Aktsiaselts PlusPlus Capital

Consolidated annual report 2021

PLUS & PLUS

Aktsiaselts PlusPlus Capital

CONSOLIDATED ANNUAL REPORT 2021

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
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Corporate website	www.pluspluscapital.eu
Reporting period	1 January 2021 – 31 December 2021
Chairman of the management board	Mirje Trumsi
Core business line	64301
Auditor	Aktsiaselts PricewaterhouseCoopers

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CEO FOREWORD

2021 was a year of returning to growth path for Baltic economies. All three countries emerged among most resilient economies in Europe while Finland posted solid performance as well.

PlusPlus developed in line with economies and achieved record performances in terms of income, total assets, and the size of the portfolio. Cash flows from portfolios were also on their all-time top representing a 20% growth as compared with the previous year's result.

In the end of the year PlusPlus completed a landmark event by raising equity capital from investors first time in history. As a result, the company now has more than one hundred shareholders forming a solid capital base for future expansion.

This year PlusPlus also focused on the ESG (Environment, Social and Governance) project and compiled first Sustainability Report.

For us, sustainability is an integral part of the company's operations and interaction with financing partners and other stakeholders.

On a daily basis, we come across with people in financial difficulties. Considerable share of the labour force has its access to financial services restricted due to indebtedness. Therefore, we see the biggest opportunity for societal impact in ensuring that each customer is seen as an individual deserving individual assessment and option to be reintegrated into financial services ecosystem.

In 2021, PlusPlus Group Management developed a comprehensive approach towards its sustainable development and an action plan for the upcoming years. This was done in order to ensure our contribution towards achieving United Nations (UN) Sustainable Development Goals (SDG), taking into account Environmental, Social and Governance (ESG) principles and criteria. We chose nine SDGs that were most relevant for us and through which PlusPlus can have the most significant impact. We divided these between ESG categories and developed goals and activities which will support us in our sustainable development journey.

In Environmental category, we focus on reducing our impact on climate and the environment. As the business process and office activities cause most of the company's environmental impact, we decided to pay more attention to the use of resources in our processes, office operations and the behaviour of employees.

In Social category, we focus on two things – firstly, on helping our clients with financial difficulties and how we can reduce the stigmatization of those people in the society and secondly, on creating a supportive working environment for our employees.

In Governance category, we also focus on two areas – firstly, how we provide an inclusive customer experience for our clients and secondly, ensuring good corporate governance to benefit our clients, employees and shareholders.

Over the forthcoming years, PlusPlus will focus on growth in combination with product development and increasing share of IT-based solutions in its' activity. Usage of electronic channels in signing and managing agreements and client communication has increased explosively and is set to continue doing so. As a result, customer journey becomes more discreet and respectful while company improves volume, efficiency, and performance of its' operations.

PlusPlus looks forward to continually improve client satisfaction, continue acting as a highly valued employer and generate outstanding results for its' shareholders.

Mirje Trumsi
CEO
AS PlusPlus Capital

MANAGEMENT REPORT

Aktsiaselts PlusPlus Capital (PlusPlus, the Company, PPC), established on 5 April 2010 is a financial services company that performs two functions.

Firstly, PlusPlus is a receivables management company that purchases, structures, and monitors non-performing claim portfolios acquired from banks, non-bank credit providers, telecoms, and other sellers of overdue receivables.

Secondly, PlusPlus is the parent company of PlusPlus Group (The Group) active in Estonia, Latvia, Lithuania, and Finland that in addition to portfolio management business is also active in providing credit and developing a P2P crediting platform.

Portfolio management is PlusPlus Group's main, the oldest and most established business launched in Estonia in 2010, in Latvia in 2012, in Lithuania in 2013 and Finland in 2019. In all three Baltic countries, PlusPlus is an established, leading player while Finland is perceived as an emerging opportunity with large growth potential due to market size and nature of competitive environment. Portfolio management business in Baltic countries is carried out by PPC itself and its' subsidiary PlusPlus Baltic OÜ that has branch offices in Latvia and Lithuania. Finnish operation is exercised by PlusPlus Capital OY, PPC's subsidiary in Finland.

