-
IPO transaction costs	(18)	(662 865)	(662 865)	-	-
Loans received		13 643 489	20 633 934	7 349 981	10 415 870
Loans repaid		(15 505 807)	(19 849 406)	(8 642 673)	(11 546 966)
Bonds issued		11 111 000	11 111 000	8 606 000	8 606 000
Redemption of bonds		(13 481 000)	(13 481 000)	(2 975 000)	(2 975 000)
Repayment of lease liabilities		(865 764)	(865 764)	(746 569)	(746 569)
Dividends paid		(3 723 138)	(3 723 138)	(3 000 000)	(3 000 000)
Net cash flow from financing activities		**(1 398 303)**	**1 248 543**	**591 739**	**753 335**
Net cash flow of the reporting period		(1 542 821)	(2 132 092)	2 956 055	3 456 310
Cash and cash equivalents at the beginning of the reporting period		**3 768 356**	**4 591 954**	**812 301**	**1 135 644**
Cash and cash equivalents at the end of the reporting period		**2 225 535**	**2 459 862**	**3 768 356**	**4 591 954**

Notes on pages from 15 to 45 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Notes

(1) Accounting policies

(a) Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared based on historic cost method.

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

These annual financial statements are prepared and disclosed on a consolidated basis and on a standalone basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 December 2021.

The former subsidiary SIA *Banknote* commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA *Banknote* commercial properties were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *ExpressInkasso* (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA *ExpressInkasso* were transferred to AS *DelfinGroup* as liquidation quota. The former subsidiary SIA *REFIN* (100%) has been liquidated on 01 December 2021. The assets of the SIA *REFIN* were transferred to AS *DelfinGroup* as liquidation quota. For amount and types of assets acquired from each liquidated subsidiary see note 13.

Following the rapid spread of COVID-19 pandemic in 2020, which continued in 2021, many governments, including the Latvian Republic, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government of Latvian Republic to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.
Starting 11 October 2021, the government of Latvia declared a new state of emergency due to the pandemic. During the state of emergency the Group took all mandatory and recommended security measures in relation to pandemic and all services provided by the Group were availavble to customers in full scope.
Despite 2021 being the second year of COVID-19 pandemic, it brought a faster than expected economic recovery in Latvia. This was reflected also in the results of the Group. The loan issuance for the Group has increased by 9% reaching EUR 52.5 million, turnover by 8% and portfolio by 24% compared to 2020, the Management of the Group assesses that COVID-19 pandemic did not impacted significantly business operations of the Group in 2021. The Group was able to achieve its financial targets.
The Group will continue to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

<u>New standards, interpretations and amendments adopted by the Group</u>

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2).

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company and consolidated financial statements of the Group. The Company and the Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

(1) Accounting policies (continued)

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group did not apply the practical expedient and continues to apply IFRS 16 guidance on lease modification accounting for rent concessions.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts, effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.
- Reference to the Conceptual Framework – Amendments to IFRS 3, effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16, effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, effective for annual reporting periods beginning on or after 1 January 2022.
- Definition of Accounting Estimates - Amendments to IAS 8, effective for annual reporting periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable for annual periods beginning on or after 1 January 2023.

The Group is currently assessing the amendments to determine the impact they will have on the Group's financial statements.

Voluntary changes in significant accounting policies and correction of errors

(a) In these financial statements, the Group and the Company has adopted changes in the accounting policy in respect of recognition of internally generated intangible assets. The change relates to to development of software, mainly consisting of internally capitalised salary expenses. For details see Note 10.
All costs incurred in 2020 which were recognized as part of the cost of an intangible asset qualified the capitalization criteria as at the date when such costs were incurred. However, initially they were expensed in accordance with accounting policy applicable at that time. Following the change in accounting policy expenses, including past expenses, meeting the capitalization criteria as at the date of its occurrence were capitalized. Management considers that the change in accounting policies more accurately reflects the Company's process in regards to internally developing IT resources as well as better aligns costs with income.
Group has made an assessment on the change in accounting policy impact on the beginning of the earliest period presented, i.e. 1 January 2020. Management assessed capitalization criteria as per IAS 38 as of 1 January 2020 and concluded that no relevant costs qualified with requirements of IAS 38 as at that date.

(b) The Management has identified a clasification error on bond issuance commissions while preparing 2021 Group's and Company's financial statements. The error relates to incorrect classification of bond issuance commissions as bank commissions under Administrative costs. The error resulted in overstatement of amount of bank commission expenses and understatement of interest expenses;

(c) The Management has also identified a clasification error on accrued interest expenses. The error relates to incorrect classification of accrued interest expenses for other borrowings under Credit loss expense and resulted in overstated amount of credit loss expenses and understatement of interest expenses. To comply with presentation requitements of IFRS 9, the Group reclassified mentioned amount from Credit loss expense to Interest expenses and similar expenses.

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected Company financial statements line items for the prior period, as follows:

Balance sheet

	Reference	As at 31 December 2020 before restatement	Restatement	As at 31 December 2020 after restatement
Assets				
Non-current assets	(a)	21 108 199	202 247	21 310 446
Current assets		21 126 939	-	21 126 939
Total assets		**42 235 138**	**202 247**	**42 437 385**
Liabilities and equity				
Total equity	(a)	8 035 250	202 247	8 237 497
Long-term liabilities		16 820 608	-	16 820 608
Short-term liabilities		17 379 280	-	17 379 280
Total liabilities and equity		**42 235 138**	**202 247**	**42 437 385**

Statement of profit or loss

	Reference	2020 before restatement	Restatement	2020 after restatement
Net sales		6 164 231	-	6 164 231
Cost of sales		(4 224 332)	-	(4 224 332)
Interest income and similar income		15 459 316	-	15 459 316
Interest expenses and similar expenses	(b), (c)	(3 278 011)	(129 006)	(3 407 017)
Credit loss expense	(c)	(963 163)	72 920	(890 243)
Gross profit		**13 158 041**	**(56 086)**	**13 101 955**
Selling expenses	(a)	(5 201 324)	(20 399)	(5 221 723)
Administrative expenses	(a), (b)	(3 387 023)	278 732	(3 108 291)
Other operating income		71 384	-	71 384
Other operating expenses		(627 549)	-	(627 549)
Profit before income tax		**4 013 529**	**202 247**	**4 215 776**
Income tax expenses		(753 716)	-	(753 716)
Net profit		**3 259 813**	**202 247**	**3 462 060**
Earnings per share*		**0.081**	**0.006**	**0.087**

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

(1) Accounting policies (continued)

The aforemementioned corrections were performed by restating each of the affected Group financial statements line items for the prior period, as follows:

Balance sheet

	Reference	As at 31 December 2020 before restatement	Restatement	As at 31 December 2020 after restatement
Assets				
Non-current assets	(a)	22 216 809	202 247	22 419 056
Current assets		23 742 336	-	23 742 336
Total assets		**45 959 145**	**202 247**	**46 161 392**
Liabilities and equity				
Total equity	(a)	9 251 462	202 247	9 453 709
Long-term liabilities		17 990 778	-	17 990 778
Short-term liabilities		18 716 905	-	18 716 905
Total liabilities and equity		**45 959 145**	**202 247**	**46 161 392**

Statement of profit or loss

	Reference	2020 before restatement	Restatement	2020 after restatement
Net sales		6 164 231	-	6 164 231
Cost of sales		(4 224 332)	-	(4 224 332)
Interest income and similar income		17 499 755	-	17 499 755
Interest expenses and similar expenses	(b), (c)	(3 490 389)	(142 763)	(3 633 152)
Credit loss expense	(c)	(1 591 793)	86 677	(1 505 116)
Gross profit		**14 357 472**	**(56 086)**	**14 301 386**
Selling expenses	(a)	(5 425 844)	(20 399)	(5 446 243)
Administrative expenses	(a), (b)	(3 539 758)	278 732	(3 261 026)
Other operating income		72 395	-	72 395
Other operating expenses		(812 259)	-	(812 259)
Profit before income tax		**4 652 006**	**202 247**	**4 854 253**
Income tax expenses		(754 536)	-	(754 536)
Net profit		**3 897 470**	**202 247**	**4 099 717**
Earnings per share*		**0.097**	**0.005**	**0.102**

* Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021.

(b) Consolidation principles

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(1) Accounting policies (continued)

(c) Recognition of revenue and expenses

- Net sales

Net revenue represents the total value of inventory sold during the year net of value added tax. Revenue from sale of inventory is recognized when control of the inventory is transferred to the customer at an amount that reflects the consideration to which Group expects to be entitled in exchange for those inventories. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured at the fair value of the consideration received, excluding sales taxes.

- Interest income and similar income

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, 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. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

- Other income

Other income is recognised based on accruals principle.

- Expenses

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment. Expenses related to financing of loans is recognised in the period of liability origination and included in the profit and loss items „Interest and similar expenses”.

