AS “DelfinGroup”

Annual accounts

for the year ended

31 December 2022

and

Consolidated

Annual accounts

for the year ended

31 December 2022

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

Translation from Latvian

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Information on the Company and Subsidiaries

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, Limited liability company)
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 47.91 Retail sale via mail order houses or via Internet NACE2 47.79 Retail sale of second-hand goods in stores NACE 47.77 retail sale of watches and jewellery in specialised stores
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	SIA L24 Finance (55.98%), 12 Juras Street, Liepaja, Latvia SIA AE Consulting (8.90%), 50A Skanstes Street, Riga, Latvia SIA EC finance (18.28%), 50A Skanstes Street, Riga, Latvia Other (16.84%)
Ultimate parent company	SIA L24 Finance Reg. No. 40103718685 12 Juras Street, Liepaja, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Aldis Umblejs – Member of the Board (from 15.12.2021) Sanita Zitmane – Member of the Board (from 01.03.2022) Ivars Lamberts – Member of the Board (from 11.01.2018 till 28.02.2022)

Names and positions of Supervisory Board members	Agris Evertovskis – Chairperson of the Supervisory Board (from 13.04.2021) Gatis Kokins – Deputy Chairman of the Supervisory Board (from 13.04.2021) Mārtiņš Bičevskis – Member of the Supervisory Board (from 13.04.2021) Jānis Pizičs – Member of the Supervisory Board (from 13.04.2021) Edgars Voļskis – Member of the Supervisory Board (from 13.04.2021)
Financial year	1 January 2022 - 31 December 2022
Name and address of the auditor	SIA KPMG Baltics Certified Auditors' Company license No. 55 Roberta Hirša street 1, Riga, LV-1045 Latvia Responsible Certified Auditor: Rainers Vilāns Certificate No. 200

Information on the Subsidiaries

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

Statement of management`s responsibility

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

The financial statements set out on pages 16 to 61 are prepared in accordance with the source documents and present the financial position of the Company and the Group as of 31 December 2022 and 31 December 2021 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 7 to 15 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

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

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

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

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

Management report

CEO statement

In the past year, we have successfully continued the development of *DelfinGroup* and fulfilled our mission - to create and provide innovative and custom financial solutions for every client. We aim to be a leader in the fast-growing, dynamic, and changing financial technology industry, attracting the most vital talent and offering widely used and modern financial products. We provide our customers with customized online and face-to-face services, allowing citizens to choose more understandable and convenient ways of receiving services. *DelfinGroup* has always paid increased attention to making our services available to the widest possible part of society, including in the regions of Latvia.

Although the year 2022 began with the gradual easing of pandemic restrictions, *DelfinGroup* was able to resume complete face-to-face services, which allowed us to look hopefully into the future, on February 24 of last year, the whole world was shaken by the news of Russia's start of a full-scale war in Ukraine. Russia's invasion of the neighbouring country caused a global energy crisis, which resulted in an economic recession, inflation, and uncertainty in the business environment. This meant adapting to the new situation in the Group's main business segments. Digitalization was developed in the pawn lending segment, an online store was renewed in the retail trade segment, and data science was improved in the consumer loan segment for more effective customer evaluation.

One of our strategic ambitions is to promote the circulation of pre-owned goods, promoting the circular economy culture in society. We have concluded that our society is still developing the habit of reusing goods, thus reducing consumption and encouraging thoughtful use of natural resources. An overwhelming majority of Latvian residents continue to keep items in their households that are not used and that could be put into circulation, maximizing the value of the goods and increasing their life cycle thus lowering CO2 emissions. It is essential to strengthen new habits in our society regarding the further use of pre-owned goods, to create an appropriate infrastructure and system that would motivate people to get involved and become a crucial part of the circular economy. That is why the *Banknote* concept developed by *DelfinGroup* offers both in-person and remotely the opportunity to sell or buy valuable things for secondary use. We have created *Lietots. Pārbaudīts* initiative, within the framework of which every item that enters the *Banknote* store is professionally checked and, if necessary, repaired. This initiative allows us to offer a guarantee on every item we sell.

The efficiency of *Banknote*'s environmentally friendly business model, which we have chosen and purposefully developed, can be seen in the high demand for new and pre-owned goods. Thanks to this, we are actively developing another business line - purchasing of goods. We look for suppliers, cooperate with international partners, and buy goods from private individuals to offer a wide assortment of goods to our branch and online store customers.

Considering the unique advantages and global trends, *DelfinGroup* aims to become the primary ambassadors of the circular economy in the region, promoting the circulation of pre-owned and slightly pre-owned goods and the rational use of resources and creating public awareness of an environmentally friendly lifestyle. By introducing solutions appropriate to the era, in 2022, we have renewed the online store for the sale of pre-owned and tested goods - *veikals.Banknote.lv*. It is one of the largest circular economy online stores in Latvia and throughout the Baltics, with more than 45 000 tested goods.

Although one of the strategic priorities of the Group is business digitalization, we are purposefully developing both directions - both online and in-person services. To promote the strengthening of circular economy principles in trade, in 2022, we continued to improve the *Banknote* circular economy store network. At the same time, the development of the branch network is also promoted by society's high demand for convenient financial services and in-person trade of pre-owned goods, contrary to the general tendency to close various types of service provision locations. We see that the demand for face-to-face services remains high, especially in the regions of Latvia, where the availability of various services is generally limited. There are more than 90 *Banknote* financial service and product sales points in Latvia, with a comprehensive representation directly in regions and small towns. In some places, our branches are the only or one of the few dealers of electrical goods and jewellery and, at the same time, a financial services institution.

There is a feeling of a job well done regarding the achieved business results. In 2022, *DelfinGroup* issued loans amounting to 80.3 million euros, which is 62% more than in 2021, while the retail of pre-owned goods increased by 27%, reaching 11.4 million euros. The results show that our operational strategy, developing versatile financial solutions, is correct. This year too, we will place great emphasis on developing the circular economy concept and trade in pre-owned goods. We assess the achieved financial results positively. They were facilitated by both the Group's strengthened market positions in the main business segments, the demand for simple and customer-oriented financial services, and our ability to adapt to the challenges of the global economy. As a result, the Group's profit before taxes increased by 45% in 2022, reaching 7.3 million euros, while revenues reached 35.8 million euros. On the other hand, the Group's loan portfolio has increased by 54% since the end of 2021, reaching 67.5 million euros.

Entering the regulated market of *Nasdaq Riga* in 2021, *DelfinGroup* created a unique dividend policy for the Baltic stock market - the Company promised to pay shareholders quarterly dividends of up to 50% of the quarterly profit. In 2022, we fulfilled our promise by making 6 dividend payments of more than EUR 5 million or 0.1197 euros per share, which provided the Company's shareholders with an excellent yield of 8.1%.

In response to geopolitical and other external conditions, the situation in the capital markets has also changed. Without a doubt, external factors and the cost of financing the growing loan portfolio also affect *DelfinGroup* operations. Still, over the years, we have successfully diversified funding sources for attracting capital and gained investors' trust. Although the cost of capital is currently higher, the Group continues to raise it through bonds and an investment platform successfully.

To take care of the environment, we are gradually giving preference to energy generated from renewable resources in a nature-friendly way. Thus, in 2022, *DelfinGroup* central office was fully supplied with green electricity. In the area of corporate governance, we continued to be open and transparent with our investors, employees, regulators, suppliers, and the wider public. For example, last year, we conducted two webinars for investors and interested parties about the Group's financial and business results; five shareholder meetings were held, where shareholders were invited to express their opinion both in person and remotely, and we also participated in several events organized by the *Fintech Latvia Association*, where *DelfinGroup* experts shared their experience and knowledge.

We aim to create a sustainable society, provide people with opportunities, and promote inclusion, diversity, equality, and well-being. We have financially supported several disadvantaged social groups - seniors, children, and low-income families - for several years. For example, in 2022, we increased the donation amount to improve the opportunities for senior citizens, provided the *Children's Hospital* with a bicycle ergometer, and supported families in need.

Responding immediately to Russia's aggression against Ukraine, from the first days of the war in February 2022, *DelfinGroup* actively supports Ukraine - its defenders and the country's residents who suffered in the war or were forced to flee. In 2022 we have donated more than 250,000 euros to the *Children's Hospital Foundation*, the *Entrepreneurs for Peace Foundation*, and the *TEV Association*.

The team determines the success of any company. In the past year, we have significantly strengthened the management team of *DelfinGroup* with strong industry professionals and have focused on increasing employee motivation. In 2022, to continue developing simple, customer-adapted, and technology-based financial services, we have created a new position - *Chief Innovation Manager*, whose task is to promote introducing innovative fintech technology solutions in the Group to participate in the creation of strategic development. In addition, as part of the long-term employee motivation program, we introduced a staff option program to promote belonging to the Group. We value every employee's contribution to the Group's development, so we provide the opportunity to voluntarily participate in the staff option program for employees at all job levels who have worked in the Company for at least 12 months. Now our employees will be able to earn additional wages along with the Group's development. A total of 450 thousand Company shares will be issued as part of the program.

Based on the business and financial results of 2022, as well as setting the Group's strategic priorities and forecasts until 2025, we are in a solid position to continue the growth of *DelfinGroup*.

I want to thank every investor, client, and employee who believed in the *DelfinGroup* story and continues to do so. Thank you for your trust!

Didzis Ādmīdiņš
AS *DelfinGroup*
Chief Executive Officer

Management report (CONTINUED)

Financial indicators

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in 2022 as compares to 2021:

Position	EUR, million	Change, %
Net loan portfolio	67.5	+54.3
Assets	77.2	+47.9
Revenue	35.8	+42.0
EBITDA	13.1	+31.6
Profit before taxes	7.3	+45.2
Net profit	6.0	+48.4

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

Position	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Revenue, EUR million	7.4	7.3	8.3	9.3	10.9
EBITDA, EUR million	2.9	2.6	3.2	3.5	3.8
EBITDA margin, %	39%	36%	39%	38%	35%
EBIT, EUR million	2.6	2.3	2.9	3.2	3.5
EBIT margin, %	35%	32%	35%	35%	32%
Profit before taxes, EUR million	1.5	1.6	2	1.8	1.9
Net profit, EUR million	1.4	1.4	1.2	1.7	1.7
Net profit margin, %	18%	20%	15%	18%	15%
ROE (annualised), %	40%	32%	29%	39%	37%
Current ratio	1.4	1.4	1.3	1.3	0.7

In some cases, quantitative values have been rounded up to the nearest decimal place or whole number to avoid an excessive level of detail. As a result, certain values may not necessarily add up to the respective totals due to the effects of the approximation. 2021 Q4 and 2022 Q4 figures are corrected by restatements in Note 1.

EBITDA calculation, EUR million:

	2022	2021
Item		
Profit before tax	7.3	5.0
Interest expenses and similar expenses	4.7	3.8
Depreciation and amortisation	1.2	1.1
EBITDA, EUR million	**13.1**	**10.0**

As for compliance with the Issue Terms of notes issue ISIN LV0000850048, ISIN LV0000802536 and ISIN LV0000850055 the financial covenant computation is as follows (see Notes 19, 20):

Covenant	Value as of 31.12.2022	Compliance
to maintain a Capitalization Ratio at least 25%	27%	yes
to maintain consolidated Interest Coverage Ratio of at least 1.25 times, calculated on the trailing 12 month basis	2.6	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	1.8	yes

Management report (CONTINUED)

Principles of alternative performance measures
Dividend yield = dividends paid per share / share price at the end of the period * 100.

Net loan portfolio = non-current loans and receivables + current loans and receivables.

Revenue = net sales + interest income and similar income.

EBITDA margin = (profit before tax + interest expenses and similar expenses + depreciation of property, plant and equipment and amortization of intangible assets + depreciation of right-of-use assets) / (net sales + interest income and similar income) * 100.

EBIT margin = (profit before tax + interest expenses and similar expenses) / (net sales + interest income and similar income) * 100.

Net profit margin = net profit / (net sales + interest income and similar income) * 100.

ROE = net profit / ((total equity as at start of the period + total equity as at period end) / 2) * 100.

Current ratio = total current assets / total short-term liabilities * 100.

Capitalization ratio = total equity / (non-current loans and receivables + current loans and receivables) * 100.

Interest coverage ratio = (profit before tax + interest expenses and similar expenses) / interest expenses and similar expenses

Equity ratio = total equity / total assets * 100.

Cost to income ratio = (selling expenses + administrative expenses + other operating expenses – debt sale results) / (net sales – cost of sales + interest income and similar income – interest expenses and similar expenses + other operating income) * 100.

Strategy
DelfinGroup aims to be a leader in the fast-growing, dynamic, and changing financial technology industry by attracting the most vital talent, offering widely used and advanced financial products, and maintaining efficient and transparent management processes.

By implementing and developing modern technological solutions, *DelfinGroup* can develop and offer modern and customer-oriented products and services with excellent user experience (*UX*), thereby becoming a significant market player. Furthermore, by continuing targeted technology and product development, *DelfinGroup* aims to become customers' first choice for financial services.

DelfinGroup has already significantly changed the pawnshop industry by introducing a modern approach to providing pawnshop services. However, the goal is to further transform the pawnshop industry, which has not been the focus of digital transformation until now, and develop the pawnshop product in a digital environment, thus offering a pawn loan that meets the needs of customers, innovatively and conveniently. Therefore, we want to strengthen our leadership position and be a game changer in the pawnshop industry.

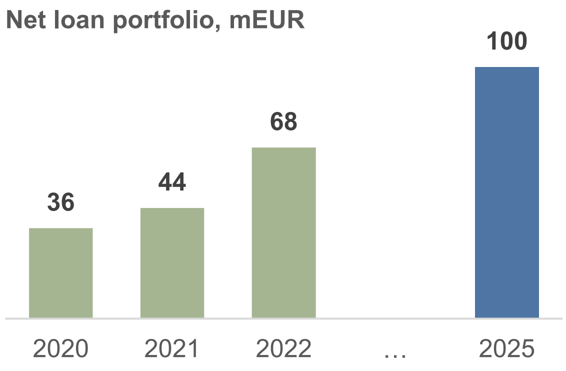
Taking into account the unique advantages and global trends, *DelfinGroup* aims to become the main ambassador of the circular economy in the region, promoting the circulation of pre-owned and slightly pre-owned goods, introducing modern solutions in the online store and branches, as well as promoting the rational use of resources and creating public awareness of the environment-friendly lifestyle.

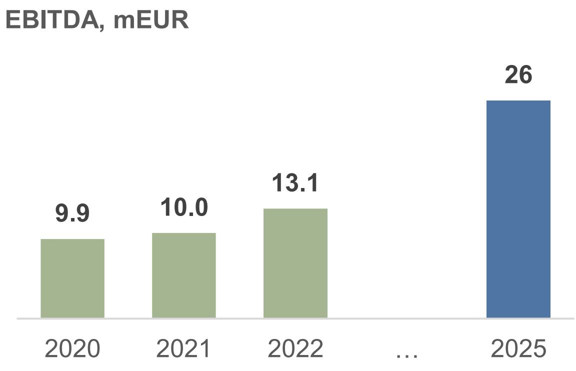
Targets
By following *DelfinGroup* mission of creating and providing innovative and custom financial solutions for every client, we will be able to ensure *DelfinGroup* long-term growth in value. By creating innovative and custom solutions for customer needs, we have achieved rapid growth in recent years, which has allowed *DelfinGroup* to strengthen its position in the Latvian market in all three main business segments.

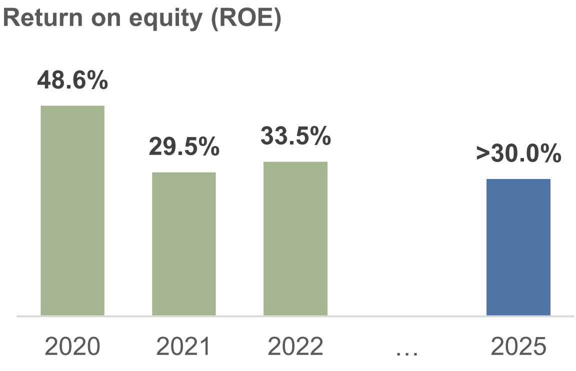
Management report (CONTINUED)

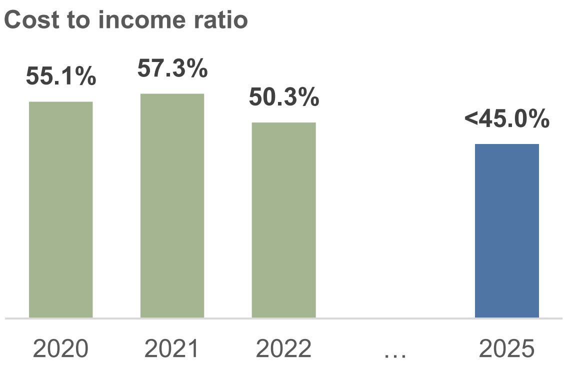
The results achieved in 2022 confirm that the Group is operating in the right direction, which ensures stable business results. By continuing to invest in the development, *DelfinGroup* expects to significantly improve business results and maintain the most important indicators at a sustainable level until the end of 2025. In 2025, *DelfinGroup* plans to reach a net loan portfolio of 100 million euros, an average increase of 14% per year. Also, the Group plans to double both EBITDA and profit indicators by 2025. In the following years, however, DelfinGroup intends to maintain a return on equity (ROE) above 30%, an equity ratio above 20%, and a cost-to-income ratio below 45%, ensuring the Group's efficient operation.

