Aktsiaselts PlusPlus Capital

Consolidated annual report 2020

Aktsiaselts PlusPlus Capital
CONSOLIDATED ANNUAL REPORT 2020

Business name	Aktsiaselts PlusPlus Capital
Registry	Commercial Register of the Republic of Estonia
Commercial Registry number	11919806
Date of entry	5 April 2010
Address	Tartu mnt 83, 10115 Tallinn, Estonia
Telephone	+372 622 4020
E-mail	info@pluspluscapital.eu
Corporate website	www.pluspluscapital.eu
Reporting period	1 January 2020 – 31 December 2020
Chairman of the management board	Mirje Trumsi
Core business line	64301
Auditor	Aktsiaselts PricewaterhouseCoopers

TABLE OF CONTENT

MANAGEMENT REPORT

Aktsiaselts PlusPlus Capital (the Entity, the PPC) is an acquired debt receivables portfolios management company, established 5 April 2010.

The principal activity of entities that belong to the group of Aktsiaselts PlusPlus Capital (the Group, the PlusPlus group) is purchasing of portfolios of overdue arrears, restructuring acquired arrears and administration of subsidiaries operating in the field of debt management in all the Baltic countries and since financial year 2019 also in Finland in newly established subsidiary PlusPlus Capital Oy.

Since financial year 2019 Aktsiaselts PlusPlus Capital launched credit issuance activities through its subsidiary Fresh Finance Group OÜ and its subsidiaries in Estonia (Fresh Finance OÜ), Latvia (Fresh Finance AS) and Lithuania (Fresh Finance UAB).

In financial year 2020 Aktsiaselts PlusPlus Capital acquired a credit intermediary entity Monestro P2P OÜ with its subsidiaries in Estonia (Monestro Investor OÜ) and in Finland (Monestro Finland Oy).

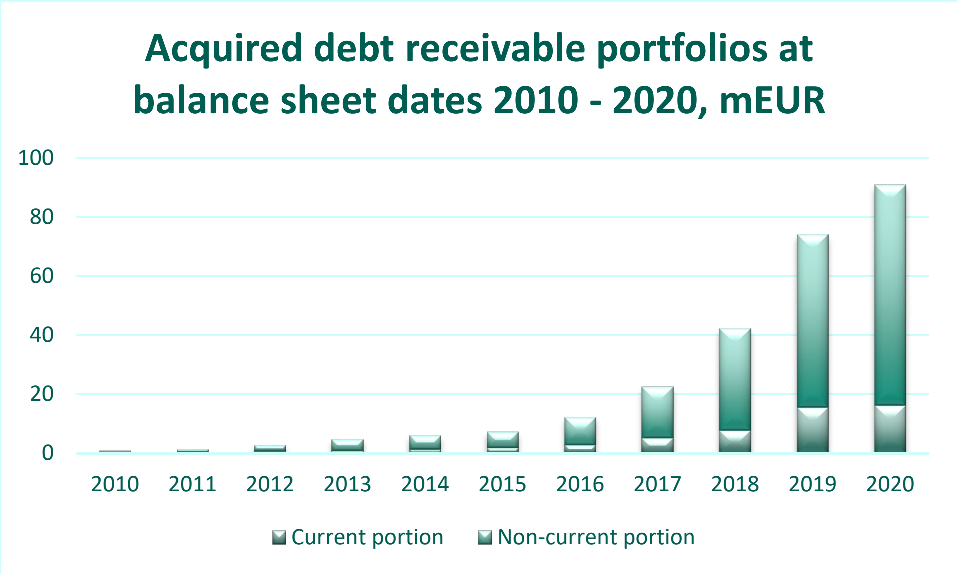
As at 31 December 2020 and during the financial years 2020 and 2019 the Group entities incorporated, and branches registered abroad were as follows:

Entity/Branch:	**Country:**	**Share:***	**Principal activity:**
PlusPlus Baltic OÜ	Estonia	100%	Debt receivable acquisition and administration
PPC Delta OÜ**	Estonia	100%	Debt receivable acquisition and administration
VõlaKütid OÜ**	Estonia	100%	Cash collection services
PlusPlus Inkasso SIA	Latvia	100%	Cash collection services
PlusPlus Inkaso UAB	Lithuania	100%	Cash collection services
PlusPlus Invest OÜ	Estonia	100%	Property investments
PlusPlus Baltic OU filiāle Latvijā	Latvia		Branch of PlusPlus Baltic OÜ, debt receivable acquisition and administration
PlusPlus Baltic OU Lietuvos filialas	Lithuania		Branch of PlusPlus Baltic OÜ, debt receivable acquisition and administration
Fresh Finance UAB	Lithuania	100%	Debt receivable acquisition and administration, financing
Fresh Finance Group OÜ	Estonia	100%	Business development, computer programming,
Fresh Finance OÜ	Estonia	100%	Credit issuance
Fresh Finance AS	Latvia	100%	Financial leasing, renting and leasing of cars and light motor vehicles
PlusPlus Capital Oy	Finland	100%	Debt receivable acquisition and administration
Forward View OÜ	Estonia	100%	Support activities
Monestro P2P OÜ	Estonia	100%	Credit intermediation activities
Monestro Investor OÜ	Estonia	100%	Investment activities
Monestro Finland Oy	Finland	100%	Credit intermediation activities

* *shares owned directly or through subsidiaries by AS PlusPlus Capital*
** *merged during financial year 2019 (registry entry 30 August 2019) with the PlusPlus group entity Aktsiaselts PlusPlus Capital*

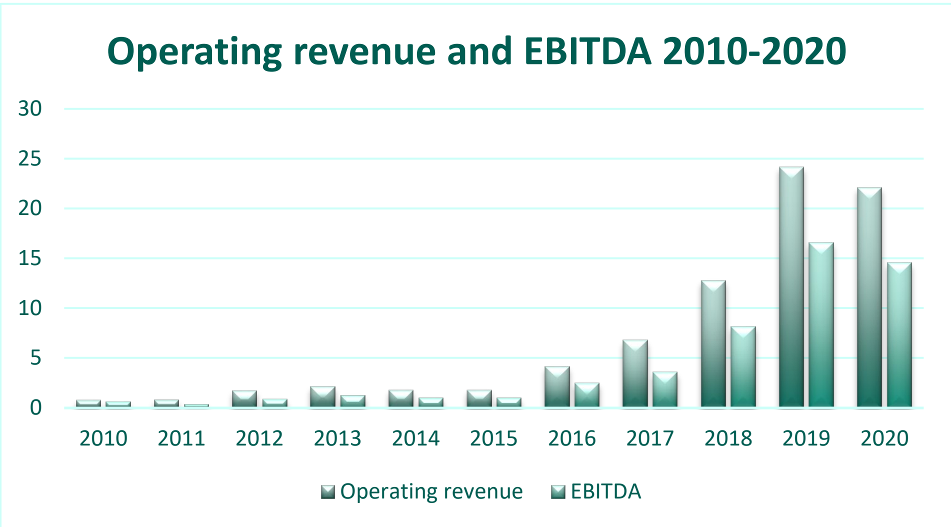
The PlusPlus group has made remarkable progress during its first ten years of operations in Baltic states, and since 2019 in Finland, by participating, either directly or through its subsidiaries and branches, successfully in auction sales of receivables organised by credit institutions and telecommunications operators.

The balance sheet values of acquired debt receivable portfolios are presented on the graph below:



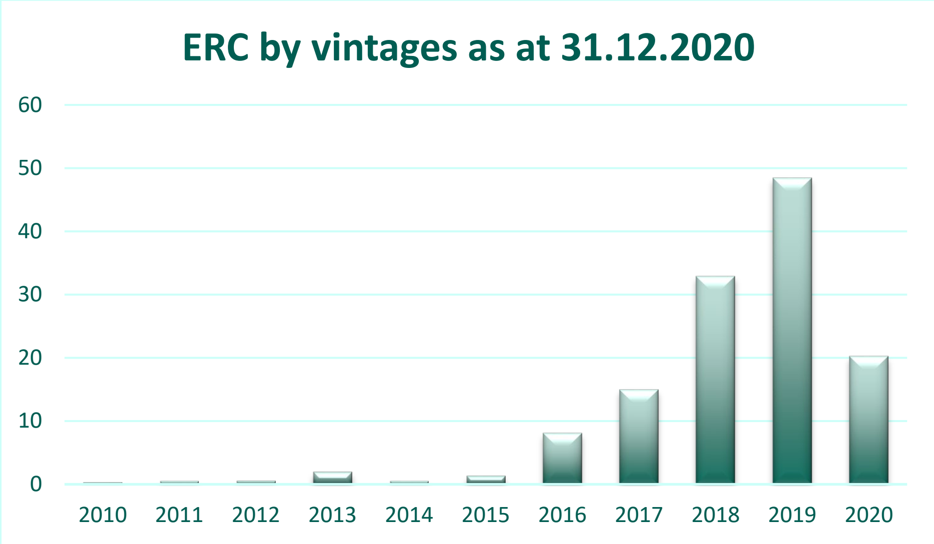
As of the end of financial year 2020, the balance sheet value of debt receivable portfolios acquired by the Group amounted to EUR 91 million (31 December 2019: EUR 74 million).

Operating revenue for financial year 2020 was EUR 22.0 million (2019: EUR 24.2 million) and EBITDA amounted to EUR 14.5 million (2019: EUR 16.6 million):



The activities have been financed both from own funds of the Entity as well as with the help of credit lines opened by banks and bonds issued and loans raised.

The estimated remaining collection (ERC) amounted to EUR 129.5 million as at 31 December 2020 (31 December 2019: EUR 102.4 million), as shown by vintages on the chart below:



The strategic objective of the PlusPlus group is to achieve a position among the three leading companies on the Baltic debt management market and to extend its activities significantly in terms of both fields of activities and geographically. In the period from 2019 to 2020, the fast growth of the Group entities has been continued, in all domestic markets in Estonia, in Latvia and Lithuania, and since 2019 also in Finland. PlusPlus group has been profitable every single year since its inception. By the end of 2020 total assets of the Group were EUR 98.4 million (31 December 2019: EUR 82.2 million). It is our corporate policy to maintain owner's equity on at least 30% level of total assets.

In order to provide its professional services and implement its plans, the Group makes consistent contributions to training its staff and automatization of processes and uses extensively modern IT solutions.

The group operates in Baltic states, which are influenced by global and especially by Eurozone trends. The macroeconomic projections of the European Central Bank highlight favourable financing conditions, low interests and modest rise in inflation, which together with employment growth and consumption increase has supported the stable development of economy in 2019-2020.

The general macroeconomic development allows the Group to increase volumes of operations and expand over the region, by providing competitive services for co-operation partners and best solutions for our clients.

In long-term perspective, the Group operations are affected by the cyclical evolvement of economy, in short-term look the reasons for seasonality are the single large purchase transactions of debt receivable portfolios, which are concluded with different regularity.

PlusPlus group follows high professional and ethical standards. Our experts have more than 15 years of experience and their work is trusted also by the biggest banks and telecommunication companies in the Baltic States. PlusPlus group is trusted and responsible in relations with clients and co-operation partners. It is our honour to help our clients through amicable debt solutions and we acknowledge the social responsibility for improving the overall financial trust environment by creating respectful and trustful solutions for counterparties in deteriorated financial relationships.

