Consolidated annual report for the year 2021

7th financial year

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga — 2022

mintos

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General information

Name of the Parent company	Mintos Holdings
Legal status of the Parent company	Joint stock company
Unified registration number, place and date of registration	40103902690 Riga, 27 May 2015
Registered office	Skanstes iela 50 Riga, Latvia, LV–1013
Major shareholders	ALPS Investments AS (30.93% from voting shares) MS CAP SIA (15.63% from voting shares) Obelo Capital AS (10.31% from voting shares) KM Invest AS (10.31% from voting shares) Novo Holdings AS (10.31% from voting shares)
Board Members	Martins Sulte – Chairman of the Management Board since 27 May 2020 (registered in the Enterprise Register on 13 July 2020); Martins Valters – Member of the Management Board since 27 May 2020 (registered in the Enterprise Register on 13 July 2020)
Supervisory Board Members	Janis Abasins Deputy of the Chairperson of the Supervisory Board till 20 December 2020 (registered in the Enterprise Register on 30 December 2020), Chairperson of the Supervisory Board from 22 December 2020 (registered in the Enterprise Register on 30 December 2020); Mikus Janvars Deputy of the Chairperson of the Supervisory Board from 23 December 2020 (registered in the Enterprise Register on 30 December 2020); Reinis Viba Member of the Supervisory Board from 22 December 2020 (registered in the Enterprise Register on 30 December 2020)
Financial period	1 January – 31 December 2021
Auditors	Rainers Vilāns Latvian Certified Auditor Certificate No 200 KPMG Baltics SIA Vesetas iela 7, Riga Latvia, LV – 1013 Licence No 55

Management report

We are Mintos

We operate a global investment platform that provides retail investors with an accessible way to build wealth by investing in loans.

Retail investors come to Mintos to invest in loans issued to consumers and small businesses all around the world. These loans are offered for investment on our platform by more than 60 selected lending companies from 30+ countries.

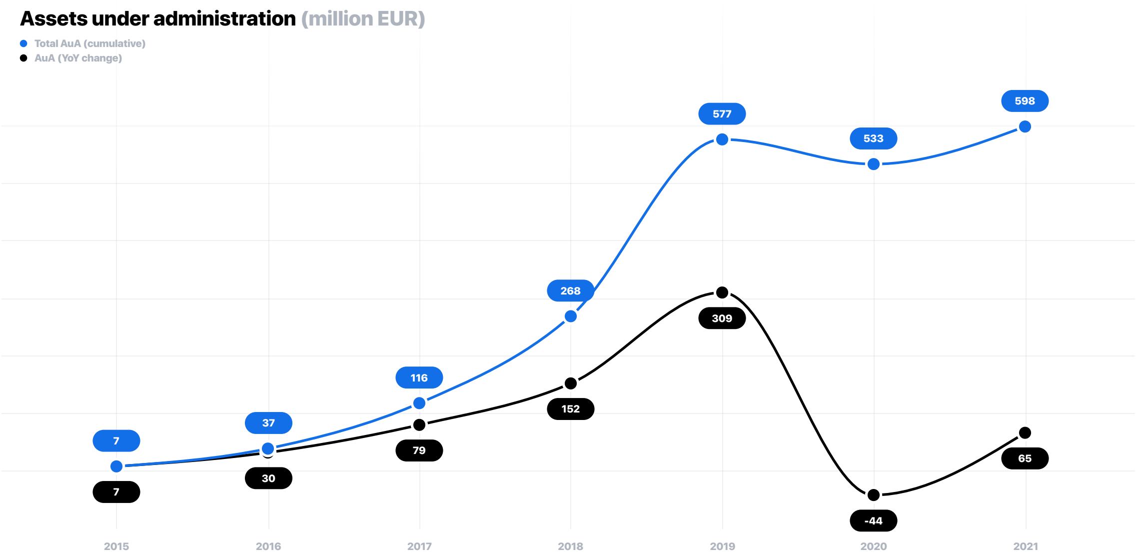
With 472 thousand registered users and €598 million in assets under administration, Mintos is the leading platform for investing in loans in Europe with a 43% market share[1] based on loans funded.

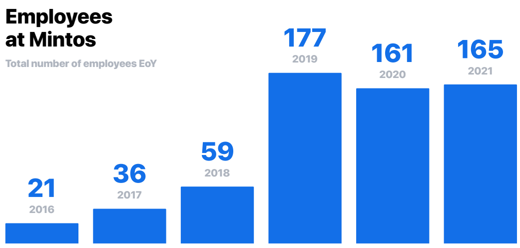
Registered users: **472 k**

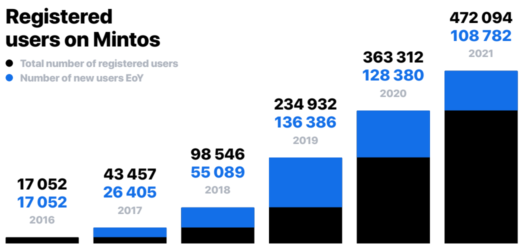
Assets under administration: **€ 598 m**

Funded accounts: **165 k**

Loans from: **33 countries**







[1] European Crowdfunding Investments, Peer-to-Peer & Online Lending Statistics

We're shaping the future of retail investing

Our vision is to be the first choice for retail investors in Europe looking to build long-term wealth.

To achieve our vision, we are building a multi-asset investment platform for European retail investors who want to build long-term wealth via passive investing. We started with a unique offering of loan-based investments where we are the market leader. Now we are expanding into new asset classes, and we will continue scaling across Europe to offer our services to the next generation of investors.

The focus of 2021

The year when we became a regulated market participant.

Our main focus of 2021 was to finish the process of becoming regulated. Our journey to this goal was a 17 months-long effort that finished in August 2021 when we secured European investment firm and electronic money institution licenses from the Financial and Capital Market Commission in Latvia. Obtaining the regulatory licenses marks a significant milestone for us. It's an important step towards bringing loans as an asset class into the mainstream and making investing in loans as common as investing in stocks, real estate, and other traditional asset classes.

The regulation will bring multiple benefits for investors on Mintos, with increased transparency and investor protection being key ones among them. Investors on Mintos will be protected by the MiFID II investor protection framework, Prospectus Regulation, Packaged retail investment and insurance products regulation, Investor Protection Law and other regulations which aim to protect the interests of the investors. In addition, investors on Mintos will also be protected by a national investor compensation scheme established according to the requirements of EU Directive 97/9/EC.

The investment firm license will also allow us to offer traditional asset classes to our investors. In 2021 we started working on bringing exchange-traded funds (ETFs) to Mintos. We ran user tests, talked to our investors to validate the concept, and worked closely with the Mintos beta test group that actively participated in surveys and prototype usability tests.

We had a plan to launch ETFs on Mintos in 2022 as the next step in our pursuit of building a multi-asset investment platform for retail investors wanting to build long-term wealth, but subsequent events changed our plan.

Mintos in 2021: key metrics and financial results

In 2021, we saw more than 100 thousand new users looking for investment opportunities joining our platform, bringing the total number of registered users to 472 thousand at the end of the year. Although we have cut back on the marketing activities since 2020, growth of our user base being similar to that in previous years.

Our assets under administration amounted to €598 million at the end of 2021. This is a 12% increase (€65 million) compared to 2020. In 2021, investors invested in more than 700 thousand individual loans offered on the Mintos platform, and earned €49.3 million in interest, averaging a net return of 10.2% in 2021.

In 2021 we continued to work on the recovery of funds put at risk due to the turmoil caused by the COVID-19 pandemic in 2020. During the year, we recovered a total of €30.8 million and closed the year with €85 million of principal at risk, a 12% decrease compared to the beginning of the year. We will continue work on recoveries, regularly updating investors on the progress and status of each case.

On the loan supply side we were working with 61 lending companies who were offering loans for investments from 33 countries as of December 2021. Over the year, we launched 16 new lending companies on the Mintos platform: from Kazakhstan, Kenya, Mexico, Namibia, Russia, Uganda, the United Kingdom and Uzbekistan.

In 2021 our revenue decreased by 3.4% compared to the year before. Without an aggressive growth approach in 2021, especially in the last months of the year, and investments in passive projects directed to the future goals of Mintos, we closed 2021 with €9.7 million in revenue, down from €10.2 million in 2020 (revenue in 2019: €9.189 million, 2018: €4.659 million, 2017: €2.109 million).

Our total comprehensive losses in 2021 amounted to €2.501 million. The losses were largely the result of investments we made in product and team, many of which were directly related to obtaining the investment firm and electronic money institution licenses.

The loss includes €159 thousand related to the fair value of share-based payment benefits which are being recognized over the vesting period. Excluding these payments, the result is a loss of €2.342 million compared to a loss of €1.757 million in 2020 (adjustment for share-based payment benefits included). Management proposes to cover losses that occurred in 2021 with the profit made in the following financial years.

In 2021, we also continued to make significant investments in IT systems with a total investment of €2.191 million, compared to €1.909 million in 2020.

