Consolidated annual report for the year 2020

6th financial year

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

Riga — 2021

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 shareholder	Grumpy Investments AS
Board Members	Martins Sulte – Chairman of the Board (from 27 May 2015) Martins Valters – Member of the Board (from 27 May 2015)
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) Ramona Miglane: Chairperson of the Supervisory Board till 20 December 2020 (registered in the Enterprise Register on 30 December 2020) Ieva Judinska-Bandeniece: Member of the Supervisory Board till 20 December 2020 (registered in the Enterprise Register on 30 December 2020)
Financial period	1 January – 31 December 2020
Auditors	AS KPMG Baltics Vesetas iela 7, Riga Latvia, LV–1013 Licence No 55 Rainers Vilāns Latvian Certified Auditor Certificate No 200

Management report

26 May 2021
Riga, Latvia

Management report

On Mintos, retail investors can invest in loans issued by lending companies to consumers and small businesses all around the world. Meanwhile, for lending companies Mintos offers access to additional funding source. As a global award-winning marketplace with more than 400 000 registered investors and €6.5 billion in total loans funded (May 2021), Mintos is a market leader in continental Europe holding 45% market share.

Modern technology breaks the barriers of accessibility to investing and the number of everyday investors continues to grow daily - investing is going mainstream. In the European Union, retail investors hold investments worth €7 trillion. US retail investors made up a tenth of equity trading volumes in 2019[1]. Bloomberg Intelligence estimates that in 2021, retail investors on average accounted already for 23% of all US equity trading[2]. According to the investment bank Piper Sandler, equity trading volumes exploded in recent years. Average daily volume of shares traded in 2019 was 7 billion, 10.9 billion in 2020, and by February 2021 the daily volume grew to 14.7 billion[3]. The trend of increasing retail investor participation echoes across the globe.

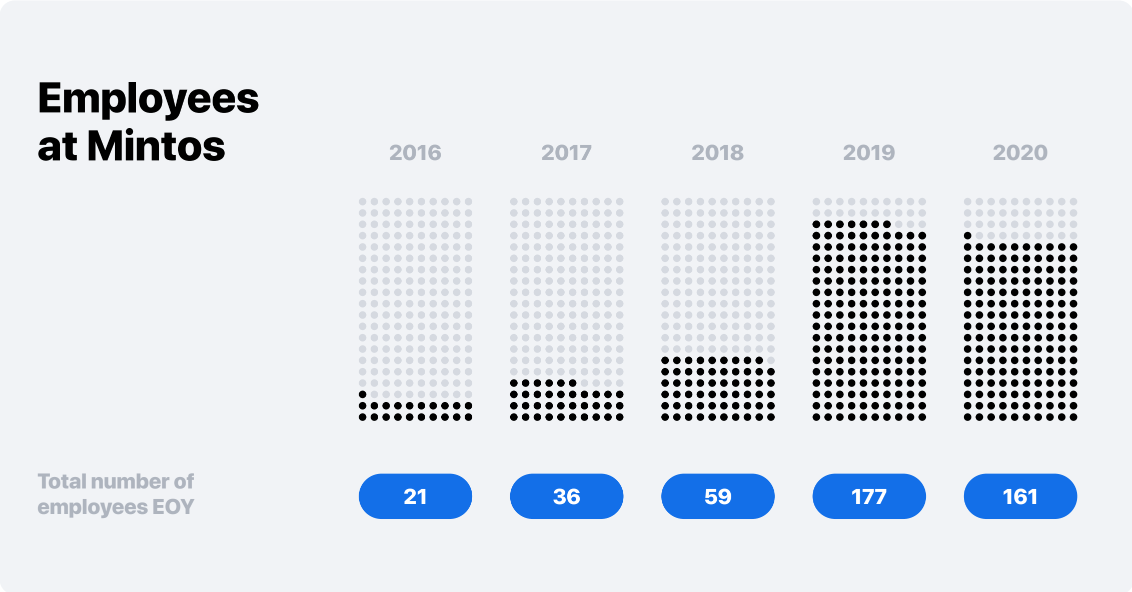
However, as the interest rates have been at their low for the last 10+ years, there are few good investment opportunities for retail investors. The new generation of investors led by millennials is increasingly looking for alternatives to invest in - to diversify their portfolios and earn better returns. Cryptocurrencies have gained momentum, making it into the mainstream without a known reference point for future outcomes. At the same time, the rise of fractional investing has broken down barriers to new assets for retail investors who now have straightforward access to such alternatives as art and cars. In an environment like this, loans as an alternative investment type have become a great addition to any investment portfolio, and Mintos has become one of the first choices for those looking to invest in loans.

1 Transfer of Power: A new epoch for retail investors is just beginning
2 Rise of the retail army: the amateur traders transforming markets
3 The stimulus has landed: US retail traders set to hit stock market

The different year of 2020

January and February 2020 were the best months in the history of Mintos with a record volume of loans funded and a record number of new investors joining the marketplace. However, with the outbreak of the COVID-19 pandemic in March, the market conditions changed quickly, and so did our objectives. We swiftly had to change our focus from expansion and growth to making sure that our operations are sustainable and set to endure the economic downturn.

As the World Health Organisation declared the COVID-19 pandemic in March 2020, one of our first priorities was to make sure that the Mintos team is safe, and that our work continues running without interruptions in a remote setup. Mintos has had a remote-work-friendly policy since the company's beginning, so the transition from office to work from home was quick and efficient for 150 Mintos employees working from Riga, Berlin, and Vilnius. We provided our team with full support for work from home, and we invested time to educate our team about practices and measures related to data security to keep the operations safe, no matter where the work is being done from. Mintos employees will have a choice to work remotely for the times to come.



In the first months of the COVID-19 pandemic, many existing investors decided to pause or reduce their investing activity, waiting for a clearer outlook of what to expect. Due to general uncertainty caused by the pandemic, over the year also significantly fewer new investors joined Mintos compared to years before. As the COVID-19 outbreak accelerated and countries went into lockdowns, we also started to see many borrowers were unable to make loan repayments. The government-imposed moratoriums for borrowers further disrupted timely borrower repayments, increasing the amount of underperforming loans globally. Problems with the loan portfolio performance and subsequent problems for some lending companies on Mintos thus further influenced the loss of confidence in investing in loans among investors. Under these circumstances, the investment volumes that dropped in March remained low for the most of the year, starting to recover only towards the end of 2020.