(d) Foreign currency

All transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of the respective period. At the balance sheet date the rates set by the Bank of Latvia were:

	31.12.2021	**31.12.2020**
	1 EUR	**1 EUR**
USD	1.13	1.23

(e) Fair value of Financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate and may require the application of management's judgement and estimates.

Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts. See also note 28.

(f) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Notes (continued)

(1) Accounting policies (continued)

(g) Intangible assets (including Company's goodwill)
All intangible assets are initially measured at cost. Intangible assets are recorded at historic cost net of amortization and permanent diminution in value. The Group has a detailed intangible assets capitalisation policy covering accounting for development projects. The Group incurs costs for development of software and similar items, which may be capitalized. Capitalized expenditure can be either purchased or internally developed. Only those assets are capitalised that are separately identifiable, they are controlled by the Group, for which probable future economic benefits associated with the item will flow to the Group, and cost exceeds the minimum threshold (150 EUR) set by the Group shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner. Amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Patents, trademarks and similar rights	3 – 5
Other intangible assets (including software)	3 – 5

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net fair value of share of equity acquired. The recognised goodwill is reassessed at least on an annual basis to make sure no permanent diminution in value has occurred. In case such diminution in value is identified, the diminution in value is recognised in the income statement of the respective year.

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually.

(h) Fixed assets
All fixed assets are initially measured at cost. Fixed assets are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Land, buildings, structures and perennials	20
Other fixed assets	3 – 5
Leasehold improvements	1 – 19
Right-of-use premises	1 – 19
Right-of-use vehicles	3 – 4

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually. Fixed asset recognition is terminated in case of its liquidation or when no future benefits are expected in connection with the utilisation of the respective asset. Any profit or loss connected with the termination of recognition (calculated as difference between the disposal gains and net book value as at the moment of derecognition), is recognised in the profit or loss account in the period when derecognition occurs. Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repairs and maintenance costs are charged to profit and loss account in the period when the respective costs are incurred.

(i) Investments in the subsidiaries and associated companies in the separate financial statements
In the financial statements the investments in subsidiary companies (SIA *ViziaFinance* as at 31 December 2021*)* are carried at cost less impairment. Cost represents consideration paid for acquisition of subsidiaries as well as additional contributions to share capital of subsidiaries. Impairment is defined as the difference between the cost and recoverable amount. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use.

(i) Impairment of assets
Intangible assets which are not put into operation or which do not have a useful life are not amortised; their value is reviewed annually. The value of the assets subject to depreciation or amortisation is reviewed whenever any events or circumstances support that their carrying value may not be recoverable. Impairment losses are recognised in the amount representing the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use. In order to determine impairment, assets are grouped based on the smallest group of assets that independently generates cash flow (cash generating units).

(k) Inventories
Inventories are stated at the lower of cost or net realisable value. Inventories are measured using the FIFO method. The Group assesses at each balance sheet date whether there is objective evidence that inventories are impaired and makes provisions for slow-moving or damaged inventories. Inventories loss is recognised in the period such loss is identified, writing off the relevant inventory values to the period profit and loss account. Inventories are measured at the lower of cost or net realisable value.

Notes (continued)

(1) Accounting policies (continued)

(l) Trade and other receivables

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. Loans are initially measured at their fair value**.** The Group subsequently measures consumer loans at amortised 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 on the principal amount outstanding (SPPI).

The Group is using a model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
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 contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The expected credit loss is calculated as a function of PD, the exposure at default EAD and the loss given default LGD.

- For the PD calculation is determined the number of historically issued loans actually reaches the number of past due more than 90 days or have been ceded.

- LGD calculation is based on actually recovered funds for loans over 90 days. Recovered funds are discounted using the monthly effective interest rate.

- Expected credit losses are additionally adjusted for ceded loans. The management assesses the portfolio of overdue loans on a monthly basis and loans that are subject to a significant risk that they will not be repaid or will be assigned.

The IFRS 9 impairment model uses a three-stage approach depending on wheather the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occoured.

1. Stage 1 – 12-month ECL applies to all existing claims, which have no signs of material increase in risk.The ECL will be computed using 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 month, a PD is used that corresponds to remaining maturity.
2. Stage 2 – applies to claims, which have sign (s) of a material increase in risk and increase in default (delay days > 30 days but less than 90 days). The standard requires the computation of ECL based on liftime PD that represents the probability of default occurring over the remaining estimated life of tthe financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
3. Stage 3 – Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days > 90 days). Similar to Stage 2, the allowance for credit losses will continue to capture the liftime ECL.

A settlement delay of 30 or more days are assessed based on their actual occurrence. The rest of the signs of increased risk and their impact have to be analysed case by case and the change in a customer`s risk level has to be made based on management`s judgement. This assessment is symmetrical in nature, allowing the credit risk of financial assets to move back to Stage 1 if the increase in credit risk has decreased since origination and is no longer deemed to be significant.

Default or the possibility of it occuring in the future and write-off of liabilities can be divided into the following events:

- Improbability of receiving payments. Based on objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- Payment delay. The contract is deemed to be non-performing if the client is no longer able or willing to fullfil payment obligations, e.g. upon any of the following events: (a) payments are past due for more than 90 days; (b) the client does not respond to the payment reminders and the desire to contact; (c) the client is bankrupt or deceased; (d) identity theft has been identified, i.e. misues of the credit receiver`s identity.

Notes (continued)

(1) Accounting policies (continued)

The Group continiousy monitors all assets subject to ECLs in order to identify if there has been significant increase in credit risk. If there is increase, relevand adjustments to ECL are made.

When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount.

(m) Leases

i. Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

<u>Right-of-use assets</u>

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

<u>Lease liabilities</u>

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

The Group does not apply IASB practical expedient on COVID-19-Related Rent Concessions and adjusts both right-of-use assets and lease liabilities when modifications of lease contracts occur.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below EUR 4.5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

ii. Operating – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to 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 other income 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 recognized over the lease term on the same basis as lease income. Contingent rents are recognized as income in the period in which they are earned.

(n) Taxes

The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian tax legislation.As of 1 January 2018, Corporate Income Tax is paid on distributed and notionally distributed profits.
The distributed and conditionally distributed profit is subject to a 20% gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement. According to law effective 25% tax is applied to non-business related expenses.

(o) Provisions for unused annual leave

The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the last 6 months by the number of accrued but unused annual leave days the end of the reporting year.

(1) Accounting policies (continued)

(p) Borrowings
Initially borrowings are recognised at fair value amounting to the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost which is determined using the effective interest method. The difference between the proceeds received, net of transaction costs and the redemption value of the borrowing is gradually recognized in the profit and loss account over the term of the borrowing.

(q) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits with a maturity term of up to 90 days.

(r) Payment of dividends
Dividends due to the shareholders are recognized in the financial statements as a liability in the period in which the shareholders approve the disbursement of dividends.

(s) Financial risk management

(s1) Financial risk factors
The activities of the Group expose it to different financial risks:
(r1.1) foreign currency risk;
(r1.2) credit risk;
(r1.3) operational risk;
(r1.4) market risk;
(r1.5) liquidity risk;
(r1.6) cash flow and interest rate risk.
The Group's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Chief Financial Officer (CFO) is responsible for risk management. CFO identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Group.

(s1.1) Foreign exchange risk
The Group operates mainly in the local market and its exposure to foreign exchange risk is not relevant.

(s1.2) Credit risk
The Group has a credit risk concentration based on its operational specifics – issuance of loans against pledge, as well as issuance of non-secured loans that is connected with an increased risk of asset recoverability. The risk may result in short-term liquidity problems and issues related to timely coverage of short-term liabilities. The Group's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

(s1.3) Operational risk
Operational risk is a loss risk due to external factors namely (natural disasters, crimes, etc.) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Group carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk. Also self-assessment of the operational risk is carried out as well as systematic approval of new products is provided to ensure the compliance of the products and processes with the risk environment of the activity.

(s1.4) Market risk
The Group is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Group's services fluctuations. The Group attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates. As at 31 December 2021 all interest rates are fixed except for lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominate as 6 month EURIBOR rate. The interest rate market risk is considered to be low.

(s1.5) Liquidity risk
The Group complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Group has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. The management of the Group performs liquidity analyse on a regular basis and ensures adequate gap between short-term liabilities and assets. Most of the Group's liabilities are long-term liabilities. Based on performed procedures the management is of the opinion that the Group will be able to secure sufficient liquidity by its operating activities. For analysis of financial liabilities by remaining contractual maturities please see note 29.

(s1.6) Cash flow interest rate risk
As the Group has borrowings and finance lease obligations, the Group's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Group's interest payment related cash flows depend on the current market rates of interest. The risk of fluctuating interest rates is partly averted by the fact that a number of loans received have fixed interest rates.