Risks and uncertainties

We treat risk management as an integral part of our operations at Mintos. We believe that an appropriate risk management process is essential to ensure sustainable business development.

Our strategy of risk management is defined in our Disclosure on risk management practices[1], which is provided in accordance with the disclosure requirements set out in Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019. During the annual risk assessment, we identify which risks are material to our operations. The risks that we have identified as material for our operations are compliance risk, concentration risk, counterparty and credit risk, liquidity risk, operational risk, and reputational risk. For each material risk, we create policies that outline how the risk is managed, controlled, and monitored. Risk management policies are approved by the Supervisory Board.

The business operations of Mintos are influenced by the market dynamics on the macroeconomic level. Mintos performance is tied to the ability of borrowers across multiple geographies to make repayments on their loans, and then also the business performance of the lending companies on the platform. The risk that comes with a global presence is at the same time an opportunity to diversify operations. Mintos management and risk team monitor global developments, assess the possible risks, and evaluate potential responses where necessary. Management does not consider that market risk is significant.

Mintos has implemented a set of Know Your Customer (KYC), Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), counter-proliferation financing, and sanctions compliance procedures, with monitoring measures for all types of transactions. Mintos is committed to maintaining a controlled environment that enables effective responses to financial crime threats. Mintos follows the General Data Protection Regulation (GDPR) requirements and continually invests in resilient technologies for data security.

As this report was finalized in April 2022, the war in Ukraine started, followed by sanctions for Russian Federation. These events mark a new period of uncertainty and disruption of normal market conditions. We address this in Note 28.

We are committed to protecting investors on the platform from exposing themselves to unacceptable risk levels. To achieve this, investors need to complete a Suitability and Appropriateness assessment before investing, and we provide them with supporting tools for the risk assessment such as the Mintos Risk Score. We are also working on initiatives to increase investors' awareness of the risks that come with investing.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

21 April 2022

1 Mintos: Investing & Risk

Statement of management responsibilities

The Management of Mintos will continue to evaluate the market developments to make decisions that are in the best interest of all Mintos stakeholders.

The conclusions and comments in this management report are assessed based on inputs known when the report was being completed. The future activities of Mintos may differ from what we've stated as management's opinion in this report. We will always act based on market changes, and significant threats and opportunities.

The Management is responsible for preparing the Mintos Holdings AS Consolidated Report 2021 and the financial statements in accordance with applicable law and regulation.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

21 April 2022

Consolidated financial statements:

Consolidated Statement of comprehensive income

Consolidated financial statements:

Consolidated Statement of comprehensive income

21 April 2022

	Notes	2021 EUR	2020 EUR
Commission and fee income	5	9 737 271	10 189 424
Commission and fee expenses	6	(80 679)	(189 221)
Net commission income		**9 656 592**	**10 000 203**
Employee remuneration expenses	7	(6 082 779)	(5 876 096)
Depreciation and amortisation	12, 13	(1 741 533)	(1 160 330)
Administrative and other general expenses	8	(4 291 507)	(4 757 819)
Other income	9	302 430	550 228
Impairment losses	26a	(239 613)	(595 321)
Interest and similar expenses	10	(72 911)	(97 160)
Interest income		350	1
(Loss) before tax		**(2 468 971)**	**(1 936 294)**
Corporate income tax	11	(503)	2 336
Deferred income tax	11	(30 980)	(26 723)
(Loss) for the year		**(2 500 454)**	**(1 960 681)**
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		(998)	(6 519)
Other comprehensive (loss) for the year, net of tax		(998)	(6 519)
Total comprehensive income/(loss)		**(2 501 452)**	**(1 967 200)**

The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Consolidated financial statements:

Consolidated Statement of financial position

Consolidated financial statements:
Consolidated Statement of financial position

21 April 2022

Assets	Notes	31.12.2021 EUR	31.12.2020* EUR
Non-current assets			
Intangible assets	12	3 529 256	2 534 718
Fixed assets	12	275 925	366 337
Right-of-use leased assets	13	997 562	1 628 129
Other debtors and assets	14	40	36 964
Deferred acquisition costs		-	1 504
Total non-current assets		**4 802 783**	**4 567 652**
Current assets			
Trade receivables	15	787 460	608 388
Other debtors and assets	14	537 423	197 199
Deferred acquisition costs		-	5 755
Cash at banks	16	1 787 033	867 842
Total current assets		**3 111 916**	**1 679 184**
TOTAL ASSETS		**7 914 699**	**6 246 836**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1 111 942	1 001 094
Share premium	17	9 666 801	3 501 442
Other capital reserves	17, 23	714 365	576 684
Foreign currency exchange reserve		(6 217)	(5 219)
Accumulated losses		(6 393 123)	(3 892 669)
Total Equity		**5 093 768**	**1 181 332**
Non-current liabilities			
Deferred tax liabilities	11	105 004	74 024
Lease	13	719 609	1 284 865
Contract liabilities	18	74 271	113 659
Total Non-current liabilities		**898 884**	**1 472 548**
Current liabilities			
Trade and other payables	19	545 698	593 142
Loans from shareholder	22	-	150 000
Lease	13	384 270	238 156
Corporate income tax		225	934
Taxes and State mandatory social insurance payments	20	322 105	1 964 055
Accrued liabilities	21	562 028	481 871
Contract liabilities	18	107 721	164 798
Total Current liabilities		**1 922 047**	**3 592 956**
TOTAL EQUITY AND LIABILITIES		**7 914 699**	**6 246 836**

* Data of 2020 was reclassified to provide comparative information, no effect on prior year results and equity.

The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Consolidated
financial statements:

Consolidated Statement of cash flows

Consolidated financial statements:
Consolidated Statement of cash flows

21 April 2022

Cash flows to/from operating activities	Notes	2021 EUR	2020 EUR
Profit/(loss) before tax		(2 468 971)	(1 936 294)
Adjustments for:			
Amortisation and depreciation	12, 13	1 741 533	1 160 330
Unrealised loss/(gain) from fluctuations of currency exchange rates		(9 048)	16 451
Other interest and similar income		(350)	(1)
Interest and similar expense	10	72 911	68 190
Share-based payment expense	7, 23	159 322	209 870
(Gain)/loss on disposal of property, plant and equipment		1 383	44 624
Impairment losses	26a	239 613	595 321
(Increase)/decrease in receivables and other assets		(532 665)	(390 882)
Increase/(decrease) in payables		(1 682 033)	1 730 527
Cash generated from operations		**(2 478 305)**	**1 498 136**
Corporate income tax paid		(353)	2 336
Net cash flows to/from operating activities		**(2 478 658)**	**1 500 472**
Cash flows to/from investing activities			
Purchase of equipment	12	(70 609)	(123 937)
Disposal of equipment		6 436	25 998
Purchase of intangible assets	12	(2 190 837)	(1 915 505)
Issued loans to related parties	22	(60 000)	(56 000)
Received repayment issued loans	22	116 000	-
Interest received		350	-
Net cash flows to/from investing activities		**(2 198 660)**	**(2 069 444)**
Cash flows to/from financing activities			
Issued share capital	17	110 848	1 091
Issued, paid share premium, net	17	6 165 359	901 445
Repayment of lease liabilities	13	(451 583)	(282 690)
Interest paid		(72 911)	(6 498)
Received loans from related parties	22	-	150 000
Repayment of received loans	22	(164 251)	-
Net cash flows to/from financing activities		**5 587 462**	**763 348**
Change in cash at banks		910 143	194 376
Net foreign exchange difference		9 048	(16 451)
Cash at banks at the beginning of the year		867 842	689 917
Cash at banks at the end of the year	16	**1 787 033**	**867 842**

The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Consolidated
financial statements:

Consolidated Statement of changes in equity

Consolidated financial statements:

Consolidated Statement of changes in equity

21 April 2022

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Accumulated losses EUR	Foreign currency translation reserve EUR	Total EUR
Balance as at 31 December 2019		**1 000 003**	**2 599 997**	**366 814**	**(1 931 988)**	**1 300**	**2 036 126**
Issue of share capital	17	1 091	901 445	-	-	-	**902 536**
Share-based payments	23	-	-	209 870	-	-	**209 870**
Transactions with shareholders		**1 091**	**901 445**	**209 870**	**-**	**-**	**1 112 406**
Loss for the reporting year		-	-	-	(1 960 681)	-	**(1 960 681)**
Other comprehensive income/(loss)		-	-	-	-	(6 519)	**(6 519)**
Total comprehensive income/(loss)		**-**	**-**	**-**	**(1 960 681)**	**(6 519)**	**(1 967 200)**
Balance as at 31 December 2020		**1 001 094**	**3 501 442**	**576 684**	**(3 892 669)**	**(5 219)**	**1 181 332**
Issue of share capital	17	110 848	6 165 359	-	-	-	**6 276 207**
Share-based payments	23	-	-	159 322	-	-	**159 322**
Reorganisation result	17	-	-	(21 641)	-	-	**(21 641)**
Transactions with shareholders		**110 848**	**6 165 359**	**137 681**	**-**	**-**	**6 413 888**
Loss for the reporting year		-	-	-	(2 500 454)	-	**(2 500 454)**
Other comprehensive income/(loss)		-	-	-	-	(998)	**(998)**
Total comprehensive income/(loss)		**-**	**-**	**-**	**(2 500 454)**	**(998)**	**(2 501 452)**
Balance as at 31 December 2021	**17**	**1 111 942**	**9 666 801**	**714 365**	**(6 393 123)**	**(6 217)**	**5 093 768**

The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Mintos Holdings AS (the Company) and its subsidiaries (collectively, the Group) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board Members on 21 April 2022. In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make the decision on the approval of the financial statements. The registered office of the Group is at Skanstes iela 50, Riga.