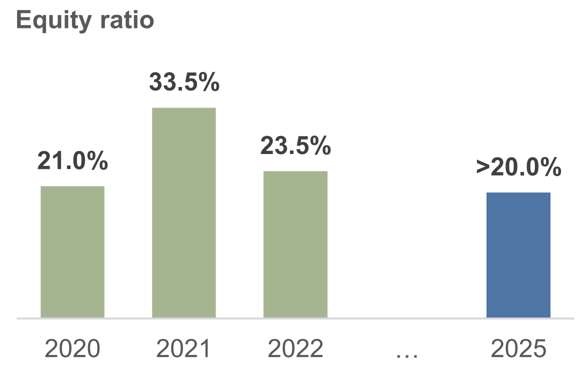
Until 2025, *DelfinGroup* plans to continue to ensure regular dividend payments, which would be more than 50% of the Group's annual profit within the year, similar to what has been done in 2022.











Management report (CONTINUED)

Consumer lending segment
At the beginning of the year, as the restrictions of *Covid-19* eased, the war started by Russia in Ukraine once again created uncertainty in society and the economy. As a result, shortly after the start of the war, there was a greater caution among customers when choosing new loans. However, this trend was short-lived, and as *DelfinGroup* results show, customer interest in customized and innovative financial solutions remained stable.

However, due to the war, rising energy prices and inflation led to adjustments in customer perceptions and habits. The most significant impact was observed in September, before the start of the new heating season, when there was a pending position in receiving consumer loans and more active repayment of existing loans. Also, due to the general increase in prices, there is a gradual increase in the requested loan amount.

Continuing the trend of previous years, market consolidation was also observed last year, i.e., the departure or merger of smaller market participants, which the licensing fees of market participants in Latvia can partly explain. As a result, stable companies will strengthen the consumer loan market, improving the industry's overall reputation.

Despite the unclear economic situation, the demand for loans remained strong in the consumer lending segment, which is also confirmed by the results achieved by *DelfinGroup* - in 2022, 60.8 million euros were issued in new consumer loans, the highest result in the Group's history. Also, according to the *Consumer Rights Protection Center* of Latvia data, in the first half of 2022 (the latest available data), the total loan portfolio of consumer lenders had increased. However, as demand for loans remained strong, *DelfinGroup* followed a more prudent customer evaluation policy, financing lower-risk customers to ensure sustainable customer loan repayments and maintain a high-quality loan portfolio.

Achieving notable results in the segment of consumer loans was also helped by the investments made in the digitization of products, ensuring timely receipt of services online, on the internet, as well as in the mobile application. Furthermore, a significant contribution to achieving results was also brought by initiating broader cooperation with loan comparison platforms in Latvia, creating a network of cooperation partners that ensures more effective customer reach. Also, considering customer demand, last year, the maximum loan amount for consumer loans was increased to EUR 10 000, instead of the previous EUR 7 000, while the maximum amount of the credit line was increased to EUR 5 000, instead of the previous EUR 3 000.

Pawn lending segment
A significant contribution to the development of the pawn lending segment in 2022 was made by the lifting of *Covid-19* restrictions starting on April 1, as a result of which, more than one person could stay in the face-to-face branches at the same time, as was the case during the restriction period. Until now, the face-to-face factor in the pawnshop business is essential when evaluating the product. According to the *Consumer Rights Protection Centre* data, the industry experienced a decline. Still, in the first half of 2022, the industry's overall growth was already observed. Like the rest of the industry, lifting *Covid-19* restrictions significantly impacted the development of *DelfinGroup* pawn shops. Last year, pawn loans for 19.5 million euros were issued, exceeding the pre-pandemic results.

Trends in the economy in 2022 also affected the pawnshop loan segment. Above all, rising commodity prices due to inflation also meant higher collateral values and loans issued against them. The pawn loan issuance against gold in 2022 is also worth noting. Considering the increasing inflation, the value of gold also increased, which became more sought-after collateral for pawn shops. As a result, loans issued against gold collateral increased almost twice compared to the previous year.

Similar to the consumer lending segment, the pawnshop business in Latvia also experienced smaller pawnshops exiting the market or merging with others last year. As a result, some larger companies with a better reputation have established themselves in the market, raising the reputation of the industry and the quality of services. The year 2022 was also significant for *DelfinGroup* in terms of company acquisitions. At the beginning of the year, the takeover of AS *Moda Kapitāls*, one of the largest pawnshop chains in Latvia, was completed. *DelfinGroup* acquired AS *Moda Kapitāls'* pawnshop loan portfolio, also expanding its client base. As well as last year, a deal was concluded on the takeover of the credit portfolios of six pawnshop branches that were part of the *Finance 360* pawnshop association. Among them, the loan portfolios of branches in Riga, Liepāja and Rēzekne were taken over.

Management report (CONTINUED)

Like other industries, the pawnshop industry is also at the forefront of digital transformation. Today, customers are less and less willing to spend time visiting the service provider in person. Therefore, implementing digitalization processes is the most critical driver of the industry in the coming years. It is digital solutions that will help the pawnshop industry to reach new customers and take a strong position among other types of loans that are currently available online. The implementation of digitalization processes has also started in *DelfinGroup* pawn lending segment. First, the preliminary evaluation online of the product, where the customer can determine indicative value before going to the branch, should be highlighted. In the coming years, *DelfinGroup* plans to digitize the full-cycle pawnshop services, as a result of which customers will be able to pledge their goods and receive a loan entirely remotely, which will open up more opportunities to grow both *DelfinGroup* competitiveness in this business segment and its market share.

Retail of pre-owned goods segment
Considering the growing public interest in the circular economy model and extending the life of goods, similar to the rest of *DelfinGroup* business segments, the retail of pre-owned and slightly pre-owned goods segment also experienced significant growth in 2022. The sale of goods, including the sale of pledges taken over at the pawnshop, reached 11.4 million euros, a 27% increase compared to 2021.

In general, 2022 is the year of recovery of the retail segment after the restrictions of *Covid-19*. Customer interest is returned after visiting brick-and-mortar stores to view and test products in person before making a purchase. However, the *DelfinGroup* business model is suitable for such changes in customer habits, as the traded goods are available in the vast network of *Banknote* branches and in the online store. Thus *DelfinGroup* is accessible to a broader range of customers with different shopping habits. As the prices of consumer goods rose last year, customers had to think more about their purchases, as the cost of covering basic needs increased significantly. However, against this background, the demand for used and tested goods offered by *DelfinGroup* remained stable, and customers appreciated the opportunity to buy the necessary goods at a lower price. A significant contribution was also made by developing the circular economy and public awareness of extending the life of goods. Consequently, people began to choose more sustainable solutions for purchasing goods, supporting the development of the green course.

In 2022, the retail trade segment of pre-owned goods remained the focus of *DelfinGroup* activity. Last year, the most important work was done on the *Banknote* online store, which was renewed. As a result, the user experience on this page was improved, as well as various other solutions were created that will ensure the competitiveness of the online store in the future, such as by expanding payment options, card acceptance was introduced, as well as delivery options using parcel lockers of cooperation partners, which are available throughout the territory of Latvia, facilitating the purchase of goods.

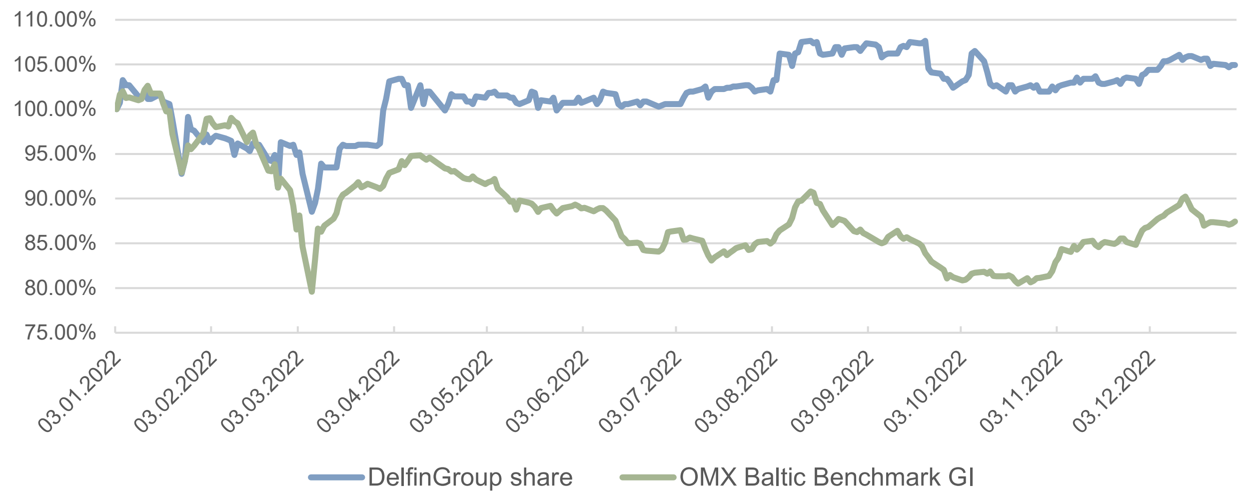
In previous years, the primary sources of acquisition of pre-owned and slightly pre-owned goods for *DelfinGroup* were the purchase of goods directly from the customer, as well as the realization of unredeemed pawn loan pledges, while in 2022, work began on expanding cooperation with various cooperation partners (*business-to-business*), from which bought slightly used and sometimes even new products that customers returned to them within the fourteen day return period, or demo products that were displayed in dealer stores for testing. The expansion of this type of cooperation ensures that the quantity of high-quality and relatively new goods at *Banknote* branches and the online store increases at more favourable prices than if customers bought them new.

Investor information
DelfinGroup shares are listed on the *Baltic Main List* in *Nasdaq Riga* with ISIN code LV0000101806. 2022 was the first full calendar year in which DelfinGroup shares were available for free trade. On December 31, 2022, a total of 45 319 594 shares were issued, the price of which was 1.482 euros, making the total market capitalization of 67.2 million euros. During the whole year, *DelfinGroup* share trading reached 2.1 million euros. The lowest price for which the Company's shares were traded was 1.2 euros, and the highest was 1.526 euros. Since the beginning of 2022, the share price of *DelfinGroup* increased by 4.96%, while the *OMX Baltic Benchmark GI* index decreased by 11.75%. In addition to the increase in share value, *DelfinGroup* shareholders received dividends with a total yield of 8.1%.

To ensure the number of shares in free public circulation that meets the requirements of the *Baltic Main List*, in September and October 2022, the Company's largest shareholders SIA *L24 Finance* and SIA *EC finance*, held public share offers for *DelfinGroup* shares. As a result, 885 investors from all over the Baltics participated in the offer and bought 741,528 shares for 1,067,800 euros. Similar to the Company's initial public offering in 2021, the greatest interest in the shares of the public offering was observed from Estonian investors. A total of 74% of the auction participants were from Estonia, 23% from Latvia, and 3% from Lithuania. As part of the public offer, the price of one share was set at 1.44 euros.

Management report (CONTINUED)

Price changes in 2022, %



In 2022, *DelfinGroup* continued to pay dividends following the dividend policy approved by shareholders. As a result, shareholders received quarterly dividends of up to 50% of the net profit of the previous quarter. In total, shareholders received six dividend payments in 2022 - four quarterly and two annual dividend payments. Annual dividends were approved at the annual meeting of shareholders on 29 April 2022 and split into two payments.

Dividend data	2022
Dividends paid to shareholders, mEUR	5.4
Dividends per share paid to shareholders, EUR	0.1197
Earnings per share, EUR	0.132
Dividend yield	8.1%

Last year, *DelfinGroup* continued to issue bonds to finance the Group's development. In June 2022, the issue of 8%, two-year unsecured bonds in the amount of EUR 10 million was completed, which then were listed on the *Nasdaq Riga* alternative market *Nasdaq First North*. On the other hand, in July 2022, *DelfinGroup* launched a new two-year unsecured bond issue with an annual coupon rate of 8.75% + 3M EURIBOR. As a result, on December 31, 2022, *DelfinGroup* had issued bonds for 19.1 million euros.

ISIN	Bonds issued, EUR	Maturity	Coupon	List
LV0000850048	4 966 199	25.08.2023	9.75%	Private placement
LV0000802536	9 381 038	25.11.2023	8%	*Nasdaq Riga First North*
LV0000850055	4 741 654	25.09.2024	8.75% + 3M EURIBOR	Private placement

To provide financing for the development of the loan portfolio, *DelfinGroup* continued to use the *Mintos* investment platform, with the help of which investors from more than a hundred countries invested in the loans issued by *DelfinGroup*. The Group has been attracting financing with the help of *Mintos* since 2016, and during this time, *DelfinGroup* has managed to attract investments of more than 400 million euros. As a result, the balance of *DelfinGroup* liabilities on the *Mintos* platform as of December 31, 2022, amounted to 35.1 million euros.

Management report (CONTINUED)

Branches

During the period from 1 January 2022 to 31 December 2022, the Group continued to work on branch network efficiency. As at 31 December 2022, the Group had 91 branch in 38 cities in Latvia (31.12.2021 - 93 branches in 38 cities).

Risk management

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

Distribution of the profit proposed by the Company

As the Company paid out 50% of the net profit of each quarter in 2022 quarterly dividends, the Management Board proposes to allocate the Group's net profit of 2022 to retained earnings.

The Corporate Governance Report and the Remuneration Report for 2022 has also been submitted to *AS Nasdaq Riga* together with this separate and consolidated Annual Financial Report for year ended 31 December 2022 by *AS DelfinGroup*.

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

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Statement of profit or loss for the year ended 31 December 2022

	Notes	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Net sales	(2)	6 472 567	4 821 871	6 472 567	4 821 871
Cost of sales	(3)	(4 203 640)	(3 157 294)	(4 203 640)	(3 157 294)
Interest income and similar income	(4)	29 303 319	20 367 515	22 999 450	17 012 924
Interest expenses and similar expenses	(5)	(4 669 485)	(3 827 313)	(3 905 910)	(3 497 133)
Credit loss expenses	(15)	(6 161 123)	(2 814 981)	(3 508 317)	(1 566 145)
Gross profit		**20 741 638**	**15 389 798**	**17 854 150**	**13 614 223**
Selling expenses	(6)	(7 500 225)	(6 124 650)	(7 111 623)	(5 820 639)
Administrative expenses	(7)	(5 773 267)	(4 212 808)	(5 491 593)	(4 026 730)
Other operating income		104 064	85 033	111 924	237 719
Other operating expenses		(314 649)	(140 442)	(314 332)	(164 198)
Income from participating interests		-	-	-	262 919
Profit before corporate income tax		**7 257 561**	**4 996 931**	**5 048 526**	**4 103 294**
Income tax expenses	(8)	(1 296 108)	(979 191)	(1 296 054)	(873 080)
Net profit		**5 961 453**	**4 017 740**	**3 752 472**	**3 230 214**
Basic earnings per share	(9)	0.132	0.098	0.083	0.079
Diluted earnings per share	(9)	0.132	0.098	0.083	0.079

Notes on pages from 21 to 61 are an integral part of these financial statements.