During the period of preparation of the report there have not occurred any significant changes in foreign exchange rates, interest rates or stock exchange, which could affect the financial report prepared for financial year 2020. Due to the pandemic situation globally since March 2020, the Entity foresees impact on operations not exceeding the sensitivity analysis extent (see chapter 3 in disclosures to the current annual accounts. The group follows the internal regulations for financial risk management.

Financial ratios

	2020	**2019**	**Formulas used**
Total assets, EUR	98 398 373	82 232 906	Total assets
Total operating revenue, EUR	22 033 918	24 195 230	Total operating revenue
Current ratio	0.50	0.64	Current assets / Current liabilities
Equity ratio*, %	30.90%	30.96%	Equity / Assets

**Subordinated convertible loans are considered as equity for financial ratios, according to contractual terms*

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position
as at

In Euros	Notes	31.12.2020	31.12.2019 Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	6	2 002 909	1 897 444
Intangible assets	7	1 578 069	722 183
Investments	8	0	213 093
Acquired debt receivable portfolios	9	74 485 970	58 478 967
Loans and advances to customers	10, 11	1 907 657	2 673 539
Trade and other receivables	12	45 000	45 000
Total non-current assets		**80 019 605**	**64 030 226**
Current assets			
Acquired debt receivable portfolios	9	16 278 586	15 554 488
Loans and advances to customers	10, 11	741 398	1 089 162
Trade and other receivables	12	618 544	852 131
Cash and cash equivalents	13	740 240	706 899
Total current assets		**18 378 768**	**18 202 680**
Total assets		**98 398 373**	**82 232 906**
EQUITY AND LIABILITIES			
Share capital	14	5 000 000	1 000 000
Statutory legal reserve		500 000	100 000
Subordinated convertible loans	15	436 281	1 342 318
Retained earnings		18 617 198	17 486 238
Total equity		**24 553 479**	**19 928 556**
LIABILITIES			
Non-current liabilities			
Subordinated convertible loans	15	5 354 966	5 530 337
Interest-bearing loans and borrowings	18	32 021 495	28 187 685
Total non-current liabilities		**37 376 461**	**33 718 022**
Current liabilities			
Trade and other payables	17, 19	1 758 979	1 263 015
Subordinated convertible loans	15	500 000	0
Interest-bearing loans and borrowings	18	34 209 454	27 323 313
Total current liabilities		**36 468 433**	**28 586 328**
Total equity and liabilities		**98 398 373**	**82 232 906**

The accompanying notes on pages 11-56 are an integral part of these financial statements.

*See information presented in Note 2.5. regarding the restatement in opening balances.

pwc Initialled for identification purposes only Initials L.L. Date 12.04.2021

Consolidated statement of comprehensive income
for the year ended 31 December

In Euros	**Notes**	**2020**	**2019 Restated***
Operating revenue	21	21 628 151	23 955 506
Interest income	22	896 712	372 511
Net interest income		**896 712**	**372 511**
Net fee and commissions income		26 260	12 780
Other revenue		47 543	3 337
Net charge for expected credit losses on loans and advances to customers	11	564 748	148 904
Total operating revenue		**22 033 918**	**24 195 230**
Operating expenses	23	3 181 532	3 834 241
Salary expense	24	4 317 565	3 725 340
Depreciation and amortisation	6, 7	478 054	408 485
Other expenses		278	2 329
Total operating expenses		**7 977 429**	**7 970 395**
Net operating profit		**14 056 489**	**16 224 835**
Finance income	25	152 897	773
Finance expense	26	8 056 333	6 963 678
Profit before income tax		**6 153 053**	**9 261 930**
Income tax		122 093	25 912
Net profit for the year		**6 030 960**	**9 236 018**
Total comprehensive income		**6 030 960**	**9 236 018**

The accompanying notes on pages 11-56 are an integral part of these financial statements.

*See information presented in Note 2.5. regarding the restatement in opening balances.

Consolidated statement of cash flows

for the year ended 31 December

In Euros	**Notes**	**2020**	**2019 Restated***
Cash flows from operating activities			
Profit before income tax		6 153 053	9 261 930
Adjustments for non-cash items:			
Depreciation and amortisation	6, 7	478 054	408 485
Changes in working capital:			
Change in trade and other receivables	12	-102 343	-183 676
Change in trade and other payables	17	-2 992 088	-992 894
Change in acquired debt receivable portfolios	9	-16 731 101	-31 855 925
Change in loans and advances to customers		1 113 646	-3 762 701
Other adjustments:			
Interest expense	18, 26	8 024 417	6 790 523
Other financial income and expense	25, 26	120 929	172 740
Interests income	22	53	284
Net cash generated from operating activities		**-3 935 380**	**-20 161 234**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	6, 7	-546 827	-538 212
Business loans issued		0	-25 000
Repayments received for business loans issued		110 696	29 638
Interests received		72 336	3 068
Acquisition of other investments	8	0	-213 093
Net cash used in investing activities		**-363 795**	**-743 599**
Cash flows from financing activities			
Loans received and bonds issued	18	18 815 600	26 763 600
Repayments of loans received and bonds issued	18	-7 200 312	-6 977 868
Repayments of financial lease liabilities	18	-51 170	-43 431
Proceeds from subordinated loans	15	0	305 000
Profit distributions		-500 000	-100 000
Income tax paid		-122 093	-25 912
Interests paid on loans and borrowings	18, 26	-6 604 418	-4 807 431
Interest paid on financial lease liabilities	18, 26	-5 091	-5 691
Net cash used in financing activities		**4 332 516**	**15 108 267**
Net increase in cash and cash equivalents		33 341	-5 796 566
Cash and cash equivalents at the beginning of the year	13	**706 899**	**6 503 465**
Cash and cash equivalents at the end of the year	13	**740 240**	**706 899**

The accompanying notes on pages 11-56 are an integral part of these financial statements.

*See information presented in Note 2.5. regarding the restatement in opening balances.

Consolidated statement of changes in equity
for the year ended 31 December

In Euros	Notes	Share capital	Statutory legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2019	14	**1 000 000**	**100 000**	**1 284 589**	**8 350 220**	**10 734 809**
Subordinated convertible loan	15	0	0	57 729	0	**57 729**
Dividend distributions		0	0	0	-100 000	**-100 000**
Total transactions with owners		**0**	**0**	**57 729**	**0**	**57 729**
Net profit for the year*		0	0	0	9 236 018	**9 236 018**
Total comprehensive income		**0**	**0**	**0**	**9 236 018**	**9 236 018**
As at 31 December 2019	14	**1 000 000**	**100 000**	**1 342 318**	**17 486 238**	**19 928 556**
As at 1 January 2020	14	**1 000 000**	**100 000**	**1 342 318**	**17 486 238**	**19 928 556**
Subordinated convertible loan	15	0	0	-906 037	0	**-906 037**
Dividend distributions		0	0	0	-500 000	**-500 000**
Allocation of retained earnings		4 000 000	400 000	0	-4 400 000	**0**
Total transactions with owners		**4 000 000**	**400 000**	**-906 037**	**-4 900 000**	**-1 406 037**
Net profit for the year		0	0	0	6 030 960	**6 030 960**
Total comprehensive income		**0**	**0**	**0**	**6 030 960**	**6 030 960**
As at 31 December 2020	14	**5 000 000**	**500 000**	**436 281**	**18 617 198**	**24 553 479**

**restated, see Note 2.5. for details*

For more information refer to Note 14.

For details of the subordinated convertible loans please see Note 15.

The accompanying notes on pages 11-56 are an integral part of these financial statements.

Initialled for identification purposes only
Initials L.L. Date 12.04.2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

AS PlusPlus Capital (hereinafter the Company, or the Parent, or together with its subsidiaries the Group) is a public limited liability company registered in the Republic of Estonia. The Company was registered on 5 April 2010.

The address of its registered office is Tartu mnt 83, 10115 Tallinn, Estonia.
The principal activities of the Group are described in Note 3.
The financial year of the Group starts on 1 January of the calendar year and ends on 31 December of the same calendar year.

All the shares of the Company are ordinary shares with the par value of EUR 100 each and were fully paid as at 31 December 2020 and 31 December 2019. The list of shareholders of the Company is disclosed in Note 14.

The Company's management approved these financial statements on 10 April 2021. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group as at 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for when otherwise stated in the accounting policies presented below. The financial statements are presented in euros, except when otherwise indicated.

Income and cash flow statements

The Group has elected to present a single consolidated statement of comprehensive income. The Group reports cash flows from operating activities using the indirect method. Interest income is presented within operating cash flows; interest paid is presented within financing cash flows. The transactions with acquired debt receivable portfolios are disclosed as cash flows from operating activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities.

Use of significant accounting judgments and estimates

Although estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates. Information about management's critical judgements and estimates that have a material effect on the amounts reported in the financial statements is provided below.

2.2. Estimation of uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date of preparation of the financial statements. Therefore, there is a risk with the assets and liabilities presented at the balance sheet date, and the related revenue and expenses, that the estimates applied need to be revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material restatements to the financial statements are described below.

a) Fair value measurement of acquired debt receivable portfolios

The acquired debt receivable portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debt receivables are managed, and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the Entity. The subsequent fair value evaluation model is based on 5-year to 10-year (60 to 120 months) discounted cash flow (DCF) forecast analysis by the acquired debt receivable portfolios. The expected remaining collections (ERC) is modelled over estimated lifetime of each single portfolio. The Group has used ERC curves up to than 10-year (120 months) for composition of financial statements as at 31 December 2020 (and 31.12.2019), or shorter periods according to estimations made on remaining lifetime of each single portfolio. Management considers the maximum of 10-years for curve periods justified, because 10-year period covers significant majority of the periods of agreed payment schedules within the portfolios as at the date of the composition of the current financial statements.

The acquired debt portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

For more details please refer to Note 3 “Financial risk management” and Note 9 “Acquired debt receivable portfolios”.

b) Current versus non-current classification of acquired debt receivable portfolios

The Group presents assets and liabilities in the consolidated financial information based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Current portion of acquired debt receivable portfolios is determined using the discounted value of estimated remaining collections (ERC) in the next twelve months after the financial statements date. The residual amount of discounted ERC is classified as non-current

2.3. Adoption of new revised standards and interpretations

<u>The following new or revised standards and interpretations became effective for the Group from 1 January 2020:</u>

Amendments to the Conceptual Framework for Financial Reporting

Effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Group has analysed and disclosed the effect of this change after its implementation. The implemented principles have been taken into consideration, no significant changes have been occurred in disclosed information.

Definition of a business – Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

The amendments revise the definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

The Group has analysed and disclosed the effect of this change after its implementation. The implemented principles have been taken into consideration, no significant changes have been occurred in disclosed information.

Definition of materiality – Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group has analysed and disclosed the effect of this change after its implementation. The implemented principles have been taken into consideration, no significant changes have been occurred in disclosed information.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7

Effective for annual periods beginning on or after 1 January 2020.

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (´IBORs´). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be ´highly probable´.

Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows Under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer.

Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80-125% range required by retrospective test Under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met.

In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss

Under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

The Group has analysed and disclosed the effect of this change after its implementation. The implemented principles have been taken into consideration, no significant changes have been occurred in disclosed information.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

Effective for annual periods beginning on or after 1 January 2020.

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

The Group has analysed and disclosed the effect of this change after its implementation. The implemented principles have been taken into consideration, no significant changes have been occurred in disclosed information.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that would be expected to have a material impact to the Group.

New Accounting Pronouncements:

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1. January 2021, and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

Effective date is not yet adopted by the European Union.

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction.

The Group analyses and discloses the effect of this change after its implementation.