The core business activity of the Group during the reporting year was to operate a global online marketplace for loans providing investors with an easy and transparent way to invest in loans originated by a variety of alternative lending companies around the world.

During the reporting year (on 17 August 2021) the Group's subsidiaries Mintos Marketplace AS has become an investment brokerage company with the license for the provision of an investment services and auxiliary investment services and Mintos Payments SIA has become a licenced electronic money institution. Mintos Marketplace AS will provide investment services. The activities of Mintos Marketplace AS and Mintos Payments SIA are regulated by the Financial Instruments Market Law and other normative documents of the Republic of Latvia.

Information on the Group's structure is provided in Note 4.

2. Summary of significant accounting policies

a. *Basis of preparation*

These consolidated financial statements of the Group are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS), on a going concern basis. These consolidated financial statements were authorised for issue by the Company's Board on 21 April 2022. These consolidated financial statements are prepared on a historical cost basis except where noted otherwise.

The presentation currency used in the consolidated financial statements is euro (EUR), the presentation currency of the Republic of Latvia. The financial statements cover the period 1 January 2021 through 31 December 2021.

The consolidated financial statements provide comparative information in respect of the previous period. Comparative period is from 1 January 2020 through 31 December 2020.

b. *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2021. 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.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group's consolidated financial statements are presented in euros, which is also parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Consolidated Statement of comprehensive income under Exchange differences on translation of foreign operations.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

c. *New standards and amendments*

New accounting and financial reporting standards, interpretations and amendments which were not applicable to the previous annual financial statements since then have been issued. Some of the standards become effective in 2021, others become effective for later reporting periods. In this section those relevant for the Group are summarised. Where the implementation impact was or is expected to be reasonably material it is disclosed.

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

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

d. *Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS which has been adopted by the Group as of 1 January 2021:

IFRS 16: COVID-19 Related Rent Concessions (Amendment)

The Group has adopted COVID-19-Related Rent Concessions – Amendment to FRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e., for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020. In March 2021 the International Accounting Standards Board issued Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the availability of the practical expedient by one year.

e. *Standards issued but not yet effective and not early adopted*

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

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

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

f. *Financial instruments*

(i) Classification

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are classified as either financial assets subsequently measured at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income (OCI). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group determines the classification of its financial assets after initial recognition and, where allowed or prompted and appropriate, re-evaluates this designation at each financial year-end. Currently all financial assets of the Group are classified and measured at amortised cost.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Currently the Group's all financial liabilities are classified at amortised costs.

(ii) Date of recognition

Accounts receivables from customers are recognized after services to the customers are provided. Other assets are recognized on the date when the Group enters the contract giving rise to the financial instruments.

(iii) Initial and subsequent measurement of financial instruments

All financial instruments are measured initially at their fair value and in case of financial assets not at fair value though profit or loss and loans and borrowings, and payables net of directly attributable transaction costs.

Financial assets at amortised cost

The Group measures financial assets 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 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

After initial measurement, financial assets measured at amortised cost are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in Interest and similar income in the Statement of comprehensive income. The losses arising from impairment are recognised in the Statement of comprehensive income in Credit loss expense. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired. The Group's financial assets at amortised cost includes trade receivables, accrued income and loan to parent and other related companies.

(iv) Derecognition

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised only when the obligation under the liability is discharged according to the contract or cancelled or expires.

All purchases and sales of financial assets are recognised and derecognised on the settlement date.

(v) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, if relevant.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets where the Group calculates ECL are:

- Trade receivables and other receivables
- Loans to related parties
- Cash at bank

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

For trade receivables and unbilled receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group is taking into consideration its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Due to the specifics of the Group's operations whereby there is only very limited number of counterparties and very short payment cycle for trade receivables, majority of the trade receivables outstanding as at year end are paid according to the contractual payment due date which is shortly after the year end. As a result, in practice there can be limited need, if any, for forward looking adjustments to be made.

Impairment of loans to related parties

Receivables from related parties inherently are subject to the Group's credit risk. For related party exposures Stage 2 and lifetime ECL calculation is applied based on 30 days back stop and 90 days back stop is applied to Stage 3 determination. Further qualitative factors evaluated include extension of the payment terms granted, previous arrears in the last 12 months and significant adverse changes in business.

Impairment of cash at bank

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit engagements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

g. *Intangible assets*

Intangible assets comprise purchased licences, internally developed software and purchased internet domain names. Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis over 3-year period, except purchased internet domain name which is not amortised and not tested as there were no indications. Internally developed software development costs include the costs related to development of software, mainly consisting of internally capitalised salary expenses. The Group has made estimation of the responsibilities for every development team member duty and based on that salary expenses are capitalised.

h. *Fixed assets*

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

Equipment - over 3 to 5 years

Depreciation is calculated when asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Or it is engaged in commercial activity.

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

i. *Client acquisition costs*

The Group incurred various expenditure that is related to client (investor) acquisition. Once the expenditure is incurred, the Group assesses if it can reliably measure expected future economic benefit related to the investment made. Future economic benefit arises from commission income that is earned as a direct result from incurred expenditure. If reliable measure is possible, the smaller of the two - incurred expenditure or future economic benefit - is recognised as deferred client acquisition costs in the statement of financial position. In subsequent periods the deferred client acquisition costs are recognised as expenses based on estimated realisation of the related economic benefit. If estimates in economic benefits related to previously recognised client acquisition costs change and as a result of these changes the expected economic benefits are lower than previously assessed, write-down is made. In cases when a reliable measure cannot be made the incurred expenditure is expensed directly to profit and loss.

IFRS 15 requires incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset if certain criteria are met. Any capitalized contract costs assets are amortized on a systematic base that are consistent with the Group's transfer of the services to the customer.

The Group analyses the costs from contracts regarding IFRS 15 and these costs are recognized as the client acquisition costs only if certain criteria are met. Client acquisition costs are incurred to attract and acquire new clients and would not otherwise have occurred.

j. *Impairment of non-financial assets*

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that a non-financial asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Statement of comprehensive income.

A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase amount constitutes reversal of impairment losses. In case of reversal of impairment, the carrying amount is increased up to its recoverable amount but only to an extent it doesn't exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment of goodwill are never allowed to be reversed.

k. *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

l. *Income and expense recognition*

The Group applies IFRS 15 to all revenue arising from contracts with customers. The Group establishes a five-step model to account for the revenue arising from contracts with its customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is taking into consideration all the relevant facts and circumstances when applying each step of IFRS 15 five-step revenue recognition model to contracts with the customers. Accounting is specified for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group recognises revenues using input method on a straight-line basis.

The main source of income is service fee income from lending companies, which includes the service fee calculated from the outstanding loans. Revenue from Service fee – lending companies is recognised at point in time and is variable amount. Performance obligation is to provide service of using the platform monthly.

Connection fees obtained by the Group are non-refundable upfront fees paid by lending companies for the connection to Mintos platform. Connection fees do not represent a separate performance obligation from the provision of service of using the platform. Therefore, revenue from connection fees is deferred and recognized as revenue over the estimated term of customer relationship (i.e., period lending companies using the platform), being 3 years based on current historical information and best estimate of the Management. This fee is a fixed amount agreed in the contract. Connection fees received from customers which are deferred are accounted as contract liabilities in the statement of financial position.

Performance fee is paid by lending companies in case the interest paid to investors is below a benchmark rate agreed and is calculated as the spread between the actual interest rate and the benchmark rate and applied to invested amount.

The Group recognises penalty income from contract penalties and late payments. From the date when the Group has legal rights on such penalty the Group recognises these when the Group is sure it will receive it, usually it is income payment date.

Foreign currency exchange commissions and secondary market fees are recognised at point in time and are variable amounts. Performance obligation is satisfied when service is provided to a customer.

All payments are typically due 7-14 days, without having financing component.

Expenses are recognised on an accrual basis.