Didzis Ādmīdiņš
Chairman of the Board

Aldis Umblejs
Board Member

Sanita Zitmane
Board Member

Inta Pudāne
Chief accountant

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Balance sheet as at 31 December 2022

Assets		Group	Group	Group	Company	Company	Company
		31.12.2022	31.12.2021 (restated, Note 1)	01.01.2021 (restated, Note 1)	31.12.2022	31.12.2021 (restated, Note 1)	01.01.2021 (restated, Note 1)
Non-current assets:	**Notes**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Intangible assets:							
Patents, licences, trademarks and similar rights		26 906	64 037	124 256	26 906	64 037	124 256
Internally developed software		575 458	376 816	202 248	575 458	376 816	202 248
Other intangible assets		121 162	50 669	54 076	116 322	42 056	41 927
Goodwill		127 616	127 616	127 616	-	-	-
Advances for intangible assets		43 801	18 834	-	43 801	18 834	-
Total intangible assets	(10)	**894 943**	**637 972**	**508 196**	**762 487**	**501 743**	**368 431**
Property, plant and equipment:							
Land, buildings and structures		182 378	169 906	85 385	182 378	169 906	-
Leasehold improvements		189 340	186 681	196 607	189 340	186 681	196 607
Right-of-use assets		2 636 223	2 972 570	3 194 412	2 636 223	2 972 570	3 194 412
Other fixtures and fittings, tools and equipment		203 192	206 604	248 214	202 634	206 604	248 214
Total property, plant and equipment	(11;12)	**3 211 133**	**3 535 761**	**3 724 618**	**3 210 575**	**3 535 761**	**3 639 233**
Non-current financial assets:							
Investments in related companies	(13)	-	-	-	880 000	880 000	1 685 672
Loans to related companies	(26)	-	-	-	4 193 265	1 768 200	1 155 565
Loans and receivables	(15)	46 150 128	28 569 431	17 711 758	30 827 871	21 164 732	13 987 061
Loans to shareholders and management		-	-	474 484	-	-	474 484
Total non-current financial assets		**46 150 128**	**28 569 431**	**18 186 242**	**35 901 136**	**23 812 932**	**17 302 782**
Total non-current assets		**50 256 204**	**32 743 164**	**22 419 056**	**39 874 198**	**27 850 436**	**21 310 446**
Current assets:							
Inventories:							
Finished goods and goods for sale		2 289 780	1 254 698	852 190	2 289 780	1 254 698	852 190
Total inventories	(14)	**2 289 780**	**1 254 698**	**852 190**	**2 289 780**	**1 254 698**	**852 190**
Receivables:							
Loans and receivables	(15)	21 367 679	15 185 772	17 948 667	18 615 313	13 163 072	13 526 082
Loans to related companies	(26)	-	-	-	77 454	38 075	2 876 548
Other debtors		574 646	352 269	374 756	393 459	289 554	135 227
Deferred expenses		300 670	167 436	279 523	163 935	110 109	224 366
Total receivables		**22 242 995**	**15 705 477**	**18 602 946**	**19 250 161**	**13 600 810**	**16 762 223**
Cash and cash equivalents	(16)	2 369 029	2 459 862	4 591 954	2 000 924	2 225 535	3 768 356
Total current assets		**26 901 804**	**19 420 037**	**24 047 090**	**23 540 865**	**17 081 043**	**21 382 769**
Total assets		**77 158 008**	**52 163 201**	**46 466 146**	**63 415 063**	**44 931 479**	**42 693 215**

Notes on pages from 21 to 61 are an integral part of these financial statements.

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

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Balance sheet as at 31 December 2022

Liabilities and equity		Group 31.12.2022	Group 31.12.2021 (restated, Note 1)	Group 01.01.2021 (restated, Note 1)	Company 31.12.2022	Company 31.12.2021 (restated, Note 1)	Company 01.01.2021 (restated, Note 1)
Equity:	**Notes**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Share capital	(17)	4 531 959	4 531 959	4 000 000	4 531 959	4 531 959	4 000 000
Share premium	(17)	6 890 958	6 890 958	-	6 890 958	6 890 958	-
Other capital reserves	(19)	93 058	-	-	93 058	-	-
Retained earnings:	(18)	6 589 761	6 053 065	5 758 463	2 328 118	4 000 403	4 493 327
Total equity		**18 105 736**	**17 475 982**	**9 758 463**	**13 844 093**	**15 423 320**	**8 493 327**
Liabilities:							
Long-term liabilities:							
Bonds issued	(20)	4 330 630	9 894 123	8 441 717	4 330 630	9 894 123	8 441 717
Other borrowings	(21)	15 004 505	8 086 468	6 816 925	9 641 200	5 125 100	5 646 755
Lease liabilities for right-of-use assets	(12)	2 353 309	2 652 498	2 732 136	2 353 309	2 652 498	2 732 136
Total long-term liabilities		**21 688 444**	**20 633 089**	**17 990 778**	**16 325 139**	**17 671 721**	**16 820 608**
Short-term liabilities:							
Bonds issued	(20)	14 783 110	944 042	5 022 652	14 783 110	944 042	5 022 652
Other borrowings	(21)	19 856 253	10 487 168	10 869 932	15 841 891	8 345 402	9 339 999
Lease liabilities for right-of-use assets	(12)	565 131	652 699	703 715	565 131	652 699	703 715
Trade payables		856 429	805 784	702 933	795 123	752 114	676 305
Accounts payable to affiliated companies		-	-	-	-	-	243 815
Taxes and social insurance	(22)	560 492	398 268	815 952	560 349	391 791	810 031
Accrued liabilities		742 413	766 169	601 721	700 227	750 390	582 763
Total short-term liabilities		**37 363 828**	**14 054 130**	**18 716 905**	**33 245 831**	**11 836 438**	**17 379 280**
Total liabilities		**59 052 272**	**34 687 219**	**36 707 683**	**49 570 970**	**29 508 159**	**34 199 888**
Total liabilities and equity		**77 158 008**	**52 163 201**	**46 466 146**	**63 415 063**	**44 931 479**	**42 693 215**

Notes on pages from 21 to 61 are an integral part of these financial statements.

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

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Statement of changes in equity of the Group for the year ended 31 December 2022

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2021, as previously reported		**4 000 000**	**-**	**-**	**5 453 709**	**9 453 709**
Impact of correction of errors (Note 1)		-	-	-	304 754	304 754
Restated as at 01 January 2021		**4 000 000**	**-**	**-**	**5 758 463**	**9 758 463**
Profit for the reporting period (restarted, Note 1)		-	-	-	4 017 740	4 017 740
Dividends paid	(18)	-	-	-	(3 723 138)	(3 723 138)
IPO transaction costs	(17)	-	(662 865)	-	-	(662 865)
Share capital increase resulted from IPO	(17)	531 959	7 553 823	-	-	8 085 782
Restated as at 31 December 2021		**4 531 959**	**6 890 958**	**-**	**6 053 065**	**17 475 982**
Profit for the reporting period		-	-	-	5 961 453	5 961 453
Dividends paid	(18)	-	-	-	(5 424 757)	(5 424 757)
Share-based payments	(17)	-	-	93 058	-	93 058
As at 31 December 2022		**4 531 959**	**6 890 958**	**93 058**	**6 589 761**	**18 105 736**

Statement of changes in equity of the Company's for the year ended 31 December 2022

	Notes	Share capital EUR	Share premium EUR	Other capital reserves EUR	Retained earnings EUR	Total EUR
As at 01 January 2021, as previously reported		**4 000 000**	**-**	**-**	**4 237 497**	**8 237 497**
Impact of correction of errors (Note 1)		-	-	-	255 830	255 830
Restarted as at 01 January 2021		**4 000 000**	**-**	**-**	**4 493 327**	**8 493 327**
Profit for the reporting period (restarted, Note 1)		-	-	-	3 230 214	3 230 214
Dividends paid	(18)	-	-	-	(3 723 138)	(3 723 138)
IPO transaction costs	(17)	-	(662 865)	-	-	(662 865)
Share capital increase resulted from IPO	(17)	531 959	7 553 823	-	-	8 085 782
Restarted as at 31 December 2021		**4 531 959**	**6 890 958**	**-**	**4 000 403**	**15 423 320**
Profit for the reporting period		-	-	-	3 752 472	3 752 472
Dividends paid	(18)	-	-	-	(5 424 757)	(5 424 757)
Share-based payments	(17)	-	-	93 058	-	93 058
As at 31 December 2022		**4 531 959**	**6 890 958**	**93 058**	**2 328 118**	**13 844 093**

Notes on pages from 21 to 61 are an integral part of these financial statements.

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

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Cash flows statement for the year ended 31 December 2022

	Notes	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
<u>**Cash flow from operating activities**</u>					
Profit before corporate income tax		**7 257 561**	**4 996 931**	**5 048 526**	**4 103 294**
<u>Adjustments for non-cash items:</u>					
a) depreciation and amortisation	(10;11)	433 466	362 323	429 659	355 539
b) depreciation of right-of-use assets	(11)	750 699	775 932	750 699	775 932
c) credit loss expenses		6 161 123	2 814 981	3 508 317	1 566 145
d) share-based payment expense		93 058	-	93 058	-
e) interest income and similar income	(4)	(29 303 319)	(20 367 515)	(22 999 450)	(17 012 924)
f) interest expenses and similar expenses	(5)	4 669 485	3 827 313	3 905 910	3 497 133
g) liquidation of subsidiaries		-	-	-	(30 012)
Profit before adjustments of working capital and short-term liabilities		**(9 937 927)**	**(7 590 035)**	**(9 263 281)**	**(6 744 893)**
<u>Change in operating assets/liabilities:</u>					
a) (Increase) on loans and receivables and other debtors		(29 872 009)	(11 303 166)	(18 762 023)	(9 101 421)
b) (Increase)/ decrease on inventories		(1 035 082)	279 309	(1 035 082)	279 309
c) (Decrease)/ increase on trade payable and accrued liabilities		1 476	(64 256)	(132 290)	(86 391)
Gross cash flow from operating activities		**(40 843 542)**	**(18 678 148)**	**(29 192 676)**	**(15 653 396)**
Interest received		28 897 519	20 237 197	22 981 575	16 951 870
Interest paid		(5 041 149)	(4 111 029)	(4 277 574)	(3 780 849)
Corporate income tax payments		(979 191)	(754 536)	(873 080)	(753 716)
Net cash flow from operating activities		**(17 966 363)**	**(3 306 516)**	**(11 361 755)**	**(3 236 091)**
<u>**Cash flow from investing activities**</u>					
Acquisition of property, plant and equipment	(11)	(204 091)	(258 891)	(203 500)	(258 891)
Acquisition of intangible assets	(10)	(499 594)	(289 712)	(499 594)	(288 549)
Loans issued (Related companies)		-	(92 850)	(3 404 580)	(92 850)
Proceeds from repayment of issued loans (other than core business of the Company)		-	567 334	940 136	2 793 172
Liquidation quota of subsidiaries		-	-	-	938 691
Net cash flow from investing activities		**(703 685)**	**(74 119)**	**(3 167 538)**	**3 091 573**
<u>**Cash flow from financing activities**</u>					
Share capital increase resulted from IPO (incl. share premium)	(17)	-	8 085 782	-	8 085 782
IPO transaction costs	(17)	-	(662 865)	-	(662 865)
Loans received	(25)	35 565 757	20 633 934	23 718 321	13 643 489
Loans repaid		(18 782 851)	(19 849 406)	(11 209 948)	(15 505 807)
Bonds issued	(25)	8 651 455	11 111 000	8 651 455	11 111 000
Redemption of bonds		(500 000)	(13 481 000)	(500 000)	(13 481 000)
Repayment of lease liabilities		(930 389)	(865 764)	(930 389)	(865 764)
Dividends paid		(5 424 757)	(3 723 138)	(5 424 757)	(3 723 138)
Net cash flow from financing activities		**18 579 215**	**1 248 543**	**14 304 682**	**(1 398 303)**
Net cash flow of the reporting period		(90 833)	(2 132 092)	(224 611)	(1 542 821)
Cash and cash equivalents at the beginning of the reporting period		**2 459 862**	**4 591 954**	**2 225 535**	**3 768 356**
Cash and cash equivalents at the end of the reporting period	(16)	**2 369 029**	**2 459 862**	**2 000 924**	**2 225 535**

Notes on pages from 21 to 61 are an integral part of these financial statements.

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

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Notes

(1) Accounting policies

(a) Basis of preparation

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

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

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

These annual financial statements are prepared and disclosed on a consolidated basis and on a standalone basis. The following subsidiaries are included in the consolidation: SIA *ViziaFinance* (100%) for the period ended 31 December 2022.

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

The Executive Board approved these separate and consolidated financial statements for issue on 30 April 2023. Shareholders of the Company have the power to amend the financial statements after their issue, if necessary.

Standards issued but not yet effective

A number of new standards or amendments to standards are effective (some of which are not yet been endorsed by EU) for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

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

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Definition of Accounting Estimate (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

<u>Restatement in comparative figures due to correction of errors</u>

(a) The Management has identified a classification error on pawn loans while preparing Group's financial statements. The error relates to incorrect classification of pawn loans as Inventory and related sales of collateral as Net sales. The error resulted in overstatement of the Group's and the Company's Net sales by EUR 1 140 031, Cost of sales by EUR 805 281 in statement of profit or loss for the year ended 31 December 2021 and Inventory by EUR 694 792 in balance sheet as of 31 December 2021 and by EUR 681 817 in balance sheet as of 1 January 2021 and understatement of Interest income and similar income by EUR 334 750 in statement of profit and loss for the year ended 31 December 2021and Loans and receivables by EUR 694 792 in balance sheet as of 31 December 2021 and by EUR 681 817 in balance sheet as of 1 January 2021.

(b) In these financial statements, the Group and the Company has improved ECL calculation model. The Group and the Company have included defaults from debt sale before payments are past due for more than 90 days in probability of default calculation. Model improvement resulted in an identified understatement of Credit loss expenses by EUR 417 660 (EUR 176 927 for the Company) in statement of profit or loss for the year ended 31 December 2021, overstatement of Loans and receivables by EUR 387 290 (EUR 128 279 for the Company) in balance sheet as of 31 December 2021 and understatement by EUR 30 370 (EUR 48 648 for the Company) in balance sheet as of 1 January 2021.

(c) The Management has reconsidered the judgment in respect of pawn loan accounting and come to conclusion that pawn loans do not meet solely payment of principal and interest (SPPI) requirements, thus prior period pawn loan measurement according to amortized cost were erroneous. The Group and the Company recognizes and subsequently measures pawn loans at fair value. There is no difference in comparative figures of Loans and receivables, and Interest income and similar income due to this error.

Notes (continued)

(1) Accounting policies (continued)

(d) The Management has identified an error on interest revenue calculation on debt financial assets by applying effective interest rate method while preparing Group's and the Company's financial statements. The error resulted in understatement of Interest income and similar income by EUR 211 567 (EUR 151 041 for the Company) in statement of profit and loss for the year ended 31 December 2021 and Loans and receivables by EUR 485 951 (EUR 358 223 for the Company) in balance sheet as at 31 December 2021 and by EUR 274 384 (EUR 207 182 for the Company) in balance sheet as of 1 January 2021. To comply with requirements of IFRS 9, the Group and the Company have recalculated interest income and similar income.

(e) The Management has identified a classification error on accounting of e-shop sales while preparing Group's financial statements. The error relates to incorrect recognition of e-shop markup in net sales. The error resulted in understatement of the Group's and the Company's Net sales by EUR 294 565, Cost of sales by EUR 294 565 in statement of profit or loss for the year ended 31 December 2021.

(f) In these financial statements, the Group and the Company have changed the presentation of losses from debt sales. In statement of profit or loss for the year ended 31 December 2021 losses from debt sales was presented under Other operating expenses. In these financial statements, for better presentation of financial information, losses from debt sales were reclassified to Credit loss expenses. The reclassification resulted in understatement of Credit loss expenses and overstatement of Other operating expenses by EUR 165 328 (EUR 128 077 for the Company) in statement of profit and loss for the year ended 31 December 2021.

(g) In these financial statements, the Group and the Company have changed the short-term, long-term split of Bonds issued. The reclassification resulted in understatement of short-term Bonds issued and overstatement of long-term Bonds issued by EUR 931 039 in the Group's and the Company's balance sheet as at 31 December 2021.