Notes (continued)

(1) Accounting policies (continued)

(s2) Management of the capital structure

In order to ensure the continuation of the Group's activities, while maximizing the return to stakeholders' capital management, optimization of the debt and equity balance is performed. The Group's capital structure consists of bonds issued, third party loans and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	Company	Group	Company	Group
	31.12.2021	31.12.2021	31.12.2020 (restated, Note 1)	31.12.2020 (restated, Note 1)
	EUR	EUR	EUR	EUR
Bonds issued	10 838 165	10 838 165	13 464 369	13 464 369
Other borrowings	13 470 502	18 573 636	14 986 754	17 686 857
Lease liabilities	3 305 197	3 305 197	3 435 851	3 435 851
Accounts payable to affiliated companies	-	-	243 815	-
Trade payables and accrued liabilities	1 502 504	1 571 953	1 259 068	1 304 654
Taxes and social insurance	391 791	398 268	810 031	815 952
Gross debts	**29 508 159**	**34 687 219**	**34 199 888**	**36 707 683**
Cash and cash equivalents	(2 225 535)	(2 459 862)	(3 768 356)	(4 591 954)
Net debts	**27 282 624**	**32 227 357**	**30 431 532**	**32 115 729**
Equity	15 193 376	17 377 321	8 237 497	9 453 709
Debt / equity ratio	**1.94**	**2.00**	**4.15**	**3.88**
Net debt / equity ratio	**1.80**	**1.85**	**3.69**	**3.40**

(t) Significant assumptions and estimates

The preparation of the financial statements requires management to make professional judgments, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Assumptions and estimates based on those assumptions are analyzed regularly to identify if changes are required. The changes in accounting estimates are recognized in the reporting period when the estimates were changed and in all periods that follow.

Useful life of fixed assets

The Group assesses the remaining useful lives of items of fixed assets at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. These estimates may have a material impact on the carrying amount of fixed assets and depreciation recognized in the statement of profit or loss.

Impairment of fixed assets

The Group reviews the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. The Group's impairment test for property and equipment is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

Net realisable value of inventories

The cost of the Group's inventory may have to be reduced to its net realisable value if the inventory has become damaged, is wholly or partly obsolete, or if its selling price has declined. The costs of inventory may not be recovered from sale because of increases in the costs to complete, or the estimated selling costs. Writing inventory down to net realisable value is carried out on an item-by-item basis. The Group's estimates of net realisable value are based on the most reliable evidence available and take into account fluctuations of price or cost after the end of the period if this is evidence of conditions existing at the end of the period.

Leases – estimating the incremental borrowing rate

In case the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes (continued)

(1) Accounting policies (continued)

Impairment losses on loans to customers

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows 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 Group'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:

- The Group's criteria for assessing if there has been a significant increase in credit risk and allocation of loans to Stage 1 or 2;
- identification of unlikeliness to pay criteria and assignment of loans to Stage 3;
- development of ECL models, including the various formulae and the choice of inputs;
- the modelling and calculation of key parameters of the ECL models, including probability of default (PD), loss given default (LGD), and exposure at default (EAD**).**

The ECL model inputs and parameters were reviewed and where necessary updated. For more detailed qualitative and quantitative information on the impairment of financial assets, refer to Note 1 Accounting Policies section l Trade and other receivables and Note 16 Loans and receivables.

(u) Related parties

Related parties include the shareholders, members of the Board and Supervisory Board of the Group, Supervisory Board their close family members and companies in which the said persons have control or significant influence. Term "Related parties" agrees to Commission Regulation (EC) 1126/2008 of 3 November 2018 which took in force various IAS according to European Parlament and Council Regulation (EC) 1606/2002 mentioned in Annex of IAS 24 "Related Party Disclosures".

(v) Subsequent events

Post-period-end events that provide additional information about the Group's position at the balance sheet 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.

(w) Contingencies

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

(x) Earnings per share

Earnings per share (EPS) are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker – the Group's Board, which allocates resources to and assesses the performance of the operating segments of the Group. For management purposes, the Group is organised into three operating segments based on products and services The Group's segments are Pawnloan segment, Consumer loans segment and Other operating segment. Under Other operating segment there are accounted general Group administrative operations, services provided to related entities and real estates project development financing activities.

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Income from sales of goods	4 210 715	4 210 715	3 686 567	3 686 567
Income from sales of precious metals	841 360	841 360	1 714 530	1 714 530
Other income, loan and mortgage realisation and storage commission	615 262	615 262	763 134	763 134
	5 667 337	**5 667 337**	**6 164 231**	**6 164 231**

All net sales are generated in Latvia.

(3) Cost of sales

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Cost of sales of goods	2 830 483	2 830 483	2 544 053	2 544 053
Cost of sales of precious metals	837 527	837 527	1 680 279	1 680 279
	3 668 010	**3 668 010**	**4 224 332**	**4 224 332**

(4) Interest income and similar income

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	12 398 767	15 692 832	10 785 043	12 825 482
Interest income on secured loans	4 123 605	4 123 605	4 669 988	4 669 988
Other interest income	4 761	4 761	4 285	4 285
	16 527 133	**19 821 198**	**15 459 316**	**17 499 755**

(5) Interest expenses and similar expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Bonds' coupon expense	2 203 614	2 203 614	1 584 149	1 584 149
Interest expense on other borrowings	1 086 344	1 416 524	1 632 089	1 858 224
Interest expense on lease liabilities for leased premises	204 489	204 489	186 800	186 800
Interest expense lease liabilities for leased vehicles	2 473	2 473	3 787	3 787
Net loss on foreign exchange	213	213	192	192
	3 497 133	**3 827 313**	**3 407 017**	**3 633 152**

(6) Selling expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Salary expenses	2 515 879	2 515 879	2 352 184	2 352 184
Depreciation of right-of-use assets - premises	643 179	643 179	640 604	640 604
Social insurance	590 774	590 774	563 848	563 848
Advertising	505 805	739 462	407 820	548 490
Depreciation of fixed assets	355 539	362 325	281 389	302 363
Maintenance expenses	274 436	278 573	272 925	272 925
Non-deductible VAT	273 629	334 859	194 729	238 414
Utilities expenses	218 252	222 161	191 457	191 457
Transportation expenses	93 050	93 050	73 764	73 764
Depreciation of right-of-use assets - motor vehicles	29 312	29 312	38 394	38 394
Provisions for unused annual leave	26 627	26 627	(8 551)	(8 551)
Other expenses	294 157	288 449	213 160	232 351
	5 820 639	**6 124 650**	**5 221 723**	**5 446 243**

(7) Administrative expenses

	Company 2021 EUR	Group 2021 EUR	Company 2020 (restated, Note 1) EUR	Group 2020 (restated, Note 1) EUR
Salary expenses	2 309 296	2 311 503	1 864 983	1 887 638
Social insurance	531 860	531 106	442 516	447 465
Bank commission	372 742	463 168	386 123	440 993
Communication expenses	301 781	338 716	86 912	106 961
Legal advice	113 716	114 556	72 951	75 826
Depreciation of right-of-use assets - premises	93 914	93 914	75 412	75 412
State fees and duties, licence expenses	92 310	148 616	38 166	52 013
Audit expenses*	50 250	57 250	20 700	37 903
Provisions for unused annual leave	28 717	27 517	1 284	1 321
Depreciation of right-of-use assets - motor vehicles	9 527	9 527	8 396	8 396
Other administrative expenses	122 617	116 935	110 848	127 098
	4 026 730	**4 212 808**	**3 108 291**	**3 261 026**

* During the reporting year auditors have perfomed a review engagement and issued review report on the Group's condensed interim consolidated financial statements for the six-month period ended June 30, 2021 for EUR 14 000. These expenses are directly attributable to IPO process and deducted from equity (Note 18). The Group has not received any other services from the auditors except for statury audit of annual report.

(8) Corporate income tax for the reporting year

	Company 2021 EUR	Group 2021 EUR	Company 2020 EUR	Group 2020 EUR
Corporate income tax charge for the current year	873 080	979 191	753 716	754 536
	873 080	**979 191**	**753 716**	**754 536**

This tax mainly relates to the dividends paid out of the previous and current year's profits.

(9) Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share for the Company and the Group:

	Company 2021	Group 2021	Company 2020 (restated, Note 1)	Group 2020 (restated, Note 1)
	EUR	EUR	EUR	EUR
Net profit attributed to shareholders	3 256 100	4 223 833	3 462 060	4 099 717
Weighted average number of shares	41 034 770	41 034 770	40 000 000	40 000 000
Earnings per share	**0.079**	**0.103**	**0.087**	**0.102**

Earnings per shares for 12 months ended 31 December 2020 have been adjusted retrospectively to account for the share split performed in 2021. There is no dilution effect on weighted average number of shares for 2021 and 2020.