Contract assets

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

Trade receivables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities are advances received. The Group recognises the revenues evenly among the estimated term of customer relationship monthly.

m. *Share-based payments*

All employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments. All Group's share-based payments are equity-settled transactions.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a Black-Scholes valuation model, further details of which are given in Note 23. That cost is recognised in employee remuneration expense (Note 7), together with corresponding increase in equity (other capital reserves), over the period in which the service is provided. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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

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

n. *Fair value*

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

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

o. *Contingencies*

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

p. *Servicing assets and liabilities*

Servicing assets consists of those loans that have been placed by the lending companies on the Mintos marketplace and where investors have made investments and the cash of investors, lending companies held off - balance, while servicing liabilities consists of investment amounts due to investors and cash balance due to investors and lending companies. Given that the Group does not bear the credit risks and other finance risks related to these assets or liabilities but only earns commission for servicing them, these items are disclosed in these financial statements (Note 24), while these assets and liabilities are not recognised in the statement of financial position.

q. *Leases*

Determining the lease term of contracts with renewal and termination options – the Group as lessee.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has few contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Refer to Note 13 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Right-of-use assets

The Group recognises 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 adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease period.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. In calculating the present value of lease payments, the Group uses borrowing rate what is determined in agreement. If there is no mentioned borrowing rate, then the Group uses its incremental borrowing rate at the lease commencement date. 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 the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

COVID-19-Related Rent concessions

The Group negotiated rent concessions with its landlord as a result of the severe impact of the COVID-19 pandemic during the year. The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from the rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is EUR 20 680 (2020: EUR 66 721) (Note 13).

Short-term lease and leases of low-value assets

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

Leases - Estimating the incremental borrowing rate

The Group's use interest rate implicit in the lease for old vehicle lease but cannot readily determine the interest rate implicit in the office rent and new vehicle lease, therefore, it uses its Group borrowing rate to measure lease liabilities. 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 rate 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. Average interest rate for vehicle lease in 2021 is 3.85% (2020: 3.85%), for office rent – 4.5% (2020: 4.5%).

r. *Income taxes and deferred taxes*

The Group's tax for the period consists of current and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or from tax authorities using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Based on Latvian Corporate income tax law, starting from year 2018, corporate income tax is calculated on the basis of distributed profit or in case of expenses treated as deemed profit distribution (20/80 of the net amount payable to shareholders). Current tax arising from distributed profit is recognized when the shareholder of the Group decides on profit distribution. Corporate income tax from deemed profit distributions is presented as 'Administrative and other expenses' in the statement of comprehensive income.

The tax rates and tax laws used to compute the amount are those that are applicable during the taxation period in the countries where the Group and the Parent Company operates. Current corporate income tax rate for the Parent company is applied at the statutory rate of 25% from distributed profit. Current corporate income tax rates for the foreign subsidiaries are:

Estonia	0% from undistributed profit and 20/80 from distribution of profit (0% from undistributed profit and 14/86 from regular dividend payments in the amount that is below or equal to the extent of taxed dividends paid during the 3 preceding years)
Poland	19%
United Kingdom	19%
Russia	20%
Lithuania	15%
Germany	15%
Mexico	30%
Indonesia	25%

Deferred tax in consolidated financial statements arises from temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes in the countries where tax is not calculated at distribution (i.e., Latvia and Estonia), as well as from undistributed profits of subsidiaries, since it is expected that the earnings of subsidiaries will be distributed at some moment. To the extent that subsidiaries' profit distribution is assumed, the deferred tax liability is recognized in consolidated financial statements.

s. *Subsequent events*

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. No adjusting events are disclosed in the financial statements.

3. Significant estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Management to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the judgements used in arriving at the estimates to change. Such estimates and judgements are based on most reliable information available to the Management in respect to specific events and actions. The effect of any changes in estimates will be recorded in the financial statements when determinable.

The significant areas of estimation and judgements in preparation of these financial statements relates to following areas:

The same significant estimates and judgements as in last year:

- Share-based payments. See Note 23 for more details;
- Useful life of intangible assets. See Note 2g for more details;
- Judgement in relation to not recognising any clients' assets or liabilities in the statement of financial position. See Note 2p for more details;
- Impairment of intangible assets. See Note 12 for more details.

4. Group information

Information about companies included in the Group

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	2021 % of ownership	2020 % of ownership
Mintos Holdings AS	Holding company	Latvia	100	100
Mintos Marketplace AS	Global online marketplace for loans	Latvia	100	100
Mintos Finance Estonia OU	Support entity	Estonia	100	100
Mintos Polska Sp.z.o.o	Support entity	Poland	100	100
Mintos Finance SIA	Support entity	Latvia	100	100
Mintos Marketplace Ltd	Support entity	United Kingdom	100	100
Mintos Finance II SIA	Support entity	Latvia	100	100
Mintos Finance Holding OÜ	Support entity	Estonia	100	100
Mintos Capital Management SIA	Support entity	Latvia	100	100
Минтос Маркетплейс ООО	Support entity	Russia	100	100
Mintos Payments UAB	Support entity	Lithuania	100	100
Mintos Marketplace S.A.P.I. S.A. de C.V	Support entity	Mexico	100	100
Mintos Payments SIA	Support entity	Latvia	100	100
Mintos Deutschland GmbH	Support entity	Germany	100	100
Mintos Marketplace Indonesia PT	Support entity	Indonesia	49	49

From 2021 Mintos Finance Holding OÜ has 100% ownership of 36 Support entities in Estonia, which were intended to start offering investments in the form of Notes (Mintos Finance No1 OU - Mintos Finance No39 OU).

5. Commission and fee income

Set out below is the disaggregation of the Group's revenue from contracts with customers.

Type of income		2021 EUR	2020 EUR
Service fee - lending companies		9 099 426	9 353 793
Secondary market fee		239 328	400 970
Connection fee income		222 965	193 821
Foreign currency exchange commissions		175 552	240 840
	Total:	**9 737 271**	**10 189 424**
Geographical markets			
Europe		6 815 551	6 722 806
Asia		1 815 344	2 275 347
Africa		807 470	1 072 401
America		298 906	118 870
	Total:	**9 737 271**	**10 189 424**
Timing of revenue recognition			
Services transferred at a point in time		9 514 306	9 995 603
Services transferred over estimated term of customer relationship		222 965	193 821
	Total:	**9 737 271**	**10 189 424**

6. Commission and fee expenses

Commission expenses consist of commissions charged to execute foreign currency conversions.

7. Employee remuneration expenses

		2021 EUR	2020 EUR
Salaries		6 547 541	6 136 714
Social security contributions		1 473 108	1 389 637
Share-based payments expenses (see Note 23)		159 322	209 870
Risk duty		743	702
		8 180 714	7 736 923
Less: Capitalised development costs		(2 097 935)	(1 860 827)
	Total:	**6 082 779**	**5 876 096**

Part of salaries and related taxes have been capitalised to IT development costs (see Note 12). The Group employed 165 employees at the end of year 2021 (average 172 during the year) and 161 employees at the end of year 2020 (average 167 during the year). Key management personnel consist of management board and heads of functions that have significant impact on operations of the Group. At the end of 2021 there were 8 employees as key management personnel (2020 – 9 employees). Key management personnel salaries and social security contributions of the Group amounted to EUR 1 039 thousand in 2021 (EUR 913 thousand in 2020), while share-based payments amounted to EUR 35 thousand (EUR 53 thousand in 2020).

8. Administrative and other general expenses

		2021 EUR	2020 EUR
IT and communication expenses		1 151 323	991 951
Bank commissions		856 586	659 204
Legal expenses		433 147	427 378
Non-deductible VAT		420 153	440 311
Direct client acquisition costs*		350 806	948 952
Office expenses		321 181	115 914
Compliance expenses		271 401	196 593
Other personnel related expenses		190 237	196 364
Office rent and related expenses		107 732	168 086
Audit and consultation expenses**		123 668	126 546
Business trips		28 063	71 203
Indirect client acquisition expenses		25 673	404 313
Other expenses		11 537	11 004
	Total:	**4 291 507**	**4 757 819**

* Direct client acquisition costs consist of expenses related to affiliate program and refer-a-friend programs, as well as cash-back campaigns. These expenses consist of costs that are fully expensed when incurred in case of affiliate program and refer-a-friend programs. Costs related to cash-back campaigns are written off gradually.

** Includes fees for audit services in 2021 of EUR 43 thousand (EUR 44 thousand in 2020).

9. Other income

		2021 EUR	2020 EUR
Penalty income*		220 497	447 651
Income from reduced lease payments (Note 13)		20 680	66 721
Currency exchange income		9 048	-
Other income		52 205	35 856
	Total:	**302 430**	**550 228**

* Penalty income is recognised based on contracts for not meeting contractual liabilities. See Note 2l.

10. Interest and similar expenses

		2021 EUR	2020 EUR
Interest expenses calculated on leases (Note 13)		59 596	55 265
Penalty expenses		12 600	12 519
Interest expenses from received loan (Note 22)		437	5 918
Interest on deferred payments		278	7 007
Currency exchange losses		-	16 451
	Total:	**72 911**	**97 160**

11. Corporate income tax, deferred corporate income tax

		2021 EUR	2020 EUR
Current corporate income tax/ (benefit)		503	(2 336)
Deferred corporate income tax		30 980	26 723
Corporate income tax charged to the statement of profit or loss:	**Total:**	**31 483**	**24 387**

Deferred corporate income tax liabilities

Deferred corporate income tax liabilities:		31.12.2021 EUR	31.12.2020 EUR
Liabilities			
From undistributed profits of the Group's subsidiaries		105 004	74 024
Deferred corporate income tax liabilities:	**Total:**	**105 004**	**74 024**

Certain Group subsidiaries have undistributed profits, which will be taxed upon distribution. For the amount that has not been distributed and is likely to be distributed deferred tax liability is recognised.