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

Statement of profit or loss

	Reference	Year 2021 before restatement	Restatement	Year 2021 after restatement
Net sales	(a), (e)	5 667 337	(845 466)	4 821 871
Cost of sales	(a), (e)	(3 668 010)	510 716	(3 157 294)
Interest income and similar income	(a), (d)	19 821 198	546 317	20 367 515
Interest expenses and similar expenses		(3 827 313)	-	(3 827 313)
Credit loss expense	(b), (f)	(2 236 898)	(578 083)	(2 814 981)
Gross profit		**15 756 314**	**(366 516)**	**15 389 798**
Selling expenses		(6 124 650)	-	(6 124 650)
Administrative expenses		(4 212 808)	-	(4 212 808)
Other operating income		85 033	-	85 033
Other operating expenses	(f)	(300 865)	160 423	(140 442)
Profit before corporate income tax		**5 203 024**	**(206 093)**	**4 996 931**
Corporate income tax expenses		(979 191)	-	(979 191)
Net profit for the reporting period		**4 223 833**	**(206 093)**	**4 017 740**
Basic earnings per share		0.103	(0.005)	0.098

Notes (continued)

(1) Accounting policies (continued)

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

Statement of profit or loss

	Reference	Year 2021 before restatement	Restatement	Year 2021 after restatement
Net sales	(a), (e)	5 667 337	(845 466)	4 821 871
Cost of sales	(a), (e)	(3 668 010)	510 716	(3 157 294)
Interest income and similar income	(a), (d)	16 527 133	485 791	17 012 924
Interest expenses and similar expenses		(3 497 133)	-	(3 497 133)
Credit loss expense	(b), (f)	(1 261 141)	(305 004)	(1 566 145)
Gross profit		**13 768 186**	**(153 963)**	**13 614 223**
Selling expenses		(5 820 639)	-	(5 820 639)
Administrative expenses		(4 026 730)	-	(4 026 730)
Other operating income		237 719	-	237 719
Other operating expenses	(f)	(292 275)	128 077	(164 198)
Income from participating interests		262 919	-	262 919
Profit before corporate income tax		**4 129 180**	**(25 886)**	**4 103 294**
Corporate income tax expenses		(873 080)	-	(873 080)
Net profit for the reporting period		**3 256 100**	**(25 886)**	**3 230 214**
Basic earnings per share		0.079	-	0.079

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected Group financial statements line items for 31 December 2021 and January 2021 as follows:

Balance sheet (Assets)

	Reference	**Before restatement 31 December 2021**	**Restatement**	**After restatement 31 December 2021**	**Before restatement 1 January 2021**	**Restatement**	**After restatement 1 January 2021**
Patents, licences, trademarks and similar rights		64 037	-	64 037	124 256	-	124 256
Internally developed software		376 816	-	376 816	202 248	-	202 248
Other intangible assets		50 669	-	50 669	54 076	-	54 076
Goodwill		127 616	-	127 616	127 616	-	127 616
Advances on intangible assets		18 834	-	18 834	-	-	-
Total intangible assets		**637 972**	**-**	**637 972**	**508 196**	**-**	**508 196**
Land, buildings and structures		169 906	-	169 906	85 385	-	85 385
Investments in property, plant and equipment		186 681	-	186 681	196 607	-	196 607
Right-of-use assets		2 972 570	-	2 972 570	3 194 412	-	3 194 412
Other fixtures and fittings, tools and equipment		206 604	-	206 604	248 214	-	248 214
Total property, plant and equipment		**3 535 761**	**-**	**3 535 761**	**3 724 618**	**-**	**3 724 618**
Loans and receivables		28 569 431	-	28 569 431	17 711 758	-	17 711 758
Loans to shareholders and management		-	-	-	474 484	-	474 484
Total non-current financial assets:		**28 569 431**	**-**	**28 569 431**	**18 186 242**	**-**	**18 186 242**
Total non-current assets:		**32 743 164**	**-**	**32 743 164**	**22 419 056**	**-**	**22 419 056**
Finished goods and goods for sale	(a)	1 949 490	(694 792)	1 254 698	1 534 007	(681 817)	852 190
Total inventories		**1 949 490**	**(694 792)**	**1 254 698**	**1 534 007**	**(681 817)**	**852 190**
Loans and receivables	(a), (b), (d)	14 392 319	793 453	15 185 772	16 962 096	986 571	17 948 667
Other debtors		352 269	-	352 269	374 756	-	374 756
Deferred expenses		167 436	-	167 436	279 523	-	279 523
Total receivables		**14 912 024**	**793 453**	**15 705 477**	**17 616 375**	**986 571**	**18 602 946**
Cash and cash equivalents		2 459 862	-	2 459 862	4 591 954	-	4 591 954
Total current assets		**19 321 376**	**98 661**	**19 420 037**	**23 742 336**	**304 754**	**24 047 090**
Total assets		**52 064 540**	**98 661**	**52 163 201**	**46 161 392**	**304 754**	**46 466 146**

Notes (continued)

(1) Accounting policies (continued)

Balance sheet (Liabilities and equity)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Equity							
Share capital		4 531 959	-	4 531 959	4 000 000	-	4 000 000
Share premium		6 890 958	-	6 890 958	-	-	-
Retained earnings	(a), (b), (d)	5 954 404	98 661	6 053 065	5 453 709	304 754	5 758 463
Total equity		**17 377 321**	**98 661**	**17 475 982**	**9 453 709**	**304 754**	**9 758 463**
Liabilities							
Long-term liabilities							
Bonds issued	(g)	10 825 162	(931 039)	9 894 123	8 441 717	-	8 441 717
Other borrowings		8 086 468	-	8 086 468	6 816 925	-	6 816 925
Lease liabilities for right-of-use assets		2 652 498	-	2 652 498	2 732 136	-	2 732 136
Total long-term liabilities		**21 564 128**	**(931 039)**	**20 633 089**	**17 990 778**	**-**	**17 990 778**
Short-term liabilities							
Bonds issued	(g)	13 003	931 039	944 042	5 022 652	-	5 022 652
Other borrowings		10 487 168	-	10 487 168	10 869 932	-	10 869 932
Lease liabilities for right-of-use assets		652 699	-	652 699	703 715	-	703 715
Trade payables		805 784	-	805 784	702 933	-	702 933
Accounts payable to affiliated companies		-	-	-	-	-	-
Taxes and social insurance		398 268	-	398 268	815 952	-	815 952
Accrued liabilities		766 169	-	766 169	601 721	-	601 721
Total short-term liabilities		**13 123 091**	**931 039**	**14 054 130**	**18 716 905**	**-**	**18 716 905**
Total liabilities		**34 687 219**	**-**	**34 687 219**	**36 707 683**	**-**	**36 707 683**
Total liabilities and equity		**52 064 540**	**98 661**	**52 163 201**	**46 161 392**	**304 754**	**46 466 146**

Notes (continued)

(1) Accounting policies (continued)

The aforementioned corrections were performed by restating each of the affected Company financial statements line items for 31 December 2021 and January 2021 as follows:

Balance sheet (Assets)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Patents, licences, trademarks and similar rights		64 037	-	64 037	124 256	-	124 256
Internally developed software		376 816	-	376 816	202 248	-	202 248
Other intangible assets		42 056	-	42 056	41 927	-	41 927
Advances on intangible assets		18 834	-	18 834	-	-	-
Total intangible assets:		**501 743**	**-**	**501 743**	**368 431**	**-**	**368 431**
Land, buildings and structures		169 906	-	169 906	-	-	-
Investments in property, plant and equipment		186 681	-	186 681	196 607	-	196 607
Right-of-use assets		2 972 570	-	2 972 570	3 194 412	-	3 194 412
Other fixtures and fittings, tools and equipment		206 604	-	206 604	248 214	-	248 214
Total property, plant and equipment		**3 535 761**	**-**	**3 535 761**	**3 639 233**	**-**	**3 639 233**
Investments in related companies		880 000	-	880 000	1 685 672	-	1 685 672
Loans to related companies		1 768 200	-	1 768 200	1 155 565	-	1 155 565
Loans and receivables		21 164 732	-	21 164 732	13 987 061	-	13 987 061
Loans to shareholders and management		-	-	-	474 484	-	474 484
Total non-current financial assets		**23 812 932**	**-**	**23 812 932**	**17 302 782**	**-**	**17 302 782**
Total non-current assets		**27 850 436**	**-**	**27 850 436**	**21 310 446**	**-**	**21 310 446**
Finished goods and goods for sale	(a)	1 949 490	(694 792)	1 254 698	1 534 007	(681 817)	852 190
Total inventories:		**1 949 490**	**(694 792)**	**1 254 698**	**1 534 007**	**(681 817)**	**852 190**
Loans and receivables	(a), (b), (d)	12 238 336	924 736	13 163 072	12 588 435	937 647	13 526 082
Loans to related companies		38 075	-	38 075	2 876 548	-	2 876 548
Other debtors		289 554	-	289 554	135 227	-	135 227
Deferred expenses		110 109	-	110 109	224 366	-	224 366
Total receivables		**12 676 074**	**924 736**	**13 600 810**	**15 824 576**	**937 647**	**16 762 223**
Cash and cash equivalents		2 225 535	-	2 225 535	3 768 356	-	3 768 356
Total current assets		**16 851 099**	**229 944**	**17 081 043**	**21 126 939**	**255 830**	**21 382 769**
Total assets		**44 701 535**	**229 944**	**44 931 479**	**42 437 385**	**255 830**	**42 693 215**

Notes (continued)

(1) Accounting policies (continued)

Balance sheet (Liabilities and equity)

	Reference	Before restatement 31 December 2021	Restatement	After restatement 31 December 2021	Before restatement 1 January 2021	Restatement	After restatement 1 January 2021
Equity							
Share capital		4 531 959	-	4 531 959	4 000 000	-	4 000 000
Share premium		6 890 958	-	6 890 958	-	-	-
Retained earnings		3 770 459	229 944	4 000 403	4 237 497	255 830	4 493 327
Total equity	(a), (b), (d)	**15 193 376**	**229 944**	**15 423 320**	**8 237 497**	**255 830**	**8 493 327**
Liabilities							
Long-term liabilities							
Bonds issued	(g)	10 825 162	(931 039)	9 894 123	8 441 717	-	8 441 717
Other borrowings		5 125 100	-	5 125 100	5 646 755	-	5 646 755
Lease liabilities for right-of-use assets		2 652 498	-	2 652 498	2 732 136	-	2 732 136
Total long-term liabilities		**18 602 760**	(931 039)	**17 671 721**	**16 820 608**	**-**	**16 820 608**
Short-term liabilities							
Bonds issued	(g)	13 003	931 039	944 042	5 022 652	-	5 022 652
Other borrowings		8 345 402	-	8 345 402	9 339 999	-	9 339 999
Lease liabilities for right-of-use assets		652 699	-	652 699	703 715	-	703 715
Trade payables		752 114	-	752 114	676 305	-	676 305
Accounts payable to affiliated companies		-	-	-	243 815	-	243 815
Taxes and social insurance		391 791	-	391 791	810 031	-	810 031
Accrued liabilities		750 390	-	750 390	582 763	-	582 763
Total short-term liabilities		**10 905 399**	931 039	**11 836 438**	**17 379 280**	**-**	**17 379 280**
Total liabilities		**29 508 159**	-	**29 508 159**	**34 199 888**	**-**	**34 199 888**
Total liabilities and equity		**44 701 535**	**229 944**	**44 931 479**	**42 437 385**	**255 830**	**42 693 215**

(b) Consolidation principles

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

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

(c) Recognition of revenue and expenses

- ***Net sales***

Revenue from contracts with customers is recognized when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms. The Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.
Revenue is presented net of indirect sales taxes such as value added tax, penalties and discounts.
Income from sale of goods and precious metals contains sale of non-durable goods and precious metals at Group's branch network and on-line shop.
Other income includes revenue from the provision of pawnshop services – commission income on storage and sale of non-performing pawn loan collateral.

Notes (continued)

(1) Accounting policies (continued)

- Interest income and similar income

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

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

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

The Group calculates interest income on pawn loans by applying the nominal interest rate to the gross carrying amount of pawn loan asset. Interest income is calculated for the performing pawn loan portfolio and is stopped at the moment when pawn loan become non-performing.

- ***Interest expenses and similar expenses***

The effective interest rate of a financial liability is calculated on initial recognition of financial liability. In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

- Other income

Other income is recognised based on accruals principle and when the services have been rendered.

- Expenses

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment.

(d) Foreign currency

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

	31.12.2022 1 EUR	**31.12.2021 1 EUR**
USD	1.07	1.13

(e) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Notes (continued)

(1) Accounting policies (continued)

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts. See also note 30.

(f) Offsetting of financial assets and liabilities

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

(g) Employee benefits

- Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment (SBP) arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Intangible assets (including goodwill)

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

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

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

Goodwill is initially measured at cost and arising on the acquisition of subsidiaries being the excess of the fair value of the aggregate consideration transferred and the amount recognised for non-controlling interests, over the net fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognised in profit or loss statement immediately. The recognised goodwill is allocated to cash-generating units and carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Any impairment expense is recognised immediately as an expense in profit or loss statement. If subsidiaries are disposed, gains or losses on the disposal include the carrying amount of goodwill relating to the subsidiary sold.

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

Notes (continued)

(1) Accounting policies (continued)

(i) Property, plant and equipment

All property, plant and equipment are initially measured at cost. Property, plant and equipment are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

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

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

(j) Investments in the subsidiaries and associated companies in the separate financial statements

In the financial statements the investments in subsidiary companies (SIA *ViziaFinance* as at 31 December 2022) are carried at cost less impairment. Cost represents consideration paid for acquisition of subsidiaries as well as additional contributions to share capital of subsidiaries. Impairment is defined as the difference between the cost and recoverable amount. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use.

(l) Inventories

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

(m) Trade and other receivables

Unsecured loans

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

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

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

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

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

Notes (continued)

(1) Accounting policies (continued)

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

- PD ratio is calculated as proportion of historic loan portfolio amount of loans that reaches the number of past due more than 90 days or have been sold in debt sales.

- LGD calculation is based on recovered funds for loans over 90 days or loans that have been sold in debt sales. Recovered funds are discounted using the monthly effective interest rate.

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

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

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

Default or the possibility of it occurring in the future and can be divided into the following events:

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

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

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

The Group signed a contract with a third party for the receivable amounts regular debt sale to assign debtors for loans issued. Losses from these transactions were recognised in the current period under other operating expenses.

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

Any ECL on financial assets other than loan portfolio and loans to related companies is not significant.

Pawn loans

Pawn loans are non-recourse loans secured against a collateral (the pledge). If the customer does not redeem the collateral by repaying the secured loan before the end of the contract, the Group is entitled to dispose of the goods to cover the outstanding balance of the loan. Pawn loans are recognised when cash is advanced to borrowers and derecognised on the repayment for performing loans or sale of the collateral for non-performing loans. Considering that that pawnshop loans do not meet the SPPI criteria, they are initially recognised and subsequently measured at fair value.

The pawn loan portfolio is divided in two categories: performing and non-performing loan portfolios. The performing loan portfolio comprises of loans that are not yet due or loans that have been extended. The non-performing loan portfolio contains loans that have not been repaid on maturity and the payment of which depends on the realization of the collateral.

Notes (continued)

(1) Accounting policies (continued)

(n) Leases

Group as lessee

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

Right-of-use assets

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

(o) Taxes

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

In Latvia deferred tax assets and liabilities are not recognized starting from 2018. Deferred tax liabilities are recognised only in case if dividends from subsidiaries are expected to be distributed.

Notes (continued)

(1) Accounting policies (continued)

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

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

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

(s) Financial risk management
(s1) Financial risk factors
The activities of the Group expose it to different financial risks:
(s1.1) foreign currency risk;
(s1.2) credit risk;
(s1.3) operational risk;
(s1.4) market risk;
(s1.5) liquidity risk.

The Group's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Chief Financial Officer (CFO) is responsible for financial risk management. CFO identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Group.

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

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

Regarding loan unsecured loan issuance, the Group has three methods of customer identification: (i) obtaining data that accredits the identity of a natural person from a credit institution, (ii) verifying the customer's income, (iii) verifying the past and current obligations of the borrower. The Lending Company compares the information from the application form with the information received from external sources. The Group performs an automated credit check for those customers who have successfully completed the first four phases of the credit risk underwriting process. Its Risk and Data team has considerable experience in adding the optimal combination of alternative and traditional data sources, and knowledge of how to use the data collected for high-quality credit risk underwriting. The Group's credit check involves a collection of traditional credit bureau data and income information. The Group collects data from 4-5 external sources to check the borrower's creditworthiness and calculate the debt-to-income rate.

The Group has developed a linear rule strategy to evaluate each loan application using an automated credit risk underwriting process. The Group's credit risk underwriting models are developed by a centralized data science team. The Group develops its credit risk underwriting models based on information gathered during the customer registration, loan application, customer identification, fraud screening and credit screening phases. The Groups risk team closely monitors the quality of the data collected, validates, and verifies the completeness of the required data points. The team ensures that the credit check strategy is aligned with the settings of the credit check model, sets data requirements for each decision step, and ensures efficient data management. For pawn loans, the evaluation of the collaterals is performed by trained appraisers. The Group has established an efficient and effective debt collection process and has a dedicated team that adheres to debt collection practices that are fully compliant with local regulations.

The Group have regular monthly debt sale process developed and signed a contract with a third party for unsecured loans issued which are outstanding between 30 to 90 days and there are timely identified indications that loans sold could default. For loans that are outstanding more than 90 days separate debt sale agreements are signed. In the case of pawn loans, the collateral is sold in their branches or e-shop (the average realization period of the collateral is 3 months).

The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. Exposures are based on net carrying amounts as reported in the Balance Sheet. The Group's maximum credit exposures are shown gross, i.e. without taking into account any collateral or other credit enhancements.

Notes (continued)

(1) Accounting policies (continued)

	Maximum exposure			
	Group	Group	Company	Company
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Loans and receivables	67 517 807	43 755 203	49 443 184	34 327 804
Other debtors	574 646	352 269	393 459	289 554
Cash and cash equivalents	2 369 029	2 459 862	2 000 924	2 225 535

(s1.3) Operational risk

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

(s1.4) Market risk

The Group is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Group's services fluctuations. The Group's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Group attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates. The Group issues loans at fixed rate and has borrowings with a fixed and variable rates. As at 31 December 2022 except from one bond emission in amount of EUR 4 927 000 and lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominate as 3 month EURIBOR rate all other interest bearing liabilities are with a fixed interest rate. The interest rate market risk is considered to be low.

The following table represents the effect in the Group's and the Company's profit before tax (over 12-month period) on change in interest rates in by 100 basis points.