(10) Intangible assets

Company

	Patents, trademarks and similar rights	Internally developed software (restated)	Other intangible assets	Advances on intangible assets	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2019	**354 773**	**-**	**31 848**	**6 748**	**393 369**
Additions	1 387	222 647	41 047	-	265 081
Transfers	-	-	6 748	(6 748)	-
Disposals	(35)	-	(19 082)	-	(19 117)
31.12.2020	**356 125**	**222 647**	**60 561**	**-**	**639 333**
Additions	-	251 795	17 920	18 834	288 549
Disposals	(14 676)	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**78 481**	**18 834**	**913 206**
Amortisation					
31.12.2019	**170 572**	**-**	**15 843**	**-**	**186 415**
Charge for 2020	61 331	20 399	11 218	-	92 948
Disposals	(34)	-	(8 427)	-	(8 461)
31.12.2020.	**231 869**	**20 399**	**18 634**	**-**	**270 902**
Charge for 2021	60 221	77 227	17 791	-	155 239
Disposals	(14 678)	-	-	-	(14 678)
31.12.2021	**277 412**	**97 626**	**36 425**	**-**	**411 463**
Net book value 31.12.2021	**64 037**	**376 816**	**42 056**	**18 834**	**501 743**
Net book value 31.12.2020	**124 256**	**202 248**	**41 927**	**-**	**368 431**

Notes (continued)

(10) Intangible assets (continued)

Group

	Patents, trademarks and similar rights	Internally developed software (restated)	Other intangible assets	Advances on intangible assets	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2019	**354 773**	**-**	**60 822**	**6 748**	**127 616**	**549 959**
Additions	1 387	222 647	47 912	-	-	271 946
Transfers	-	-	6 748	(6 748)	-	-
Disposals	(35)	-	(35 164)	-	-	(35 199)
31.12.2020	**356 125**	**222 647**	**80 318**	**-**	**127 616**	**786 706**
Additions	-	251 795	19 083	18 834	-	289 712
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**99 401**	**18 834**	**127 616**	**1 061 742**
Amortisation						
31.12.2019	**170 572**	**-**	**25 089**	**-**	**-**	**195 661**
Charge for 2020	61 331	20 399	25 662	-	-	107 392
Disposals	(34)	**-**	(24 509)	-	-	(24 543)
31.12.2020	**231 869**	**20 399**	**26 242**	**-**	**-**	**278 510**
Charge for 2021	60 219	77 227	22 490	-	-	159 936
Disposals	(14 676)	**-**	-	-	-	(14 676)
31.12.2021	**277 412**	**97 626**	**48 732**	**-**	**-**	**423 770**
Net book value 31.12.2021	**64 037**	**376 816**	**50 669**	**18 834**	**127 616**	**637 972**
Net book value 31.12.2020	**124 256**	**202 248**	**54 076**	**-**	**127 616**	**508 196**

Part of the IT employees are involved in building technical solutions for the operation of DelfinGroup. These systems are constantly built to meet both external and internal needs, and these are constantly being developed. As the systems are fully developed internally by IT department, related payroll and tax payments are capitalized for those IT employees who were involved in the development of the systems. The list of capitalized salaries is reviewed every month and capitalized amount is determined based on the works performed. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment

During 2021 capitalised salary and related taxes for such systems amounted to EUR 251 795 (2020 - EUR 222 647). The systems are constantly being developed and support the issuance of loans, growth of the portfolio and sale of goods and as such ensure that the future economic benefits will flow to the company over a long period, thus justifying capitalization.

Notes (continued)

(11) Fixed assets

Company

	Land, buildings, structures and perennials	Other fixed assets and inventory	Leasehold improve-ments	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2019	**-**	**934 448**	**422 008**	**2 675 766**	**287 369**	**2 963 135**	**4 319 591**
Additions	-	109 625	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	(2 864)	(17 832)	(20 696)	(72 245)
31.12.2020	**-**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 456 168**
Additions	113 019	123 781	22 091	345 846	-	345 846	604 737
Acquired with in liquidation of subsidiary	83 299	-	-	-	-	-	83 299
Remeasurement	-	-	-	288 271	-	288 271	288 271
Disposals	(23 194)	(70 316)	-	(131 348)	-	(131 348)	(224 858)
31.12.2021	**173 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Depreciation							
31.12.2019	**-**	**651 770**	**367 493**	**722 707**	**191 447**	**914 154**	**1 933 417**
Charge for 2020	-	141 086	47 356	716 017	46 789	762 806	951 248
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
31.12.2020	**-**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 816 935**
Charge for 2021	4 213	164 070	32 017	737 093	38 839	775 932	976 232
Disposals	(995)	(68 995)	-	(51 321)	-	(51 321)	(121 311)
31.12.2021	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Net book value 31.12.2021	**169 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**
Net book value 31.12.2020	**-**	**248 214**	**196 607**	**3 123 031**	**71 381**	**3 194 412**	**3 639 233**

Notes (continued)

(11) Fixed assets (continued)

Group

	Land, buildings, structures and perennials	Other fixed assets and inventory	Leasehold improve-ments	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2019	**-**	**934 448**	**422 008**	**2 675 766**	**287 369**	**2 963 135**	**4 319 591**
Additions	-	109 625	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	(2 864)	(17 832)	(20 696)	(72 245)
Acquired in business combination	130 069	-	-	-	-	-	130 069
31.12.2020	**130 069**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 586 237**
Additions	113 019	123 781	22 091	345 846	-	345 846	604 737
Remeasurement	-	-	-	288 271	-	288 271	288 271
Disposals	(69 964)	(70 316)	-	(131 348)	-	(131 348)	(271 628)
31.12.2021	**173 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Depreciation							
31.12.2019	**-**	**651 770**	**367 493**	**722 707**	**191 447**	**914 154**	**1 933 417**
Charge for 2020	6 530	141 086	47 356	716 017	46 789	762 806	957 778
Disposals	-	(48 546)	-	(1 718)	(17 466)	(19 184)	(67 730)
Acquired in business combination	38 154	-	-	-	-	-	38 154
31.12.2020	**44 684**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 861 619**
Charge for 2021	6 300	164 070	32 017	737 093	38 839	775 932	978 319
Disposals	(47 766)	(68 995)	-	(51 321)	-	(51 321)	(168 082)
31.12.2021	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Net book value 31.12.2021	**169 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**
Net book value 31.12.2020	**85 385**	**248 214**	**196 607**	**3 123 031**	**71 381**	**3 194 412**	**3 724 618**

(12) Right-of-use assets and lease liabilities

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated and standalone balance sheet and statement of profit or loss:

	31.12.2021	31.12.2020
	EUR	EUR
Non-current assets		
Right-of-use assets - premises	2 940 028	3 123 031
Right-of-use assets - motor vehicles	32 542	71 381
Assets, total	**2 972 570**	**3 194 412**
Non-current liabilities		
Lease liabilities	2 652 498	2 732 136
Current liabilities		
Lease liabilities	652 699	703 715
Lease liabilities, total	**3 305 197**	**3 435 851**

Notes (continued)

(12) Right-of-use assets and lease liabilities (continued)

Leases in the statement of profit or loss

	2021 EUR	2020 EUR
Interest expenses and similar expenses		
Interest expense on lease liabilities for leased premises	(204 489)	(186 800)
Interest expense on lease liabilities for leased vehicles	(2 473)	(3 787)
Selling expense		
Depreciation of right-of-use assets - premises	(643 179)	(640 604)
Depreciation of right-of-use assets - motor vehicles	(29 312)	(38 394)
Administrative expenses		
Depreciation of right-of-use assets - premises	(93 914)	(75 412)
Depreciation of right-of-use assets - motor vehicles	(9 527)	(8 396)
Leases in the statement of profit or loss, total	**(982 894)**	**(953 393)**

Leases liabilities

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Long term lease liabilities - premises	2 627 961	2 627 961	2 670 754	2 670 754
Long term lease liabilities - vehicles	24 537	24 537	61 382	61 382
Total long-term lease liabilities	**2 652 498**	**2 652 498**	**2 732 136**	**2 732 136**
Short term lease liabilities - premises	633 826	633 826	669 951	669 951
Short term lease liabilities - vehicles	18 873	18 873	33 764	33 764
Total short-term lease liabilities	**652 699**	**652 699**	**703 715**	**703 715**
Lease liabilities, total	**3 305 197**	**3 305 197**	**3 435 851**	**3 435 851**

Lease agreements for premises are signed for a period of one year to fifteen years and six months. Car rental agreements are signed for a period of three years to three years and three months.
The weighted-average incremental borrowing rate for premises leased in 2021 comprised 4.07% (2020: 5.25%), the weighted-average incremental borrowing rate for motor vehicles was 3.20% (2020: 3.20%).