Certain Group subsidiaries in their early stages of operations in other jurisdictions have tax losses no deferred tax asset had been recognised due to recoverability assessment.

Corporate income tax reconciliation:

	2021 EUR	2020 EUR
(Loss) before corporate income tax	**(2 468 971)**	**(1 936 294)**
Theoretical corporate income tax 0%	-	-
Effect from different tax rates	-	-
Corporate income tax from non-deductible expense*	(1 123)	(5 220)
Change in undistributed profits of the Group's subsidiaries	(30 980)	(26 723)
Corporate income tax charge for distributed subsidiary profits during the year	-	-
Withholding tax from interest	(353)	-
Minimal corporate income tax	(150)	(100)
Correction of corporate income tax in 2017	-	2 436
Total corporate income tax	**(32 606)**	**(29 607)**
Out of this:		
Corporate income tax and deferred corporate income tax	(31 483)	(24 387)
Administrative and other general expenses*	(1 123)	(5 220)
Effective income tax rate	1.3%	1.3%

* Non-deductible expenses are considered as deemed profit distribution and corporate income tax is payable upon these expenses. In the profit and loss statement these expenses are recognized in Note 8 Administrative and other general expenses under Other expenses.

12. Intangible and fixed assets

	Trademarks, domains, licences	Internal software*	Internal software in progress*	TOTAL INTANGIBLE ASSETS	Fixed assets
Year ended 31 December 2020					
Carrying amount as at 1 January	34 867	1 065 148	218 730	1 318 745	**441 008**
Additions	6 281	1 465 769	443 455	1 915 505	**123 937**
Disposals	-	-	-	-	**(63 320)**
Reclassified to other category	-	26 554	(26 554)	-	**-**
Depreciation and amortization	(562)	(698 970)	-	(699 532)	**(153 984)**
Depreciation of disposals	-	-	-	-	**18 696**
Carrying amount as at 31 December	**40 586**	**1 858 501**	**635 631**	**2 534 718**	**366 337**
As at 31 December 2020					
Cost	45 735	3 166 414	662 185	3 874 334	**618 104**
Accumulated amortisation, depreciation, and impairment	(5 149)	(1 334 467)	-	(1 339 616)	**(251 767)**
Carrying amount as at 31 December	**40 586**	**1 831 947**	**662 185**	**2 534 718**	**366 337**
Year ended 31 December 2021					
Carrying amount as at 1 January	40 586	1 831 947	662 185	2 534 718	**366 337**
Additions	-	1 851 142	339 695	2 190 837	**70 609**
Disposals	-	-	-	-	**(26 431)**
Reclassified to other category	(30 428)	474 299	(443 871)	-	**-**
Depreciation and amortization	(194)	(1 196 105)	-	(1 196 299)	**(148 391)**
Depreciation of disposals	-	-	-	-	**13 801**
Carrying amount as at 31 December	**9 964**	**2 961 283**	**558 009**	**3 529 256**	**275 925**
As at 31 December 2021					
Cost	15 307	5 491 855	558 009	6 065 171	**662 282**
Accumulated amortisation, depreciation, and impairment	(5 343)	(2 530 572)	-	(2 535 915)	**(386 357)**
Carrying amount as at 31 December	**9 964**	**2 961 283**	**558 009**	**3 529 256**	**275 925**

Internal software costs included capitalized salary and related taxes in amount of EUR 2 097 935 during 2021 (EUR 1 860 827 during 2020), see Note 7, further also contractors' fees in amount of EUR 48 000 were capitalized (2020 – EUR 48 397). The costs incurred are recognized as an intangible asset. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and impairment. Estimated useful live of intangible assets is 3 years period. Internal software is the core technical asset for operating of the Group.

Part of the IT employees are involved in building technical solution (Mintos systems) which is the backbone for operating Mintos marketplace. The Mintos system is constantly built to meet both external and internal needs, and it is constantly being developed and it is not expected in foreseeable future that it will be fully finalized. As the system is fully developed internally by IT department than the related payroll and tax payments are capitalized for those IT employees who were involved in the development of the system. The list of capitalized salaries is reviewed every month and capitalized amount can vary from 30 % to 90%. The IT system is constantly being developed and is working very successfully, supporting the increase in the number of investors and lending companies using the platform.

Capitalization costs for systems that are not being launched yet are shown in the position 'Internal software in progress' where main part consists of Mintos Payments SIA payment processing system development costs. Mintos Payments SIA has obtained relevant license and first stage of operations was launched in March 2022 and will help Mintos Group to offer virtual IBAN accounts. Mintos Payments SIA gradually will implement its business plan and foresee its initial financial projection to remain feasible. Given the aforementioned aspects and future development projections the Group's management consider that having performed an assessment there is no need to recognize impairment.

* Starting from December 2020 one part of Internal software in the amount of EUR 26 554 was launched with amortization starting from 1 January 2021. In 2020 this technical solution was shown in the position 'Internal software in progress', in 2021 it was reclassified to 'Internal software'. To show comparative data Internal software was reclassified also for prior year, no effect on prior year performance and equity position.

13. Lease

The Group has lease contracts of motor vehicles and office rent of 2 premises used in its operations. Leases of motor vehicles have lease term of 5 years and office rent term is 10 years with non-cancellable period of 60 months. Due to the dynamic environment and high growth expectations the Management predicts that after 5 years the Group might need another office that's why is taking into account only non-cancellable period for office rent. The Group's obligations under its leases are secured by the lessor's title to the leased asset. Contract includes extension and termination options, which are further discussed below. The Group applies the 'current lease' recognition exemptions for some leases.

In January 2022 the Group subleased one of the premises as due to COVID-19 partly of premises are not used by employees. The Group recognized impairment of the right to use office space in amount of EUR 227 249 as difference between the value of the right of use asset at the beginning of the sublease and discounted receivables during sublease period till the end of non-cancellable period of the lease contract based on assumption that sublease agreement will be prolonged or will be a new sublease on the same conditions.

Recognition and movement of right-of-use assets:

	Motor vehicles EUR	Office rent EUR	Total EUR
As at 1 January 2020	**42 474**	**1 155 242**	**1 197 716**
Additions	12 408	925 068	937 476
Termination	-	(229 632)	(229 632)
Depreciation of terminated	-	29 383	29 383
Depreciation expenses	(11 235)	(295 579)	(306 814)
As at 31 December 2020	**43 647**	**1 584 482**	**1 628 129**
As at 1 January 2021	**43 647**	**1 584 482**	**1 628 129**
Remeasurement of the lease	-	(6 475)	(6 475)
Impairment of the asset	-	(227 249)	(227 249)
Depreciation expenses	(12 476)	(384 367)	(396 843)
As at 31 December 2021	**31 171**	**966 391**	**997 562**

During the year one of the Group's subsidiary office rent agreements was terminated, as it did not need as much space. As interim step the agreement was transferred to the parent company, which then fully leased out the office after the year-end.

Recognition and movement of lease liabilities (included under interest-bearing loans and borrowings) during the period:

	2021 EUR	2020 EUR
As at 1 January	**1 523 021**	**1 076 437**
Additions	-	937 476
End of lease	-	(196 746)
Accretion of interest (Note 10)	59 596	55 265
Remeasurement of the lease	(6 475)	-
Discounts (Note 9)	(20 680)	(66 721)
Payments	(451 583)	(282 690)
As at 31 December	**1 103 879**	**1 523 021**
Current	384 270	238 156
Non-current	719 609	1 284 865

The following are the amounts recognized in profit or loss statement:

	2021 EUR	2020 EUR
Depreciation expense of right-of-use assets	(396 843)	(306 814)
Interest expense on lease liabilities (Note 10)	(59 596)	(55 265)
Income from lease discounts (Note 9)	20 680	66 721
Impairment of right-of-use assets	(227 249)	-
Impairment of right-of-use assets (included in Administrative and other general expenses Note 8)	(14 542)	(67 325)
Total amount recognized in profit or loss	**(677 550)**	**(362 683)**

The Group has some lease contracts that include extension and termination options. These options are negotiated by the Management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments as at 31 December 2021 and as at 31 December 2020 relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within 5 years 31.12.2021 EUR	More than 5 years 31.12.2021 EUR	Total 31.12.2021 EUR	Within 5 years 31.12.2020 EUR	More than 5 years 31.12.2020 EUR	Total 31.12.2020 EUR
Termination options expected not to be exercised	675 096	1 018 214	1 693 310	318 908	1 397 890	1 716 798
TOTAL:	**675 096**	**1 018 214**	**1 693 310**	**318 908**	**1 397 890**	**1 716 798**

The Group had total cash outflows for leases of EUR 451 583 in 2021 (2020: EUR 282 690).