Classification of liabilities as current or non-current – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2022, not yet adopted by the European Union.

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Group analyses and discloses the effect of this change after its implementation.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2023, not yet adopted by the European Union.

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

The Group analyses and discloses the effect of this change after its implementation.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Effective for annual periods beginning on or after 1 January 2021, not yet adopted by the European Union.

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4. Changes in accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

Company income tax and deferred income tax

Both Estonia and Latvia have replaced the traditional profit-based tax regimes with distribution-based tax regimes where corporate income tax is not payable on profit but rather on distribution of dividends. In accordance with IAS 12.52A and 57A, in distribution-based tax regimes no current or deferred tax liability is recognised in respect of undistributed profits until a liability to pay dividends is recognised. As a market practice in Estonia, this accounting policy has been applied consistently to all undistributed profits in the group, regardless of whether those profits accumulated in the parent or in the subsidiaries.

In June 2020, IFRS Interpretation Committee made an agenda decision where it concluded that the principle set out in IAS 12.52A and 57A only applies to undistributed profits accumulated in the parent company and does not apply to undistributed profits accumulated in the subsidiaries. Instead, the principles described in IAS 12.39-40 should be followed in respect of undistributed profits in subsidiaries, stipulating that a deferred tax shall be recognised in respect of such accumulated profits, unless it is probable that they will not be distributed to the parent in the foreseeable future.

Deferred income tax is recognised in case of temporary differences between the Group's carrying amounts of assets and liabilities and their tax bases (the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes).

Pursuant to the laws of the Republic of Estonia, an entity's profit of the accounting year is not taxable in Estonia. The obligation to pay company income tax arises upon distribution of profit and it is recognised as an expense (in profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in entities registered in Estonia, except for possible deferred income tax liabilities related to an entity's investments in subsidiaries, associate and joint undertaking, and branches.

Deferred income tax liability arises for the Group in countries where the entity's reporting year profit is taxable. For the Group, deferred income tax liability also arises in respect to investments in an Estonian and Latvian subsidiary and associate undertaking, except for if the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Examples of taxable temporary reversal are the payment of dividends, the sale or liquidation of an investment, and other transactions.

The Group has control over the dividend policy of subsidiaries and is able to control the timing of the reversal of the temporary differences in respect to the relevant investment. If the parent company has decided not to distribute the subsidiary's profit in the foreseeable future, it does not recognise the deferred income tax liability. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment.

The Group measures deferred income tax liability using the tax rates valid at the reporting date that are expected to apply to the taxable temporary differences of the period in which the temporary differences are expected to reverse. In Estonia, the valid company income tax rate is 20 percent (the payable tax amount is 20/80 of the net payment). From 2019, a lower tax rate is applied to regularly payable dividends – 14% (14/86 of the net payment). The lower tax rate can be applied every calendar year on dividend payments and other profit distributions to the extent that does not exceed the average amount of taxable paid dividends and other profit distributions of the previous three calendar years.

Based on above no effect or adjustment is considered to the current financial statements. The Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. No profit distribution in subsidiaries is expected in foreseeable future and no profit distributions in subsidiaries have done in prior periods.

In summary, no other adjustments in addition to the above-described ones were made in the current financial statements.

2.5. Restatement of opening balances

In financial year 2020, due to the reperformance of the impairment test of goodwill recognised in a subsidiary after issuance of the Group annual report for financial year 2019, the main statements' opening balances of the financial year 2020 of the Group as at 31 December 2019 were restated as follows:

	31.12.2019		**31.12.2019**
	As reported in previous year	Restatement for change	**Restated**
Intangible assets	**895 161**	-172 978	**722 183**
Retained earnings	**17 659 216**	-172 978	**17 486 238**
Financial expense	**6 790 700**	172 978	**6 963 678**
Other financial income and expense	**-238**	172 978	**172 740**

In summary, no other adjustments in addition to the above-described ones were needed.

Initialled for identification purposes only
pwc Initials L.L. Date 12.04.2021

2.6. Significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements present the financial information of AS PlusPlus Capital and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All inter-company transactions, receivables and payables and unrealised gains and losses from transactions between the Group companies have been fully eliminated in the financial statements. Unrealised losses are not eliminated if it constitutes asset impairment by substance.

The subsidiaries are recognized in the consolidated financial statements using the acquisition method.

The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of the acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognised as income of the period.

Investments in subsidiaries in the separate balance sheet of the parent company

In the separate balance sheet of the parent company (presented in Note 29), the investments in subsidiaries are measured using equity method. Dividends paid by subsidiaries are recognised at the moment when the parent company obtains the right to these dividends.

b) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

c) Operating revenue

Operating revenue of the Group comprise the revenue from fair value revaluations of the acquired debt receivable portfolios, and the revenue from services provided. Revenue from fair value revaluations includes gains and losses arising from the revaluation of debt receivables. The acquired debt portfolios are designated as at fair value through profit or loss by the Group upon initial recognition. The acquired debt portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised.

The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

d) Other revenue and financial income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Other revenue also includes penalty revenue and other commission income. Penalties are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes other commissions and fees (like reminder fees or similar) arising from operating activities.

Other revenue comprises of other irregular income not related to the core operations.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised, see criteria for dividends explained below:

Dividends
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividends.

e) Foreign currency

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For transaction other in euros, the European Central Bank exchange rate is used. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

f) Income tax

<u>Parent company and subsidiaries registered in Estonia</u>

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expensed when dividends are declared (when the liability arises).

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

<u>Subsidiaries in Finland, Latvia and Lithuania</u>

The net profit of companies is taxed with a 20% income tax in Finland. Taxable income is calculated from the company's profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For Finnish subsidiary, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

In Lithuania, the net profit of companies is taxed with a 15% income tax. Taxable income is calculated from the company's profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For Lithuanian subsidiaries, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

In accordance with the tax law effective until 2017, profits of entities in Latvia were taxable with income tax. Therefore, until that, deferred tax was provided for on all temporary differences arising between the tax bases of assets and liabilities of Latvian subsidiaries and their carrying amounts in the consolidated financial statements. In accordance with the new Corporate Income Tax Law, starting from 1 January 2018, corporate income tax with a rate of 20/80 is levied on profits arisen after 2017 only upon their distribution. Transitional provisions of the law allow for reductions in the income tax payable on dividends, if the entity has unused tax losses or certain provisions recognised by 31 December 2017.

Due to the new tax law, there are no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia. All deferred tax assets and liabilities recognised in previous periods were derecognised in 2017 and related income tax expense/income was recorded in the statement of profit or loss.

g) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either definite or indefinite.

After initial recognition intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the asset,
- How the asset will generate future economic benefits,
- The availability of resources to complete the asset, or
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in operating expenses.

	Computer software	**Development costs**
Useful life (years)	2-10	2-10
Amortisation method	straight line	straight line
Internally generated or acquired	acquired	acquired

Computer software – the costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware.

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

pwc Initialled for identification purposes only Initials L.L. Date 12.04.2021

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following useful lives:

Vehicles	2-10 years,
Computers and hardware	2-10 years,
Property	up to 25 years.

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of comprehensive income under financial expenses. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

j) Financial assets and financial liabilities

a. Investments and other financial assets

(i) Financial assets and financial liabilities initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets under normal market conditions are recognised on the trade date, the date on which the Group commits to the purchase or sale of the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in income statement. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for assets measured at amortised cost (AC) and at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in income statement when an asset is newly originated.

(ii) Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes all fees paid and received between contracting parties, transaction costs, premiums or discounts that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes in value are recognised in income statement.

(iii) Financial assets subsequent measurement and derecognition

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset (i.e. whether the Group's objective is solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and also the cash flows from the sale of assets; or is none of the above described two models) and the cash flow characteristics of the asset (i.e. whether the cash flows represent solely payments of principal and interest ("SPPI"), interest including only consideration for credit risk, time value of money, other basic lending risks and profit margin).

All Group's debt instruments are classified in amortised cost measurement category.

Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is accounted using the effective interest rate method. The carrying amount of these assets is adjusted by any expected credit loss allowance.

Equity instruments
The Group subsequently measures all equity investments at fair value through profit and loss. Changes in the fair value of financial assets at FVTPL are recognised in other income (expenses) in the statement of profit or loss as applicable. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

The Group has no equity investments at fair value.

Initialled for identification purposes only
pwc Initials L.L. Date 12.04.2021

Write-off policy
The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Derecognition of financial assets
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired, or when they have been transferred and either:

- the Group transfers substantially all the risks and rewards of ownership, or
- the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Modification of loans
The Group sometimes renegotiates or otherwise modifies the contractual terms and conditions of issued loans. If the new terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition. Differences in the carrying amount are also recognised in income statement. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows discounted at the original effective interest rate and recognises a modification gain or loss in income statement.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

For all other debt instruments at amortised cost, the Group follows a three-stage model based on changes in credit quality since initial recognition:

- Stage 1 - comprises balances for which the credit risk has not increased significantly since initial recognition. ECL is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (12-month ECL).
- Stage 2 - comprises balances for which there has been a significant increase in credit risk since initial recognition but which do not have objective evidence of impairment. The expected credit losses are determined on a lifetime basis.
- Stage 3 - comprises balances that are credit-impaired (i.e. which are overdue more than 90 days, if debtor is insolvent, if it is likely that the debtor will enter bankruptcy or financial reorganisation). The expected credit losses are measured as lifetime expected credit losses.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible. Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

b. Trade receivables
Trade receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the trade receivables with the objective to collect the contractual cash flows.

c. Financial liabilities
The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

d. Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

d. Acquired debt receivable portfolios
A financial asset that is a debt instrument is classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL), by assessing:

- The contractual cash flow characteristics of the financial asset, and
- The business model for managing the financial asset.

Assessment of the contractual cash flow characteristics involved analysis, whether the contractual cash flows of the financial asset represent solely payments of principal and interest (SPPI). 'Principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding, and for other basic lending risks (for example, liquidity risk) and costs (for example, servicing or administrative costs) associated with holding a financial asset for a period of time, as well as a profit margin. These are consistent with features of a basic lending arrangement. Considering that the Group acquires terminated private consumer debt claims and similar assets, the Group management assesses that all these debts meet the SPPI test conditions.

For debt investments that meet the SPPI test criteria, the accounting policy is determined as follows:

- The business model for a portfolio of financial assets is to manage it and evaluate its performance on a fair value basis, and as the Group is primarily focused on fair value information and uses that information to assess the assets' performance and makes decisions, those portfolios are measured at FVTPL. The requirements regarding the documents and policies to demonstrate such a business model are similar to those in IAS 39, as described below in section *Accounting under IAS 39, Financial instruments: Recognition and Measurement*.

The Group's business model is determined to meet the designation criteria under IAS 39 (as explained above) and thus also under IFRS 9, the debt receivable portfolios are classified as voluntary designation to FVTPL.

The Group's financial assets are classified as financial assets at fair value through profit or loss. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss, FVTPL
The category of financial assets at fair value through profit or loss includes acquired debt receivable portfolios that are designated as at fair value through profit or loss by the entity upon initial recognition. According to IFRS 9, an entity may use this designation when doing so results in more relevant information, because the group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The Group measures debt receivables at fair value at each balance sheet date. Fair value related disclosures are summarised in Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios".

Change in fair value of acquired debt receivable portfolios includes gains and losses arising from the fair value revaluation of acquired debt receivable portfolios. The acquired debt receivable portfolios are designated as at fair value through profit or loss by the Group upon initial recognition. The acquired debt receivable portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised.