Crediting activities of the group have been consolidated into PPC's subsidiary Fresh Finance Group that owns subsidiaries in Estonia, Latvia and Lithuania, all licenced and supervised credit providers in respective countries. The development of credit issuing project commenced in 2018 and current structure was launched in 2019.

P2P loan platform business is carried out by Estonian company Monestro P2P and its' subsidiaries in Estonia and Finland. The acquisition process of Monestro was finalised in first half of 2020.

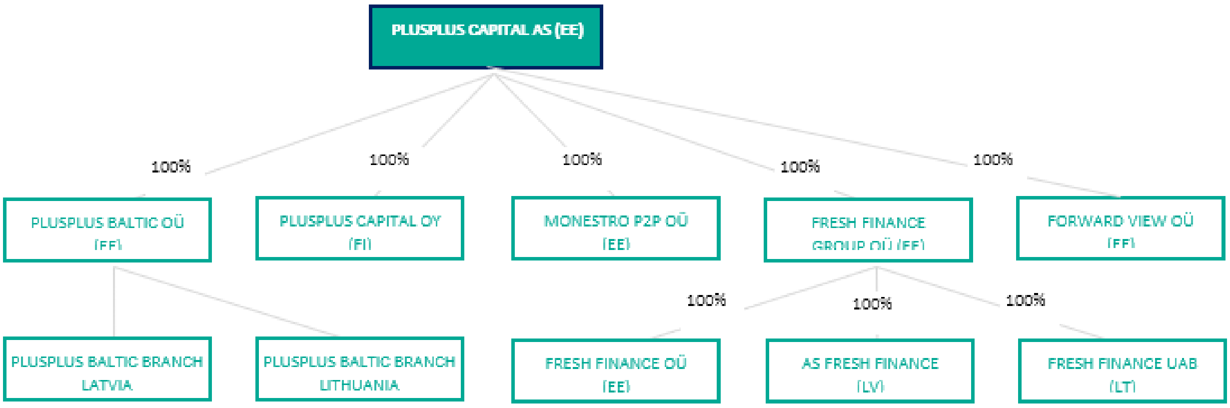
As at 31 December 2021, PlusPlus Group included following entities:

Entity/Branch:	Country of Domicile	PlusPlus Capital's share*	Activity
Parent company			
AS PlusPlus Capital	Estonia	N/A	Receivables portfolio management and group holding company
Portfolio management			
PlusPlus Baltic OÜ	Estonia	100%	Receivables portfolio management
PlusPlus Baltic OU filiāle Latvijā	Latvia	100%	Receivables portfolio management in Latvia
PlusPlus Baltic OU Lietuvos filialas	Lithuania	100%	Receivables portfolio management in Lithuania
PlusPlus Capital Oy	Finland	100%	Receivables portfolio management in Finland
Credit issuance			
Fresh Finance Group OÜ	Estonia	100%	Parent company of credit issuing business in Baltic states
Fresh Finance AS	Latvia	100%	Credit provider in Latvia
Fresh Finance UAB	Lithuania	100%	Credit provider in Lithuania
Fresh Finance OÜ	Estonia	100%	Credit provider in Estonia
P2P Platform			
Monestro P2P OÜ	Estonia	100%	P2P platform investment activities
Monestro Investor OÜ	Estonia	100%	P2P platform investment activities
Monestro Finland Oy	Finland	100%	P2P platform investment activities

Support units			
PlusPlus Invest OÜ	Estonia	100%	Holder of property investments
Forward View OÜ	Estonia	100%	IT development
Defunct entities			
PlusPlus Inkasso SIA	Latvia	100%	Defunct Unit
PlusPlus Inkaso UAB	Lithuania	100%	Defunct Unit

** Stakes owned by PlusPlus Capital directly or through subsidiaries*

Operational entities carrying out business activities are structured as follows:



PORTFOLIO MANAGEMENT BUSINESS LINE

The core business of the Group is acquisition, restructuring and management of overdue claim portfolios in the Baltics and Finland. The main sellers of the claim portfolios are banks, credit providers and telecom companies. Majority of the claims are against private individuals, unsecured and originate from loans, credit card agreements, hire purchase agreements, leasing agreements and other similar products.