14. Other debtors and assets

	31.12.2021 EUR	31.12.2020 EUR
Prepaid expenses	40	101
Security deposits	-	36 863
Total other debtors and assets non-current	**40**	**36 964**
Security deposit for client cash*	254 854	-
Cash in Estonian deposit account of the court	92 500	-
Prepaid expenses	74 814	50 232
Security deposits	41 867	3 404
Tax assets	23 200	22 397
Advance payments	14 382	37 418
Goods for sale	14 351	15 660
Loans to management	-	56 000
Other debtors and assets	59 878	12 088
Impairment allowance for other debtors (Note 26a)	(38 423)	-
Total other debtors and assets current	**537 423**	**197 199**
TOTAL:	**537 463**	**234 163**

* Security deposit to ensure safeguarding of client funds in other currencies in accordance to Financial instrument Market Law requirements.

15. Trade receivables

	31.12.2021 EUR	31.12.2020 EUR
Trade receivables	183 073	182 432
Unbilled receivables*	787 647	635 061
Impairment allowance (Note 26a)	(183 260)	(209 105)
TOTAL:	**787 460**	**608 388**

* Unbilled receivables consist of service fee for lending companies that has not been billed yet as at the balance sheet date.

16. Cash at banks

	31.12.2021 EUR	31.12.2020 EUR
Commercial banks in the Republic of Estonia	1 000 899	3 229
Commercial banks in the Republic of Latvia	702 193	834 023
Commercial banks in the Republic of Germany	29 279	9 129
Commercial banks in Russian Federation	24 686	489
Commercial banks in the Republic of Poland	19 066	9 891
Commercial banks in United Mexican States	7 855	8 411
Commercial banks in the Republic of Lithuania	2 798	1 969
Commercial banks in the United Kingdom	149	35
Commercial banks in the Republic of Indonesia	108	666
TOTAL:	**1 787 033**	**867 842**

Placements with Banks are on demand nature and have a low probability of default and loss hence no ECL on placements with Banks arises either in 2021 or in 2020.

17. Share capital and other equity reserves

Share capital and share premium

	31.12.2021 EUR			31.12.2020 EUR		
	Paind in Capital	Share premium	Number of shares	Paind in Capital	Share premium	Number of shares
Class A shares	1 107 029.90	9 654 723.06	11 070 299	1 000 003.50	3 499 996.50	10 000 035
Class B shares	4 911.90	12 077.46	49 119	1 090.60	1 445.90	10 906
Total	**1 111 941.80**	**9 666 800.52**	**11 119 418**	**1 001 094.10**	**3 501 442.40**	**10 010 941**

Class A shares are shares with voting rights and are entitled to dividends. Each share has nominal value of EUR 0.10. During 2021 share capital and share premium from Class A shares were increased by EUR 6.3 million, net of direct capital acquisition costs in amount of EUR 288 239, (EUR 0.9 million in 2020) through issue of 1 070 264 new shares (9 new shares in 2020) with nominal value of EUR 0.10 that in total is EUR 107 026.40 and share premium of EUR 6.019979 (EUR 99 999.90 in 2020) each that in total is EUR 6 442 966.80. Increase in share capital during 2021 was result of the crowdfunding campaign launched at end of 2020. The capital was paid in January 2021.

Class B shares are shares without voting rights but are entitled to dividends. Each share has nominal value of EUR 0.10. These shares are issued when employees exercise their share options (see Note 23) and issued as conditional share capital. During 2021 38 213 of Class B shares were issued (10 906 in 2020) that resulted in increase in share capital by EUR 3 821.30 and share premium by EUR 10 631.56.

Other capital reserves

For equity-settled share-based payment transactions, IFRS 2 requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 Share-based Payment does not specify where in equity this should be recognised. The Group has chosen to recognize the credit in other capital reserves. See Note 23 for more info.

To simplify group holding structure, it was decided to merge Grumpy Investments AS into Mintos Holdings AS, as a result shareholders of Grumpy Investments AS became direct shareholders of Mintos Holdings AS. This merging of the business structure was combinations under common control – i.e. transactions in which the combining businesses are ultimately controlled by the same party both before, and after the combination. In November 2021 the Group's major shareholder Grumpy Investments AS reorganisation was finished. Reorganisation result in amount of EUR 21 641 is recognized in Other capital reserves.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations.

18. Contract liabilities

Contract liabilities consist of connection fees recognised over 3-year period.

	01.01.2020 EUR	Revenue recognized during 2020 EUR	New contract liabilities during 2020 EUR	31.12.2020 EUR	Revenue recognized during 2021 EUR	New contract liabilities during 2021 EUR	31.12.2021 EUR
Contract liabilities	319 277	(193 821)	153 001	278 457	(222 965)	126 500	181 992
Non-current > 12m	164 187			113 659			74 271
Current 12m	155 090			164 798			107 721
TOTAL:	**319 277**			**278 457**			**181 992**

19. Trade and other payables

	31.12.2021 EUR	31.12.2020* EUR
Salary payables	320 788	307 059
Trade payables	152 704	164 202
Advance payments received	38 435	65 324
Trade payables to related party (Note 22)	-	3 263
Other payables	33 771	53 294
TOTAL:	**545 698**	**593 142**

* Data 2020 was reclassified to provide comparative information, no effect on prior year results and equity.

20. Taxes and State mandatory social insurance payments

	31.12.2021 EUR	31.12.2020* EUR
Statutory social insurance contributions	179 530	1 198 923
Personal income tax	103 543	564 379
Value added tax	38 968	200 702
Business risk fee	64	51
TOTAL:	**322 105**	**1 964 055**

* Data 2020 was reclassified to provide comparative information, no effect on prior year results and equity.

As of 31 December 2020 tax payables included postponed tax payables for the payments originally due throughout year 2020, which were repaid in 2021 in full.

21. Accrued liabilities

	31.12.2021 EUR	31.12.2020 EUR
Accrued expense of unused vacation	362 150	302 456
Accrued expense of received services	199 878	179 415
TOTAL:	**562 028**	**481 871**

22. Related party disclosures

Related parties are defined as shareholders that have the ability to control the Group in making financial and operating decisions, members of the key management personnel of the Group or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise control. The Group cooperates with other lending companies beyond those recognized as related parties with which the Group has common ownership overlap; however, those lending companies are not controlled by shareholders that have the ability to control the Group.

Till the 11th of November 2021 the Group was ultimately controlled by Grumpy Investments AS (incorporated in Latvia) until it was reorganised by adding to Mintos Holdings AS. For impact on the Group please refer to Note 17. Since then, there is no single controlling party.

Set out below movement table of transactions with related parties:

	Transactions during:			Balances as at:
	2021	**2020**	**31.12.2021**	**31.12.2020**
Income				
Interest income from Key Management	214	-		
Income from Key Management	-	544		
Expenses				
Interest expenses from shareholder	437	5 918		
Expenses from Key Management	26 206	25 328		
Assets				
Loans to Key Management			-	56 000
Liabilities				
Loans from shareholder			-	150 000
Trade payables to Key Management			-	3 263
TOTAL INCOME/ASSETS:	**214**	**544**	**-**	**56 000**
TOTAL EXPENSES/LIABILITIES:	**26 643**	**31 246**	**-**	**153 263**

Set out below movement table of transactions with related parties:

			Current issued loans EUR	**Current received loans EUR**	**Interest EUR**
Total balance from financing and investing activities as at:		31.12.2019	-	-	1 153
2020	Received		-	150 000	5 918
	Repaid		-	-	(6 498)
	Issued		56 000	-	-
	Received repayment		-	-	-
Total balance from financing and investing activities as at:		31.12.2020	56 000	150 000	573
2021	Received (including reorganisation result)		-	14 251	8 941
	Repaid		-	(164 251)	(9 514)
	Issued		60 000	-	214
	Received repayment		(116 000)	-	-
Total balance from financing and investing activities as at:		31.12.2021	-	-	214

23. Share-based payments

Share option plan

According to the Group's share option plan, share options of the parent are granted to all employees of the Group. Until end of 2017 the exercise price of the share options was equal to the fair value estimate of the underlying shares on the date of grant. Since beginning of 2018 the exercise price of the share options has been given with a discount in relation to the fair value estimate. Vesting of the options is dependent on the employee remaining in service for the Group. The standard vesting period is for 4 years with 1-year cliff and the options can be exercised within 10-year period from the grant date. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The Group recognised expenses in amount of EUR 159 322 during the reporting year (EUR 209 870 in 2020) in relation to respective share option plan.