The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

Goodwill
Goodwill is 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. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Interest income and expense recognition
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not POCI but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Other similar income is interest revenue from leases which in the consolidated statement of comprehensive income part of interest income.

k) Subordinated convertible loans

The subordinated convertible loans represent compound financial instrument that from the issuer's perspective, contain both a liability and an equity component. According to IAS 32 (IAS 32.28 – 32.31), the Company recognises (see also Note 15):

(1) a financial liability to reflect the obligation to transfer cash for repayment of nominal amount and interest, and

(2) equity component for the conversion option granted.

On initial recognition, the Company first measures the liability component of the compound instrument at its fair value. The equity component is measured as the residual amount that results from deducting the fair value of the liability component from the initial carrying amount of the instrument as a whole. This method is consistent with the requirements for initial measurement of a financial liability in IFRS 9, and the definitions in IAS 32 and the framework of an equity instrument as a residual interest.

The initial classification of the liability and equity components is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when the option's exercise might appear to have become economically advantageous to some holders. The entity's contractual obligation to make future payments remains outstanding until it is extinguished through conversion, the instrument's maturity or some other transaction that may eventually occur within the contracts.

Subsequently, the liability is measured at amortised cost in accordance with IFRS 9.4.2.1. The effective interest rate is the same rate as was used for discounting to determine the fair value of the liability at recognition. The equity component is excluded from the scope of IFRS 9, and it is not remeasured after initial recognition.

l) Leases

The Group is as lessee in all lease agreements. The Group leases offices, machinery and equipment, vehicles. At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement
At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset is recorded on the separate line in the statement of financial position.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry adjusted with the credit risk of the group;
- makes adjustments specific to the lease, eg lease term, country, currency and security.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For a contract that contains a lease component and one or more additional non-lease components. As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Subsequent measurement
After the commencement date, a lessee measures the right-of-use asset applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise,

the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in lease payments, there may be needed to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

(a) there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or
(b) there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

a) here is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The lessee shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

A lessee shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment.

m) Contingent liabilities

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

n) Share capital

According to the Commercial Code of the Republic of Estonia, at least 5% of net profit is entered in the legal reserve each year until the legal reserve accounts for at least 10% of share capital if so determined in the articles of association of an entity. The legal reserve may not be paid out as dividends, but it may be used to cover loss if losses cannot be covered from available equity. The legal reserve may be also used to increase share capital.

o) Subsequent events

Subsequent events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

p) Related parties

Persons and entities are considered as related parties for preparation of current annual report, if a person (or a close member of that person's family) or entity is related to the reporting entity by:

(i) having control or joint control over the reporting entity,
(ii) having significant influence over the reporting entity, or
(iii) being a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

q) Fair value measurement of acquired debt receivable portfolios

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

See Note 3 "Financial risk management" chapter "Fair value" for detailed description of the fair value evaluation model used for recognition and measurement of the acquired debt receivable portfolios.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the financial information at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the 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.

The Group's principal financial instruments carried at fair value are the acquired debt receivable portfolios. Please refer to Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios" for more details.

3. Financial risk management

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include debt receivables, prepayments and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management (management board) oversees the management of these risks. The Group's senior management is supported by internal financial management function that advises on financial risks and the appropriate financial risk governance framework for the Group. Internal financial management function under governance of Group's CFO reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises mainly of interest rate risk. Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at 31 December 2020 and 31 December 2019.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings raised.

As of 31 December 2020 and 31 December 2019 the Group had following interest-bearing loan obligations with variable interest rates from which the interest rate risk would arise:

As at	**Note**	**31.12.2020**	**31.12.2019**
Bank loans	18	592 824	633 703
Leases	18	143 020	153 407
Total *(Note 18)*		**735 844**	**787 110**

Other interest-bearing loans have fixed interest rates.

Interest rate sensitivity

The following sensitivity analysis gives an overview of the effect on income statement if the interest rate of floating rate financial liabilities would change 1 basis points, which is 1%. In case Euribor rate is below 0%, then it is considered as equal to 0%, but for Euribor rate fluctuations above 0% the Euribor rate change effect is as described below:

	Increase/ decrease in basis points	**Effect of profit before tax**
31.12.2020	+1%	7 615
	-1%	-7 615
31.12.2019	+1%	8 290
	-1%	-8 290

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily debt receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. Debt receivables credit risk is managed by internal financial management function, risks are continuously managed in accordance with internal risk management policies.

The carrying amount of debt and other receivables and cash balances represents the maximum credit exposure risk at the reporting date.

	Note	31.12.2020	31.12.2019
Cash and cash equivalents	13	740 240	706 899
Trade and other receivables	12	663 544	897 131
Loans and advances to customers	10, 11	2 649 055	3 762 701
Acquired debt receivable portfolios	9	90 764 556	74 033 455
		94 817 395	**79 400 186**

The bank account balances presented as part of the cash and cash equivalents of the Group are divided according to the credit ratings of banks (Moody's long-term) as follows:

Rating	**Note**	**31.12.2020**	**31.12.2019**
Aa3 (2019: Aa2)		421 593	420 434
Baa1 (2019: Baa1)		52 262	46 062
Aa2 (2019: Aa3)		41 541	70 387
Baa3 (2019: Ba1)		26 436	25 121
Total	**13**	**541 832**	**562 004**

The Group management assesses that there is no need for an impairment for cash and cash equivalents because the Group holds its liquid assets in banks with very good ratings. Trade and other receivables are originated from ordinary operating activities and no significant impairment risks are considered by Group management for these balances.

In relation with the credit risks of the Group we have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Group. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

Similarly to prior year, however, the management of the Group estimates that in short-term (within 12 months since composition of the current annual report) the impact on Group's cash-flows could be significant and the potential effect on the fair value of the acquired debt receivable portfolios could be within the value ranges of the sensitivity analysis disclosed in Note 3 to the current annual report.

For further details please refer also to the Notes 18 and 28 below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due. To avoid liquidity risk, management concludes detailed cash flow prognoses and plans carefully the timing of investments. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table below are shown at the carrying amounts because they do not differ materially from the discounted amounts.

The table below analyses the Group's financial liabilities and assets into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table below are shown at the undiscounted gross amounts of cash flows.

As at		Notes	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
31.12.2020	**Liabilities**					
	Loans and borrowings	**18**	41 131 064	35 733 164	0	**76 864 228**
	Subordinated convertible loans	**15**	1 145 112	6 587 084	0	**7 732 196**
	Trade and other payables	**17**	1 392 979	0	0	**1 392 979**
	Lease liabilities	**18**	235 757	356 506	0	**592 263**
	Liabilities total		**43 904 912**	**42 676 754**	**0**	**86 581 666**
	Assets					
	Trade and other receivables	**12**	618 544	45 000	0	**663 544**
	Acquired debt receivable portfolios	**9**	17 113 158	65 182 591	47 213 129	**129 508 879**
	Loans and advances to customers	**10, 11**	1 199 573	3 132 145	426 473	**4 758 191**
	Assets total		**18 931 275**	**68 359 736**	**47 639 602**	**134 930 614**
	Maturity gap		**-24 973 637**	**25 682 982**	**47 639 602**	**48 348 948**

As at		Notes	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
31.12.2019	**Liabilities**					
	Loans and borrowings	**18**	33 360 233	30 589 554	0	**63 949 787**
	Subordinated convertible loans	**15**	660 072	7 732 196	0	**8 392 268**
	Trade and other payables	**17**	922 993	0	0	**922 993**
	Lease liabilities	**18**	148 526	320 490	0	**469 016**
	Liabilities total		**35 091 824**	**38 642 240**	**0**	**73 734 064**
	Assets					
	Trade and other receivables	**12**	852 131	45 000	0	**897 131**
	Acquired debt receivable portfolios	**9**	16 428 144	59 655 398	26 336 442	**102 419 983**
	Loans and advances to customers	**10, 11**	1 485 896	4 193 973	564 163	**6 244 032**
	Assets total		**18 766 171**	**63 894 371**	**26 900 605**	**109 561 146**
	Maturity gap		**-16 325 653**	**25 252 131**	**26 900 605**	**35 827 082**

The liquidity gaps will be covered with the operating revenues and with the financing raised by the parent entity.

See also liquidity risk information disclosed in **Chapter 3 "Capital management"** for info.

As at 31 December 2020 the current liabilities of the Group exceed current assets by EUR 18.1 million and the current ratio is 0.50 (31 December 2019: 10.4 million euros and current ratio 0.64)), which is in accordance with the long-term financing strategy of the Group. Long-term loans and bonds, which are maturing at year 2021, are planned to be repaid and refinanced according to the terms to be agreed with the investors.

In relation with the liquidity risks of the Group we have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Group. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

However, the management of the Group considers that in short-term, during the twelve months since balance sheet date of the current financial statements, the proceeds from portfolios and the loan servicing ability of loan customers may be suffered, which results in higher liquidity risks and may affect correspondingly the terms of financial liabilities restructuring and fund-raising.

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains its credit rating and equity ratios, in order to support the Group's business activities and maximize shareholder value. The Group's capital includes borrowings and equity. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors the equity ratio calculated by dividing equity by total assets, target is to keep the ratio above 30%. The Group's equity includes issued share capital, legal reserve, subordinated convertible loan (see Note 15) and retained earnings.

	31.12.2020	**31.12.2019**
Total equity*	30 408 445	25 458 893
Total assets	98 398 373	82 232 906
Capital Ratio	**30.90%**	**30.96%**

**Subordinated convertible loans are considered as equity for financial ratios, according to contractual terms*

Fair value

The Group's principal financial instruments carried at fair value are acquired debt receivable portfolios. The internal fair value model and fair value process is based on significant estimations made by the PlusPlus management.

The recognition and measurement of the acquired debt receivable portfolios is in accordance with requirements of IFRS 9 (2017: IAS 39) and IFRS 13, including among others the following:

- Upon initial recognition the acquired debt receivable portfolios are designated by the Group as at fair value through profit or loss.
- The acquired debt receivable portfolios are managed and their performance is evaluated on a fair value basis, in accordance with the Group documented risk management or investment strategy.
- Information about the acquired debt receivable portfolios is provided internally on that basis to the Group's key management personnel, and among others to the entity's board of directors and chief executive officer (CEO).
- Targets and motivation system is based on fair value info.
- Direct indicators, financial information, investor information, significant financial ratios are calculated, and decisions made in operating activities based on fair value info of acquired debt receivable portfolios.
- Group risk management and investment strategy supports the justifications for recognition and measurement of acquired debt receivable portfolios at fair value through profit and loss.

The debt receivables are acquired by the Group by portfolios comprising of several debt receivables bearing similar features, such as type, amount, or age of debt, or other characteristics. Subsequently the acquired debt receivables are managed and recognised by portfolios.

Each of the acquired debt portfolios consists of several (hundreds or thousands) of single debt receivables or claims. The acquired debt receivable portfolios are designated as at fair value through profit or loss by the Group upon initial recognition. Subsequently the acquired debts receivables are managed and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the Group.