(13) Company's investments in subsidiaries
Company is the sole shareholder of the subsidiary SIA *ViziaFinance* (100%) as of 31 December 2021.
The former subsidiary SIA *Banknote* commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA *Banknote* commercial properties were transferred to AS *DelfinGroup* as liquidation quota and consisted of real estate (EUR 83 299 (note 11)) and cash (EUR 1 511). The former subsidiary SIA *ExpressInkasso* (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA *ExpressInkasso* were transferred to AS *DelfinGroup* as liquidation quota (cash EUR 149 308). The former subsidiary SIA *REFIN* (100%) has been liquidated on 01 December 2021. The assets of the SIA *REFIN* were transferred to AS *DelfinGroup* as liquidation quota (cash EUR 787 873).

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 %	31.12.2020 %
SIA ExpressInkasso	-	2 828	-	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN	-	800 000	-	100
SIA Banknote commercial properties (from 30.09.2020)	-	2 844	-	100
	880 000	**1 685 672**		

Notes (continued)

(13) Company's investments in subsidiaries (continued)

b) information on subsidiaries

Name	Address	Total equity 31.12.2021 EUR	31.12.2020 EUR
SIA ViziaFinance	Skanstes street 50A, LV-1013 Riga, Latvia	2 936 331	1 488 808

Basic operation of SIA *ViziaFinance* is providing consumer lending services, dealing with unsecured loans. The company has a Consumer Rights Protection Center's license in the field of consumer lending.

SIA ExpressInkasso	Skanstes street 50A, LV-1013 Riga, Latvia	-	380 318

The company was engaged in debt collection activities and was licensed by the Consumer Rights Protection Center in the field of out-of-court debt recovery.

SIA REFIN	Skanstes street 50A, LV-1013 Rīga, Latvija	-	809 336

Basic operation of SIA *REFIN* was providing consumer lending services, issuing loans for unsecured real estate loans.

SIA Banknote commercial properties (from 30.09.2020)	Skanstes street 50A, LV-1013 Riga, Latvia	-	(4 193)

Basic operation of SIA *Banknote commercial properties* was renting and operating of own or leased real estate.

(14) Loans to shareholders and management

	Loans to members EUR
31.12.2019	**1 022 423**
Loans issued	438 669
Loans repaid	(1 036 932)
Interest accrued	56 450
Interest repaid	(6 126)
31.12.2020	**474 484**
Loans issued	92 850
Loans repaid	(375 453)
Interest accrued	6 865
Interest repaid	(198 746)
31.12.2021	**-**
Net book value as at 31.12.2021	**-**
Net book value as at 31.12.2020	**474 484**

Interest on borrowing is in the range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (including the loan principal amount and accrued interest). Loans are denominated in euros. Loans were early repaid.

	Currency	Year of issue	Interest rate	Maturity	31.12.2021	31.12.2020
SIA AE Consulting	EUR	2019	4%	2023	-	381 796
SIA L24 Finance	EUR	2016	3.01%	2025	-	83 688
AS EA investments	EUR	2020	4%	2025	-	9 000
Loans to shareholders and management					**-**	**474 484**

(15) Goods for sale of the Company and the Group

	31.12.2021 EUR	31.12.2020 EUR
Goods for sale and pledges taken over	1 589 285	1 271 073
Inventory made of gold	360 205	262 934
	1 949 490	**1 534 007**

In 2021, write-off to net realizable value of inventories amounted to EUR 78 514 (in 2020: EUR 100 299).

(16) Loans and receivables

a) Loans and receivables by loan type

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Debtors for loans issued against pledge				
Long-term debtors for loans issued against pledge	95 058	95 058	85 492	85 492
Short-term debtors for loans issued against pledge	3 112 513	3 112 513	2 945 052	2 945 052
Interest accrued for loans issued against pledge	164 698	164 698	139 425	139 425
Debtors for loans issued against pledge, total	**3 372 269**	**3 372 269**	**3 169 969**	**3 169 969**
Debtors for loans issued without pledge				
Long-term debtors for loans issued without pledge	21 069 674	28 474 373	13 901 569	17 626 266
Short-term debtors for loans issued without pledge	10 328 142	13 078 077	11 042 149	16 025 664
Interest accrued for loans issued without pledge	869 874	1 195 863	834 094	1 470 419
Debtors for loans issued without pledge, total	**32 267 690**	**42 748 313**	**25 777 812**	**35 122 349**
Loans and receivables before allowance, total	**35 639 959**	**46 120 582**	**28 947 781**	**38 292 318**
ECL allowance on loans to customers	**(2 236 891)**	**(3 158 832)**	**(2 372 285)**	**(3 618 464)**
Loans and receivables	**33 403 068**	**42 961 750**	**26 575 496**	**34 673 854**

All loans are issued in euros. Weighted average term of consumer loans is 2.5 years and pawn loans is one month.

The Group signed a contract with a third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. Losses from these transactions were recognised in the current period.

The claims in the amount of EUR 3 372 269 (31.12.2020: EUR 3 169 969) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the year ended 31 December 2021 is as follows:

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2020	**21 945 171**	**849 442**	**1 548 170**	**-**	**24 342 783**
New assets originated or purchased	43 054 244	-	-	**-**	**43 054 244**
Assets settled or partly settled	(35 417 038)	(845 338)	(264 513)	**-**	**(36 526 889)**
Assets written off or sold	(464 244)	(914 057)	(695 592)	**-**	**(2 073 893)**
Effect of interest accruals	109 144	26 680	15 712	**-**	**151 536**
Transfers to Stage 1	374 778	(44 493)	(330 285)	**-**	**-**
Transfers to Stage 2	(1 788 300)	1 794 679	(6 379)	**-**	**-**
Transfers to Stage 3	(1 454 078)	(80 939)	1 535 017	**-**	**-**
At 31 December 2020	**26 359 677**	**785 974**	**1 802 130**	**-**	**28 947 781**
New assets originated or purchased	41 559 415	-	-	154 587	41 714 002
Assets settled or partly settled	(28 883 596)	(228 577)	(4 018 001)	(130 109)	(33 260 283)
Assets written off or sold	(150 360)	(598 044)	(1 132 881)	-	(1 881 285)
Effect of interest accruals	9 568	52 962	57 214	-	119 744
Transfers to Stage 1	278 779	(151 654)	(127 125)	-	-
Transfers to Stage 2	(1 303 649)	1 316 412	(12 763)	-	-
Transfers to Stage 3	(4 710 414)	(56 437)	4 766 851	-	-
At 31 December 2021	**33 159 420**	**1 120 636**	**1 335 425**	**24 478**	**35 639 959**

Notes (continued)

(16) Loans and receivables (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	**954 408**	**148 141**	**861 251**	**-**	**1 963 800**
New assets originated or purchased	1 897 260	-	-	-	**1 897 260**
Assets settled or partly settled	(1 258 885)	(222 605)	(204 029)	-	**(1 685 519)**
Assets written off or sold	(26 190)	(226 305)	(476 718)	-	**(729 213)**
Effect of interest accruals	1 821	6 066	15 770	-	**23 657**
Transfers to Stage 1	11 392	(5 818)	(5 574)	-	**-**
Transfers to Stage 2	(139 553)	142 905	(3 352)	-	**-**
Transfers to Stage 3	(383 553)	(67 043)	450 596	-	**-**
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	29 849	481 949	390 502	-	**902 300**
At 31 December 2020	**1 086 549**	**257 290**	**1 028 446**	**-**	**2 372 285**
New assets originated or purchased	1 370 880	-	-	-	1 370 880
Assets settled or partly settled	(1 167 038)	(17 367)	(2 447 823)	-	(3 632 228)
Assets written off or sold	(6 870)	(143 603)	(689 297)	-	(839 770)
Effect of interest accruals	3 436	32 482	57 273	-	93 191
Transfers to Stage 1	113 764	(36 415)	(77 349)	-	-
Transfers to Stage 2	(68 248)	76 014	(7 766)	-	-
Transfers to Stage 3	(247 001)	(13 552)	260 553	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	118 298	242 539	2 511 696	-	2 872 533
At 31 December 2021	**1 203 770**	**397 388**	**635 733**	**-**	**2 236 891**