Movement during the year in number and weighted average exercise price (WAEP) of options:

	2021		2020	
	Number	**WAEP**	**Number**	**WAEP**
Outstanding at 1 January	762 009	0.59	2 053 907	0.28
Granted	57 484	2.22	31 508	1.80
Exercised	(38 213)	0.10	(10 906)	0.10
Forfeited	(162 251)	0.44	(1 312 500)	0.10
Outstanding as at 31 December	619 029	0.53	762 009	0.59
Exercisable as at 31 December	502 010	0.45	567 698	0.43

There were 134 776 share options vesting during 2021 (154 437 in 2020). Share-based payments to key management personnel were EUR 34 933 (EUR 53 315 in 2020).

The range of exercise price is from EUR 0.10 to EUR 2.72. Below is summary of the range of exercise prices for options outstanding at the end of the year:

	2021		2020	
Range of exercise price	**Number**	**Contractual maturity**	**Number**	**Contractual maturity**
EUR 0.10 to EUR 0.16	231 875	4.01	237 500	5.01
EUR 0.32 to EUR 0.64	105 752	4 64	134 419	5.87
EUR 0.80 to EUR 2.72	281 402	8.07	396 225	8.11

The weighted average remaining contractual life for the share options outstanding was 5.96 years (6.86 years as of 31 December 2020).

Fair value calculations

The fair value of share options is estimated at the grant date by using Black-Scholes option pricing model. The Group takes into account the terms and conditions on which the share options were granted, as well as making estimates on some of the assumptions to adjust for Black-Scholes model's drawbacks when valuing American type of options. The inputs used in the model are market observable whenever possible but given the start-up nature of Group's operations the Management of the Group needs to make certain assumptions. The weighted average fair value of options granted at measurement date was EUR 4.96 (EUR 4.81 in 2020).

The following table lists the key inputs used during 2021 and 2020:

	2021	2020
Weighted average fair value of share price	6.16	5.67
Weighted average exercise price	2.22	1.80
Expected life of share options (years)	6	5
Expected volatility (%)	80%	50%-90%
Dividend yield (%)	0%	0%
Risk-free interest rate (%)	3.6%	3%

The two most significant inputs with highest sensitivity to the calculations of share option value are fair value of share price and expected life of share options. Since 2018 the Group's policy is to provide the strike price that is set at a discount from the fair value, which is estimated by applying several valuation techniques. Before that the strike price was equal to the estimated share price at each grant date. The valuation technique was also used when estimating value of the shares for new capital attraction at end of 2020. The expected life of share options is assumed to be at the end date when the first option agreements granted (in 2015) can be exercised and considering industry environment and how long it takes for other companies in fin-tech space to go public or being sold. The new expected exercise date is used for options granted around end of 2031 as estimated exercise date (assumption). Expected volatility is estimated by observing other companies that have become listed in recent periods operating in similar industries, while risk-free interest rate is calculated by looking at various markets across the globe where the Group plans to operate. Dividends are expected to yield 0% at parent level during the calculation period, as all profit is planned to be reinvested to further grow the value of Mintos Group.

24. Servicing assets and liabilities

The Group's core activity is to operate a global online marketplace for loans providing investors with an easy and transparent way to invest in loans originated by a variety of alternative lending companies from around the world.

Investors had the following outstanding investments in loans:

By loan type		31.12.2021 EUR	31.12.2020 EUR
Personal Loans		284 731 338	206 599 168
Car Loans		81 918 201	82 852 123
Short Term Loan		70 194 067	77 432 849
Business Loans		18 467 161	8 377 945
Pawn broking Loans		6 378 044	2 826 468
Mortgage Loans		5 818 214	5 209 894
Agricultural Loans		2 378 326	4 060 527
Invoice Financing		109 644	258 797
	TOTAL:	**469 994 995**	**387 617 771**

By region		31.12.2021 EUR	31.12.2020 EUR
Europe		322 862 884	292 623 851
Asia		93 275 266	57 264 236
Africa		27 233 452	34 077 191
Latin America		26 623 393	3 652 493
	TOTAL:	**469 994 995**	**387 617 771**

As of 31 December 2021 and 31 December 2020 the Group held the cash of investors, lending companies on separate bank accounts. The outstanding amounts of off - balance cash in local currency equivalent as of 31 December 2021 and 31 December 2020 were:

Currency	in local currency	31.12.2021 EUR	in local currency	31.12.2020 EUR
EUR	59 806 997	59 806 997	51 822 062	51 822 062
PLN	8 443 932	1 836 876	5 349 197	1 173 147
RUB	124 564 168	1 460 267	83 958 994	917 915
KZT	409 608 711	829 048	532 855 902	1 032 406
CZK	2 232 451	89 807	5 803 798	221 164
USD	97 609	86 181	166 179	135 424
GBP	55 747	66 343	104 331	116 049
MXN	1 496 429	64 658	6 339 748	259 655
SEK	256 999	25 072	316 825	31 574
DKK	173 648	23 351	1 987 458	267 099
RON	2 726	551	131	27
BGN	-	-	5	3

25. Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

All Financial assets of the Group are measured at amortized cost and designed as such upon initial recognition. The Group assesses all its financial assets and liabilities having the carrying amount as a reasonable approximation of fair value because of the short-term nature for the accounts receivable and payable and liabilities constituting lease contracts; therefore, the Group has not disclosed the fair values separately.

Valuation methods and assumptions

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Management assessed that cash, trade receivables, other assets, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The Group has no gains or losses of financial instruments to report.

26. Risk management

a. Financial risks management

The Group has assessed that its material financial risks arise from liquidity risk. The Group also has limited exposure to credit risk through the money held in bank accounts as well as other receivables. Interest rate and foreign exchange risk in year 2021 and 2020 has been negligible as the Group's exposure to foreign currency changes for all other currencies is not material.

Liquidity risk

The Group is exposed to the liquidity risk in case it would not be able to meet its financial liabilities. The Group manages its liquidity risk mostly by maintaining an adequate level of cash.

The below table discloses undiscounted financial liabilities as of 31 December 2021:

Liabilities		**31.12.2021 EUR**
Lease non-current		736 236
Lease current		425 206
Trade and other payables		545 698
Accrued liabilities		562 028
	TOTAL:	**2 269 168**

The below table discloses undiscounted financial liabilities as of 31 December 2020:

Liabilities		**31.12.2020 EUR**
Lease non-current		1 228 044
Lease current		472 262
Trade and other payables		545 698
Accrued liabilities		481 871
Loans from related parties		150 000
	TOTAL:	**2 877 875**

The below table discloses discounted financial liabilities as of 31 December 2021:

Liabilities		31.12.2021 EUR
Lease non-current		719 609
Lease current		384 270
	TOTAL:	**1 103 879**

The below table discloses discounted financial liabilities as of 31 December 2020:

Liabilities		31.12.2020 EUR
Lease non-current		1 284 865
Lease current		238 156
	TOTAL:	**1 523 021**

Changes in liabilities arising from financing activities

The below table discloses changes in liabilities arising from financing activities as of 31 December 2021:

Liabilities	01.01.2021 EUR	Cash Flows	Other changes	31.12.2021 EUR
Lease	1 523 021	(451 583)	32 441	1 103 879
Total liabilities from financing activities	**1 523 021**			**1 103 879**

The below table discloses changes in liabilities arising from financing activities as of 31 December 2020:

Liabilities	01.01.2020 EUR	Cash Flows	New leases, end of leases and other changes	31.12.2020 EUR
Lease	1 076 437	(282 690)	729 274	1 523 021
Total liabilities from financing activities	**1 076 437**			**1 523 021**

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including balances with the banks, trade receivables, unbilled receivables for which the invoices have not been issued at end of the year and loans to related parties.

The Management considers the concentration of credit risk to be low both for balances with banks and trade receivables. Although, there is no comprehensive model built to assess the concentration risk, the Group is actively managing the allocation of cash balances thought the banks both on counterparty and geographical level and have set internal limits for maximum exposure per counterparty. Trade receivables are even less concentrated since none of lending company's outstanding loans generating commission income for Mintos exceed 14% (2020: 11%) of the total.

Given the short-term nature of the receivables, the Group is not incorporating forward-looking information into determination of ECL.

Balances with banks

The Group holds the cash balances (see Note 16) with commercial banks in Latvia, Lithuania, Estonia, United Kingdom, Germany, Russia, Mexico, and Poland. Balances with the banks are held with several banks, including balances held with institutions with credit ratings equal or above Ba2 (by Moody's, institution group's rating is applied if no rating is issued for standalone counterparty) of EUR 1 327 032 (2020: EUR 27 365) and institutions with no ratings issued of EUR 460 000 (2020: EUR 840 477). Apart from that, the money held in the European Union's banks in amount of up to EUR 100 000 are guaranteed by the local state deposit insurance schemes except for Mintos Marketplace AS as investment firm is not eligible to these guaranties, with total balance with the European Union's banks amounting to EUR 1 082 543. Given that significant balances are kept only with European Union banks with investment grade credit rating for deposits, the Group believes that there is very minimal credit risk associated with these balances.

Unbilled receivables and trade receivables

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables and unbilled receivables are regularly monitored. Accrued income for which the bills are not yet issued by end of the period (see Note 15) are usually withheld directly from the settlements with Group's clients, thus limiting credit risk exposure.