The acquired debt receivable portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

The subsequent fair value evaluation model is based on discounted cash flow (DCF) forecast analysis by the acquired debt portfolios. At each balance sheet date management prepares estimated remaining collection (ERC) forecast by portfolios. The ERC forecast is analysed according to internal fair value model and is based on significant estimations made by PlusPlus management for timing and amount and probability of expected remaining collections. The ERC is allocated over the residual lifetime of each portfolio. The expected collection periods vary by characteristics of the portfolios. The total amount of expected remaining collection at period end is allocated over the expected collection future periods by collection curves specific to the individual portfolios or group of portfolios with similar characteristics. The collection curves are developed based on historical experience with similar portfolios and adjusted by the current strategy applied on management of portfolios. Based on the collection curves the timing of expected remaining collection is allocated over periods. ERC of majority of portfolios is periodized over 60- to 120-month periods since balance sheet date. Until 2018 the Entity used yearly summarised cash-flow projections, and since 2019 monthly cash-flow projections. Estimated positive effect to the net present value of discounted cash-flows based on the new more precise calculation method was 4% approximately.

The Group has used the weighted average discount rate, which is developed based on specifics of each single acquired debt receivable portfolios, as the basis for development of the applicable discount rate for fair value analysis of debt portfolios under DCF method. The discount rate analysis is performed regularly at balance sheet dates (at quarterly interim reporting dates and at year-ends). The input data for fair value model are periodically reviewed and adjusted according to the changes in relevant estimates and the changes in economic and legal environment where the Group operates.

The collection curves used for periodization of ERC are reviewed periodically at each balance sheet date based on back-testing of existing portfolios and considering changes in input data affecting the valuation model. The back-testing consist of analytical comparison of the historical ERC assessments with the actually realised ERC increase and cash collected. The back-testing analysis results are used for improvement of preciseness of forecasts of ERC (amounts, probability and timing).

The input information comprises considerations related to ERC amounts (portfolio management strategy and legislative proceedings affecting the ERC quantitative development), probability (detailed structure of each single portfolio, economical and legislative environment, historical experience with similar portfolios) and timing (legislative requirements, expected timing for selected strategical proceedings, historical experience with similar portfolios). For specific portfolios different curves can be used based on their characteristics (based on industry, country, vintage etc specific characteristics of a single portfolio). The cash collection curves are applied continuously over the portfolio lifetime. When the collections of a specific debt portfolio are expected to continue also after the initially set 10-year period, then the collection curve is rolled forward until the end of expected cash flows from this specific debt portfolio. For specific portfolios shorter periods can be used also when justified, for example by closing lifetime, justified shorter collection period estimations, or by specific features of the debt receivables in portfolio.

At balance sheet date, the Group finds the expected amount of collection of the debt receivables in the acquired portfolio over the lifetime of the claims by the categories and using the coefficient equalling to the probability of default (PD) x loss given default (LGD) - (PD x LGD). The following six categories are used: payment schedules, legal proceedings, bailiff proceedings, debt collection in progress, unstructured fresh portfolios, and other proceedings. Each category comprises several specific statuses according to the stage of each single debt receivable claim in portfolio according to management proceedings applied to this single debt receivable claim. The coefficients are applied on portfolio level. As a result, the ERC is calculated by multiplying the total nominal amount of acquired debt receivables in a portfolio at evaluation date by a coefficient adjusted by the unlikely collectible amounts. For that purpose, management board of the Group assigns the specific coefficients to each subcategories of the debt receivables (summarily, expecting that all the PD values for the single debt receivables (claims) in the subcategory bear the same PD).

To set the specific coefficients for an acquired debt receivable portfolio based on its specific characteristics (based on industry, country, vintage etc specific characteristics of a single portfolio), management takes into account historical performance of similar portfolios in the past, and the specifics of the portfolio currently passing evaluation process. In the coefficient development calculation, each of these criteria has the 50 per cent weight. The coefficient varies depending on specifics of each specific portfolio and by the different categories and stages in between 0.0 to 1.4 as a rule.

For fresh new acquired portfolios during the initial restructuring period the fair value model is not applied. Initial restructuring is performed during first quarter since acquisition of a portfolio. During second quarter the fair value model is applied proportionally according to restructuring process performance by using a sliding scale (80% of restructuring activities planned for two first quarters are expected to be completed by the end of 4th month since acquisition, and 90% by the end of 5th month since acquisition). For portfolios aged 6 months and older since acquisitions the fair value model is applied by regular quarterly evaluations.

The fair value measurements are categorized within level 3 of the fair value hierarchy.

The preparation of the consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In relation with the fair value of the debt receivable portfolios acquired by the Group we have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Group. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

However, the management of the Group estimates that in short-term (within 12 months since composition of the current annual report) the impact on Group’s cash-flows could be significant and the potential effect on the fair value of the acquired debt receivable portfolios could be within the value ranges of the sensitivity analysis disclosed below in Note 3.

Quantitative disclosures on fair value measurement hierarchy at balance sheet dates:

	As at	Notes	Carrying value	Total	Level 1	Level 2	Level 3
Assets measured at fair value							
Acquired debt receivable portfolios	31.12.2020	9	90 764 556	90 764 556	0	0	90 764 556
Acquired debt receivable portfolios	31.12.2019	9	74 033 455	74 033 455	0	0	74 033 455

Weighted average discount rate and estimated remaining collection (ERC) forecast sensitivity

The weighted average discount rate is developed based on specifics of each single acquired debt receivable portfolios and comparative reconciliation for discount rate analysis research is performed on the following assumptions and input information:

- Unlevered beta (peer group median unlevered beta, source: Damodaran).
- Effective tax rate (weighted average of corporate income tax (CIT) on markets where the Group is operating: Finland, Estonia, Latvia, Lithuania).
- Debt/Equity ratio (peer group median debt/equity ratio, based on public information of selected peer group: Intrum Justitia AB, Hoist Finance AB, B2Holding ASA, Axactor AB, Arrow Global Group PLC, KRUK S.A., DDM Debt AB).
- Risk-free rate, calculated as average of interest rates during last twelve months (LTM) of 10-year risk free government bonds applicable for markets where the Group is operating, source: ECB).
- Equity risk premium (size premium by total assets compared to EU companies (source: Duff & Phelps 2016).
- Industry company specific risk premium (professional judgement).
- Credit spread for the company (industry related cost of debt, industry risk based on stock market returns deviations + global default spread, source: Damodaran).

As at 31 December 2020 the Group manages 515 portfolios (2019: 405 portfolios). There are over 20 different curves used for allocating ERC over lifetime of portfolios. During 1st year the expected return from portfolios according to used curves amount from 4% to 30% (2019: from 10% to 30%) of total ERC, for 2nd to 3rd year from 7.5% to 30% (2019: from 10% to 25%), for 4th to 5th year from 10% to 30% (2019: from 10% to 20%), for 6th to 10th year from 0% to 15% (2019: 0% to 15%), respectively to the specifics of the portfolios under restructuring during these periods.

Estimating the timing and amount of cash flows requires significant management judgement regarding key assumptions, including the probability of default, severity of loss, amounts and timing of payment receipts and all of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Accordingly, we disclose information that enables users of the financial information to evaluate the effect of significant changes in key assumptions. See below the sensitivity of critical accounting estimates and judgements for the fair value of acquired debt receivable portfolios.

To integrate the time factor into fair value calculation, a discount factor is applied to the estimated remaining collection cash flows over the expected collection period. The following sensitivity analysis gives an overview of the effect on fair value of the acquired debt receivable portfolios if the discount rate would change or ERC forecast would change by deviations as indicated below:

Sensitivity analysis

	Estimated remaining collection % of ERC used in model for 31.12.2020		
Discount rate in model 31.12.2020	**90%**	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	74 706 516	82 772 561	90 844 869
Discount rate plus 2.0 percentage points	76 967 810	85 286 809	93 611 091
Discount rate plus 1.0 percentage points	79 360 229	87 947 025	96 537 639
Discount rate used for 31.12.2020: 9.59%	81 893 956	**90 764 556**	99 636 988
Discount rate less 1.0 percentage points	84 581 469	93 751 460	102 922 664
Discount rate less 2.0 percentage points	87 433 760	96 921 257	106 409 572
Discount rate less 3.0 percentage points	90 463 985	100 288 773	110 113 980

	Estimated remaining collection % of ERC used in model for 31.12.2019		
Discount rate in model 31.12.2019	**90%**	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	62 412 761	68 773 138	75 133 516
Discount rate plus 2.0 percentage points	63 911 733	70 438 707	76 965 642
Discount rate plus 1.0 percentage points	65 488 036	72 190 111	78 892 186
Discount rate used for 31.12.2019: 10.40%	67 147 046	**74 033 455**	80 919 864
Discount rate less 1.0 percentage points	68 894 780	75 975 382	83 055 984
Discount rate less 2.0 percentage points	70 737 756	78 023 133	85 308 510
Discount rate less 3.0 percentage points	72 683 080	80 184 605	87 686 129

4. Use of significant accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting estimates

Fair value measurement of debt receivables

The acquired debt portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debts are managed and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the entity. The subsequent fair value evaluation model is based on 10-year discounted cash flow (DCF) forecast analysis by the acquired debt portfolios.

The acquired debt portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held. For more details please see Note 3 “Financial risk management” and Note 9 “Debt receivables”.

5. Group structure and changes in the Group

Aktsiaselts PlusPlus Capital is the parent company of the Group. As at 31 December 2020 and 31 December 2019 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

Subsidiary	Country of incorporation	Field of activity	Ownership interest	
			31.12.2020	31.12.2019
PlusPlus Invest OÜ	Estonia	Property investments	100%	100%
PlusPlus Baltic OÜ	Estonia	Management of acquired debt receivable portfolios	100%	100%
PPC Delta OÜ*	Estonia	Management of acquired debt receivable portfolios	-	-
VõlaKütid OÜ*	Estonia	Management of acquired debt receivable portfolios	-	-
PlusPlus Inkasso SIA	Latvia	Management of acquired debt receivable portfolios	100%	100%
PlusPlus Baltic OU filiāle Latvijā (branch in Latvia)	Latvia	Management of acquired debt receivable portfolios	100%	100%
PlusPlus Inkaso UAB	Lithuania	Management of acquired debt receivable portfolios	100%	100%
PlusPlus Baltic OU Lietuvos filialas (branch in Lithuania)	Lithuania	Management of acquired debt receivable portfolios	100%	100%
Fresh Finance UAB	Lithuania	Management of acquired debt receivable portfolios	100%	100%
Fresh Finance Group OÜ	Estonia	Holding entity	100%	100%
Fresh Finance OÜ	Estonia	Credit issuance	100%	100%
Fresh Finance AS	Latvia	Credit issuance	100%	100%
PlusPlus Capital Oy	Finland	Management of acquired debt receivable portfolios	100%	100%
Forward View OÜ	Estonia	Support activities	100%	-
Monestro P2P OÜ	Estonia	Credit intermediation activities	100%	-
Monestro Investor OÜ	Estonia	Investment activities	100%	-
Monestro Finland Oy	Finland	Credit intermediation activities	100%	-

* *Merged during 2019 with Group entity Aktsiaselts PlusPlus Capital*

6. Property, plant and equipment

	Property	Vehicles	Right-of-use assets	Equipment	TOTAL
Cost as at 31 December 2019	**1 153 717**	**121 850**	**759 066**	**570 376**	**2 605 009**
Accumulated depreciation as at 31 December 2019	-155 933	-121 850	-243 205	-186 577	**-707 565**
Residual value as at 31 December 2019	**997 784**	**0**	**515 861**	**383 799**	**1 897 444**
Acquisitions	0	0	326 551	106 585	**433 136**
Depreciation	-57 684	0	-176 205	-63 985	**-297 874**
Disposals	0	0	-29 796	0	**-29 796**
Cost as at 31 December 2020	**1 153 717**	**121 850**	**959 715**	**676 961**	**2 912 243**
Accumulated depreciation as at 31 December 2020	-213 617	-121 850	-323 304	-250 562	**-909 333**
Residual value as at 31 December 2020	**940 100**	**0**	**636 411**	**426 399**	**2 002 910**

Net book value	**Property**	**Vehicles**	**Right-of-use assets**	**Equipment**	**TOTAL**
At 1 January 2019	**1 055 468**	**0**	**332 179**	**307 578**	**1 695 225**
At 31 December 2019	**997 784**	**0**	**515 861**	**383 799**	**1 897 444**
At 31 December 2020	**940 100**	**0**	**636 411**	**426 399**	**2 002 910**

There were no material fully depreciated property, plant and equipment in the Group as at 31 December 2020 and 31 December 2019.