Group	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2020	**31 957 718**	**1 043 994**	**1 736 689**	**39 342**	**34 777 743**
New assets originated or purchased	48 124 875	-	-	-	**48 124 875**
Assets settled or partly settled	(40 787 468)	(984 314)	(406 044)	(3 147)	**(42 180 973)**
Assets written off or sold	(573 630)	(1 248 691)	(836 840)	-	**(2 659 161)**
Effect of interest accruals	152 657	32 908	44 269	-	**229 834**
Transfers to Stage 1	435 581	(86 907)	(348 674)	-	**-**
Transfers to Stage 2	(2 357 958)	2 401 869	(43 911)	-	**-**
Transfers to Stage 3	(1 977 924)	(102 599)	2 080 523	-	**-**
At 31 December 2020	**34 973 851**	**1 056 260**	**2 226 012**	**36 195**	**38 292 318**
New assets originated or purchased	52 383 004	-	-	154 587	52 537 591
Assets settled or partly settled	(36 926 551)	(890 252)	(4 210 178)	(130 109)	(42 157 090)
Assets written off	(162 803)	(1 127 626)	(1 432 283)	(36 195)	(2 758 907)
Effect of interest accruals	80 394	86 429	39 847	-	206 670
Transfers to Stage 1	371 814	(197 814)	(174 000)	-	-
Transfers to Stage 2	(2 724 457)	2 817 216	(92 759)	-	-
Transfers to Stage 3	(5 097 434)	(70 504)	5 167 938	-	-
At 31 December 2021	**42 897 818**	**1 673 709**	**1 524 577**	**24 478**	**46 120 582**

Notes (continued)

(16) Loans and receivables (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**2 047 613**	**198 351**	**984 907**	**-**	**3 230 871**
New assets originated or purchased	2 544 523	-	-	-	**2 544 523**
Assets settled or partly settled	(1 827 451)	(258 471)	(294 993)	-	**(2 380 915)**
Assets written off or sold	(34 401)	(312 667)	(567 499)	-	**(914 567)**
Effect of interest accruals	4 957	8 939	44 327	-	**58 223**
Transfers to Stage 1	15 889	(8 955)	(6 934)	-	**-**
Transfers to Stage 2	(218 098)	222 480	(4 382)	-	**-**
Transfers to Stage 3	(570 449)	(102 989)	673 438	-	**-**
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(68 058)	622 471	525 916	-	**1 080 329**
At 31 December 2020	**1 894 525**	**369 159**	**1 354 780**	**-**	**3 618 464**
New assets originated or purchased	2 081 031	-	-	-	2 081 031
Assets settled or partly settled	(1 429 535)	(274 762)	(2 560 567)	-	(4 264 864)
Assets written off	(8 942)	(182 955)	(745 698)	-	(937 595)
Effect of interest accruals	8 387	49 325	39 905	-	97 617
Transfers to Stage 1	160 432	(55 583)	(104 849)	-	-
Transfers to Stage 2	(161 470)	216 167	(54 697)	-	-
Transfers to Stage 3	(272 394)	(19 394)	291 788	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(508 508)	523 109	2 549 578	-	2 564 179
At 31 December 2021	**1 763 526**	**625 066**	**770 240**	**-**	**3 158 832**

As of 31 December 2021, the amount of loans issued against pledge in Stage 3 in Company's and Group's balance sheet is EUR 270 728 (as of 31 December 2020 EUR 439 721). Current fair value of pledge of these loans is EUR 475 101 (as of 31 December 2020 EUR 581 836).

c) Age analysis of claims against debtors for loans issued:

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Receivables not yet due	31 082 010	39 713 633	24 358 172	32 473 188
Outstanding 1-30 days	2 232 000	3 338 771	2 009 196	2 508 354
Outstanding 31-90 days	1 120 636	1 673 709	785 974	1 056 261
Outstanding 91-180 days	284 309	315 061	722 713	989 467
Outstanding for 181-360 days	321 372	361 973	359 486	428 390
Outstanding for more than 360 days	599 632	717 435	712 240	836 658
Total claims against debtors for loans issued	**35 639 959**	**46 120 582**	**28 947 781**	**38 292 318**

d) Age analysis of provision for bad and doubtful trade debtors:

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
For trade debtors not yet due	860 822	1 271 700	996 987	1 769 822
Outstanding 1-30 days	288 709	437 588	86 384	123 306
Outstanding 31-90 days	397 388	625 066	257 290	369 159
Outstanding 91-180 days	130 840	150 816	366 682	554 341
Outstanding for 181-360 days	165 855	193 681	174 278	244 996
Outstanding for more than 360 days	393 277	479 981	490 664	556 840
Total provisions for bad and doubful trade debtors	**2 236 891**	**3 158 832**	**2 372 285**	**3 618 464**

Notes (continued)

(16) Loans and receivables (continued)

Loan loss allowance has been defined based on collectively assessed impairment.
In August 2021 The Group signed a contract with AS Moda Kapitāls to purchase pawn shop business. The transaction involved acquisition of AS Moda Kapitāls pawn loan portfolio. During 2021 inventories in amount EUR 387 943 and pawn loan portfolio in amount EUR 314 983 were acquired. As of 31 December 2021 outstanding amount of inventories is EUR 126 208 and pawn loan portfolio is EUR 178 644. The Group accounted pawn loan portfolio at fair value upon acquisition.
At the inception of the transaction management has analyzed the requirements of IFRS 3 and concluded that the transaction does not meet the requirements of a business combination and is considered as an asset acquisition.

(17) Cash and bank

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Cash at banks	1 943 230	2 177 557	3 410 752	4 234 350
Cash in hand	282 305	282 305	357 604	357 604
	2 225 535	**2 459 862**	**3 768 356**	**4 591 954**

All the Parent company's and the Group's cash is in euro.

(18) Share capital

On 14 October 2021, AS DelfinGroup successfully closed the initial public offering (IPO) and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5 319 594 new shares with par value of EUR 0.10 each.
As at 31 December 2021, the Parent Company's share capital is EUR 4 531 959,40, which consists of 45 319 594 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

Number of shares issued in IPO	5 319 594
Share price at the end of subscription period, EUR	1.52
Proceeds from shares issued, EUR	8 085 782
Par value of new shares, EUR	(531 959)
Costs related to IPO, EUR	(662 865)
Share premium, EUR	**6 890 958**

(19) Bonds issued

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Total long-term part of bonds issued	**10 825 162**	**10 825 162**	**8 441 717**	**8 441 717**
Bonds issued	-	-	4 998 768	4 998 768
Interest accrued	13 003	13 003	23 884	23 884
Total short-term part of bonds issued	**13 003**	**13 003**	**5 022 652**	**5 022 652**
Bonds issued, total	**10 825 162**	**10 825 162**	**13 440 485**	**13 440 485**
Interest accrued, total	13 003	13 003	23 884	23 884
Bonds issued net	**10 838 165**	**10 838 165**	**13 464 369**	**13 464 369**

As of 31 December 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

On 26 November 2021, the Parent company of the Group has started a closed bond offering (ISIN LV0000802536) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms: number of bonds issued - 10 000, nominal value - EUR 1 000 per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 December 2021 bonds in total of EUR 6 111 000 have been isued. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 Nobember 2023. The bonds are not secured.

Notes (continued)

(20) Other borrowings

	Company 31.12.2021 EUR	Group 31.12.2021	Company 31.12.2020	Group 31.12.2020 EUR
Other long-term loans	5 125 100	8 086 468	5 646 755	6 816 925
Total other long-term loans	**5 125 100**	**8 086 468**	**5 646 755**	**6 816 925**
Other short-term loans	8 345 402	10 487 168	9 339 999	10 869 932
Total other short-term loans	**8 345 402**	**10 487 168**	**9 339 999**	**10 869 932**
Total other loans	**13 470 502**	**18 573 636**	**14 986 754**	**17 686 857**

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA *Mintos Finance*, a company registered in the European Union. The weighted average annual interest rate as of 31 December 2021 is 8.3%. According to the loan agreement with SIA *Mintos Finance* the loans matures according to the particular loan agreement terms concluded by the Group with its customers. The Group retains credit risk as well as other risks and rewards on the loans to customers financed by SIA *Mintos Finance*.

The Group has registered a commercial pledge by pledging its property and receivables, with a maximum claim amount of EUR 25 million as collateral in favour of SIA *Mintos Finance*.