Since inception in 2010, PlusPlus has handled 645 portfolios representing 104 thousand claims.

Portfolios are generally divided into three categories:

- Forward flow agreements where the seller sells and assigns to the purchaser claims during a certain period (typically 1-2 years) whereby the assignments are executed periodically at fixed conditions.
- One-off regular portfolio transactions have similar characteristics as the forward-flow contracts whereby one portfolio or number of portfolios is sold in the same process.
- One-off special transactions might include residual mortgage claims or commercial loans besides the ordinary consumer loan facilities.

Portfolios of claims are sold in competitive market. PlusPlus purchases different types of portfolios that make prices vary largely. The main factor in price determination is the quality of claims while applicable legal framework in different countries has its' impact as well.

The Group's key strategy focuses on maintaining strong portfolio management, maximising synergies between different operations, establishing long-term client relations and ESG factors. The Group aims at finding long term client relationships to maximize client satisfaction and to improve returns for its stakeholders.

PlusPlus applies socially responsible operating model encouraging clients to actively participate in preparing affordable payment solutions that allows clients to be guided through whole process in a discreet, dignified manner. Helping clients overcome temporary financial difficulties and return to normal financial life combined with regaining access to comprehensive range of financial services is an ultimate goal for PlusPlus.

CREDIT ISSUANCE BUSINESS LINE

Since 2019, the Group offers consumer financing products through Fresh Finance Group formed by Fresh Finance entities in Estonia, Latvia, and Lithuania, which are all licenced credit providers. The Fresh Finance entities offer a carefully selected Product placement, with a focus on untapped market segments and intragroup synergy.

Fresh Finance offers highly digital, sustainable financing to Baltic consumers with adverse credit history to solve their temporary liquidity problems. The Group is developing advanced refinancing and consumer finance products. A refinancing loan offered by Fresh Finance bundles together different claims towards a customer by agreeing on affordable payment schedules based on customer's net income and other relevant credit criteria. The Group's highly digital solutions enable evaluate client risk and payment behaviour to develop the Group's credit risk models and crediting processes.

P2P PLATFORM BUSINESS LINE

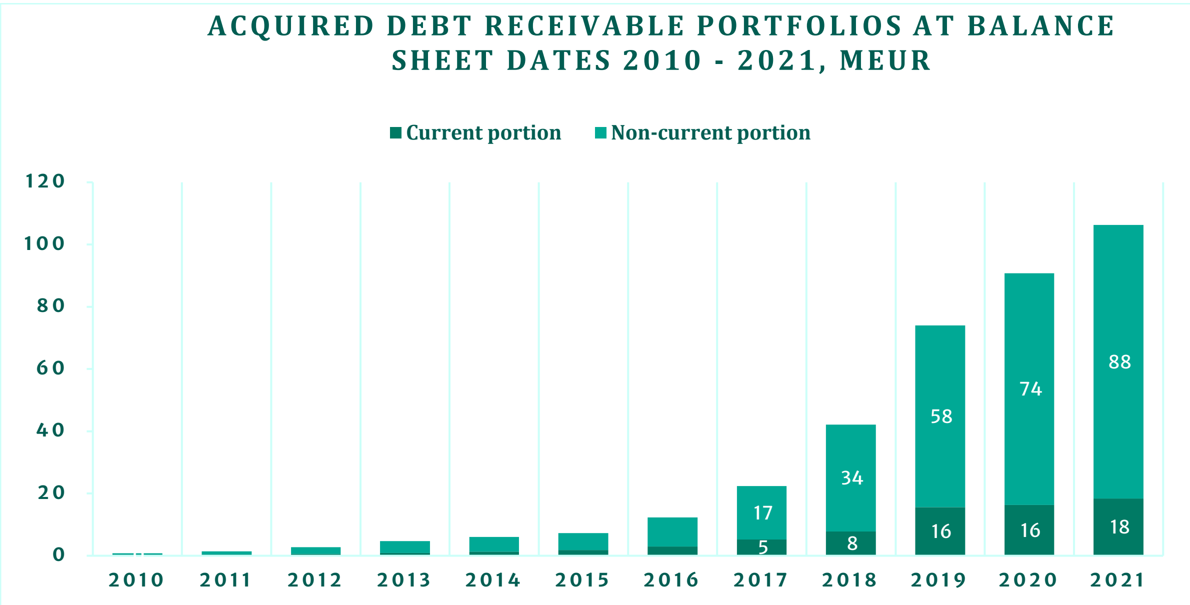
In 2020, the Group acquired Monestro P2P OÜ, an Estonian licensed credit intermediator. Following the acquisition, in 2021 the business of Monestro was completely restructured and the company was transformed into a peer-to-peer investment platform that allows investors to purchase claims from loan originators. Such claims derive from existing credit agreements concluded between the originator and the client. The loans assigned through the platform relate typically to consumer credit agreements.