7. Intangible assets

	Computer software	Unfinished software	Goodwill	Total
Cost as at 31 December 2019	**701 790**	**0**	**190 666**	**892 456**
Accumulated depreciation as at 31 December 2019	-170 273	0	0	**-170 273**
Residual value as at 31 December 2019	**531 517**	**0**	**190 666**	**722 183**
Acquisitions	823 428	212 637	0	**1 036 065**
Depreciation	-180 180	0	0	**-180 180**
Cost as at 31 December 2020	**1 525 218**	**212 637**	**190 666**	**1 928 521**
Accumulated depreciation as at 31 December 2020	-350 453	0	0	**-350 453**
Residual value as at 31 December 2020	**1 174 765**	**212 637**	**190 666**	**1 578 068**

Net book value	**Computer software**	**Unfinished software**	**Goodwill**	**Total**
At 1 January 2019	**284 222**	**0**	**0**	**284 222**
At 31 December 2019	**531 517**	**0**	**190 666**	**722 183**
At 31 December 2020	**1 174 765**	**212 637**	**190 666**	**1 578 068**

There were no material fully amortised intangible assets in the Group as at 31 December 2020 and 31 December 2019.

8. Investments

	31.12.2020	31.12.2019
Investment in shares	0	3 091
Prepayment for shares	0	210 002
Total	**0**	**213 093**

Investment in shares as at 31 December 2019 comprised 17.54% investment in a credit intermediary registered in Estonia. As at composition of the current financial statements the abovementioned investment transaction with the credit intermediary has been finalized and 100% shareholding acquired (since beginning of financial year 2020).

9. Acquired debt receivable portfolios

	31.12.2020	31.12.2019
Acquired debt receivable portfolios	90 764 556	74 033 455
Total, including:	**90 764 556**	**74 033 455**
Current:	*16 278 586*	*15 554 488*
Non-current:	*74 485 970*	*58 478 967*

	2020	2019
As at 1 January	**74 033 455**	**42 177 530**
Acquisitions of acquired debt receivable portfolios	9 525 877	18 647 498
Proceeds from acquired debt receivable portfolios	-14 422 927	-10 746 396
Change in fair value of acquired debt receivable portfolios (Note 9)	21 628 151	23 954 823
As at 31 December	**90 764 556**	**74 033 455**

Change in fair value by countries	**2020**	**2019**
Finland	1 145 179	2 006 541
Estonia	5 552 644	8 901 632
Latvia	6 323 438	7 358 076
Lithuania	8 606 890	5 688 574
Change in fair value total	**21 628 151**	**23 954 823**

Revenues by field of activity	**2020**	**2019**
Operating revenues (Note 21)	**21 628 151**	**23 955 506**
including fair value changes	*21 628 151*	*23 954 823*
Including other services	*0*	*683*
Net interest income (Notes 22)	**896 712**	**372 511**
Net fee and commission income	**26 260**	**12 780**
Other operating income	**47 543**	**3 337**
Loan impairment expense	564 748	148 904
Total revenues by field of activity	**22 033 918**	**24 195 230**

The total estimated remaining collections (ERC) according to scenarios ((ERC of target and conservative scenarios are since 2020 +/- 5% and till 2019 +/-10% compared to moderate scenario) and by aging of portfolios at period ends were as follows:

Estimated remaining collection (ERC) as at:	**Conservative scenario**	**Moderate scenario***	**Target scenario**
Total 31.12.2020, including:	**125 983 614**	**132 614 330**	**139 245 047**
Restructured portfolios (over 6 months since acquisition)	116 200 886	122 316 722	128 432 558
New portfolios (fair value model sliding scale applied)	6 971 269	7 192 157	7 413 560
Fresh new portfolios (fair value model not applied)	2 811 459	3 105 451	3 398 929
Total 31.12.2019, including:	**95 567 601**	**106 186 223**	**116 804 846**
Restructured portfolios (over 6 months since acquisition)	72 233 152	81 370 169	89 507 186
New portfolios (fair value model sliding scale applied)	20 634 042	21 049 814	22 465 586
Fresh new portfolios (fair value model not applied)	2 700 407	3 766 240	4 832 074

**Moderate scenario has been used for recognition of acquired debt receivable portfolios in accounting according to fair value model and discount rate model applied for recognition of the fair value of acquired debt receivable portfolios in accordance with new standard IFRS 9 in force since 1 January 2018.*

As at 31 December 2020 the Group has under restructuring 515 debt portfolios (31 December 2019: 405). The Group has acquired debt receivable portfolios mainly from finance institutions (banking sector), telecom entities, consumer finance providers, utilities and public sector entities and from other sellers of terminated claims and receivables against private individuals. Proportionally majority of acquired debt receivable portfolios originate from banking sector, followed by consumer finance sector and telecom sector. The Group has hitherto been solely focusing on claims against private persons.

The Group has developed a specific business process including evaluation of portfolios, restructuring of products and management of repayments over the lifecycle of the agreements made with clients during the restructuring process. The Group's priority is to offer debtors a mutually beneficial agreement to overcome problems arising from overdue obligations. The Group offers tailor made solutions, most often affordable partial repayment possibility (repayment schedules) to the clients. Collection through litigation process is an exception applied only when debtors fully ignore their obligations.

The aging of estimated remaining collection of the acquired debt receivable portfolios by vintages is as follows:

	31.12.2020	**31.12.2019**
Estimated remaining collection (ERC) by vintage		
Debt receivable portfolios acquired in 2010	239 033	254 667
Debt receivable portfolios acquired in 2011	513 504	498 332
Debt receivable portfolios acquired in 2012	455 786	458 296
Debt receivable portfolios acquired in 2013	1 854 576	1 828 974
Debt receivable portfolios acquired in 2014	528 428	568 685
Debt receivable portfolios acquired in 2015	1 260 570	1 273 721
Debt receivable portfolios acquired in 2016	8 081 817	8 040 416
Debt receivable portfolios acquired in 2017	14 964 472	15 308 075
Debt receivable portfolios acquired in 2018	32 909 046	31 926 421
Debt receivable portfolios acquired in 2019	48 493 213	46 028 636
Debt receivable portfolios acquired in 2020	23 313 885	0
Total ERC as at 31 December	**132 614 330**	**106 186 223**
Fresh new portfolios, ERC not applied for fair value model	-3 105 451	-3 766 240
Total ERC applied for fair value model as at 31 December	**129 508 879**	**102 419 983**

10. Loans and advances to customers

	31.12.2020	**31.12.2019**
Refinancing	1 941 158	1 481 151
Consumer credits	656 875	1 273 313
Mortgage loans	297 717	856 611
Leases	36 738	212 087
Other	72 104	121 409
Total	**3 004 657**	**3 944 571**
Allowance	**-355 537**	**-181 870**
Total, including:	**2 649 055**	**3 762 701**
Current portion:	*741 398*	*1 089 162*
Non-current portion:	*1 907 657*	*2 673 539*

Detailed explanation of classes of loans issued is provided below:

- Refinancing – uncollateralized loans issued to private individuals for debt consolidation and refinancing of existing obligations.
- Consumer credits - uncollateralized loans issued to private individuals under standard terms where use of proceeds is not limited.
- Mortgage loans – loans issued to private individuals and small-sized companies under standard terms that are collateralized by mortgages mostly on residential property, mainly for consumer spending and working capital.
- Leases – loans issued to private individuals for financing purchase of vehicles.
- Other – loans issued to legal entities collateralized by personal surety or other smaller loans to corporates, mainly for working capital and investments into fixed assets.

11. Credit risk: loans and advances to customers

	2020				
	Stage 1	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL for SICR**	**Lifetime ECL for credit impaired**	**Purchased originated credit-impaired loans**	**Total**
Refinancing	1 288 888	228 215	424 055	0	**1 941 158**
Consumer credits	282 811	85 678	126 034	162 352	**656 875**
Mortgage loans	105 875	1 456	103 737	86 649	**297 717**
Leases	12 291	1 316	1 061	22 070	**36 738**
Other	30 682	0	41 422	0	**72 104**
Gross carrying amount	**1 720 547**	**316 665**	**696 309**	**271 071**	**3 004 592**
Loss allowance	-70 295	-14 243	-213 718	-57 281	**-355 537**
Carrying amount	**1 650 252**	**302 422**	**482 591**	**208 790**	**2 649 055**
Including:					
Current portion					***741 398***
Non-current portion					***1 907 657***

	2019				
	Stage 1	**Stage 2**	**Stage 3**		
	12-month ECL	**Lifetime ECL for SICR**	**Lifetime ECL for credit impaired**	**Purchased originated credit-impaired loans**	**Total**
Refinancing	1 072 266	306 382	102 503	0	**1 481 151**
Consumer credits	660 657	255 329	10 354	346 973	**1 273 313**
Mortgage loans	253 947	73 735	276 541	252 388	**856 611**
Leases	87 872	14 752	37 233	72 230	**212 087**
Other	111 514	9 895	0	0	**121 409**
Gross carrying amount	**2 186 256**	**660 093**	**426 631**	**671 591**	**3 944 571**
Loss allowance	-59 955	-44 633	-56 796	-20 486	**-181 870**
Carrying amount	**2 126 301**	**615 460**	**369 835**	**651 105**	**3 762 701**
Including:					
Current portion					***1 089 162***
Non-current portion					***2 673 539***

Credit risk
The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

There were no existing non-issued loans or unused limits as at year-ends 2020 nor 2019.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees.

Measurement of expected credit loss (ECL)
IFRS 9 provides a three-phase model for measuring credit losses that takes into account changes in credit quality since initial recognition as follows:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet considered to be credit impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis and considered under Stage 3.
- Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when there have been adverse changes in the economic environment, which might affect the borrowers' performance (e.g. adverse changes in regional unemployment rate, in inflation, in income).

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The Group has not used the low credit risk exemption for any financial instruments in the year.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments or when the borrower is in significant financial difficulty. These are instances where the borrower is deceased, is insolvent or is marked as in proceeding in case of retail loans or liquidation, execution or going through reorganisation proceedings in case of non-retail loans.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

Measuring ECL – inputs, assumptions, and estimation techniques
The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is expressed by Group's assessment of the amounts the Group expects to be owed at the time of default. For off-balance-sheet items, the EAD shall include an estimate of what amounts will be taking into account at the time of the default.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The LGDs are determined based on the factors which impact the recoveries made post default.

The ECL is calculated as a product of the main inputs - PD, LGD and EAD, discounted by effective interest rate (EIR). Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

The assumptions underlying the ECL calculation are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group has identified certain key economic variables that correlate with developments in credit risk and ECLs.