(21) Taxes and social insurance payments

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
Value Added Tax	32 913	39 390	55 426	60 045
Income tax	131 868	131 868	249 901	250 721
Business risk charge	110	110	99	111
Social insurance	154 732	154 732	325 344	328 663
Payroll tax	92 937	92 937	174 948	176 207
Vehicles tax	4 460	4 460	4 226	4 226
Natural resource tax	50	50	87	87
Overpayment	(25 279)	(25 279)	-	(4 108)
Total taxes and social insurance payments	**391 791**	**398 268**	**810 031**	**815 952**

(22) Average number of employees

	2021	2020
Average number of employees during the reporting year of the Company	**296**	**274**
Average number of employees during the reporting year of the Group	**301**	**279**

(23) Management remuneration

	31.12.2021 EUR	31.12.2020 EUR
Supervisory Board members' remuneration:		
· salary expenses	110 606	-
· social insurance	26 092	-
	136 698	**-**
Board members' remuneration:		
· salary expenses	349 096	273 631
· social insurance	82 352	65 918
	431 448	**339 549**

(24) Changes in liabilities arising from financing activities

Company changes in liabilities arising from financing activities

The Company	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2019	**7 824 620**	**16 230 321**	**2 127 293**	**-**	**1 500 000**	**27 682 234**
Proceeds	8 606 000	7 349 981	-	3 000 000	2 500 000	21 455 981
Redemption and settlement	(2 949 620)	(8 666 468)	(746 569)	(3 000 000)	-	(15 362 657)
New lease contracts	-	-	1 150 880	-	-	1 150 880
Modification of lease contracts	-	-	716 005	-	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	-	188 243
Disposals	-	-	(1)	-	-	(1)
Bonds commission accrued	(40 515)					(40 515)
Interest accrued	23 884	72 920	-	-	-	96 804
Carrying amount at 31 December 2020	**13 464 369**	**14 986 754**	**3 435 851**	**-**	**4 000 000**	**35 886 974**
Proceeds	11 111 000	13 643 488	-	3 723 138	8 085 782	36 563 408
Redemption and settlement	(13 464 369)	(15 201 285)	(865 764)	(3 723 138)	-	(33 254 556)
New lease contracts	-	-	241 317	-	-	241 317
Modification of lease contracts	-	-	288 271	-	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	-	205 522
IPO transaction costs	-	-	-	-	(662 865)	(662 865)
Bonds commission accrued	(285 838)					(285 838)
Interest accrued	13 003	41 545	-	-	-	54 548
Carrying amount at 31 December 2021	**10 838 165**	**13 470 502**	**3 305 197**	**-**	**11 422 917**	**39 036 781**

(24) Changes in liabilities arising from financing activities (continued)

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2019	**7 824 620**	**18 613 563**	**2 127 293**	**-**	**1 500 000**	**30 065 476**
Proceeds	8 606 000	10 415 870	-	3 000 000	2 500 000	24 521 870
Redemption and settlement	(2 949 620)	(11 429 253)	(746 569)	(3 000 000)	-	(18 125 442)
New lease contracts	-	-	1 150 880	-	-	1 150 880
Modification of lease contracts	-	-	716 005	-	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	-	188 243
Disposals	-	-	(1)	-	-	(1)
Bonds commission accrued	(40 515)	-				(40 515)
Interest accrued	23 884	86 677	-	-	-	110 561
Carrying amount at 31 December 2020	**13 464 369**	**17 686 857**	**3 435 851**	**-**	**4 000 000**	**38 587 077**
Proceeds	11 111 000	20 633 933	-	3 723 138	8 085 782	43 553 853
Redemption and settlement	(13 464 369)	(19 806 276)	(865 764)	(3 723 138)	-	(37 859 547)
New lease contracts	-	-	241 317	-	-	241 317
Modification of lease contracts	-	-	288 271	-	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	-	205 522
IPO transaction costs	-	-	-	-	(662 865)	(662 865)
Bonds commission accrued	(285 838)	-				(285 838)
Interest accrued	13 003	59 122	-	-	-	72 125
Carrying amount at 31 December 2021	**10 838 165**	**18 573 636**	**3 305 197**	**-**	**11 422 917**	**44 139 915**

(25) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions in 2021 EUR	Transactions in 2020 EUR
<u>**Parent company transactions with**</u>:		
Shareholding companies		
Interest received		
SIA AE Consulting	9 090	26 804
SIA L24 Finance	775	1 575
SIA EC finance	-	11
Services received		
SIA AE Consulting	-	(1 698)
Services delivered		
SIA AE Consulting	75	2 965
SIA L24 Finance	-	360
SIA EC finance	-	300
Goods sold		
SIA AE Consulting	59	1 090
Board members	1 702	992
Investment in shares		
SIA L24 Finance	-	(1 921)

Notes (continued)

(25) Related party transactions (continued)

	Transactions in 2021 EUR	Transactions in 2020 EUR
Parent company's transactions with:		
Subsidiaries		
Interest paid		
SIA ExpressInkasso	(1 392)	(2 944)
SIA REFIN	(6 041)	-
Interest received		
SIA ViziaFinance	51 511	19 866
SIA Banknote commercial properties	739	1 619
SIA ExpressInkasso	66	15
SIA REFIN	210 787	-
Services delivered		
SIA ViziaFinance	13 326	16 588
SIA ExpressInkasso	4 514	10 106
SIA REFIN	438	400
SIA Banknote commercial properties	501	330
Services received		
SIA ExpressInkasso	(30 589)	-
SIA Banknote commercial properties	(5 577)	(5 294)
Acquired of fixed assets with in liquidation		
SIA Banknote commercial properties	83 299	-
Liquidation quota		
SIA ExpressInkasso	149 308	-
SIA REFIN	787 873	-
SIA Banknote commercial properties	1 510	-
Companies and individuals under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
AS EA investments	153	300
Other related companies		
Interest received		
SIA Banknote commercial properties	-	1 661
Ltd EuroLombard	-	1 570
Services received		
SIA Banknote commercial properties	-	(15 569)
Services delivered		
SIA Banknote commercial properties	-	938
SIA EL Capital	6 527	447
Ltd EuroLombard	1 545	6 139
SIA OBDO Gin	-	8 418
SIA KALPAKS	-	321
Goods received		
SIA OBDO Gin	-	(43)
Fixed assets sold		
SIA OBDO Gin	-	160
Group's transactions with:		
Shareholding companies		
Interest received		
SIA AE Consulting	9 090	26 804
SIA L24 Finance	775	1 575
SIA EC finance	-	11
Services received		
SIA AE Consulting	-	(1 698)
Services delivered		
SIA AE Consulting	75	2 965
SIA L24 Finance	-	360
SIA EC finance	-	300
Goods sold		
SIA AE Consulting	59	1 090
Board members	1 702	992
Investment in shares		
SIA L24 Finance	-	(1 921)

(25) Related party transactions (continued)

	Transactions in 2021 EUR	Transactions in 2020 EUR
Companies under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
AS EA investments	153	300
Other related companies		
Interest received		
SIA Banknote commercial properties	-	1 661
Ltd EuroLombard	-	1 570
Services received		
SIA Banknote commercial properties	-	(15 569)
Services delivered		
SIA Banknote commercial properties	-	938
SIA EL Capital	6 527	447
Ltd EuroLombard	1 545	6 139
SIA OBDO Gin	-	8 418
SIA KALPAKS	-	321
Goods received		
SIA OBDO Gin	-	(43)
Fixed assets sold		
SIA OBDO Gin	-	160

Loans granted to shareholders and management

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
SIA AE Consulting	-	-	381 796	381 796
SIA L24 Finance	-	-	83 688	83 688
AS EA investments	-	-	9 000	9 000
	-	**-**	**474 484**	**474 484**

Loans granted to subsidiaries

	Company 31.12.2021 EUR	Group 31.12.2021 EUR	Company 31.12.2020 EUR	Group 31.12.2020 EUR
SIA ViziaFinance	1 768 200	-	1 056 000	-
SIA Banknote commercial properties	-	-	99 565	-
Long-term loans to related companies, total	**1 768 200**	**-**	**1 155 565**	**-**
SIA REFIN	-	-	2 874 763	-
SIA Banknote commercial properties	-	-	1 619	-
SIA ViziaFinance	38 075	-	164	-
Other subsidiaries	-	-	2	-
Short-term loans to related companies, total	**38 075**	**-**	**2 876 548**	**-**
Loans to related companies, total	**1 806 275**	**-**	**4 032 113**	**-**

The interest rate on loans to related companies 4 %. All loans and other claims denominated in euro. The Company has no debt overdue.

Notes (continued)

(26) Segment information

For management purposes, the Group is organised into three operating segments based on products and services as follows:

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties. Loans for real estate development are no longer issued and are fully recovered.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Based on the nature of the services, the Group's operations can be divided as follows:

EUR	Pawn loans		Consumer loans		Other activities		Total	
	2021	**2020 (restated, Note 1)**	**2021**	**2020 (restated, Note 1)**	**2021**	**2020 (restated, Note 1)**	**2021**	**2020 (restated, Note 1)**
Assets	8 509 255	8 401 792	43 555 285	32 544 339	-	5 215 261	52 064 540	46 161 392
Liabilities of the segment	7 088 327	7 984 453	27 598 892	24 584 009	-	4 139 221	34 687 219	36 707 683
Income	9 795 703	10 838 504	15 623 398	12 383 072	69 434	442 410	25 488 535	23 663 986
Net performance of the segment	1 181 508	2 140 288	7 698 915	5 668 620	149 914	678 497	9 030 337	8 487 405
Financial (expenses)	(618 101)	(624 736)	(3 196 526)	(2 593 520)	(12 686)	(414 896)	(3 827 313)	(3 633 152)
Profit/(loss) before taxes	563 408	1 515 552	4 502 389	3 075 099	137 227	263 602	5 203 024	4 854 253
Corporate income tax	(106 031)	(235 575)	(847 334)	(477 988)	(25 826)	(40 973)	(979 191)	(754 536)
Other information								
Fixed assets and intangible assets (NBV)	2 816 042	2 888 720	1 357 691	983 211	-	360 883	4 173 733	4 232 814
Depreciation and amortisation during the reporting period	(767 989)	(726 934)	(370 268)	(247 421)	-	(90 814)	(1 138 257)	(1 065 169)
Loans issued	15 528 104	18 230 191	37 009 487	29 894 481	-	26 000	52 537 591	48 150 672
Loans received	15 875 167	18 008 376	19 812 199	20 819 042	4 806 601	2 850 292	40 493 967	41 677 710