	Group	Group	Company	Company
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Profit before corporate income tax				
+100 basis points scenario	120 124	49 986	111 009	40 656
-100 basis points scenario	(120 124)	(49 986)	(111 009)	(40 656)

(s1.5) Liquidity risk

The Group complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Group has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. The management of the Group performs liquidity analysis on a regular basis and ensures adequate gap between short-term liabilities and assets. Most of the Group's liabilities are long-term liabilities. Based on performed procedures the management is of the opinion that the Group will be able to secure sufficient liquidity by its operating activities. For analysis of financial liabilities by remaining contractual maturities please see note 31.

Notes (continued)

(1) Accounting policies (continued)

(s2) Management of the capital structure
In order to ensure the continuation of the Group's activities, while maximizing the return to stakeholders' capital management, optimization of the debt and equity balance is performed. The Group's capital structure consists of bonds issued, third party loans and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	Group	Group	Company	Company
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Bonds issued	19 113 740	10 838 165	19 113 740	10 838 165
Other borrowings	34 860 758	18 573 636	25 483 091	13 470 502
Lease liabilities	2 918 440	3 305 197	2 918 440	3 305 197
Trade payables and accrued liabilities	1 598 842	1 571 953	1 495 350	1 502 504
Taxes and social insurance	560 492	398 268	560 349	391 791
Gross debts	**59 052 272**	**34 687 219**	**49 570 970**	**29 508 159**
Cash and cash equivalents	(2 369 029)	(2 459 862)	(2 000 924)	(2 225 535)
Net debts	**56 683 243**	**32 227 357**	**47 570 046**	**27 282 624**
Equity	18 105 736	17 475 982	13 844 093	15 423 320
Gross debt / equity ratio	**3.26**	**1.98**	**3.58**	**1.91**
Net debt / equity ratio	**3.13**	**1.84**	**3.44**	**1.77**

(t) Significant assumptions and estimates

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

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

<u>Impairment losses on loans to customers</u>

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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

To enhance ECL models the Group uses forward-looking macroeconomic information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. As the Group operates only in Latvia all data of macroeconomic indicators published on monthly basis by Central Statistical Bureau Republic of Latvia was obtained, equalized, and compared with the Group's year on year 1–30-day delay to non-delay portfolio. This was used as a proxy for probability of default. Indicators with highest correlation are salary, number of employed persons aged 15-74 and economic sentiment index. Based on obtained data a regression model was created, which offers significance of the coefficient of each macroeconomic indicator. To use macroeconomic factor as forward-looking macroeconomic information adjustment three economic scenarios with distinct economic consequences were used: a base case scenario which comprises most likely future economic development, a less likely adverse scenario and less likely optimistic scenario. The key variables are summarized below.

Notes (continued)

(1) Accounting policies (continued)

	Base case scenario	Adverse scenario	Optimistic scenario
Nominal gross salary (yearly changes)	9.20%	8.28%	10.12%
Number of employed persons aged 15-74	1.00%	(4.00)%	6.00%
Economic sentiment index (yearly changes)	(7.70)%	(36.76)%	0.00%

The current implementation, based on an expert judgement, weights base case scenario with 60% likelihood, the adverse scenario at 20% likelihood and the optimistic scenario at 20% likelihood. If the weighting of the adverse scenario was to increase to 45%, the expected credit loss allowance of the Group would increase by EUR 48 397 and for the Company by EUR 28 283 as of 31 December 2022. If the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Group would decrease by EUR 40 331 and for the Company by EUR 23 569 as of 31 December 2022.

Due to significant changes in underwriting policy of the Group, the historical structure of default due to debt sales before reaching 90 day delay has changed and the Management of the Group made significant judgement that the ECL coefficients calculated based on historical data should decrease by 16% for Banknote brand portfolio and by 24% for VIZIA brand portfolio. These judgments are supported by the decrease in NPL ratio from 4.8% as of 31 December 2020 to 1.9% as of 31 December 2021 to 1.4% as of 31 December 2022 and decrease in Stage 3 proportion from total unsecured loan portfolio from 5.3% as of 31 December 2020 to 2.8% as of 31 December 2021 to 1.7% as of 31 December 2022.

The current adjustment is based on an expert judgement. If there was no adjustment for each brand portfolio, the expected credit loss allowance of the Group would increase by EUR 992 380 and for the Company by EUR 466 056 as of 31 December 2022 If the adjustment was to increase by 5 percentage points for each brand portfolio, the expected credit loss allowance of the Group would increase by EUR 255 307 and for the Company by EUR 143 505 as of 31 December 2022

The ECL model inputs and parameters were reviewed and where necessary updated. For more detailed qualitative and quantitative information on the impairment of financial assets, refer to Note 1 Accounting Policies section I Trade and other receivables and Note 15 Loans and receivables.

ECL arising from trade receivables or contract assets is assessed as not significant due to the nature.

<u>SPPI for pawn loans</u>

The SPPI assessment for pawn loans is highly judgmental. The focus in determining whether SPPI criteria are met focused on the non-recourse aspect of the loans in combination with an relatively high risk of non-fulfillment of the loans and the pricing structure of the loans. In light of the returns from pawn loans in case of default being closely linked to the sale of collateral it was concluded that pawn loans do not meet SPPI criteria and therefore are required to be carried at fair value through profit or loss. The procedures for assessing and managing this risk are to some extent limited due to the collateral used to secure the loan.

<u>Fair value of pawn loans</u>

The measurement of fair value of pawn loans requires judgement in the estimation of the amount and timing of future cash flows when determining the fair value of the performing pawn loans and the amount and timing of future cash flows when realizing collateral for non-performing loans.

The elements for the fair value model for the performing loans are driven by the portfolio's effective interest rate and portfolio's free cash flows. The non-performing loan portfolio fair value calculations are dependent on the expected time of realization of the pledge, its market price, associated sales costs, and relevant discount rate. The fair value model inputs and parameters are periodically reviewed and where necessary updated.

<u>Net realisable value of inventories</u>

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

Notes (continued)

(1) Accounting policies (continued)

Leases – estimating the incremental borrowing rate

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

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.
Leases are accounted based on contractual term, no significant judgment here.

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

(v) Subsequent events
Post-period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

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

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

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

Notes (continued)

(2) Net sales

Net revenue by type of revenue

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Income from sales of goods	4 878 377	3 365 249	4 878 377	3 365 249
Income from sales of precious metals	857 399	841 360	857 399	841 360
Other income, loan and mortgage realisation and storage commission	736 791	615 262	736 791	615 262
	6 472 567	**4 821 871**	**6 472 567**	**4 821 871**

All net sales are generated in Latvia.

(3) Cost of sales

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Cost of sales of goods	3 384 400	2 319 767	3 384 400	2 319 767
Cost of sales of precious metals	819 240	837 527	819 240	837 527
	4 203 640	**3 157 294**	**4 203 640**	**3 157 294**

(4) Interest income and similar income

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Interest income on unsecured loans according to effective interest rate method	23 338 504	15 904 399	17 034 635	12 549 808
Interest income on pawn loans	5 963 753	4 458 355	5 963 753	4 458 355
Other interest income according to effective interest rate method	1 062	4 761	1 062	4 761
	29 303 319	**20 367 515**	**22 999 450**	**17 012 924**

(5) Interest expenses and similar expenses

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Interest expense on other borrowings	3 099 242	1 416 524	2 335 667	1 086 344
Bonds' interest expense	1 393 521	2 203 614	1 393 521	2 203 614
Interest expense on lease liabilities for leased premises	174 795	204 489	174 795	204 489
Interest expense lease liabilities for leased vehicles	1 429	2 473	1 429	2 473
Net loss on foreign exchange	498	213	498	213
	4 669 485	**3 827 313**	**3 905 910**	**3 497 133**

Notes (continued)

(6) Selling expenses

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Salary expenses	2 981 967	2 515 879	2 981 967	2 515 879
Advertising	844 156	739 462	557 233	505 805
Social insurance	699 897	590 774	699 897	590 774
Depreciation of right-of-use assets - premises	638 960	643 179	638 960	643 179
Non-deductible VAT	487 146	334 859	417 052	273 629
Depreciation of property, plant and equipment and amortisation of intangible assets	433 466	362 325	429 659	355 539
Maintenance expenses	395 724	278 573	389 858	274 436
Utilities expenses	290 952	222 161	290 903	218 252
Transportation expenses	115 374	93 050	115 374	93 050
Provisions for unused annual leave	37 532	26 627	37 532	26 627
Depreciation of right-of-use assets - motor vehicles	15 900	29 312	15 900	29 312
Other expenses	559 151	288 449	5 37 288	294 157
	7 500 225	**6 124 650**	**7 111 623**	**5 820 639**

(7) Administrative expenses

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Salary expenses	3 445 128	2 311 503	3 444 978	2 309 296
Social insurance	772 734	531 106	772 722	531 860
Bank commission	720 995	463 168	555 081	372 742
Communication expenses	217 054	338 716	184 737	301 781
State fees and duties, licence expenses	136 981	148 616	81 776	92 310
Depreciation of right-of-use assets - premises	93 914	93 914	93 914	93 914
Legal advice	83 097	114 556	76 459	113 716
Audit expenses*	68 397	57 250	54 792	50 250
Provisions for unused annual leave	52 632	27 517	52 620	28 717
Depreciation of right-of-use assets - motor vehicles	1 925	9 527	1 925	9 527
Other administrative expenses	180 410	116 935	172 589	122 617
	5 773 267	**4 212 808**	**5 491 593**	**4 026 730**

* The Group has received the statutory audit of annual report and translation of financial statements services.

(8) Corporate income tax for the reporting year

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

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Corporate income tax charge for the current year	1 296 108	979 191	1 296 054	873 080
	1 296 108	**979 191**	**1 296 054**	**873 080**

Notes (continued)

(8) Corporate income tax for the reporting year (continued)

Reconciliation of effective tax rate.
Current corporate income tax expenses for the years ending on 31 December 2022 and 31 December 2021 is different from the theoretical tax amount that the Group would incur if profit before tax was taxed at the statutory rate of 20%:

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Profit before corporate income tax	**7 257 561**	**4 996 931**	**5 048 526**	**4 103 294**
Theoretical tax at 20%	1 451 512	999 386	1 009 705	820 659
Effect from retained earnings	(155 404)	(20 195)	286 349	52 421
Corporate income tax	**1 296 108**	**979 191**	**1 296 054**	**873 080**

The Group's retained earnings for the year 2020 and 2021 were paid out in dividends and taxed with corporate income tax 942 615 EUR. If the group's profit before taxes for year 2020 and 2021 were taxed at a 20% tax rate, the corporate income tax amount would be 754 092 EUR.

(9) Basic earnings and Diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The dilution effect when calculation the Diluted earnings per share comes from share options granted on 1 December 2022 to employees of the Group. The table below presents the income and share data used in the computations of basic earnings and Diluted earnings per share for the Group:

	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Net profit attributed to shareholders	5 961 453	4 017 740	3 752 472	3 230 214
Weighted average number of shares	45 319 594	41 034 770	45 319 594	41 034 770
Earnings per share	**0.132**	**0.098**	**0.083**	**0.079**
Weighted average number of shares used for calculating the diluted earnings per shares	45 331 135	41 034 770	45 331 135	41 034 770
Diluted earnings per share	**0.132**	**0.098**	**0.083**	**0.079**

The table below presents the income and share data used in the computations of earnings per share for the Group:

	Change EUR	Actual number of shares after transaction EUR	Actual number of shares after transaction EUR
2021			
Number of shares at the beginning of the year	**-**	40 000 000	40 000 000
Number of shares at the end of the year	5 319 594	45 319 594	45 319 594
Weighted average number of shares:			**41 034 770**
Weighted average number of share options for DelfinGroup AS employees granted in 2021			-
Weighted average potential number of shares			**41 034 770**
2022			
Number of shares at the beginning of the year		45 319 594	45 319 594
Number of shares at the end of the year		45 319 594	45 319 594
Weighted average number of shares:			**45 319 594**
Weighted average number of share options for DelfinGroup AS employees granted in 2022*			11 541
Weighted average potential number of shares			**45 331 135**

*.Number of shares granted on 1 December 2022 73 968 with FV at grant date 1.258 EUR and option exercise price 0.100 EUR.

Notes (continued)

(10) Intangible assets

Group

	Patents, trademarks and similar rights	Internally developed software	Other intangible assets	Advances for intangible assets	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2020	**356 125**	**222 647**	**80 318**	**-**	**127 616**	**786 706**
Additions	-	251 795	19 083	18 834	-	289 712
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**99 401**	**18 834**	**127 616**	**1 061 742**
Additions	6 442	348 685	77 765	66 702	-	499 594
Transfers	12 915	-	28 820	(41 735)	-	-
Disposals	(11 500)	-	(1 660)	-	-	(13 160)
31.12.2022	**349 306**	**823 127**	**204 326**	**43 801**	**127 616**	**1 548 176**
Amortisation						
31.12.2020	**231 869**	**20 399**	**26 242**	**-**	**-**	**278 510**
Charge for 2021	60 219	77 227	22 490	-	-	159 936
Disposals	(14 676)	-	-	-	-	(14 676)
31.12.2021	**277 412**	**97 626**	**48 732**	**-**	**-**	**423 770**
Charge for 2022	56 488	150 043	36 093	-	-	242 624
Disposals	(11 500)	-	(1 661)	-	-	(13 161)
31.12.2022	**322 400**	**247 669**	**83 164**	**-**	**-**	**653 233**
Net book value 31.12.2022	**26 906**	**575 458**	**121 162**	**43 801**	**127 616**	**894 943**
Net book value 31.12.2021	**64 037**	**376 816**	**50 669**	**18 834**	**127 616**	**637 972**

Company

	Patents, trademarks and similar rights	Internally developed software	Other intangible assets	Advances for intangible assets	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2020	**356 125**	**222 647**	**60 561**	**-**	**639 333**
Additions	-	251 795	17 920	18 834	288 549
Disposals	(14 676)	-	-	-	(14 676)
31.12.2021	**341 449**	**474 442**	**78 481**	**18 834**	**913 206**
Additions	6 442	348 685	77 765	66 702	499 594
Transfers	12 915	-	28 820	(41 735)	-
Disposals	(11 500)	-	(1 660)	-	(13 160)
31.12.2022	**349 306**	**823 127**	**183 406**	**43 801**	**1 399 640**
Amortisation					
31.12.2020	**231 869**	**20 399**	**18 634**	**-**	**270 902**
Charge for 2021	60 221	77 227	17 791	-	155 239
Disposals	(14 678)	-	-	-	(14 678)
31.12.2021	**277 412**	**97 626**	**36 425**	**-**	**411 463**
Charge for 2022	56 488	150 043	32 319	-	238 850
Disposals	(11 500)	-	(1 660)	-	(13 160)
31.12.2022	**322 400**	**247 669**	**67 084**	**-**	**637 153**
Net book value 31.12.2022	**26 906**	**575 458**	**116 322**	**43 801**	**762 487**
Net book value 31.12.2021	**64 037**	**376 816**	**42 056**	**18 834**	**501 743**

Notes (continued)

(10) Intangible assets (continued)

Part of the IT employees are involved in building technical solutions for the operation of AS *DelfinGroup*. These systems are constantly built to meet both external and internal needs, and these are constantly being developed. As the systems are fully developed internally by IT department, related payroll and tax payments are capitalized for those IT employees who were involved in the development of the systems. The list of capitalized salaries is reviewed every month and capitalized amount is determined based on the works performed. Following initial recognition of the development expenditure as an asset, the asset is carried a cost less any accumulated amortisation and impairment
During 2022 capitalised salary and related taxes for such systems amounted to EUR 348 685 (2021 - EUR 251 795). The systems are constantly being developed and support the issuance of loans, growth of the portfolio and sale of goods and as such ensure that the future economic benefits will flow to the company over a long period, thus justifying capitalization.