Overall, during 2020, we saw many risks materializing: borrower default risk, lending company risk, regulatory risk, exchange rate risk, and overall country risk. Our team put a lot of effort into managing different situations that arose from these events. We strengthened our risk team by hiring a Chief Risk Officer, and formed a new team dedicated exclusively to working with recoveries. We boosted our communication efforts, introducing regular and transparent reporting about funds in recovery for investors. We also organized regular live video AMA (Ask Mintos Anything) sessions with the CEO and recovery team, and we launched new product features based on feedback from investors on Mintos. Despite the challenges, the vast majority (>80%) of the funded portfolio continued to perform and generate returns to investors.

2020 key events and timeline

Our agile approach helped us to make progress even in the difficult environment of 2020. Over the year, we developed and implemented many projects, moving closer to our vision of becoming the primary financial relationship to the next generation of investors.

In February 2020, we launched the Mintos mobile app, downloaded by 151 911 investors by the end of the year. One year later, the Mintos mobile app has strong ratings of 4.7 on App Store and 4.1 on Google Play Store. Every day, 30 000 Mintos investors use the app to check and manage their investment portfolios.

To assist investors in comparing different loans available on our marketplace, we overhauled the previously available risk assessment model and introduced the Mintos Risk Score in October 2020. With the help of more data which we have gathered over time, we upgraded the risk assessment model to a numerical point-based model established on more diverse criteria, and four subscores covering loan performance, loan servicer efficiency, buyback strength, and cooperation structure.

Over the course of 2020, we also invested a lot of time and work into Mintos becoming a fully regulated marketplace and implementing the accompanying changes that regulation will require. In spring 2020, we submitted formal applications for an Investment Firm and Electronic Money Institution licence with the Financial and Capital Markets Commission (FCMC) in Latvia. Where possible, we already launched new processes and requirements prior to being licenced, such as a Suitability and Appropriateness assessment of investors, introduced in December 2020.

As the arrival of vaccines signaled a possible end of the pandemic, and with the first signs of recovery, we set out to fundraise and launched the Mintos crowdfunding campaign in November 2020 on the Crowdcube crowdfunding platform. In the first 15 minutes of opening, we raised €1 million, and over the 10-day course of the campaign, 6 147 investors invested more than €6.550 million in Mintos, the largest crowdfunding amount ever raised on Crowdcube in continental Europe. We will invest the raised money to accelerate the company's growth and expand our product offering to capitalize on the increasing retail demand for alternative investments.

Finally, in December 2020, we were particularly proud to receive AltFi's "People's Choice Award". It was the fifth year in a row we received this award, which was a great endorsement for us, and also evidence of a strong and loyal community of Mintos investors.

Mintos 2020 timeline

January
- Loan Magazine Poland award *Technological Solution of the Year 2019*

February
- Mintos marketplace available in Dutch
- First "Tech Stash by Mintos" community event
- Mintos mobile app launched

March
- €5 billion in loans funded

April
- Investment Firm and Electronic Money Institution license application
- First Mintos Crowdlending Survey

May
- €100 million in interest earned by Mintos investors

June
- European Fintech Association established with Mintos as a founding member

July

August
- Diversified, Conservative and High-yield Mintos strategies launched

September

October
- Mintos Risk Score introduced

November
- *Mintos is crowdfunding* campaign on Crowdcube

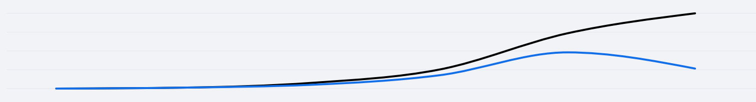
December
- Suitability and Appropriateness assessment introduced
- Received fifth in a row AltFi's *People's Choice Award*

Summary of key metrics and financial results

In 2020, 128 380 new investors joined Mintos (5.8% less than in 2019), bringing a total number to 363 312 investors from 105 countries at the end of the year. With €1.6 billion in loans funded in 2020, the total cumulative volume of funded loans reached €5.908 billion, compared to €4.352 billion in 2019 (+35.75% year-over-year). At the end of the year 53 active lending companies offered loans for investing on our marketplace.

Total loans funded on Mintos

million EUR



	2015	2016	2017	2018	2019	2020
Loans funded per year	€ 10	€ 99	€ 332	€ 1 044	€ 2 866	€ 1 556
Total loans funded (cumulative)	€ 10	€ 109	€ 442	€ 1 486	€ 4 352	€ 5 908

Registered investors on Mintos

	2016	2017	2018	2019	2020
Total number of investors	17 052	43 457	98 546	234 932	363 312

The outstanding funded loan portfolio decreased from €542.1 million in 2019 to €387.6 million in 2020. As of 31 December 2020, average outstanding balance per active investor was €2 398, invested across 197 different loans (€12 per loan).

In 2020, investors on Mintos earned €53.38 million in interest (+18.9% compared to €44.91 million in 2019), and the weighted average interest rate for investments made on Mintos in 2020 was 13.3%.

Interest earned by investors on Mintos

	2015	2016	2017	2018	2019	2020
Interest earned per year	€ 308 861	€ 2 297 403	€ 7 644 163	€ 20 829 526	€ 44 910 045	€ 53 380 536
Total interest earned	€ 308 861	€ 2 606 264	€ 10 250 427	€ 31 079 953	€ 75 989 998	€ 129 370 535

The turmoil in 2020 caused a number of loans to underperform, many of which eventually ended up in recovery. This resulted in additional €117.1 million of invested principal put at higher risk of loss in 2020, of which €32.3 million was recovered by the end of the year (€33.8 million including interest recovered). As of 31 December 2020, a total of €94.5 million of principal remained at higher risk, which equals 15.6% of the total pre-pandemic portfolio as of February 2020. Our team continues to work proactively on recoveries, regularly updating investors on the progress and status of each case. Based on our current estimates, we expect to recover a major part of outstanding principal at higher risk of loss.