(27) Guarantees issued, pledges

The Group has registered a commercial pledge by pledging its property and receivables, with the maximum claim amount of EUR 25 million as collateral registered to collateral agent SIA ZAB Eversheds Sutherland Bitāns in favor of SIA *Mintos Finance*. As of 31 December 2021, the amount of secured liabilities constitutes EUR 18 573 636 for AS *Mintos Finance*. As of 31 December 2020, the maximum claim amount was EUR 40.5 million as collateral registered to collateral agent SIA ZAB Eversheds Sutherland Bitāns on the pari passu principle among bondholders of notes issues ISIN LV0000802213 (EUR 5 000 000) and ISIN LV0000802379 (EUR 5 000 000), and EUR 17 268 857 in favor of SIA *Mintos Finance*.

Notes (continued)

(28) Fair value of financial assets and financial liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Also set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 December 2021		**Fair value hierarchy**			
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Carrrying value**
Assets for which fair values are disclosed					
Cash and cash equivalents	2 459 862	-	-	**2 459 862**	**2 459 862**
Loans and receivables	-	-	43 445 437	**43 445 437**	**42 961 750**
Other financial assets	-	-	519 705	**519 705**	**519 705**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	**11 254 482**	**10 838 165**
Other borrowings	-	-	18 496 882	**18 496 822**	**18 573 636**
Lease liabilities	-	-	3 487 574	**3 487 574**	**3 305 197**
Trade payables	-	-	805 784	**805 784**	**805 784**

At 31 December 2020		**Fair value hierarchy**			
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Carrrying value**
Assets for which fair values are disclosed					
Cash and cash equivalents	4 591 954	-	-	**4 591 954**	**4 591 954**
Loans and receivables	-	-	32 281 609	**32 281 609**	**34 673 854**
Other financial assets	-	-	654 279	**654 279**	**654 279**
Liabilities for which fair values are disclosed					
Bonds issued	-	10 082 397	3 380 607	**13 463 004**	**13 464 369**
Other borrowings	-	-	18 414 469	**18 414 469**	**17 686 857**
Lease liabilities	-	-	3 504 097	**3 504 097**	**3 435 851**
Trade payables	-	-	702 933	**702 933**	**702 933**

(29) Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations . Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

As at 31 December 2021	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities					
Bonds issued	162 730	813 650	12 114 674	-	**13 091 054**
Other borrowings	2 606 848	6 212 304	11 522 590	90 425	**20 432 167**
Lease liabilities	161 824	733 915	2 001 015	1 151 747	**4 048 501**
Trade payables	805 784	-	-	-	**805 784**
Total undiscounted financial liabilities	3 737 186	7 759 869	25 638 279	1 242 172	**38 377 506**

Notes (continued)

(30) Subsequent events

Beginning of February 2022 the Group finalized taking over the pawn shop assets of AS Moda Kapitāls. The transaction was started in August 2021 and involved acquisition of AS Moda Kapitāls pawn loan portfolio.

On 15 February 2022, the Latvian Government decided on a gradual and responsible easement of the epidemiological safety regulations effective in the country. First easements came into effect on 16 February, for instance, shops are allowed to work without limitations on opening hours. On 1 March 2022, state of emergency expired and a number of measures was eased further. During the state of emergency all services provided by the Group were availavble to customers in full scope. The Group continues to assess the impact of easement of restrictions on the Group's business operations.

On 24 February 2022, Russian Federation has started a war at Ukraine. Countries round the world support Ukraine by announcing financial and economic sanctions against Russian Federation and its ally Republic of Belarus. The management of the Group has evaluated current situation and has concluded that the aforementioned sanctions have no direct impact on the Group's operations since all sales for the Group are generated in Latvia and the Group has no dirrect exposure to Rusian, Belarusian and Ukrainian market. In addition, the management performed an overview and analysis of its counterparties and confirms that the Group does not have any relations with the sanctioned companies and sanctioned private individuals. There is still uncertainty related to final outcome of the situation, but the management regularly follows on the further developments, analyses a possible impact on the Group's business and is properly prepared to assess and implement any changes into business operations, risk management practices, policies and accounting estimates.

Changes in the composition of the Management board have been registered with the Enterprise Register on 1 March 2022. Sanita Zitmane was appointed as a member of the Management board AS DelfinGroup, replacing Ivars Lamberts who left the position of member of the Management board.

Didzis Ādmīdiņš Chairman of the Board	**Aldis Umblejs** Board Member	**Sanita Zitmane** Board Member	**Inta Pudāne** Chief accountant

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

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Independent Auditor's Report

To the shareholders of AS "DelfinGroup"

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of AS "DelfinGroup" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 10 to 45 of the accompanying separate and consolidated Annual Report, which comprise:

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Impairment of loans granted to retail customers

Key audit matter	Loans to customers comprise EUR 46 121 thousand at gross carrying value and EUR 42 962 thousand of net carrying value as at 31 December 2021 what represents 82.5% of total assets in the Consolidated financial statements and EUR 35 640 thousand at gross carrying value and EUR 33 403 thousand of net carrying value as at 31 December 2021 what represents 74.7% of total assets in the Separate financial statements. Loan portfolio mainly consist of both unsecured loans and pawn loans granted to private individuals. The management applies significant judgements in defining allowance for expected credit losses on the loans.
Our audit response	We tested internal controls applied within processes related to the loan approval and issuance as well as controls over delayed payments and debt collection. We tested methodology, management assumptions and inputs used in assessment of expected credit losses with a particular focus on the audit of probability of default and loss given default ratios. We tested completeness and accuracy of data used for the calculation of loan loss allowance. We also audited the management's assessment of COVID-19 impact on the quality of loan portfolio and other related considerations. We audited completeness and accuracy of disclosures related to loans, ECL allowance and credit loss expense.

Estimates used in defining right-of-use assets and lease liabilities (IFRS 16)

Key audit matter	The Group has a large number of lease contracts for the premises used in the core business. The Group recognizes right-of-use assets and lease liabilities for contracts which meet recognition criteria as set out in IFRS 16. Right-of-use assets and lease liabilities currently amount to EUR 2 973 thousand and EUR 3 305 thousand, respectively, in both, the Consolidated and Separate financial statements. The management applies significant professional judgement to define incremental borrowing rates used for discounting cash flows under lease contracts.
Our audit response	We audited completeness of lease contracts recognized under IFRS 16, methodology, inputs, and management assumptions used in calculation of carrying amount of right-of-use assets and lease liabilities, with focus on incremental borrowing rates used to discount cash flows under the leases. We tested accuracy and completeness of the data used in the calculations: lease term, lease payments, commencement dates; and accuracy of the calculations. We tested completeness and accuracy of disclosures related to right-of-use assets and lease liabilities.

Reporting on Other Information

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

- Information about the Company and the Group, as set out on pages 3 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Management Report, as set out on pages 7 to 9 of the accompanying Annual Report,
- the Statement of Corporate Governance for the year 2021, set out in separate statement provided by AS "DelfinGroup" management and available on AS "DelfinGroup" website https://www.delfingroup.lv/reports

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

In accordance with the Law on Audit Services, we are also obliged to report whether the corporate governance statement provides information in accordance with Section 56^2, paragraph three of the Financial Instrument Market Law.

In our opinion, the corporate governance statement provides information in accordance with section 56^2, paragraph three of the Financial Instrument Market Law.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view 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 the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of AS "DelfinGroup" for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been prepared by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding paragraph determine the basis for preparation of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material noncompliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000 (Revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (Revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the ESEF Regulation. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were appointed by the Shareholders meeting on 09 August 2021 to audit the separate and consolidated financial statements of AS "DelfinGroup" for the year ended 31 December 2021. This is our fourth year of appointment.

We confirm that:

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

For the period to which our statutory audit relates, we have not provided any other services to the Company and the Group in addition to the audit, which have not been disclosed in the separate and consolidated financial statements of the Company and the Group.

Irita Cimdare is the responsible sworn auditor and audit engagement partner and Andrei Surmach is the assigned second audit engagement partner on the audit resulting in this independent auditor's report.

SIA "BDO ASSURANCE"
License No 182

Andrei Surmach
Partner

Irita Cimdare
Member of the Board
Sworn auditor
Certificate No 103

Riga, Latvia
29 March 2022

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