(11) Property, plant and equipment

Group

	Land	Buildings and structures	Other equipment assets	Leasehold improve-ments	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost								
31.12.2020	**-**	**130 069**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 586 237**
Additions	99 000	14 019	123 781	22 091	345 846	-	345 846	604 737
Remeasurement	-	-	-	-	288 271	-	288 271	288 271
Disposals	-	(69 964)	(70 316)	-	(131 348)	-	(131 348)	(271 628)
31.12.2021	**99 000**	**74 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Additions	-	19 865	141 746	42 480	33 718	10 913	44 631	248 722
Remeasurement	-	-	-	-	514 171	-	514 171	514 171
Disposals	-	-	(50 087)	-	(331 890)	(42 214)	(374 104)	(424 191)
31.12.2022	**99 000**	**93 989**	**1 137 648**	**676 027**	**5 278 805**	**260 850**	**5 539 655**	**7 546 319**
Depreciation								
31.12.2020	**-**	**44 684**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 861 619**
Charge for 2021	-	6 300	164 070	32 017	737 093	38 839	775 932	978 319
Disposals	-	(47 766)	(68 995)	-	(51 321)	-	(51 321)	(168 082)
31.12.2021	**-**	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Charge for 2022	-	7 393	143 628	39 821	732 874	17 825	750 699	941 541
Disposals	-	-	(48 557)	-	(204 801)	(24 853)	(229 654)	(278 211)
31.12.2022	**-**	**10 611**	**934 456**	**486 687**	**2 650 851**	**252 581**	**2 903 432**	**4 335 186**
Net book value 31.12.2022	**99 000**	**83 378**	**203 192**	**189 340**	**2 627 954**	**8 269**	**2 636 223**	**3 211 133**
Net book value 31.12.2021	**99 000**	**70 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**

Notes (continued)

(11) Property, plant and equipment (continued)

Company

	Land	Buildings and structures	Other equipment assets	Leasehold improve-ments	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost								
31.12.2020	**-**	**-**	**992 524**	**611 456**	**4 560 037**	**292 151**	**4 852 188**	**6 456 168**
Additions	99 000	14 019	123 781	22 091	345 846	-	345 846	604 737
Acquired with in liquidation of subsidiary	-	83 299	-	-	-	-	-	83 299
Remeasurement	-	-	-	-	288 271	-	288 271	288 271
Disposals	-	(23 194)	(70 316)	-	(131 348)	-	(131 348)	(224 858)
31.12.2021	**99 000**	**74 124**	**1 045 989**	**633 547**	**5 062 806**	**292 151**	**5 354 957**	**7 207 617**
Additions	-	19 865	141 155	42 480	33 718	10 913	44 631	248 131
Remeasurement	-	-	-	-	514 171	-	514 171	514 171
Disposals	-	-	(50 087)	-	(331 890)	(42 214)	(374 104)	(424 191)
31.12.2022	**99 000**	**93 989**	**1 137 057**	**676 027**	**5 278 805**	**260 850**	**5 539 655**	**7 545 728**
Depreciation								
31.12.2020	-	**-**	**744 310**	**414 849**	**1 437 006**	**220 770**	**1 657 776**	**2 816 935**
Charge for 2021	-	4 213	164 070	32 017	737 093	38 839	775 932	976 232
Disposals	-	(995)	(68 995)	-	(51 321)	-	(51 321)	(121 311)
31.12.2021	**-**	**3 218**	**839 385**	**446 866**	**2 122 778**	**259 609**	**2 382 387**	**3 671 856**
Charge for 2022	-	7 393	143 595	39 821	732 874	17 825	750 699	941 508
Disposals	-	-	(48 557)	-	(204 801)	(24 853)	(229 654)	(278 211)
31.12.2022	**-**	**10 611**	**934 423**	**486 687**	**2 650 851**	**252 581**	**2 903 432**	**4 335 153**
Net book value 31.12.2022	**99 000**	**83 378**	**202 634**	**189 340**	**2 627 954**	**8 269**	**2 636 223**	**3 210 575**
Net book value 31.12.2021	**99 000**	**70 906**	**206 604**	**186 681**	**2 940 028**	**32 542**	**2 972 570**	**3 535 761**

Disposal of right-of-use assets relate to early termination of lease contracts.

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

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

	31.12.2022	31.12.2021
	EUR	EUR
Non-current assets		
Right-of-use assets - premises	2 627 954	2 940 028
Right-of-use assets - motor vehicles	8 269	32 542
Assets, total	**2 636 223**	**2 972 570**
Non-current liabilities		
Lease liabilities	2 353 309	2 652 498
Current liabilities		
Lease liabilities	565 131	652 699
Lease liabilities, total	**2 918 440**	**3 305 197**

Notes (continued)

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

Leases in the statement of profit or loss

	2022 EUR	2021 EUR
Interest expenses and similar expenses		
Interest expense on lease liabilities for leased premises	(174 795)	(204 489)
Interest expense on lease liabilities for leased vehicles	(1 429)	(2 473)
Selling expense		
Depreciation of right-of-use assets - premises	(638 960)	(643 179)
Depreciation of right-of-use assets - motor vehicles	(15 900)	(29 312)
Administrative expenses		
Depreciation of right-of-use assets - premises	(93 914)	(93 914)
Depreciation of right-of-use assets - motor vehicles	(1 925)	(9 527)
Leases in the statement of profit or loss, total	**(926 923)**	**(982 894)**

Leases liabilities

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Long term lease liabilities - premises	2 335 493	2 627 961	2 335 493	2 627 961
Long term lease liabilities - vehicles	17 816	24 537	17 816	24 537
Total long-term lease liabilities	**2 353 309**	**2 652 498**	**2 353 309**	**2 652 498**
Short term lease liabilities - premises	548 848	633 826	548 848	633 826
Short term lease liabilities - vehicles	16 283	18 873	16 283	18 873
Total short-term lease liabilities	**565 131**	**652 699**	**565 131**	**652 699**
Lease liabilities, total	**2 918 440**	**3 305 197**	**2 918 440**	**3 305 197**

Lease agreements for premises are signed for a period of one year to fifteen years and six months. Car rental agreements are signed for a period of three years to three years and three months.
The weighted-average incremental borrowing rate for premises leased in 2022 comprised 3.97% (2021: 4.07%), the weighted-average incremental borrowing rate for motor vehicles was 3.20% (2021: 3.20%).
The total amount of lease payments on short-term leases and leases of low-value assets recognized as expense in statement of profit or loss for the year end 31 December 2022 is EUR 5 019 and EUR 3 962 for the year end 31 December 2021.
The total cash outflow for leases is EUR 930 389 and EUR 865 764 for the year end 31 December 2021. There are no variable lease payments included in the measurement of lease liabilities. Right-of-use assets are not subleased.

The following table sets out a maturity analysis of lease payables, showing the undiscounted lease payments to be paid after the reporting date.

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Less than one year	733 682	843 525	733 682	843 525
One to two years	643 918	658 670	643 918	658 670
Two to three years	464 713	564 255	464 713	564 255
Three to four years	229 793	399 941	229 793	399 941
Four to five years	178 245	235 694	178 245	235 694
More than five years	976 426	1 151 758	976 426	1 151 758
Total undiscounted lease payable	**3 226 777**	**3 853 843**	**3 226 777**	**3 853 843**

Notes (continued)

(13) Company's investments in subsidiaries
Company is the sole shareholder of the subsidiary SIA *ViziaFinance* (100%) as of 31 December 2022.

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	%	%
ViziaFinance SIA	880 000	880 000	100	100
	880 000	**880 000**		

b) information on subsidiaries

Name	Address	Total equity 31.12.2022	31.12.2021
		EUR	EUR
ViziaFinance SIA	Skanstes street 50A, LV-1013 Riga, Latvia	4 903 239	2 805 047

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

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

	31.12.2022	31.12.2021 (restated, Note 1)
	EUR	EUR
Goods for sale	1 640 946	894 493
Inventory made of gold	648 834	360 205
	2 289 780	**1 254 698**

In 2022, write-off to net realizable value of inventories amounted to EUR 157 872 (in 2021: EUR 78 514).

(15) Loans and receivables

a) Loans and receivables by loan type

	Group 31.12.2022	Group 31.12.2021 (restated, Note 1)	Company 31.12.2022	Company 31.12.2021 (restated, Note 1)
	EUR	EUR	EUR	EUR
Pawn loans measured at fair value				
Long-term pawn loans	220 216	95 058	220 216	95 058
Short-term pawn loans	5 880 246	3 807 305	5 880 246	3 807 305
Interest accrued for pawn loans	221 906	164 698	221 906	164 698
Pawn loans measured at fair value, total	**6 322 368**	**4 067 061**	**6 322 368**	**4 067 061**
Debtors for loans issued without pledge				
Long-term debtors for loans issued without pledge	45 929 912	28 474 373	30 607 655	21 069 674
Short-term debtors for loans issued without pledge	17 487 363	13 078 077	13 629 332	10 328 142
Interest accrued for loans issued without pledge	2 189 607	1 681 814	1 517 281	1 228 097
Debtors for loans issued without pledge, total	**65 606 882**	**43 234 264**	**45 754 268**	**32 625 913**
Loans and receivables before allowance, total	**71 929 250**	**47 301 325**	**52 076 636**	**36 692 974**
ECL allowance on loans issued without pledge	**(4 411 443)**	**(3 546 122)**	**(2 633 452)**	**(2 365 170)**
Loans and receivables	**67 517 807**	**43 755 203**	**49 443 184**	**34 327 804**

Notes (continued)

(15) Loans and receivables (continued)

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

The Group signed a contract with a third party for the receivable amounts regular debt sale to assign debtors for loans issued which are outstanding for more than 60 days. Losses from these transactions were recognised in the current period.

Pawn loans in the amount of EUR 6 322 368 (31.12.2021: EUR 4 067 061) are secured by the value of the collateral and measured at fair value.

b) Allowance for impairment of loans issued without pledge at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to retail lending during the year ended 31 December 2022 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	**30 723 322**	**2 771 108**	**1 866 108**	**36 195**	**35 396 733**
New assets originated or purchased	37 221 049	-	-	-	37 221 049
Assets settled or partly settled	(24 505 460)	(1 437 562)	(856 057)	-	(26 799 079)
Net assets written off in debt sales	(162 803)	(1 140 677)	(1 281 318)	-	(2 584 798)
Assets written off	-	-	(324 548)	(36 195)	(360 743)
Effect of interest accruals	251 013	116 280	(6 191)	-	361 102
Transfers to Stage 1	371 814	(197 814)	(174 000)	-	-
Transfers to Stage 2	(4 774 160)	4 866 919	(92 759)	-	-
Transfers to Stage 3	(335 532)	(1 776 955)	2 112 487	-	-
At 31 December 2021	**38 789 243**	**3 201 299**	**1 243 722**	**-**	**43 234 264**
New assets originated or purchased	61 081 197	-	-	-	61 081 197
Assets settled or partly settled	(28 240 431)	(5 283 563)	(1 005 898)	-	(34 529 892)
Assets derecognised due to debt sales	(14 321)	(3 091 035)	(845 492)	-	(3 950 848)
Assets written off	-	-	(732 645)	-	(732 645)
Effect of interest accruals	432 612	102 592	(30 398)	-	504 806
Transfers to Stage 1	81 425	(69 036)	(12 389)	-	-
Transfers to Stage 2	(11 447 758)	11 545 084	(97 326)	-	-
Transfers to Stage 3	(375 920)	(2 244 836)	2 620 756	-	-
At 31 December 2022	**60 306 047**	**4 160 505**	**1 140 330**	**-**	**65 606 882**

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**1 819 119**	**600 485**	**1 168 490**	**-**	**3 588 094**
New assets originated or purchased	2 092 107	-	-	-	2 092 107
Assets settled or partly settled	(1 651 482)	(433 793)	(516 680)	-	(2 601 955)
Net assets written off in debt sales	(12 328)	(393 601)	(1 515 593)	-	(1 921 522)
Assets written off	-	-	(196 714)	-	(196 714)
Effect of interest accruals	12 314	52 849	46 852	-	112 015
Transfers to Stage 1	144 293	(39 444)	(104 849)	-	-
Transfers to Stage 2	(277 978)	332 674	(54 696)	-	-
Transfers to Stage 3	(17 951)	(331 189)	349 140	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(19 458)	936 411	1 557 144	-	2 474 097
At 31 December 2021	**2 088 636**	**724 392**	**733 094**	**-**	**3 546 122**
New assets originated or purchased	4 976 832	-	-	-	4 976 832
Assets settled or partly settled	(2 140 296)	(1 825 569)	(449 555)	-	(4 415 420)
Assets derecognised due to debt sales	(1 319)	(1 057 207)	(1 886 513)		(2 945 039)
Assets written off	-	-	(306 962)	-	(306 962)
Effect of interest accruals	16 673	9 883	(145 314)	-	(118 758)
Transfers to Stage 1	55 305	(50 148)	(5 157)	-	-
Transfers to Stage 2	(1 024 261)	1 063 218	(38 957)	-	-
Transfers to Stage 3	(26 442)	(757 928)	784 370	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(1 150967)	2 727 598	2 098 037	-	3 674 668
At 31 December 2022	**2 794 161**	**834 239**	**783 043**	**-**	**4 411 443**

Notes (continued)

(15) Loans and receivables (continued)

Allowance for impairment of loans issued without pledge at amortised cost (continued)

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value as at 1 January 2021	**22 324 206**	**2 241 267**	**1 419 521**	**36 195**	**26 021 189**
New assets originated or purchased	26 397 460	-	-	-	26 397 460
Assets settled or partly settled	(16 649 136)	(775 887)	(663 881)	-	(18 088 904)
Assets derecognised due to debt sales	(131 223)	(599 649)	(841 465)	-	(1 572 337)
Assets written off	-	-	(289 812)	(36 195)	(326 007)
Effect of interest accruals	115 708	67 233	11 571	-	194 512
Transfers to Stage 1	278 779	(151 654)	(127 125)	-	-
Transfers to Stage 2	(2 659 348)	2 672 111	(12 763)	-	-
Transfers to Stage 3	(306 477)	(1 229 735)	1 536 212	-	-
At 31 December 2021	**29 369 969**	**2 223 686**	**1 032 258**	**-**	**32 625 913**
New assets originated or purchased	40 411 187	-	-	-	40 411 187
Assets settled or partly settled	(21 296 803)	(2 474 313)	(766 217)	-	(24 537 333)
Assets derecognised due to debt sales	(7 008)	(1 793 503)	(621 348)	-	(2 421 859)
Assets written off	-	-	(609 838)	-	(609 838)
Effect of interest accruals	330 104	36 874	(80 780)	-	286 198
Transfers to Stage 1	72 651	(63 738)	(8 913)	-	-
Transfers to Stage 2	(6 087 596)	6 091 617	(4 021)	-	-
Transfers to Stage 3	(316 228)	(1 618 339)	1 934 567	-	-
At 31 December 2022	**42 476 276**	**2 402 284**	**875 708**	**-**	**45 754 268**

Company	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2021	**996 082**	**426 803**	**900 752**	**-**	**2 323 637**
New assets originated or purchased	1 381 956	-	-	-	1 381 956
Assets settled or partly settled	(871 613)	(186 307)	(403 936)	-	(1 461 856)
Assets derecognised due to debt sales	(10 254)	(168 940)	(1 257 543)	-	(1 436 737)
Assets written off	-	-	(176 335)	-	(176 335)
Effect of interest accruals	3 436	32 482	57 273	-	93 191
Transfers to Stage 1	113 764	(36 415)	(77 349)	-	-
Transfers to Stage 2	(139 222)	146 987	(7 765)	-	-
Transfers to Stage 3	(16 045)	(295 286)	311 331	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(167 523)	543 111	1 265 726	-	1 641 314
At 31 December 2021	**1 290 581**	**462 435**	**612 154**	**-**	**2 365 170**
New assets originated or purchased	2 450 934	-	-	-	2 450 934
Assets settled or partly settled	(1 291 777)	(813 842)	(353 883)	-	(2 459 502)
Assets derecognised due to debt sales	(425)	(589 912)	(1 797 043)	-	(2 387 380)
Assets written off	-	-	(257 941)	-	(257 941)
Effect of interest accruals	3 630	(9 295)	(130 894)	-	(136 559)
Transfers to Stage 1	24 734	(20 965)	(3 769)	-	-
Transfers to Stage 2	(369 181)	371 096	(1 915)	-	-
Transfers to Stage 3	(19 209)	(532 298)	551 507	-	-
Impact on period end ECL due to changes in credit risk and inputs used for ECL calculations	(515 500)	1 562 544	2 011 686	-	3 058 730
At 31 December 2022	**1 573 787**	**429 763**	**629 902**	**-**	**2 633 452**

Notes (continued)

(15) Loans and receivables (continued)

c) Age analysis of loans issued without pledge at amortised cost:

	Group 31.12.2022 EUR	Group 31.12.2021 (restated, Note 1) EUR	Company 31.12.2022 EUR	Company 31.12.2021 (restated, Note 1) EUR
For trade debtors not yet due	57 445 337	37 049 201	40 749 698	28 357 048
Outstanding 1-30 days	4 555 603	3 316 789	2 785 838	2 189 453
Outstanding 31-90 days	2 465 106	1 624 551	1 342 521	1 047 155
Outstanding 91-180 days	328 818	241 861	268 809	209 274
Outstanding for 181-360 days	383 242	304 099	301 238	259 699
Outstanding for more than 360 days	428 776	697 763	306 164	563 284
Total debtors for loans issued	**65 606 882**	**43 234 264**	**45 754 268**	**32 625 913**

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

	Group 31.12.2022 EUR	Group 31.12.2021 (restated, Note 1) EUR	Company 31.12.2022 EUR	Company 31.12.2021 (restated, Note 1) EUR
For trade debtors not yet due	2 252 622	1 653 465	1 266 314	1 031 215
Outstanding 1-30 days	661 969	550 784	375 769	333 257
Outstanding 31-90 days	789 067	608 778	413 839	388 545
Outstanding 91-180 days	184 076	125 139	155 795	107 940
Outstanding for 181-360 days	245 456	168 013	200 580	143 414
Outstanding for more than 360 days	278 253	439 943	221 155	360 799
ECL allowance on loans issued without pledge	**4 411 443**	**3 546 122**	**2 633 452**	**2 365 170**