Despite the challenging circumstances, in 2020 our revenue grew by 10.9% compared to the year before. After the slowdown that started in March, we saw the growth to recover towards the end of 2020 and closed the year with €10.189 million in revenue, up from €9.189 million in 2019 (revenue in 2018: €4.659 million, 2017: €2.109 million).

Our losses in 2020 amounted to €1.967 million. This loss is largely the result of investments we continued to make in growth and product, especially in the first quarter of the year. With the start of the pandemic, we cut back on some of the initiatives and introduced various cost cutting measures to reduce our cash burn rate.

Besides investments in growth and product, the loss includes also €508 thousand charge-off for the exposure to loans that Mintos took before the pending payments were introduced to the platform, and €210 thousand related to the fair value of share-based payment benefits which are being recognized over the vesting period. In managements' view, by their nature these charges are not reflective of ongoing trading performance and they are not considered part of the underlying results. Excluding these charges, the result is a loss of €1 243 thousand in 2020, compared to a loss of €759 thousand in 2019 (adjustment for share-based payment benefits included).

In 2020, we continued to make significant investments in IT systems with a total investment of €1.909 million, compared to €1.168 million in 2019.

Risks and uncertainties

Risk management is an integral part of the Mintos business operations. The goal of the risk management strategy is to ensure sustainable business development and to avoid exposure to risks that cannot be assessed or that exceed the acceptable risk appetite.

By establishing the position of the Chief Risk Officer in 2020, we strengthened our risk management function. The role of the Chief Risk Officer is to have an oversight of business operations independent from business functions and to ensure that Mintos is operating within the set risk appetite.

When it comes to the internal risk assessment, Mintos is exposed to the following principal risks: concentration risk, counterparty risk, IT security risk, liquidity risk, operational risk, regulatory compliance risk, and reputational risk.

The business operations of Mintos are influenced by the market dynamics on the macroeconomic level, as the company and its clients experienced in practice in 2020 with the COVID-19 pandemic. The company's performance is tied to the ability of borrowers across multiple geographies to make repayments of their loans, and then also the business performance of the lending companies on the marketplace. The risk that comes with a global presence is at the same time cushioned by the opportunities to diversify operations. Mintos management and risk team monitor global developments and assess the possible risks and evaluate potential responses where necessary.

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

Mintos is also committed to protect investors on the marketplace from exposing themselves to unacceptable risk levels. This is done by providing supporting tools for the risk assessment such as the Mintos Risk Score, introducing Suitability and Appropriateness assessment for investors, and working on similar initiatives to increase investors' awareness of risks that come with investing.

Statement of management responsibilities

The management of Mintos will continue to evaluate the market developments, in order to make the best business 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 in the period when the Annual Report was being completed. The future activities of Mintos may differ from the current management's standings, based on market changes, significant threats and opportunities.

The management is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

This audited Consolidated annual report will be presented for shareholders' approval at the shareholders' meeting in June 2021.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Consolidated financial statements:

Consolidated statement of comprehensive income

Consolidated financial statements:
Consolidated statement of comprehensive income

26 May 2021

	Notes	2020 EUR	2019 EUR
Commission and fee income	5	10 189 424	9 188 765
Commission and fee expenses	6	(189 221)	(150 439)
Net commission income		**10 000 203**	**9 038 326**
Employee remuneration expenses	7	(5 876 096)	(4 206 186)
Depreciation and amortization	12, 13	(1 160 330)	(484 779)
Administrative and other general expenses	8	(4 757 819)	(5 433 372)
Other income	9	550 228	299 355
Impairment losses	27a	(595 321)	(122 096)
Interest and similar expenses	10	(97 160)	(40 233)
Interest and similar income		1	723
(Loss) before tax		**(1 936 294)**	**(948 262)**
Corporate income tax	11	2 336	(3 087)
Deferred income tax	11	(26 723)	(20 555)
(Loss) for the year		**(1 960 681)**	**(971 904)**
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		(6 519)	(1 842)
Other comprehensive (loss) for the year, net of tax		(6 519)	(1 842)
Total comprehensive income/(loss)		**(1 967 200)**	**(973 746)**

The accompanying notes 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

26 May 2021

Assets	Notes	31/12/2020 EUR	31/12/2019 EUR
Non-current assets			
Intangible assets	12	2 534 718	1 318 745
Fixed assets	12	366 337	441 008
Right-of-use assets	13	1 628 129	1 197 716
Deferred acquisition costs		1 504	7 803
Other debtors and assets	14	36 964	3 500
Total non-current assets		**4 567 652**	**2 968 772**
Current assets			
Trade receivables	15	608 388	1 087 750
Other debtors and assets	14	197 199	191 944
Deferred acquisition costs		5 755	11 752
Cash at banks	16	867 842	689 917
Total current assets		**1 679 184**	**1 981 363**
TOTAL ASSETS		**6 246 836**	**4 950 135**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1 001 094	1 000 003
Share premium	17	3 501 442	2 599 997
Other capital reserves	17, 24	576 684	366 814
Foreign currency exchange reserve	17	(5 219)	1 300
Retained losses		(3 892 669)	(1 931 988)
Total Equity		**1 181 332**	**2 036 126**
Non-current liabilities			
Advances received	18	-	37 435
Deferred tax liabilities	11	74 024	47 301
Lease	13	1 284 865	855 562
Contract liabilities	19	113 659	164 187
Total Non-current liabilities		**1 472 548**	**1 104 485**
Current liabilities			
Trade and other payables	20	539 848	562 565
Loans from shareholders	23	150 000	-
Lease	13	238 156	220 875
Taxes and State mandatory social insurance payments	21	1 964 989	294 858
Advances received	18	53 294	89 636
Accrued liabilities	22	481 871	486 500
Contract liabilities	19	164 798	155 090
Total Current liabilities		**3 592 956**	**1 809 524**
TOTAL EQUITY AND LIABILITIES		**6 246 836**	**4 950 135**