Based on the assessment of debtor payment discipline and other qualitive information of their financial standing impairment allowance was made in 2021 and in 2020. The Group's net trade receivables from the customers, unbilled receivables as of 31 December 2021 was EUR 787 460 (2020: EUR 608 388) after accounting for EUR 141 897 (2020: EUR 127 072) of impairment allowance for doubtful debts and EUR 41 363 (2020: EUR 82 033) impairment allowance based on Expected credit loss calculation below. At 31 December 2021 were impaired also other debtors and assets in the amount of EUR 38 423 (31 December 2020: EUR 0).

The impairment charge for 2020 includes EUR 508 thousand loss on exposure to loans the Group took before the pending payments functionality meaning that investors previously used to receive funds for repayments from borrowers before the lending companies had remitted the monies to the Group. The Group considers the recoverability to be of remote possibility. No further exposure is possible; thus, no adjustments to the ECL model are made.

An impairment analysis is performed at 31 of December 2021 using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events and current conditions.

The carrying amounts of receivables represent the maximum credit exposure. No trade receivables were written off during 2021. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as of 31 December 2021:

		Days past due				
	Fully impaired doubtful debts	**<30 days**	**30-60 days**	**60-90 days**	**>90 days**	**Total**
Expected credit loss rate	100%	0.60%	36.35%	100%	22.68%	-
Estimated total gross carrying amount at default	141 897	828 539	4 376	4 587	133 218	970 720
Expected credit loss	141 897	4 971	1 591	4 587	30 214	183 260

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as of 31 December 2020:

		Days past due				
	Fully impaired doubtful debts	**<30 days**	**30-60 days**	**60-90 days**	**>90 days**	**Total**
Expected credit loss rate	100%	1.01%	20.80%	91.95%	43.39%	-
Estimated total gross carrying amount at default	127 072	647 880	4 611	6 023	158 981	944 567
Expected credit loss	127 072	6 558	959	5 538	68 978	209 105

Set out below is impairment expense by type of allowance:

By impairment allowance type	**2021 EUR**	**2020 EUR**
Impairment of right-to-use assets	227 249	-
Impairment allowance for doubtful debts*	69 116	38 080
Impairment for loss on exposure related to isolated operation risk incident	38 423	-
Impairment allowance based on expected credit loss calculation	(40 670)	49 142
Impairment allowance reverse for doubtful debts	(54 505)	-
Loss on exposure to loans the Group took before the pending payments functionality	-	508 099
TOTAL:	**239 613**	**595 321**

* Balance of impairment allowance for doubtful debts as of 31 December 2021 also includes loss from fluctuations of currency exchange rates in amount of EUR 214 (in 2020 income in amount of EUR 214).

Movement in the allowance for impairment in respect of trade receivables and other debtors and asssets during the year was as follows:

	2021 EUR	2020 EUR
Balance at 1 January	**209 105**	**106 678**
Impairment allowance for doubtful debts in trade receivables	69 116	53 499
Impairment allowance for doubtful debts in other debts and assets	38 423	-
Impairment allowance based on expected credit loss calculation	-	49 142
Impairment allowance reverse based on expected credit loss calculation	(40 670)	-
Impairment reverse in trade receivables	(54 505)	-
Loss/ (gain) from fluctuations of currency exchange rates	214	(214)
Balance at 31 December	**221 683**	**209 105**

b. Capital management

The Group considers its capital to comprise of its equity share capital, share premium, equity reserves related to share-based options plus its accumulated retained results. The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Starting from 2021, the Group includes two subsidiaries – Mintos Marketplace AS and Mintos Payments SIA that have to adhere to regulatory capital requirements monitored by the Financial and Capital Market Commission (FCMC) of the Republic of Latvia. Both subsidiaries were compliant with the requirements as at end of the year. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Management of the Group believes that current level of capital, is sufficient for further operations. There have been no changes in how the Group manages its capital during the reporting year.

c. Compliance risks management

The Group has implemented and aims to adhere to requirements and principles of the Anti-Money-Laundering and Combating the Financing of Terrorism and Proliferation (AML/CFT) and Sanctions regime of the Republic of Latvia and international AML/CFT regulatory framework (legal instruments and recommendations).
The Group has developed and adopted AML/CFT/Sanctions Policies and Procedures intended to protect the Group and its Investors as well as Loan Originators from involvement in ML/TF or Sanctions breach. The Policies and Procedures set forth Group's strategy, tasks and responsibilities of the teams while managing ML/TF and sanctions risks, the process includes identifying, evaluating, and monitoring potential ML/TF risks, as well as risk mitigation measures, training the staff on AML/CFT and Sanction related matters, manner of submitting relevant reports and information to relevant authorities. In addition, the Group holds regular employee training sessions to ensure that employees have the necessary knowledge of AML / CFT and Sanctions legislation, both at the national and international levels as well as above mentioned knowledge is up to date with the existing legislation.

d. Operational risks management

The goal of the Group is to run the business in a manner to ensure the lowest possible level of operational risk that allows to achieve the long-term business targets. The Group worked towards reducing the likelihood of operational risk incidents that have either high potential impact or high probability of occurrence with the main focus on investor and lending company facing business processes.

Information Security

The Group continued investments in Cybersecurity practices. The focus for the investments was to create a foundation for upcoming regulatory requirements including implement and formalize necessary governance controls (IT risk management, IT incident management and IT change management) and, in the scope of the IT risk management process, implement various technical controls.

The Group has implemented new technical controls and adjust processes to an increased amount of targeted social engineering attacks.

The overall landscape of Cybersecurity risks for the Group didn't change.

27. Going concern considerations

Because of investments made in expansion and growth over the last years, due to the impacts of the pandemic-caused downturn of 2020 as well as prolonged licensing process, the Group has been working with losses for the last three years. In November 2021 the Management of the Group have developed a plan how to become break-even from cash flow perspective for the Group which was expected to happen till end of 2nd quarter 2022. The plan includes three major areas: growth of core revenue through increased amount of outstanding investments (14% growth planned), growth of other revenues through introduction of new services or fees and decrease of several cost positions resulting in decrease in the overall administrative costs by 1%. Implementation of the plan has been started and first results achieved already by the end of January with the goal to reach break-even by the end of 2nd quarter 2022 being on track. However, as mentioned in Note 28, Russian invasion in Ukraine on February 24, 2022 has put at risk part of the revenues Mintos has been generating, i.e. around 15% of core revenue are from outstanding investments in Russian Federation. This development will negatively affect the Group and in the worst-case scenario revenues from these investments would be lost.

The Group has also exposure to investments made by investors in loan originated by one lending company in the Republic of Belarus (2% of total investments), which is a country towards which international pressure and sanctions are building up. Given that the lending company in the Republic of Belarus is part of a larger group of companies Mintos is working with and Belarus is only a fraction of total operations for this group, the Management is of the view that neither revenues from investments in Belarus, nor investments made are currently under threat of non-collectability.

In a scenario where the Group would lose revenues from investments made in Russian Federation and if unable to generate alternative revenues Mintos would need to implement additional cost cutting according to the developed recovery plan approved by the Management Board. The developed plans which are being implemented, the strong cash and equity positions give Management confidence as at the date of approving these financial statements about the Group's ability to continue operating as a going concern. It has to be noted however, that the regional geopolitical situation is unstable and further negative developments cannot be ruled out.

28. Events after balance sheet date

In February 2022, following the recognition of self-proclaimed republics of Donetsk and Lugansk by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of that country. In response to the Russian Federation's hostile actions towards Ukraine, a number of countries, including the United States of America, the United Kingdom and the European Union have imposed and/or expanded economic sanctions against a number of Russian individuals and legal entities. The sanctions include asset freezes, restrictions to payment systems, trade restrictions, and travel bans, among other things. Further legislation is planned. The expanded sanctions already had or are expected to have a further detrimental effect on economic uncertainty in Russia, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows, impact on trade flows and trade disruptions with the entities operating in the Russian Federation, and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects to the Mintos results of the imposed and possible additional sanctions are difficult to determine. As at the date of approval of these financial statements total outstanding investments that Investors had done in Russian Federation through Mintos platform amounted to around 15% from total investment portfolio, while the corresponding share in Ukraine was less than 0.5% and all new investments were suspended as of this date.

These circumstances very likely will impact Mintos revenues which could decrease by 15% in worst case scenario if no payments can be received (please also see the Note Going Concern Considerations). No other significant events have happened after the balance sheet date.

Martins Sulte Chairman of the Board	**Martins Valters** Member of the Board

21 April 2022

Independent auditors' report

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Independent Auditors' Report

To the shareholders of AS Mintos Holdings

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS Mintos Holdings ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 42 of the accompanying consolidated Annual Report, which comprise:

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

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

Basis for Opinion

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

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

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

Reporting on Other Information

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

- General information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages from 4 to 7 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibilities, as set out on page 8 of the accompanying consolidated Annual Report.

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

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics SIA
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
21 April 2022

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails

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