Loan loss allowance has been defined based on collectively assessed impairment. For ECL calculation purposes debtors for loans issued without pledge were grouped by brands – Banknote and VIZIA.

e) Credit loss expenses

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Credit losses on loans issued without pledge	10 819 278	5 192 691	6 108 712	3 134 656
Reversal of provision on debt sales	(4 396 119)	(2 225 558)	(2 387 380)	(1 436 737)
Reversal of provision from written-off loans	(306 962)	(196 713)	(257 941)	(176 335)
Credit loss expenses	**6 161 123**	**2 814 981**	**3 508 317**	**1 566 145**

(16) Cash and cash equivalents

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Cash at banks	2 041 788	2 177 557	1 673 683	1 943 230
Cash in hand	327 241	282 305	327 241	282 305
	2 369 029	**2 459 862**	**2 000 924**	**2 225 535**

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

Notes (continued)

(17) Share capital

On 14 October 2021, AS *DelfinGroup* successfully closed the initial public offering (IPO) and shares of Company has become traded in Nasdaq Riga Baltic Main list from 20 October 2021. During IPO, the Company issued 5 319 594 new shares with par value of EUR 0.10 each.
As at 31 December 2022, the Parent Company's share capital is EUR 4 531 959,40, which consists of 45 319 594 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

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

(18) Retained earnings

	Group 2022 EUR	Group 2021 (restated, Note 1) EUR	Company 2022 EUR	Company 2021 (restated, Note 1) EUR
Balance as at 1 January	**6 053 065**	**5 453 709**	**4 000 403**	**4 237 497**
Impact of correction of errors (Note 1)	-	304 754	-	255 830
Net profit for the period	5 961 453	4 017 740	3 752 472	3 230 214
Dividends declared and paid:				
Interim dividends of 0.0645 EUR (2021: 0.0541 EUR) per share	(2 923 115)	(2 223 138)	(2 923 115)	(2 223 138)
Annual dividend of 0.0552 EUR (2021: 0.0375 EUR) per share	(2 501 642)	(1 500 000)	(2 501 642)	(1 500 000)
Balance as at 31 December	**6 589 761**	**6 053 065**	**2 328 118**	**4 000 403**

(19) Share-based payments

<u>**Share option plan**</u>

In September 2021 shareholders approved an employee share option plan for employees and Management of the Group. Under the programme a total of 450 000 new shares can be issued. In December 2022 employees were granted first stock options under the employee share option plan. According to the Company's share option plan, share options of the parent are granted to all employees of the Company. The right to receive employee options belongs to those employees of the company who meet the following conditions:

- Employee has been with the company for at least 12 months;
- Employee has achieved the individual goals set for him by the Management and has contributed to achieving the common business goals.

To exercise the share options the option holder has to be employed with the Group. Upon exercising their personnel options, option holders are entitled to receive the Company's newly issued shares for a fee. The price of one share of the Company's new issue is EUR 0.10 (10 cents). The minimum term of holding employee options from their allocation to the day the option holder is entitled to exercise the option rights is 12 months. The options have to be exercised within a month after their vesting date and there are no cash settlement alternatives.
The Group recognized expenses in amount of EUR 93 058 during the reporting year (EUR 0 in 2021) in relation to the respective share option plan. The remaining 376 032 options of the plan whilst approved for use in future SBP schemes, have not been included in SBP contracts yet, hence no expense recognised in the year.

Movement during the year in number of options:

Outstanding at 1 January 2022	-
Granted	73 968
Exercised	-
Forfeited	-
Outstanding at 31 December 2022	73 968
Exercisable as of 31 December 2022	-

Notes (continued)

(19) Share-based payments (continued)

Fair value calculations

The fair value of share options is estimated at the grant date by using a Black-Scholes option pricing model. When estimating the fair value of options, the terms and conditions on which the share options were granted are considered, as well as making estimates on some of the assumptions to adjust for the BlackScholes model's calculations. The inputs used in the model are market observable whenever possible including the share price, expected dividend yield and risk-free rate. The weighted average fair value of options granted at the measurement date was EUR 1.2581 (EUR 0 in 2021).

The following table lists the key inputs used for calculating of fair value:

Weighted average fair value of share price	1.468
Weighted average exercise price	0.10
Expected life of share options (years)	1
Expected volatility (%)	20%
Dividend yield (%)	8%
Risk-free interest rate (%)	3%

(20) Bonds issued

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Total long-term part of bonds issued	**4 330 630**	**9 894 123**	**4 330 630**	**9 894 123**
Bonds issued	14 758 261	931 039	14 758 261	931 039
Interest accrued	24 849	13 003	24 849	13 003
Total short-term part of bonds issued	**14 783 110**	**944 042**	**14 783 110**	**944 042**
Bonds issued, total	**19 088 891**	**10 825 162**	**19 088 891**	**10 825 162**
Interest accrued, total	24 849	13 003	24 849	13 003
Bonds issued net	**19 113 740**	**10 838 165**	**19 113 740**	**10 838 165**

As of 31 December 2022, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms: number of bonds issued - 5 000, nominal value - EUR 1 000 per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

As of 31 December 2022, the Parent company of the Group has outstanding bonds (ISIN LV0000802536) in the amount of EUR 10 000 000, registered with the Latvia Central Depository on the following terms – number of financial instruments 10 000, with a nominal value 1 000 euro per each bond, coupon rate – 8.00%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2023. The bond issue in full amount is traded on NASDAQ Baltic North Alternative market as of 21.06.2022. The bonds are not secured.

On 7 July 2022 the Parent company of the Group has started a closed bond offering (ISIN LV0000850055) in the amount of EUR 10 000 000. The offering has been registered with the Latvia Central Depository on the following terms – number of financial instruments is 10 000, with a nominal value 1 000 euro per each bond, coupon rate –3M EURIBOR + 8.75%, coupon is paid once a month on the 25th date. New bonds are issued periodically taking into account the need for financing. As of 31 December 2022, bonds in total of EUR 4 927 000 have been issued. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 September 2024. The bonds are not secured.

As at 31 December 2022 the Group is in compliance with covenants stated in all Terms of the Notes Issue. Please see covenants disclosed in Management report.

The group has devised a strategic plan to issue new bonds with the aim of refinancing its existing maturing liabilities as well as continue placing loans on the Mintos P2P platform. This approach will enable the group to settle its outstanding debt by utilizing the proceeds generated from the sale of these newly issued bonds and funding attracted on Mintos. Furthermore, the subscription period for LV0000850055 bonds is currently in progress, and it is expected that these bonds will be fully subscribed by the end of June 2023.

Notes (continued)

(21) Other borrowings

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Other long-term loans	15 004 505	8 086 468	9 641 200	5 125 100
Total other long-term loans	**15 004 505**	**8 086 468**	**9 641 200**	**5 125 100**
Other short-term loans	19 856 253	10 487 168	15 841 891	8 345 402
Total other short-term loans	**19 856 253**	**10 487 168**	**15 841 891**	**8 345 402**
Other loans, total	**34 860 758**	**18 573 636**	**25 483 091**	**13 470 502**

Amount of other borrowings is represented by loans received from crowdfunding platform Mintos, a platform registered in the European Union. The weighted average annual interest rate as of 31 December 2022 is 12.5%. According to the loan agreement with SIA Mintos Finance the loans matures according to the particular loan agreement terms concluded by the Group with its customers.
To ensure fulfilment of liabilities the Group has registered commercial pledge, see note 29. As at 31 December 2022 the Group is in compliance with covenants.

(22) Taxes and social insurance payments

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
Value Added Tax	58 835	39 390	58 748	32 913
Income tax	210 796	131 868	210 796	131 868
Business risk charge	126	110	125	110
Social insurance	204 192	154 732	204 158	154 732
Payroll tax	115 557	92 937	115 536	92 937
Vehicles tax	4 031	4 460	4 031	4 460
Natural resource tax	4 887	50	4 887	50
Overpayment	(37 932)	(25 279)	(37 932)	(25 279)
Total taxes and social insurance payments	**560 492**	**398 268**	**560 349**	**391 791**

(23) Average number of employees

	2022	2021
Average number of employees during the reporting year of the Group	**329**	**301**
Average number of employees during the reporting year of the Company	**324**	**296**

(24) Management remuneration

	31.12.2022 EUR	31.12.2021 EUR
Supervisory Board members' remuneration:		
· salary expenses	134 440	110 606
· social insurance	31 705	26 092
	166 145	**136 698**
Board members' remuneration:		
· salary expenses	372 681	349 096
· social insurance	87 916	82 352
	460 597	**431 448**

Notes (continued)

(25) Changes in liabilities arising from financing activities

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2020	**13 464 369**	**17 686 857**	**3 435 851**	**4 000 000**	**38 587 077**
Proceeds	11 111 000	20 633 934	-	8 085 782	39 830 716
Settlement	(13 481 000)	(19 849 406)	(865 764)	-	(34 196 170)
Redemption	16 631	43 129	-	-	59 760
New lease contracts	-	-	345 846	-	345 846
Lease disposal	-	-	(104 529)	-	(104 529)
Modification of lease contracts	-	-	288 271	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	205 522
IPO transaction costs	-	-	-	(662 865)	(662 865)
Commission accrued	(285 838)	-	-	-	(285 838)
Interest accrued	13 003	59 122	-	-	72 125
Carrying amount at 31 December 2021	**10 838 165**	**18 573 636**	**3 305 197**	**11 422 917**	**44 139 915**
Proceeds	8 651 455	35 565 757	-	-	44 217 212
Settlement	(500 000)	(18 782 851)	(930 389)	-	(20 213 240)
Redemption	507 630	(550 166)	-	-	(42 536)
New lease contracts	-	-	44 631	-	44 631
Lease disposal	-	-	(190 124)	-	(190 124)
Modification of lease contracts	-	-	514 171	-	514 171
Interest expense on lease liabilities	-	-	174 954	-	174 954
Commission accrued	(408 359)	(194 264)	-	-	(602 623)
Interest accrued	24 849	248 646	-	-	273 495
Carrying amount at 31 December 2022	**19 113 740**	**34 860 758**	**2 918 440**	**11 422 917**	**68 315 855**

Notes (continued)

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

Company changes in liabilities arising from financing activities

The Company	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Share capital and Share premium EUR	Total liabilities from financing activities EUR
Carrying amount at 31 December 2020	**13 464 369**	**14 986 754**	**3 435 851**	**4 000 000**	**35 886 974**
Proceeds	11 111 000	13 643 489	-	8 085 782	32 840 271
Settlement	(13 481 000)	(15 505 807)	(865 764)	-	(29 852 571)
Redemption	16 631	304 521	-	-	321 152
New lease contracts	-	-	345 846	-	345 846
Lease disposal	-	-	(104 529)	-	(104 529)
Modification of lease contracts	-	-	288 271	-	288 271
Interest expense on lease liabilities	-	-	205 522	-	205 522
IPO transaction costs	-	-	-	(662 865)	(662 865)
Commission accrued	(285 838)	-	-	-	(285 838)
Interest accrued	13 003	41 545	-	-	54 548
Carrying amount at 31 December 2021	**10 838 165**	**13 470 502**	**3 305 197**	**11 422 917**	**39 036 781**
Proceeds	8 651 455	23 718 321	-	-	32 369 776
Settlement	(500 000)	(11 209 948)	(930 389)	-	(12 640 337)
Redemption	507 630	(544 831)	-	-	(37 201)
New lease contracts	-	-	44 631	-	44 631
Lease disposal	-	-	(190 124)	-	(190 124)
Modification of lease contracts	-	-	514 171	-	514 171
Interest expense on lease liabilities	-	-	174 954	-	174 954
Commission accrued	(408 359)	(131 809)	-	-	(540 168)
Interest accrued	24 849	180 856	-	-	205 705
Carrying amount at 31 December 2022	**19 113 740**	**25 483 091**	**2 918 440**	**11 422 917**	**58 938 188**

Modification of lease contracts mostly relates to extension of lease term.

(26) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period

Group's transactions

	Transactions in 2022 EUR	Transactions in 2021 EUR
Shareholders		
Interest received	-	9 865
Services delivered	-	228
Goods sold	-	59
Interest paid	24 235	-
Key management personnel		
Goods sold	-	1 702
Interest paid	-	19 830
Other related companies		
Services delivered	-	8 072
Services received	3 900	-

Notes (continued)

(26) Related party transactions (continued)

Parent company transactions

	Transactions in 2022 EUR	Transactions in 2021 EUR
Shareholders		
Interest received	-	9 865
Services delivered	-	228
Goods sold	-	59
Interest paid	24 235	-
Key management personnel		
Goods sold	-	1 702
Interest paid	-	19 830
Subsidiaries		
Interest paid	-	(7 433)
Interest received	131 324	263 103
Services delivered	12 107	18 779
Services received		(36 166)
Goods sold	591	-
Acquired of property, plant and equipment with in liquidation	-	83 299
Liquidation quota	-	938 691
Other related companies		
Services delivered	-	8 072
Services received	3 900	-

Loans granted to subsidiaries

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
ViziaFinance SIA	-	-	4 262 780	1 768 200
ECL allowance for loans granted to subsidiaries			(69 515)	-
Long-term loans to related companies, total	**-**	**-**	**4 193 265**	**1 768 200**
ViziaFinance SIA	-	-	77 454	38 075
Short-term loans to related companies, total	**-**	**-**	**77 454**	**38 075**
Loans to related companies, total	**-**	**-**	**4 270 719**	**1 806 275**

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

Bonds issued to shareholders of the related companies

	Group 31.12.2022 EUR	Group 31.12.2021 EUR	Company 31.12.2022 EUR	Company 31.12.2021 EUR
AE Consulting SIA	200 000	-	200 000	-
Long-term part of bonds issued to shareholders of the related companies, total	**200 000**	**-**	**200 000**	**-**
AE Consulting SIA	307 000	-	307 000	
Short-term part of bonds issued to shareholders of the related companies, total	**307 000**	**-**	**307 000**	**-**
Bonds issued to related companies, total	**507 000**	**-**	**507 000**	**-**

Notes (continued)

(27) Shares held by members of Management Board and Supervisory Board

a) Shares held by members of Management Board

	31 December 2022 Shares	31 December 2021 Shares
Didzis Ādmīdiņš	600 000	600 000
Aldis Umblejs	4 910	2 814
Sanita Zitmane	50	-
Ivars Lamberts*	n/a	400 000

* Member of the Board till 28.02.2022

b) Shares held by members of Supervisory Board

	31 December 2022 Shares	31 December 2021 Shares
Agris Evertovskis (through ownership of LLC *EC finance* and LLC *AE Consulting*)	12 317 974	12 525 870
Jānis Pizičs	6 666	6 666
Mārtiņš Bičevskis	-	-
Gatis Kokins	500	-
Edgars Voļskis	-	-

(28) Segment information

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured on consolidation basis. Management mainly focuses on net sales, interest income and similar income and profit before taxes of the segment. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Notes (continued)

(28) Segment information(continued)

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

EUR	Consumer loans		Pawn loans		Retail of pre-owned goods		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	65 716 677	44 112 944	8 385 899	6 001 048	3 053 982	2 024 393	1 450	24 816	77 158 008	52 163 201
Liabilities of the segment	49 484 402	28 288 135	7 101 708	4 857 210	2 465 174	1 520 432	988	21 442	59 052 272	34 687 219
Net sales	-	-	-	-	6 472 567	4 821 871	-	-	6 472 567	4 821 871
Interest income and similar income	23 338 504	15 809 043	5 963 753	4 458 355	-	-	1 062	100 117	29 303 319	20 367 515
Net performance of the segment	9 269 254	7 012 668	1 931 082	1 330 343	698 270	389 633	28 440	91 600	11 927 046	8 824 244
Financial (expenses)	(4 003 708)	(3 197 395)	(487 003)	(408 733)	(178 774)	(133 061)	-	(88 124)	(4 669 485)	(3 827 313)
Profit/(loss) before taxes	5 265 546	3 815 273	1 444 079	921 610	519 496	256 572	28 440	3 476	7 257 561	4 996 931
Corporate income tax	(939 970)	(747 671)	(258 314)	(180 606)	(92 745)	(50 280)	(5 079)	(634)	(1 296 108)	(979 191)

(29) Guarantees issued, pledges

The Group has registered four groups of commercial pledges by pledging its assets and claim rights for a maximum amount of EUR 33 million as collateral registered to collateral agent SIA *Eversheds Sutherland Bitāns* (in favour of SIA *Mintos Finance*) and to SIA *Mintos Finance* No.20 and AS *Mintos Marketplace* to provide collateral for loans placed on the Mintos P2P platform.
As of 31 December 2022, the amount of secured liabilities constitutes EUR 34 860 758 (As of 31 December 2021 EUR 18 573 636).