The accompanying notes 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

26 May 2021

Cash flows to/from operating activities	Notes	2020 EUR	2019 EUR
Profit/(loss) before tax		(1 936 294)	(948 262)
Adjustments for:			
Amortisation and depreciation	12,13	1 160 330	484 779
Unrealised loss from fluctuations of currency exchange rates		16 451	3 840
Other interest and similar income		(1)	(723)
Interest and similar expense	10	68 190	36 393
Share-based payment expense	7	209 870	212 601
Gain/loss on disposal of property, plant and equipment		44 624	7 196
Impairment losses	27a	595 321	122 096
(Increase)/decrease in receivables and other assets		(390 882)	(834 614)
Increase/(decrease) in payables		1 730 527	839 063
Cash generated from operations		**1 498 136**	**(77 631)**
Corporate income tax paid		2 336	(3 087)
Net cash flows to/from operating activities		**1 500 472**	**(80 718)**
Cash flows to/from investing activities			
Purchase of equipment	12	(123 937)	(442 940)
Disposal of equipment		25 998	2 800
Purchase of intangible assets	12	(1 915 505)	(1 193 381)
Issued loans to related parties		(56 000)	(125 000)
Received repayment issued loans		-	125 000
Interest received		-	722
Net cash flows to/from investing activities		**(2 069 444)**	**(1 632 799)**
Cash flows to/from financing activities			
Issued share capital	17	1 091	2
Issued, paid share premium	17	901 445	1 599 998
Repayment of lease liabilities	13	(282 690)	(73 977)
Interest paid		(6 498)	(4 563)
Received loans from related parties	23	150 000	1 534 279
Repayment of received loans		-	(1 559 279)
Net cash flows to/from financing activities		**763 348**	**1 496 460**
Change in cash at banks		194 376	(217 057)
Net foreign exchange difference		(16 451)	(3 840)
Cash at banks at the beginning of the year		689 917	910 814
Cash at banks at the end of the year		**867 842**	**689 917**

The accompanying notes 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

26 May 2021

	Notes	Share capital	Share premium	Other capital reserves	Foreign currency translation reserve	Retained losses	Total
Balance as at 31 December 2018		**1 000 001**	**999 999**	**154 213**	**3 142**	**(960 084)**	**1 197 271**
Issue of share capital	17	2	1 599 998	-	-	-	**1 600 000**
Share based payments	24	-	-	212 601	-	-	**212 601**
Loss for the reporting year		-	-	-	-	(971 904)	**(971 904)**
Other comprehensive income		-	-	-	(1 842)	-	**(1 842)**
Total comprehensive income		-	-	-	(1 842)	(971 904)	**(973 746)**
Balance as at 31 December 2019		**1 000 003**	**2 599 997**	**366 814**	**1 300**	**(1 931 988)**	**2 036 126**
Issue of share capital	17	1 091	901 445	-	-	-	**902 536**
Share based payments	24	-	-	209 870	-	-	**209 870**
Loss for the reporting year		-	-	-	-	(1 960 681)	**(1 960 681)**
Other comprehensive income		-	-	-	(6 519)	-	**(6 519)**
Total comprehensive income		-	-	-	(6 519)	(1 960 681)	**(1 967 200)**
Balance as at 31 December 2020		**1 001 094**	**3 501 442**	**576 684**	**(5 219)**	**(3 892 669)**	**1 181 332**

The accompanying notes 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 2020 were authorised for issue in accordance with a resolution of the Board Members on 26 May 2021. 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.

The major shareholder of the Group is AS Grumpy Investments (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 26 May 2021. These consolidated financial statements are prepared on a historical cost basis.

The presentation currency used in the consolidated financial statement is euro (EUR), the presentation currency of the Republic of Latvia. The financial statements cover the period 1 January 2020 through 31 December 2020.

The consolidated financial statements provide comparative information in respect of the previous period. Comparative period is from 1 January 2019 through 31 December 2019.

b. *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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 2020, 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.

New requirements effective for 2020 which did not have a significant effect to the Group:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform.

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 2020:

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

The Group has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 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 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements, except for COVID-19-Related Rent Concessions (Amendment to IFRS 16) as explained in section 2d.

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

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

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. In order 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 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.

<u>Financial assets at amortised cost</u>

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 day back stop and 90 day 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 on a monthly basis.

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 on a monthly basis.

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 24. 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 25), while these assets and liabilities are not recognised in the statement of financial position.

q. *Leases*

The Group has adopted IFRS 16 using the modified retrospective approach of adoption with the date of initial application of 1 January 2019.

Determining the lease term of contracts with renewal and termination options – 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 or not 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 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 66 721 (2019: nil) (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 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 2020 is 3.85% (2019: 3.2%), for office rent – 4.5% (2019: 4.5%).

r. *Income taxes and deferred taxes*

The Groups 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 24 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	2020 % of ownership	2019 % of ownership
Mintos Holding 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 Marketplace 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	-
Mintos Deutschland GmbH	Support entity	Germany	100	100
Mintos Marketplace Indonesia PT	Support entity	Indonesia	49	-

5. Commission and fee income

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

Type of income:		2020	2019
Service fee - lending companies		9 353 793	8 753 223
Secondary market fee		400 970	-
Foreign currency exchange commissions		240 840	316 470
Connection fee income		193 821	119 072
	TOTAL:	**10 189 424**	**9 188 765**
Geographical markets:			
Europe		6 722 806	6 337 241
Asia		2 275 347	1 510 505
Africa		1 072 401	1 279 576
America		118 870	61 443
	TOTAL:	**10 189 424**	**9 188 765**
Timing of revenue recognition*:			
Services transferred over time		9 995 603	9 069 693
Services transferred at a point in time		193 821	119 072
	TOTAL:	**10 189 424**	**9 188 765**

* Timing of revenue recognition data of 2019 was restated to provide comparative information, no effect on prior year results and equity.

6. Commission and fee expenses

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

7. Employee remuneration expenses

	2020	2019
Salaries	6 136 714	4 207 187
Social security contributions	1 389 637	953 895
Shares based payment expenses (see Note 24)	209 870	212 601
Risk duty	702	521
Total:	**7 736 923**	**5 374 204**
Less: Capitalized development costs	(1 860 827)	(1 168 018)
TOTAL:	**5 876 096**	**4 206 186**

Part of salaries and related taxes have been capitalised to IT development costs (see Note 12). The Group employed 161 employees at the end of 2020 and 177 employees at the end of 2019.

Key management personnel consist of management board and heads of functions that have significant impact on operations of the Group. During 2020 there were 9 employees as key management personnel (2019 – 8 employees). Key management personnel salaries and social security contributions of the Group amounted to EUR 913 thousand in 2020 (EUR 938 thousand in 2019), while share based payments amounted to EUR 53 thousand (EUR 25 thousand in 2019).