Grouping of instruments for losses measured on a collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information available for the Group to be statistically credible.

Where sufficient information is not available internally, the Group has considered benchmarking internal / external supplementary data to use for modelling purposes.

The characteristics and any supplementary data used to determine groupings are product type, contract type, market, number of overdue days of the contract, contract age as months in book. The appropriateness of groupings is monitored and reviewed on a periodic basis.

Information about collaterals of loans
The collaterals assigned on specific credit products consist of personal suretyships, mortgages, register pledges and other similar collaterals. The collaterals are agreed with clients according to product-based risk analysis and internal regulations. As a rule, the collateral is set up to minimise the risks on acceptable level for the Group.

Upon the initial recognition of loans to customers, the fair value of collateral is based on the valuation techniques commonly used for the corresponding types of collateral. Market values (or purchase price, whichever is lower) are used for real estate and movable assets serving as collateral. The value of collateral should be reconsidered periodically. The frequency and conditions mostly depend on the performing / non-performing status and exposure size. The value of residential real estate is recalculated periodically by applying the indices. Guarantees and warranties issued by other parties (private individuals, legal entities), although they mitigate the risk, are considered immaterial and are not disclosed here. If exposure is secured by several different types of collateral, priority in recognition of a collateral is based on its liquidity. Securities, cash, and guarantees are treated as the types of collateral with the highest liquidity, followed by residential real estate and then other real estate. Movable assets like transport vehicles, equipment and other assets are treated as having the lowest liquidity.

Valuation of collaterals
Fair value evaluations based on the statistical revaluation (indexing) of residential real estate collaterals is performed according to needs and at least once annually in Estonia and in Latvia and Lithuania and covers houses, apartments and residential land plots, pledged against all types of credit products of private individuals. All assets that are pledged to or leased from the Group must be evaluated at least once a year. Exceptions can be approved by ultimate decision-making authority including a reason for the exception.

12. Trade and other receivables

	31.12.2020	31.12.2019
Prepaid and refundable taxes (Note 19)	1 872	0
Other assets	38 743	102 209
Prepayments	144 882	136 424
Other receivables	478 047	656 498
Total, including:	**663 544**	**897 131**
Current:	*618 544*	*852 131*
Non-current:	*45 000*	*45 000*

Prepayments as at 31.12.2020 and 31.12.2019 include prepayments for operating activities (including prepayments for rent, media, services and other similar activities). Other assets consist of acquired collateral assets related to acquired debt receivable portfolios, which are expected to be realised within current business cycle. Other receivables are related to other operating services except for portfolio management.

Trade and other receivables include receivables against related parties as at 31 December 2020 for 199 657 euros (31 December 2019: 289 019 euros, see more detailed info in Note 27).

13. Cash and cash equivalents

	31.12.2020	31.12.2019
Cash at bank	541 847	562 033
Cash on hand	198 393	144 866
Total	**740 240**	**706 899**

14. Share capital

	Ordinary shares	
	31.12.2020	**31.12.2019**
Share capital	5 000 000	1 000 000
Number of ordinary shares	10 000	10 000
Nominal value per share	500	100

In financial year 2020 the share capital was increased by EUR 4 000 000 up to EUR 5 000 000 through bonus issue from retained earnings.

	31 December 2020		31 December 2019	
Shareholder	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**
Mirje Trumsi	6 800	68%	7 100	71%
Vilius Gleb	300	3%	0	0%
Linda Visocka	300	3%	0	0%
Lauri Kelus	400	4%	0	0%
Karl Mitt	0	0%	1 500	15%
Ahti Aho	0	0%	1 000	10%
Peeter Piho	2 200	22%	400	4%
Total	**10 000**	**100%**	**10 000**	**100%**

Shareholdings are owned directly (including 36% by Mirje Trumsi) and through entities PPC Holding OÜ (Mirje Trumsi 32% shareholding and Peeter Piho 18% shareholding) and Teddy Invest OÜ (Peeter Piho 4% shareholding).

15. Subordinated convertible loans

	31.12.2020	31.12.2019
Subordinated convertible loans in equity	436 281	1 342 318
Subordinated convertible loans in liabilities	5 854 966	5 530 337
Total of convertible subordinated loans by split-accounting	**6 291 247**	**6 872 655**
Difference of discounted cash flows in interest expense (Note 26)	13 753	-567 655
Total	**6 305 000**	**6 305 000**

As at 31 December 2020 the convertible subordinated loans raised in amount of EUR 6.3 million (31 December 2019: EUR 6.3 million) are recognised according to split-accounting method by equity and liability components, the details of recognition principles are disclosed in Note 2.6. section k. The conversion maturity dates of the convertible subordinated loans are 1 July 2021 and 29 December 2022 respectively, with at least 6-months prenotice, the interest rates are 9.5% - 11.0%, currency is euro, and no collaterals nor pledges are set.

As at 31 December 2020 the conversion options of convertible subordinated loans for EUR 4 000 000 matured, and the respective change in interest expense was recognised for EUR 906 037 as decrease of interest expense in financial year 2020.

16. Distributions made and proposed

Dividends were declared and distributed in 2020 in amount of 622 093 euros and net dividends 500 000 euros (2019 125 000 euros and net dividends 100 000 euros), corporate income tax expense for 2020 was 122 093 including tax on dividends (2019: 25 000 euros and 912 euros on profit of a subsidiary in Lithuania). Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

As at 31 December 2020 the maximum possible income tax liability that could arise upon the payment of all the retained earnings as dividends would be 3 723 440 EUR (31.12.2019: 3 497 248 EUR) and therefore 14 893 758 EUR could be paid out as net dividends (31.12.2019: 13 988 990 EUR).

17. Trade and other payables

	31.12.2020	31.12.2019
Trade payables	200 391	165 800
Payables to employees	436 034	409 789
Taxes payable (Note 19)	367 593	320 197
Interest payable	742 671	347 404
Other payables	12 290	19 825
Total	**1 758 979**	**1 263 015**

The trade and other payables include payables to related parties (see Note 27) as at 31 December 2020 for 136 637 euros (31.12.2019: 8 017 euros). Trade and other payables are due in the course of normal operating cycle of the Group (normally within twelve months).

18. Interest-bearing loans and borrowings

	31.12.2020	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	30 634 600	10 137 300	20 497 300	9% - 12%	2021 – 2023
Bank loans	592 824	44 909	547 915	2.75%*	2021 – 2022
Other loans	36 767 000	25 247 000	11 520 000	7.5% - 10%	2021 – 2022
Leases	592 263	235 757	356 506	2% - 5%	2021 – 2022
Capitalised expense	-2 355 738	-1 455 512	-900 226	9% - 11%	2021 – 2023
Total obligation	**66 230 949**	**34 209 454**	**32 021 495**		

	31.12.2019	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	18 518 300	9 854 500	8 663 800	9% - 11%	2020 - 2023
Bank loans	633 703	43 628	590 075	2.75%*	2020 - 2022
Other loans	37 701 184	18 594 184	19 107 000	6% - 9.5%	2020 - 2021
Leases	465 181	147 442	317 739	2% - 5%	2020 - 2022
Capitalised expense	-1 807 370	-1 316 441	-490 929	9% - 11%	2020 - 2023
Total obligation	**55 510 998**	**27 323 313**	**28 187 685**		

**2.75% + 6-months Euribor*

Main covenant for issued secured and unsecured bonds and secured loans is equity ratio (total equity / total assets), which shall be maintained at all times at 30% or higher (see Note 3 section "Capital management" for more details of equity ratio at 31 December 2020 and at year-ends of comparative periods). The equity ratio is compliant with the requirements according to covenants set in financing agreements as at 31 December 2020 and 31 December 2019 (See Note 3).

Also, there are certain restrictions set as covenants for equity distributions exceeding defined restricted equity level, and for changes in shareholders.

Carrying amount of assets under lease	**31.12.2020**	**31.12.2019**
Lease	636 411	515 861
Total	**636 411**	**515 861**

Carrying amount of assets pledged as collateral	**31.12.2020**	**31.12.2019**
Carrying amount	90 764 556	74 033 455
Total	**90 764 556**	**74 033 455**

PlusPlus has issued secured and unsecured bonds and raised secured and unsecured loans from investors and banks. Bonds and secured loans are secured by pledged collaterals consisting mainly of acquired debt receivable portfolios. Bank loan liabilities are secured by a commercial pledge for assets in amount of EUR 1 755 000.

In 2020, the following changes occurred in interest bearing loans and borrowing balances:

Interest bearing loans and borrowings	**Balance as at 31.12.2019**	**Loans raised during period**	**Loan repaid during period**	**Balance as at 31.12.2020**
Bonds	18 518 300	18 038 800	-5 922 500	30 634 600
Bank loans	633 703	0	-40 879	592 824
Other loans	37 701 184	200 000	-1 134 184	36 767 000
Lease liabilities	465 181	178 252	-51 170	592 263
Capitalised expense	-1 807 370	-2 343 345	1 794 977	-2 355 738
Total	**55 510 998**	**16 073 707**	**-5 353 756**	**66 230 949**

As at 31 December 2020 the current liabilities of the Group exceed current assets by EUR 18.1 million and the current ratio is 0.50 (31 December 2019 by EUR 10.4 million and current ratio was 0.64), which is in accordance with the long-term financing strategy of the Group. Long-term loans and bonds, which are maturing in year 2021, will be repaid and refinanced according to the agreed terms with investors. For further details please refer to the Note 3 "Financial risk management" chapters "Credit risk", "Liquidity risk" and "Fair value".

19. Tax liabilities and prepayments

	31.12.2020		**31.12.2019**	
	Tax prepayment	**Tax liabilities**	**Tax prepayment**	**Tax liabilities**
Value added tax	0	1 618	0	11 573
Company income tax	0	63 039	0	0
Personal income tax	0	107 930	0	117 895
Income tax from fringe benefits	0	4 836	0	3 636
Social security tax	0	167 593	0	166 209
Pension tax	0	14 828	0	11 875
Unemployment tax	0	7 749	0	6 454
Prepayment account balance	1 872	0	0	2 555
Total tax liabilities and prepayments (Notes 12 and 17)	**1 872**	**367 593**	**0**	**320 197**

20. Commitments and contingencies

Operating lease commitments are recognised under IFRS 16 as lease liabilities — Group as lessee

The Group entities have entered into long-term non-cancellable premise lease agreements in Estonia, Latvia and Lithuania.

Considerations related to potential tax audit

Estonia
The tax authorities have neither started nor performed any tax audits or individual case audits in any of the Group companies. The tax authorities have the right to verify the company's tax records up to 5 years from the time of filing the tax return and upon finding errors, impose additional taxes, interest and fines. The management estimates that there are not any circumstances, which may lead the tax authorities to impose additional significant taxes on the Group.

Latvia, Lithuania and Finland
The management estimates that there are not any circumstances, which may lead the tax authorities to impose additional significant taxes on the Group.