(30) Fair value of financial assets and financial liabilities

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

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, other premiums used in estimating discount rates, and expected price volatilities.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include the valuation of pawn loan portfolio. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

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

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

The Group

At 31 December 2022		Fair value hierarchy			
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 369 029	-	-	**2 369 029**	**2 369 029**
Loans and receivables					
Unsecured loans	-	-	60 976 977	**60 976 977**	**61 195 440**
Other financial assets	-	-	875 316	**875 316**	**875 316**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	6 322 367	**6 322 367**	**6 322 367**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	19 411 077	**19 411 077**	**19 113 740**
Other borrowings	-	-	33 486 167	**33 486 167**	**34 860 758**
Trade payables	-	-	856 429	**856 429**	**856 429**

At 31 December 2021		Fair value hierarchy			
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 459 862	-	-	**2 459 862**	**2 459 862**
Loans and receivables					
Unsecured loans	-	-	39 375 831	**39 375 831**	**39 695 831**
Other financial assets	-	-	519 705	**519 705**	**519 705**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	4 059 372	**4 059 372**	**4 059 372**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	**11 254 482**	**10 838 165**
Other borrowings	-	-	18 496 882	**18 496 882**	**18 573 636**
Trade payables	-	-	805 784	**805 784**	**805 784**

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

The Company

At 31 December 2022			Fair value hierarchy		
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 000 924	-	-	**2 000 924**	**2 000 924**
Loans and receivables					
Unsecured loans	-	-	42 065 686	42 065 686	**43 120 817**
Other financial assets	-	-	689 203	689 203	**689 203**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	6 322 367	6 322 367	**6 322 367**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	19 411 077	**19 411 077**	**19 113 740**
Other borrowings	-	-	24 930 902	**24 930 902**	**25 614 900**
Trade payables	-	-	795 123	**795 123**	**795 123**

At 31 December 2021			Fair value hierarchy		
	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets for which fair values are disclosed					
Cash and cash equivalents	2 225 535	-	-	**2 225 535**	**2 225 535**
Loans and receivables					
Unsecured loans	-	-	30 031 953	**30 031 953**	**30 268 432**
Other financial assets	-	-	399 663	**399 663**	**399 663**
Assets which are accounted at fair value					
Loans and receivables					
Pawn loans	-	-	4 059 372	**4 059 372**	**4 059 372**
Liabilities for which fair values are disclosed					
Bonds issued	-	-	11 254 482	**11 254 482**	**10 838 165**
Other borrowings	-	-	13 341 965	**13 341 965**	**13 470 502**
Trade payables	-	-	752 114	**752 114**	**752 114**

Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for assets accounted at fair value in Level 3 of the fair value hierarchy.

The Group and the Company

2022	**Group**	**Company**
Balance at 1 January	4 059 372	4 059 372
Total gains or losses:		
Interest income	5 963 753	5 963 753
Other income	736 791	736 791
Issues	19 566 870	19 566 870
Settlements	(24 004 419)	(24 004 419)
Balance at 31 December	6 322 367	6 322 367

2021	**Group**	**Company**
Balance at 1 January	3 851 786	3 851 786
Total gains or losses:		
Interest income	4 458 355	4 458 355
Other income	615 262	615 262
Issues	12 990 046	12 990 046
Settlements	(17 856 077)	(17 856 077)
Balance at 31 December	4 059 372	4 059 372

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

Unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at 31 December 2022 and 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	Fair values at 31 December	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Pawn loans	2022: 6 322 368 (2021: 4 067 061)	Discounted cash flow	Sales costs Discount rate Expected return for cash-flows Sales margin cap	2022: 12% - 32% (2021: 13.5%-35.5%) 2022: 6%-190% (2021: 6%-200%) 2022: (21%-34%) (2021: 29%-32%) 2022: (5%-85%) (2021: 5%-85%)	Significant increases in any of these inputs in isolation would result in lower fair values.

Significant unobservable inputs are developed as follows:

- Sales costs and sale margins are derived from historical trends.
- Expected cash flows are derived from the entity's business plan and from historical comparison between plans and actual results.

The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

	Effect on profit or loss	
	Favorable	**(Unfavorable)**
31 December 2022		
Pawn loans	563 382	(609 604)
31 December 2021		
Pawn loans	322 678	(335 388)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of pawn loans have been calculated by recalibrating the model values using unobservable inputs – sales costs, discount rate, expected return and sales margin cap.
Key inputs and assumptions used in the models at 31 December 2022 included:
- the average monthly discount rate of 15.9% (with reasonably possible alternative assumptions of 14.9% and 16.9%) (2021: 16.8%, 15.8% and 17.8% respectively)
- cumulative average expected return of 32% (with reasonably possible alternative assumptions of 30% and 34%) (2021: 30.2%, 28.2% and 32.2% respectively)
- average sales margin cap of 85% (with reasonably possible alternative assumptions of 65% and 105%) (2021: 85%, 65% and 105% respectively)
- average sales costs of 22% (with reasonably possible alternative assumptions of 12% and 32%) (2021: 23.5%, 13.53% and 33.5% respectively)

Collateral for pawn loans

Pawn loans made by the Group are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The following table sets out the principal types of collateral held against pawn loans:

	2022	**2021**
Goods	2 983 697	1 827 892
Gold	3 338 670	2 231 480
TOTAL	**6 322 367**	**4 059 372**

Notes (continued)

(30) Fair value of financial assets and financial liabilities (continued)

The following tables stratify credit exposures for pawn loans by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for goods is determined on the collateral value at origination.

LTV ratio	2022	2021
Goods		
Less than 50%	126 633	107 254
51–70%	1 557 218	962 763
71–90%	1 208 955	678 285
91–100%	60 295	36 798
More than 100%	30 596	42 792
Total	**2 983 697**	**1 827 892**

The value of the collateral for gold is determined based on the market price of gold at the date of origination of loans and can be up to 95% of market price of gold.

(31) Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Company's and the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Group

As at 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying value
Financial liabilities						
Bonds issued	311 087	16 775 016	5 401 476	-	**22 487 579**	**19 113 740**
Other borrowings	4 906 939	13 104 928	20 943 662	44 378	**38 999 907**	**35 055 022**
Lease liabilities	199 570	534 112	1 696 267	796 828	**3 226 777**	**2 918 440**
Trade payables	856 429	-	-	-	**856 429**	**856 429**
Total undiscounted financial liabilities	**6 274 025**	**30 414 056**	**28 041 405**	**841 206**	**65 570 692**	**57 943 631**

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying value
Financial liabilities						
Bonds issued	162 730	813 650	12 114 674	-	**13 091 054**	**10 838 165**
Other borrowings	2 606 848	6 212 304	11 522 590	90 425	**20 432 167**	**18 573 636**
Lease liabilities	153 770	689 756	1 858 560	1 151 757	**3 853 843**	**3 305 197**
Trade payables	805 784	-	-	-	**805 784**	**805 784**
Total undiscounted financial liabilities	**3 729 132**	**7 715 710**	**25 495 824**	**1 242 182**	**38 182 848**	**33 522 782**

Notes (continued)

(31) Analysis of financial liabilities by remaining contractual maturities (continued)

The Company

As at 31 December 2022	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying value**
Financial liabilities						
Bonds issued	311 087	16 775 016	5 401 476	-	**22 487 579**	**19 113 740**
Other borrowings	3 640 638	9 723 026	15 538 870	32 926	**28 935 460**	**25 614 900**
Lease liabilities	199 570	534 112	1 696 267	796 828	**3 226 777**	**2 918 440**
Trade payables	795 123	-	-	-	**795 123**	**795 123**
Total undiscounted financial liabilities	**4 946 418**	**27 032 154**	**22 636 613**	**829 754**	**55 444 939**	**48 442 203**

As at 31 December 2021	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying value**
Financial liabilities						
Bonds issued	162 730	813 650	12 114 674	-	**13 091 054**	**10 838 165**
Other borrowings	1 878 068	4 475 571	8 301 296	65 146	**14 720 081**	**13 470 502**
Lease liabilities	153 770	689 756	1 858 560	1 151 757	**3 853 843**	**3 305 197**
Trade payables	750 390	-	-	-	**750 390**	**752 114**
Total undiscounted financial liabilities	**2 944 958**	**5 978 977**	**22 274 530**	**1 216 903**	**32 415 368**	**28 365 978**

(31) Subsequent events

Management has evaluated subsequent events up to the date of issuance of these financial statements and has determined that there have been no significant subsequent events that would require recognition or disclosure in these financial statements.

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

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

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Independent Auditors' Report

To the shareholders of DelfinGroup AS

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of DelfinGroup AS ("the Company") and accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 16 to 61 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated balance sheet as at 31 December 2022,
- the separate and consolidated statement of profit or loss for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated cash flows statement for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2022, and of their separate and consolidated financial performance and their separate and 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 Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and 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 separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the 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.

Emphasis of Matter – comparative information

We draw attention to Note 1 section Restatement in comparative figures due to correction of errors on page 21 of the separate and consolidated financial statements, which describes that the Company and the Group identified errors in the previous years relating to expected credit loss calculation, classification and resulting measurement error for pawn loans, application of effective interest rate method to interest income calculation, classification error for accounting of e-shop sales, as a result of which the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021 have been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matters described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KPMG

Impairment allowances for Loans and receivables issued without pledge (separate and consolidated financial statements)	
Group's consolidated financial statements The gross amount of Loans and receivables issued without pledge as at 31 December 2022: EUR 65 607 thousand (31 December 2021: EUR 43 234 thousand); impairment losses on Loans and receivables recognised in 2022: EUR 6 161 thousand (in 2021: EUR 2 815 thousand); total impairment allowance as at 31 December 2022: EUR 4 411 thousand (31 December 2021: EUR 3 546 thousand). Company's separate financial statements The gross amount of Loans and receivables as at 31 December 2022: EUR 45 690 thousand (31 December 2021: EUR 32 626 thousand); impairment losses on Loans and receivables recognised in 2022: EUR 3 508 thousand (in 2021: EUR 1 566 thousand); total impairment allowance as at 31 December 2022: EUR 2 569 thousand (31 December 2021: EUR 2 365 thousand). We refer to the separate and consolidated financial statements: Note 1 (l) (Accounting policies), (s1.2) (Financial risk management), (t) (Significant assumptions and estimates), Note 15.	
Key audit matter	***How we addressed the key audit matter***
Loans and receivables issued without pledge, collectively represent approximately 79% of the Group's assets as at 31 December 2022 (31 December 2021: approximately 76%) and approximately 68% of the Company's assets as at 31 December 2022 (31 December 2021: approximately 67%). The Group offers loan products issued to private individuals. In accordance with IFRS 9, the Company and the Group calculates impairment allowance based on expected credit losses ("ECLs"). ECLs are estimated mainly based on the historical pattern of losses and changes in loan risk characteristics based on qualitative and quantitative indicators such as the probability of default ("PD") and loss given default ("LGD"). The Company and the Group incorporates forward looking information into modelling techniques applied and recognizes a post model adjustment, where it is deemed appropriate. Impairment allowance represents the Management's best estimate of the expected credit losses related the Loans and receivables issued without pledge as at the reporting date and requires significant judgments.	Our procedures in the area performed in coordination with our own financial risk modelling specialists included, among others: • inspecting the Group's expected credit loss ("ECL") methodology and assessing its compliance with the relevant requirements of IFRS 9; • testing selected key controls over the approval and recording and monitoring of loans; • assisted by our own information technology (IT) specialists, testing the application and general IT controls related to the ECL estimation process including calculation of days past due; • assessing the definition of default and the staging criteria and their consistent application by evaluating these against the requirements of IFRS 9; • independently assessing and challenging the forward-looking information used in the ECL model, by means of corroborating inquiries of the Management and inspection of publicly available information;

Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.	• challenging LGD and PD parameters, by assessing historical default levels and by reference to historical realized losses on defaults and loan sales; • assessing the adequacy of the Company's and the Group's disclosures on the loss allowances, credit risk management in the notes to the separate and consolidated financial statements.

Fair value measurement of pawn loans (separate and consolidated financial statements)

Company's and Group's consolidated financial statements

The carrying amount of pawn loans as at 31 December 2022: EUR 6 322 thousand (31 December 2021: EUR 4 067 thousand). Income recognised from pawn loans in 2022: EUR 6 701 thousand (in 2021: EUR 5 074 thousand).

We refer to the separate and consolidated financial statements: Note 1 (e) and (l) (Accounting policies), (t) (Significant assumptions and estimates), Note 15 and Note 30.

Key audit matter	***How we addressed the key audit matter***
The Company and the Group have a significant balance of pawn loans. The Company and the Group measures pawn loans at fair value, with all changes therein recorded in profit or loss as a consequence of significant management judgment applied relating to these loans not meeting the solely payments of principal and interest (SPPI) criteria set out in IFRS 9. The valuation of the Company's and Group's pawn loans measured at fair value involves significant judgements and estimates made by the management using the input from internal valuation of collaterals, particularly in relation to sensitivity of assumptions regarding selling costs of collateral, discount rates and cash flow projections. Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our	Our procedures included, among others: • involving IFRS accounting specialists in assessing the management judgment made in relation to assessment of compliance with solely payments of principal and interest criteria for pawn loans by inspecting the general terms and conditions applied to pawn loans, inspecting statistic relating to past outcomes for defaulted pawn loans in relation to realisation of collateral; • based on our understanding of the Company's and Group's approach to valuation of pawn loans, assessing the applied valuation methodology against the requirements of IFRS 13 Fair Value Measurement; • using our own internal valuation specialists, challenging the valuation

increased attention in the audit. As such, we determined it to be a key audit matter.	methods and key assumptions applied by the Company's and Group's management, including those in respect of selling costs of collateral, discount rates and cash flow projections, and performing a sensitivity analysis in respect of the above key assumptions to evaluate the effects of their potential changes on the fair values; • assessing the adequacy of the Company's and the Group's disclosures on pawn loans and the valuation techniques and significant unobservable inputs disclosed in the notes to the separate and consolidated financial statements.

Other Matter relating to comparative information

The separate and consolidated financial statements of DelfinGroup AS as at and for the years ended 31 December 2021 and 31 December 2020 (from which the statement of financial position as at 1 January 2021 has been derived), excluding the adjustments described in Note 1 to the separate and consolidated financial statements, were audited by another auditor, who expressed an unmodified opinion on those financial statements on 29 March 2022 and 23 April 2021.

As part of our audit of the separate and consolidated financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in Note 1 that were applied to restate the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021. We were not engaged to audit, review, or apply any procedures to the separate and consolidated financial statements for the years ended 31 December 2021 or 31 December 2020 (not presented herein) or to the separate and consolidated statement of financial position as at 1 January 2021, other than with respect to the adjustments described in Note 1 to the separate and consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 1 are appropriate and have been properly applied.

Reporting on Other Information

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

— Information on the Company and Subsidiaries, as set out on pages 3 to 5 of the accompanying separate and consolidated Annual Report,

— the Statement on Management Responsibility, as set out on page 6 of the accompanying separate and consolidated Annual Report,

— the Management Report, as set out on pages 7 to 15 of the accompanying separate and consolidated Annual Report,

— the Statement of Corporate Governance prepared by the management as a stand-alone statement which at the date of the auditor's report is publicly available on the Group's website https://delfingroup.lv/reports,

— Remuneration report prepared by the management as a stand-alone statement which at the date of the auditor's report is publicly available on the Group's website https://delfingroup.lv/reports.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and 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 separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company, Group and their 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 separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and

— the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia our responsibility is to consider whether the Remuneration Report includes the information required in section 59.4 of the ‘Financial Instruments Market Law‘ of the Republic of Latvia, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the Annual Report.

In our opinion, the Remuneration Report includes the information required in section 59.4 of the ‘Financial Instruments Market Law‘ of the Republic of Latvia, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the separate and consolidated Annual Report.

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

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

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company’s and 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 Company and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s and Group’s financial reporting process.

Auditors’ Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 separate and consolidated financial statements.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 10 June 2022 to audit the separate and consolidated financial statements of DelfinGroup AS for the year ended 31 December 2022. Our total uninterrupted period of engagement is 1 year.

We confirm that:

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

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

The responsible certified auditor on the audit resulting in this independent auditors' report is Rainers Vilāns.

Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report

In addition to our audit of the accompanying separate and consolidated financial statements, as included in the separate and consolidated Annual Report, we have also been engaged by the management of the Group to express an opinion on compliance of the separate and consolidated financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance for the ESEF Report

Management is responsible for the preparation of the separate and consolidated financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate and consolidated financial statements in the applicable xHTML format;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

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

Auditors' Responsibility for the Examination of the ESEF Report

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate and consolidated financial statements.

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

Opinion

In our opinion, the ESEF Report of the Company and Group as at and for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
30 April 2023

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