8. Administrative and other general expenses

	2020	2019*
IT and communication expenses	991 951	489 770
Direct client acquisition costs**	948 952	1 942 237
Bank commissions	659 204	407 938
Non-deductible VAT	440 311	430 959
Legal expenses	427 378	299 112
Indirect client acquisition expenses	404 313	459 696
Compliance expenses	196 593	191 368
Other personnel related expenses	196 364	459 025
Office rent and related expenses	168 086	185 601
Audit and consultation expenses***	126 546	136 791
Office expenses	115 914	136 788
Business trips	71 203	201 409
Other expenses	11 004	92 678
TOTAL:	**4 757 819**	**5 433 372**

* Data 2019 was reclassified to provide comparative information, no effect on prior year results and equity.

** 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 2020 of EUR 44 thousand (EUR 28 thousand in 2019).

9. Other income

	2020	2019
Penalty income*	447 651	242 906
Income from reduced lease payments	66 721	-
Other income	35 856	56 449
TOTAL:	**550 228**	**299 355**

* Penalty income are recognised based on contracts for not meeting contractual liabilities. See Note 21.

10. Interest and similar expenses

	2020	2019
Interest expenses calculated on leases (Note 13)	55 265	16 038
Currency exchange losses	16 451	3 840
Penalty expenses	12 519	3 528
Interest on deferred payments	7 007	-
Interest expenses from received loan (Note 23)	5 918	16 827
TOTAL:	**97 160**	**40 233**

11. Corporate income tax, deferred corporate income tax

	2020	2019
Current corporate income tax/ (benefit)	(2 336)	3 087
Deferred corporate income tax	26 723	20 555
Corporate income tax charged to the statement of profit or loss:	**24 387**	**23 642**

Deferred corporate income tax liabilities	**31/12/2020**	**31/12/2019**
Liabilities		
From undistributed profits of the Group's subsidiaries	74 024	47 301
Deferred corporate income tax liabilities:	**74 024**	**47 301**

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.

Legal entities in Latvia are not required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. In accordance with the mentioned amendments, a taxable person which has reported a loss as at 31 December 2017 in their corporate income tax return may decrease corporate income tax charged for dividends in the reporting year by the amount equal to 15 % of the total uncovered loss. If this amount is not used or is used only partially in the reporting year, the balance (tax on uncovered loss) may be attributed to corporate income tax which will be charged on dividends in the subsequent four reporting years by decreasing the balance (tax on uncovered loss) to the extent of the discount used each year accordingly. The outstanding balance of such Group's tax loss is EUR 686 696, of which 15 % are EUR 103 004. This amount may be used as a corporate income tax discount by decreasing corporate income tax charged for dividends by 50 % in subsequent reporting years but no later than the reporting year beginning in 2022 (inclusive). Given that there is uncertainty if the uncovered loss can be utilised till the mentioned period for the given subsidiary, no deferred tax asset had been 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:

	2020	**2019***
Loss before corporate income tax	**(1 936 294)**	**(948 262)**
Theoretical corporate income tax 0%	-	-
Effect from different tax rates	-	-
Corporate income tax from non-deductible expense**	(5 220)	(42 893)
Change in undistributed profits of the Group's subsidiaries	(26 723)	(20 555)
Corporate income tax charge for distributed subsidiary profits during the year	-	(2 937)
Minimal corporate income tax	(100)	(150)
Correction of corporate income tax in 2017	2 436	-
Total corporate income tax	**(29 607)**	**(66 535)**
Out of this:		
Corporate income tax and deferred corporate income tax	**(24 387)**	**(23 642)**
Administrative and other general expenses**	**(5 220)**	**(42 893)**
Effective income tax rate	**1.3%**	**2.5%**

* Data 2019 was reclassified to provide comparative information, no effect on prior year results and equity.

** 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 in progress	Internal software*	TOTAL INTANGIBLE ASSETS	Fixed assets
Year ended 31 December 2019					
Carrying amount as at 1 January 2019	10 659	-	439 271	449 930	86 821
Additions	25 363	218 730	949 288	1 193 381	442 940
Disposals	-	-	-	-	(18 621)
Depreciation and amortisation	(1 155)	-	(323 411)	(324 566)	(81 557)
Depreciation of disposals	-	-	-	-	11 425
Carrying amount as at 31 December 2019	**34 867**	**218 730**	**1 065 148**	**1 318 745**	**441 008**
As at 31 December 2019					
Cost	39 454	218 730	1 700 645	1 958 829	557 487
Accumulated amortisation, depreciation, and impairment	(4 587)	-	(635 497)	(640 084)	(116 479)
Carrying amount as at 31 December 2019	**34 867**	**218 730**	**1 065 148**	**1 318 745**	**441 008**
Year ended 31 December 2020					
Carrying amount as at 1 January 2020	34 867	218 730	1 065 148	1 318 745	441 008
Additions	6 281	443 455	1 465 769	1 915 505	123 937
Disposals	-	-	-	-	(63 320)
Depreciation and amortisation	(562)	-	(698 970)	(699 532)	(153 984)
Depreciation of disposals	-	-	-	-	18 696
Carrying amount as at 31 December 2020	**40 586**	**662 185**	**1 831 947**	**2 534 718**	**366 337**
As at 31 December 2020					
Cost	45 735	662 185	3 166 414	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 2020	**40 586**	**662 185**	**1 831 947**	**2 534 718**	**366 337**

* Starting from 2019 Internal software included also capitalization costs for systems that are not being launched yet. In 2020 such unlaunched systems are shown in the new position 'Internal software in progress'. To show comparative data Internal software was reclassified also for prior year, no effect on prior year performance and equity position. Internal projections support the amounts recognised as internal software in progress and thus no impairment allowance was assessed as necessary.