21. Operating revenue

Operating revenue by countries	**2020**	**2019**
Finland	1 145 179	2 006 541
Estonia	6 147 626	9 169 926
Latvia	6 608 839	7 461 955
Lithuania	8 697 022	5 705 712
Loan impairment expense	564 748	148 904
Operating revenues total	**22 033 918**	**24 195 230**

Operating revenues by field of activity	**2020**	**2019**
Management of debt portfolios	**21 628 151**	**23 954 823**
Other services	0	683
Other revenues	47 543	3 337
Credit issuance activities	**922 972**	**385 291**
Including interest income (Note 22)	*896 712*	*372 511*
Loan impairment expense	564 748	148 904
Operating revenues total	**22 033 918**	**24 195 230**

22. Interest income

	2020	**2019**
Refinancing	431 955	88 894
Mortgage loans	66 646	91 207
Consumer credits	370 456	75 308
Leases	14 558	66 910
Other	13 097	50 192
Total interest income	**896 712**	**372 511**
Including:		
Estonia	*535 528*	*259 257*
Latvia	*272 989*	*99 057*
Lithuania	*88 195*	*14 197*

23. Operating expenses

	2020	2019
Acquired debt portfolio management costs	1 378 777	2 240 235
Consultations and compliance	221 370	236 697
Fees, taxes and insurance	223 670	230 615
Travel and transportation	210 590	182 239
Telecommunication and data	319 232	252 225
Premises and furnishings	178 949	113 945
Equipment and supplies	95 795	111 820
Marketing and development	128 744	80 974
Personnel and trainings	35 737	72 557
Professional services	352 236	298 783
Other miscellaneous operating expenses	36 432	14 151
Total other expenses	**3 181 532**	**3 834 241**

24. Salary expense

	2020	2019
Wages and salaries	3 482 943	3 005 833
Social security costs	834 622	719 507
Total salary expense	**4 317 565**	**3 725 340**
Average number of employees	96	82

25. Finance income

	2020	2019
Interest income	14 222	773
Other finance income	138 675	0
Total finance income	**152 897**	**773**

26. Finance expense

	2020	2019
Interest expense on bonds	2 795 733	2 358 816
Interest expense on interest-bearing loans	4 211 106	3 017 358
Expenses directly related to financing activities (raised bonds and loans)	1 586 005	1 124 101
Discounted cash flows effect for subordinated convertible loans (Note 15)	-581 407	280 469
Goodwill impairment	0	172 978
Other finance expense	44 896	9 956
Total finance expense	**8 056 333**	**6 963 678**

27. Related party transactions

Note 6 provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	31.12.2020		31.12.2019	
	Receivables	**Payables**	**Receivables**	**Payables**
Holding entity	65 093	0	204 285	0
Management board and private investors with significant ownership interest; entities under their control or significant influence	124 871	136 637	84 320	8 017
Total	**189 964**	**136 637**	**288 605**	**8 017**

	2020		2019	
	Purchases	**Sales**	**Purchases**	**Sales**
Holding entity	0	138	0	138
Management board and private investors with significant ownership interest; entities under their control or significant influence	303 514	276	884 920	276
Total	**303 514**	**414**	**884 920**	**414**

Key management benefits

	2020	2019
Salaries and remuneration	426 792	347 016
Total	**426 792**	**347 016**

28. COVID-19 impact and subsequent events

We have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Group.

In financial year 2020 the collections from acquired debt receivable portfolios were approximately 20% less than current ERC as at 31 December 2019 based on pre-pandemic forecast. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group for current financial year 2021. However, the management of the Group estimates that in short-term (within 12 months since composition of the current annual report) the impact on Group's cash-flows could be significant and the potential effect on the fair value of the acquired debt receivable portfolios could be within the value ranges of the sensitivity analysis disclosed in Note 3.

During the period of preparation of the financial statements since balance sheet date 31 December 2020 there have been no other significant subsequent events which would significantly affect the current financial statements.

Regarding the potential impact of the above described economic situation evolved in 2020 and early in 2021 to the Group please refer to the Note 3 "Financial risk management" chapters "Credit risk", "Liquidity risk" and "Fair value".

29. Unconsolidated primary financial statements of the parent

Pursuant to the Accounting Act of the Republic of Estonia, information of the annual unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the annual report in conjunction with IAS 27, Consolidated and Separate Financial Statements.

The parent company’s unconsolidated statements include investments into subsidiaries at equity method.

Unconsolidated statement of financial position
As at year end 31 December

	31.12.2020	31.12.2019
Non-current assets		
Property, plant and equipment	228 272	216 169
Right-of-use of assets	52 810	78 028
Intangible assets	708 064	531 517
Investments	0	213 093
Financial investments	13 556 508	11 300 514
Acquired debt receivable portfolios	47 736 052	36 100 928
Trade and other receivables	25 837 458	20 542 499
Total non-current assets	**88 119 164**	**68 982 748**
Current assets		
Acquired debt receivable portfolios	10 176 925	9 993 697
Trade and other receivables	2 333 373	4 080 216
Cash and cash equivalents	327 842	242 013
Total current assets	**12 838 140**	**14 315 926**
Total assets	**100 957 304**	**83 298 674**
Equity		
Share capital	5 000 000	1 000 000
Statutory legal reserve	500 000	100 000
Subordinated convertible loan	436 281	1 342 318
Retained earnings	22 854 014	20 213 235
Total equity	**28 790 295**	**22 655 553**
Liabilities		
Non-current liabilities		
Subordinated convertible loans	5 354 966	5 530 336
Interest-bearing loans and borrowings	31 117 074	27 336 006
Lease liabilities	70 896	23 736
Total non-current liabilities	**36 542 936**	**32 890 078**
Current liabilities		
Trade and other payables	1 146 341	545 327
Subordinated convertible loans	500 000	0
Interest-bearing loans and borrowings	33 939 683	27 153 424
Lease liabilities	38 049	54 292
Total current liabilities	**35 624 073**	**27 753 043**
Total equity and liabilities	**100 957 304**	**83 298 674**

Unconsolidated statement of comprehensive income
for the year ended 31 December

	2020	**2019**
Operating revenue	13 791 461	14 548 062
Operating expenses	1 659 850	2 065 564
Salary expense	1 470 512	1 312 081
Depreciation and amortisation	242 051	194 035
Other expenses	9 800	11 614
Operating profit	**10 409 248**	**10 964 768**
Finance income	5 246 429	6 369 754
Finance expense	7 992 805	6 763 923
Profit before income tax	**7 662 872**	**10 570 599**
Income tax	122 093	25 000
Net profit for the year	**7 540 779**	**10 545 599**
Total comprehensive income	**7 540 779**	**10 545 599**

pwc Initialled for identification purposes only
Initials L.L. Date 12.04.2021

Unconsolidated statements of cash flows
for the year ended 31 December

	2020	2019
Cash flows from operating activities		
Profit before income tax	7 662 872	10 570 599
Adjustments for non-cash items:		
Depreciation and amortisation	242 051	194 035
Changes in working capital:		
Change in trade and other receivables	-96 174	1 133 909
Change in trade and other payables	-958 134	-719 968
Change in acquired debt receivable portfolios	-11 818 352	-21 215 454
Other adjustments:		
Interest expense	6 406 239	5 637 983
Other financial income and expense	-5 245 867	-6 368 169
Interests income	37	254
Net cash generated from operating activities	**-3 807 328**	**-10 766 811**
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-405 483	-394 514
Acquisition of other investments	0	-213 092
Acquisition of subsidiaries	-3 000	25 000
Loans issued	-4 279 500	-10 812 845
Repayments of loans issued	385 987	177 000
Interests received	3 647 500	1 144 185
Net cash used in investing activities	**-654 496**	**-10 074 266**
Cash flows from financing activities		
Loans received and bonds issued	18 815 600	26 763 600
Repayment of loans received and bonds issued	-7 154 500	-6 934 735
Repayment of lease liabilities	-25 144	-20 690
Interests paid for loans	-6 585 970	-4 807 431
Interest paid for lease liabilities	-2 333	-2 851
Proceeds from subordinated convertible loans	0	305 000
Dividend distributions	-500 000	-100 000
Net cash flows from (to) financing activities	**4 547 653**	**15 202 893**
Net increase in cash and cash equivalents	85 829	-5 638 184
Cash and cash equivalents at the beginning of the year	**242 013**	**5 880 197**
Cash and cash equivalents at the end of the year	**327 842**	**242 013**

pwc Initialled for identification purposes only
Initials L.L. Date 12.04.2021

Unconsolidated statement of changes in equity
for the year ended 31 December

	Share capital	Legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2019	**1 000 000**	**100 000**	**1 284 589**	**9 930 775**	**12 315 364**
Subordinated convertible loan	0	0	57 729	0	**57 729**
Dividend distributions	0	0	0	-100 000	**-100 000**
Other adjustments	0	0	0	-163 139	**-163 139**
Total transactions with owners	**0**	**0**	**57 729**	**-263 139**	**-205 410**
Net profit for the year	0	0	0	10 545 599	**10 545 599**
Total comprehensive income	**0**	**0**	**0**	**10 545 599**	**10 545 599**
As at 31 December 2019	**1 000 000**	**100 000**	**1 342 318**	**20 213 235**	**22 655 553**
As at 1 January 2020	**1 000 000**	**100 000**	**1 342 318**	**20 213 235**	**22 655 553**
Subordinated convertible loan	0	0	-906 037	0	**-906 037**
Dividend distributions	0	0	0	-500 000	**-500 000**
Allocation of retained earnings	4 000 000	400 000	0	-4 400 000	**0**
Total transactions with owners	**4 000 000**	**400 000**	**-906 037**	**-4 900 000**	**-1 406 037**
Net profit for the year	0	0	0	7 540 779	**7 540 779**
Total comprehensive income	**0**	**0**	**0**	**7 540 779**	**7 540 779**
As at 31 December 2020	**5 000 000**	**500 000**	**436 281**	**22 854 014**	**28 790 295**

The adjusted unconsolidated equity of the parent is as follows as at:

	31.12.2020	**31.12.2019**
Parent company's unconsolidated equity	28 790 295	22 655 553
Less carrying amount of subsidiaries in the unconsolidated balance sheet (-)	-13 556 508	-11 300 514
Add carrying amount of subsidiaries under equity method (+)	13 556 508	11 300 514
Total	**28 790 295**	**22 655 553**

Initialled for identification purposes only
pwc
Initials L.L. Date 12.04.2021

Confirmation of the management board to the 2020 consolidated annual report

Hereby, we confirm the correctness of the information disclosed in the 2020 consolidated annual report of Aktsiaselts PlusPlus Capital.

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Linda Visocka

Tallinn, 10 April 2021

Independent Auditor's Report

To the Shareholders of Aktsiaselts PlusPlus Capital

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aktsiaselts PlusPlus Capital and its subsidiaries (together "the Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Management Board is responsible for the other information. The other information comprises the Management report and the Allocation of income according to EMTA classificators (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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

AS PricewaterhouseCoopers

Lauri Past
Auditor's certificate no. 567

Rando Rand
Auditor's certificate no. 617

12 April 2021
Tallinn, Estonia

Profit allocation proposal

The Management Board of Aktsiaselts PlusPlus Capital proposes to the General Meeting of Shareholders to distribute the profit for financial year 2020 as follows (in euros):

Retained earnings as at 31.12.2020	18 617 198
Dividends	2 000 000
Retained earnings after allocation	16 617 198

Tallinn, 10 April 2021

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Linda Visocka

Tallinn, 10 April 2021

Allocation of income according to EMTA classificators

The income of Aktsiaselts PlusPlus Capital Group for financial year 2020 is allocated according to EMTA classificators as follows:

Field of activity	EMTAK code	Income (EUR)	Income (%)	Main activity
Investments in bonds, securities and other similar financial vehicles	64301	21 628 151	99%	Yes
Other credit issuance, except for lombarding	64929	405 767	1%	Yes
Total operating revenues		**22 033 918**		

PLUS & PLUS
CAPITAL