Part of the IT employees are involved in building technical solutions that are the backbone for operating Mintos. These systems are constantly built to meet both external and internal needs, and these are constantly being developed and it is not expected in a foreseeable future that it will be fully finalized. As the systems are fully developed internally by IT department, related payroll and tax payments are capitalized for those IT employees who were involved in the development of the systems. The list of capitalized salaries is reviewed every month and capitalized amount can vary from 30% to 90%. During 2020 capitalised salary and related taxes for such systems amounted to EUR 1 860 827 (2019 - EUR 1 168 018), further also contractors' fees in amount of EUR 48 397 were capitalised (2019 – EUR 0). Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment. The most significant of these systems is the core Mintos system with carrying value of EUR 1 271 900 as at 31 December 2020 (EUR 864 332 as at 31 December 2019). The systems are constantly being developed and are working very successfully, supporting the increase in the number of investors and lending companies using the platform. Given the aforementioned aspects and future development projections the management consider that having performed an assessment there is no need to recognise impairment.

13. Lease

The Group has lease contracts of vehicles and office rent of 3 premises used in its operations, the third set of premises were finished in 2020. Leases of motor vehicles have lease term of 5 years and office rent term is 10 years with non-cancellable period of 60 months. As the Group is growing fast management predicts that after 5 years the Group will need a bigger office. That is why it 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.

Recognition and movement of right-of-use assets:

	Motor vehicles	Office rent	Total
Carrying amount as at 1 January 2019	-	996 771	996 771
Additions	49 969	229 632	279 601
Depreciation expense	(7 495)	(71 161)	(78 656)
Carrying amount as at 31 December 2019	**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 expense	(11 235)	(295 579)	(306 814)
As at 31 December 2020	**43 647**	**1 584 482**	**1 628 129**

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

	2020	2019
As at 1 January	1 076 437	996 771
Additions	937 476	138 640
End of lease	(196 746)	-
Accretion of interest	55 265	16 038
Discounts	(66 721)	-
Payments	(282 690)	(75 012)
As at 31 December	**1 523 021**	**1 076 437**
Current	238 156	220 875
Non-current	1 284 865	855 562

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

	2020	2019
Depreciation expense of right-of-use assets	(306 814)	(78 656)
Interest expense on lease liabilities (Note 10)	(55 265)	(16 038)
Income from lease discounts (Note 9)	66 721	-
Expenses relating to short-term leases (included in Note 8 "Administrative and other general expenses")	(67 325)	(121 499)
Total amount recognized in profit or loss	**(362 683)**	**(216 193)**

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. 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 2020 and as at 31 December 2019 relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within 5 years 31/12/2020	More than 5 years 31/12/2020	Total 31/12/2020	Within 5 years 31/12/2019*	More than 5 years 31/12/2019*	Total 31/12/2019
Termination options expected not to be exercised	318 908	1 397 890	1 716 798	57 010	1 149 841	1 206 851
TOTAL:	**318 908**	**1 397 890**	**1 716 798**	**57 010**	**1 149 841**	**1 206 851**

* Data 2019 was reclassified to provide comparative information, no effect on prior year results and equity.

The Group had total cash outflows for leases of EUR 282 690 in 2020 (2019: 75 012 EUR). The Group also had other right-of-use assets and lease liabilities related expenses of EUR 30 110 in 2020 (2019: EUR 15 752).

14. Other debtors and assets

	31/12/2020	31/12/2019*
Security deposits	36 863	-
Prepaid expenses	101	3 500
Total other debtors and assets non-current	**36 964**	**3 500**
Loans to management	56 000	-
Prepaid expenses	50 232	78 330
Security deposits	3 404	29 404
Advance payments	37 418	32 608
Tax assets	22 397	16 181
Goods for sale	15 660	-
Other debtors and assets	12 088	35 421
Total other debtors and assets current	**197 199**	**191 944**
TOTAL:	**234 163**	**195 444**

* Data 2019 was reclassified to provide comparative information, no effect on prior year results and equity.

The Group recognizes other debtors and assets at Stage 1, without credit risk since initial recognition,impairment effect assessed as not material.

15. Trade receivables

	31/12/2020	31/12/2019
Unbilled receivables*	635 061	941 144
Trade receivables	182 432	268 702
Impairment allowance (Note 27a)	(209 105)	(122 096)
TOTAL:	**608 388**	**1 087 750**

* 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

	31/12/2020	31/12/2019
Commercial banks in the Republic of Latvia	834 023	195 063
Commercial banks in the Republic of Poland	9 891	20 714
Commercial banks in the Republic of Germany	9 129	22 798
Commercial banks in United Mexican States	8 411	11 248
Commercial banks in the Republic of Estonia	3 229	13 039
Commercial banks in the Republic of Lithuania	1 969	420 637
Commercial banks in the Republic of Indonesia	666	-
Commercial banks in Russian Federation	489	83
Commercial banks in the United Kingdom	35	531
Commercial banks in the Czech Republic	-	5 804
TOTAL:	**867 842**	**689 917**

This financial asset is not impaired as at 31 December 2020 (EUR 0 impairment as at 31 December 2019). Placements with Banks are of short-term nature and have a low probability of default and loss hence no ECL on placements with Banks arises.

17. Share capital and other equity reserves

	31/12/2020			31/12/2019		
	Paid in Capital	Share premium	Number of shares	Paid in Capital	Share premium	Number of shares
Class A shares	1 000 003.50	3 499 996.50	10 000 035	1 000 002.60	2 599 997.40	10 000 026
Class B shares	1 090.60	1 445.90	10 906	-	-	-
Total	**1 001 094.10**	**3 501 442.40**	**10 010 941**	**1 000 002.60**	**2 599 997.40**	**10 000 026**

Class A shares are shares with voting rights and are entitled to dividends. Each share has nominal value of EUR 0.10. During 2020 share capital and share premium from Class A shares were increased by EUR 0.9 million (EUR 1.6 million in 2019) through issue of 9 new shares (16 new shares in 2019) with nominal value of EUR 0.10 and share premium of EUR 99 999.90 each.

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 24) and issued as conditional share capital. During 2020 10 906 new Class B shares were issued (0 in 2019) that resulted in increase in share capital by EUR 1 091 and share premium by EUR 1 446.

In January 2021, the Group attracted additional capital via crowdfunding campaign. In result, additional 1 070 264 shares with nominal value of EUR 0.10 and share premium of EUR 6.02 were issued and fully paid during January 2021, resulting in increase of equity by EUR 6.3 million (net). All issued shares where Class A shares.

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 recognise the credit in other capital reserves. See Note 24 for more info.

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. Advances received

	Balances as at: 01/01/2019	Transactions during 2019	Balances as at: 31/12/2019	Transactions during 2020	Balances as at: 31/12/2020
*Cash flow of advances in relation to Cashback campaign**	214 140	(87 069)	127 071	(73 777)	53 294
Short term 12m	105 355		89 636		53 294
Long term > 12 m	108 785		37 435		-
TOTAL:	**214 140**	**(87 069)**	**127 071**	**(73 777)**	**53 294**

* Advances received consists of pre-payments from some of the Group's clients for the service fee. Such pre-payments were agreed given that Group made investment on its behalf in client acquisition campaigns. It is Group's discretion whether to make repayment of the pre-payment received or to net it against the issued service fee invoices.

19. Contract liabilities

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

	01/01/2019	New contract liabilities during 2019	Revenue recognized during 2019	31/12/2019	New contract liabilities during 2020	Revenue recognized during 2020	31/12/2020
Contract liabilities	191 849	246 500	(119 072)	319 277	153 001	(193 821)	278 457
Non-current > 12m	104 360			164 187			113 659
Current 12m	87 489			155 090			164 798
TOTAL:	**191 849**			**319 277**			**278 457**

20. Trade and other payables

	31/12/2020	31/12/2019
Salary payables	307 059	317 765
Trade payables	167 465	181 906
Advance payments received	65 324	62 894
TOTAL:	**539 848**	**562 565**

21. Taxes and State mandatory social insurance payments

	31/12/2020	31/12/2019
Statutory social insurance contributions	1 198 923	161 793
Personal income tax	564 379	84 972
Value added tax	200 702	33 050
Business risk fee	51	16
Corporate income tax	934	15 027
TOTAL:	**1 964 989**	**294 858**

The year end balances of tax payments constitute of current monthly tax obligations and deferred tax payables for the payments originally due throughout year 2020. The repayment schedule of deferred payments agreed with the State Revenue Service was spread over year 2021 and repayment was planned from operational cash flow. However, along with additional capital raised in the beginning of year 2021 (see Note 17), all deferred tax payables have been repaid in February 2021 ahead of the schedule.

22. Accrued liabilities

	31/12/2020	31/12/2019
Accrued expense of unused vacation	302 456	178 862
Accrued expense of received services	179 415	307 638
TOTAL:	**481 871**	**486 500**

23. 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.

The Group is ultimately controlled by AS Grumpy Investments (incorporated in Latvia). During year 2020 AS Grumpy Investments had made a payment for capital increase of EUR 0.9 million (EUR 1.6 million in 2019), as well as issued loans with outstanding amount of EUR 150 000 at 31 December 2020 (no outstanding amount as at 31 December 2019) for which interest expense of EUR 5 918 was incurred (EUR 16 827 in 2019).

Some of the Group's clients – lending companies, to whom the Group provides services have been related parties for whole or part of the reporting period. According to IAS 24 these related parties are controlled by the same person who has significant influence in Mintos. Income from these entities earned by the Group during 2020 was EUR 5 351 (EUR 330 286 in 2019) and is included under Commission and fee income. Unbilled receivables from these transactions as at 31 December 2020 were EUR 0 (EUR 0 as at 31 December 2019).

Key management personnel compensation of the Group is EUR 913 thousand in 2020 (EUR 938 thousand in 2019), while share based payments amounted to EUR 53 thousand (EUR 25 thousand in 2019). As at 31 December 2020 a loan to one key management personnel in amount of EUR 56 thousand had been issued.
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:		31.12.2018	-	-	271
2019	Received		-	1 534 279	16 827
	Repaid		-	(1 534 279)	(15 945)
	Issued		-	-	-
	Received repayment		-	-	-
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

24. Share-based payments

Share option plan

According to 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 209 870 during the reporting year (EUR 212 601 in 2019) in relation to respective share option plan.

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

	2020		2019	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	2 053 907	0.28	1 851 177	0.18
Granted	31 508	1.80	202 730	1.18
Exercised	(10 906)	0.10	-	-
Forfeited	(1 312 500)	0.10	-	-
Outstanding as at 31 December	762 009	0.59	2 053 907	0.28
Exercisable as at 31 December	567 698	0.43	1 726 998	0.15

There were 154 437 share options vesting during 2020 (483 694 in 2019). Share-based payments to key management personnel were EUR 53 315 (EUR 25 393 in 2019).

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:

Range of exercise price	Number	Contractual maturity
EUR 0.10 to EUR 0.16	237 500	5.01
EUR 0.32 to EUR 0.64	134 419	5.87
EUR 0.80 to EUR 2.72	396 225	8.11

The weighted average remaining contractual life for the share options outstanding was 6.86 years (6.6 years as at 31 December 2019).

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 4.81 (EUR 2.49 in 2019).

The following table lists the key inputs used during 2020 and 2019:

	2020	2019
Weighted average fair value of share price	5.67	3.60
Weighted average exercise price	1.80	1.18
Expected life of share options (years)	5.00	6.01
Expected volatility (%)	50%-90%	50%
Dividend yield (%)	0%	0%
Risk-free interest rate (%)	3%	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. This corresponds to reasonable expectation of liquidity event happening in up to 5 years from the balance sheet date. 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.

25. 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		31/12/2020	31/12/2019
Personal Loans		206 599 168	287 703 790
Car Loans		82 852 123	78 655 310
Short Term Loan		77 432 849	158 782 610
Business Loans		8 377 945	8 177 211
Mortgage Loans		5 209 894	4 835 221
Agricultural Loans		4 060 527	825 585
Pawn broking Loans		2 826 468	2 160 119
Invoice Financing		258 797	959 101
	TOTAL:	**387 617 771**	**542 098 947**

By Region		31/12/2020	31/12/2019
Europe		292 623 851	354 732 550
Asia		57 264 236	135 376 959
Africa		34 077 191	45 734 054
Latin America		3 652 493	6 255 384
	TOTAL:	**387 617 771**	**542 098 947**

As at 31 December 2020 and 31 December 2019 Mintos held the cash of investors, lending companies on separate bank accounts. The outstanding amounts of off-balance cash in local currency equivalent as at 31 December 2020 and 31 December 2019 were:

Currency	in local currency	31/12/2020, EUR	in local currency	31/12/2019, EUR
EUR	51 822 062	51 822 062	31 494 037	31 494 037
PLN	5 349 197	1 173 147	5 538 111	1 301 003
RUB	83 958 994	917 915	33 767 112	482 689
CZK	5 803 798	221 164	9 029 875	355 395
DKK	1 987 458	267 099	2 322 934	310 906
GBP	104 331	116 049	260 920	306 676
KZT	532 855 902	1 032 406	78 059 748	182 894
MXN	6 339 748	259 655	2 626 178	123 758
USD	166 179	135 424	105 305	93 738
SEK	316 825	31 574	793 400	75 947
GEL	-	-	16 468	5 282
RON	131	27	1 917	401
CHF	-	-	100	92
BGN	5	3	5	3

26. 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 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.

Changes in liabilities arising from financing activities

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

	01/01/2020	Cash Flows	New leases/ End of lease	31/12/2020
Lease	1 076 437	(282 690)	729 274	1 523 021
Total liabilities from financing activities	**1 076 437**			**1 523 021**

The below table discloses changes in liabilities arising from financing activities as at 31 December 2019:

	01/01/2019	Cash Flows	New leases	31/12/2019
Lease	996 771	(75 012)	154 678	1 076 437
Total liabilities from financing activities	**996 771**			**1 076 437**

27. Risk management

a. Financial risks management

The Group has assessed that its material financial risks arise from liquidity risk and credit risk. Interest rate and foreign exchange risk in 2020 and 2019 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 at 31 December 2020:

Liabilities	31/12/2020
Lease non-current	1 228 044
Lease current	472 262
Trade and other payables	539 848
Accrued liabilities	481 871
Loans from related parties	150 000
TOTAL	**2 872 025**

The below table discloses undiscounted financial liabilities as at 31 December 2019:

Liabilities	**31/12/2019**
Lease non-current	971 277
Lease current	264 181
Trade and other payables	562 565
Accrued liabilities	486 500
TOTAL	**2 284 523**

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

Liabilities	**31/12/2020**
Lease non-current	1 284 865
Lease current	238 156
TOTAL	**1 523 021**

The below table discloses discounted financial liabilities as at 31 December 2019:

Liabilities	**31/12/2019**
Lease non-current	855 562
Lease current	220 875
TOTAL	**1 076 437**

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. Trade receivables are even less concentrated since none of lending company's outstanding loans generating commission income for Mintos exceed 11% (2019: 6%) of the total.

Given the short-term nature of the receivables 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 Ba3 (by Moody's, institution group's rating is applied if no rating is issued for standalone counterparty) of EUR 27 365 (2019: EUR 486 162) and institutions with no ratings issued of EUR 840 477 (2019: EUR 203 755). 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. Given that significant balances are kept only with European Union banks, 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 2020 and in 2019. The Group's net trade receivables from the customers, unbilled receivables as at 31 December 2020 was EUR 608 388 (2019: EUR 1 087 750) after accounting for EUR 127 072 (2019: EUR 89 205) of impairment allowance for doubtful debts and EUR 82 033 (2019: EUR 32 891) impairment allowance based on Expected credit loss calculation below.

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 2020 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 of during 2020.

No impairment for credit losses were calculated in 2018 based on Group's assessment made that Group will recover full amount of the receivables. Less than 1.5% of Trade receivables has not been recovered since.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 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

The following contributed to the increase in the loss allowances during 2020.

- Part of trade receivable was started to be measured at amount of lifetime expected credit losses after few of the customers went into insolvency process.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2019:

		Days past due				
	Fully impaired doubtful debts	**<30 days**	**30-60 days**	**60-90 days**	**>90 days**	**Total**
Expected credit loss rate	100%	0.90%	8.07%	16.28%	20.04%	-
Estimated total gross carrying amount at default	89 205	1 068 599	34 686	24 144	82 453	1 299 087
Expected credit loss	89 205	9 640	2 799	3 932	16 520	122 096

Set out below is impairment allowance movement:

By impairment allowance type	**2020**	**2019**
Loss on exposure to loans the Group took before the pending payments functionality	508 099	-
Impairment allowance based on expected credit loss calculation	49 142	32 891
Impairment allowance for doubtful debts*	38 080	89 205
TOTAL	**595 321**	**122 096**

* Balance of impairment allowance for doubtful debts as at 31 December 2020 includes also income from fluctuations of currency exchange rates in 2020 in amount of EUR 213.

<u>Loans to related parties</u>

Receivables from related parties inherently are subject to the Group's credit risk. The Groups exposure to loans to related parties are deemed to be not material; therefore, not impairment calculations are made.

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. 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, including capital that is raised after the end of the year as disclosed in Note 29 Events after the balance sheet, 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.

28. Going concern considerations

Because of investments made in expansion and growth and due to the impacts of the pandemic-caused downturn of 2020, Group has been working with losses for the last three years. The loss might occur in the upcoming period too, as the Group continues to work on its growth-focused goals that will need considerable investments in people and technologies.

In November 2020, the Group led a successful crowdfunding campaign to attract additional capital. As a result, the equity increased from €1.18 million at the end of 2020 to €7.44 million in January 2021. After repaying deferred tax liabilities in full at the beginning of 2021, the Group has no external debt and it is not exposed to the risk of breaching its financial agreements. Once the process of obtaining the Investment Firm and Electronic Money Institution license is completed, the Group will look forward to the additional venture capital equity raise. Given the above, the Management is confident about the Group's ability to continue operating as a going concern.

29. Events after balance sheet date

Despite the ongoing pandemic-related restrictions, the sentiment of the Group's clients continued to improve in the first months of 2021. This improvement translates into an increase in the outstanding investment amount, monthly commission, and fee income.

In January, the Group closed the crowdfunding campaign that resulted in a €6.3 million (net) capital increase for the Parent company of the Group. This capital will enable the Group to continue working on its objectives in the upcoming period.

Except for what's been disclosed in these financial statements, no other significant events have happened after the balance sheet date.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

26 May 2021

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 11 to 43 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- 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 2020, 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 10 July 2020.

Reporting on Other Information

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

- General information, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages from 4 to 10 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 AS
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics AS
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
26 May 2021

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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