Monestro targets loan originators and investors globally. All types of investors can purchase assigned claims. The investors may choose the claims for investment either manually or by using the AutoInvest feature, which acts automatically based on pre-defined criteria set by the investor. The investor may also choose the amount of the investment, as claims may be assigned in part or in full. By confirming the amount of investment into a specific claim, an assignment agreement is automatically concluded via the platform.

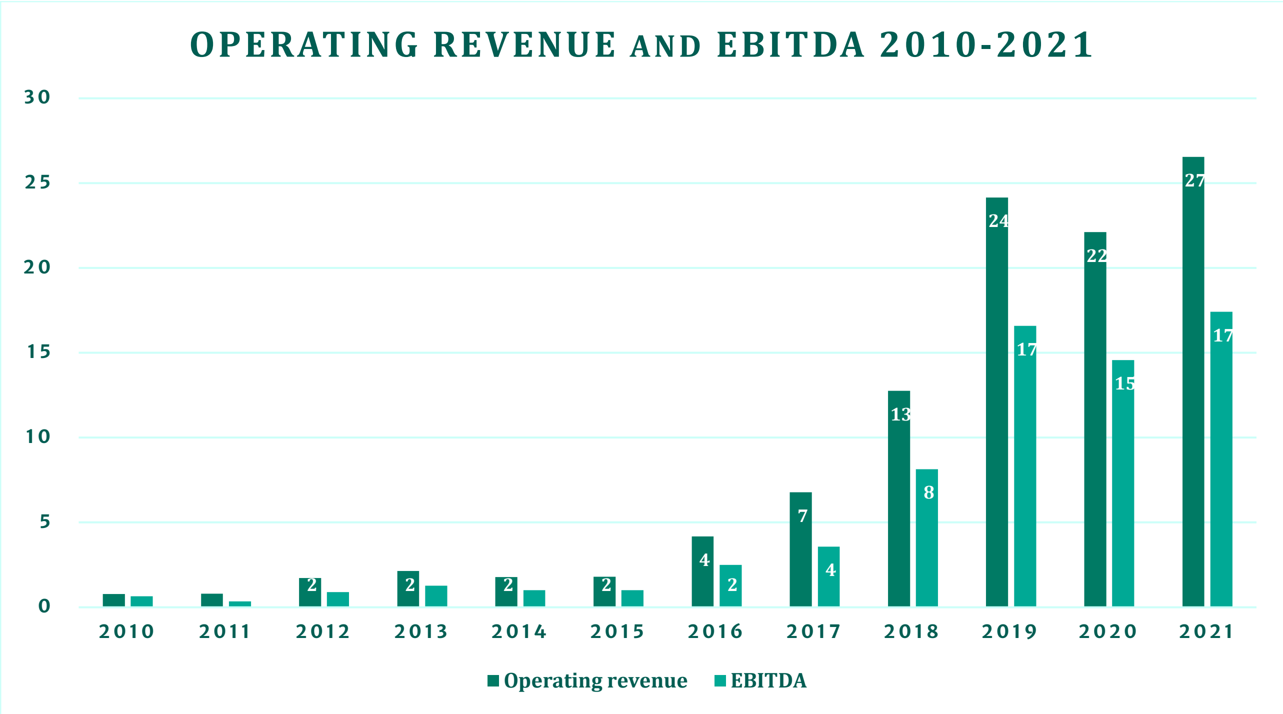
FINANCIAL PERFORMANCE

In 2021 total assets of the group increased from 98.4 million euro to 113.5 million euro. Net profit decreased from 6 million euro to 5.4 million euro.

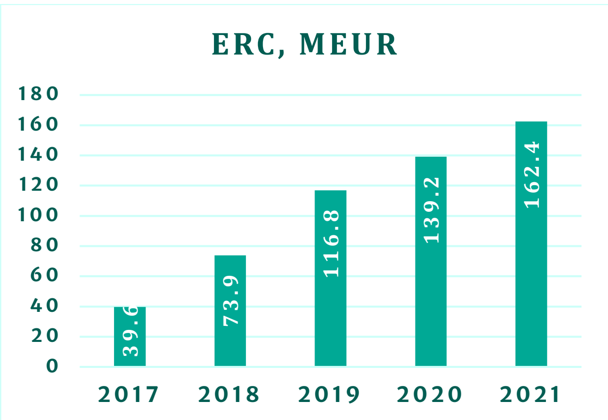
Book value of receivables portfolios continuously increased steadily and comprised 106 million euro at the end of 2021 representing a 17% growth as compared with 2020.

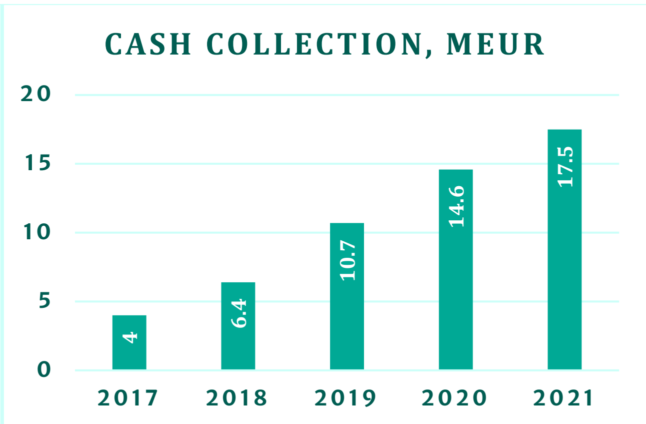


In 2021 operating revenue was EUR 26.5 million (2020: EUR 22.0 million) and EBITDA amounted to EUR 17.4 million (2020: EUR 14.5 million).



Across the year, PlusPlus estimated remaining collections increased by 16.6% to 162.4* million euro and Cash collection hit another record by reaching 17.5 million euro a year, 20per cent more than in 2020.





** Based on 180-months modelled ERC, which represents ERC over expected total lifetime of portfolios, including period after 10th year since balance sheet date. In accordance with fair value method applied, the book value is recognised with 10-years ERC.*

Key financial dynamics of PlusPlus in a nutshell:

Group financials in €m	2018	2019	2020	2021
Revenue	12.8	24.2	22.0	26.5
EBITDA	8.1	16.6	14.5	17.4
Net profit	3.8	9.4	6.0	5.4
Cash Collection	6.4	10.7	14.6	17.5
Cash EBITDA*	1.8	4.2	8.3	10.1
Equity	10.7	20.2	24.6	39.8
ERC	73.9	116.8	139.2	162.4
Net Debt/EBITDA**	3.6x	3.3x	4.5x	3.9x
Capitalisation ratio***	20.5%	24.2%	25.0%	35.2%

* Cash EBITDA	cash revenues (portfolio collections) less operating expenses of core business (portfolio management business line, other business lines excluded)
** Net Debt	total of interest-bearing loans and borrowings less cash and cash equivalents
*** Capitalisation ratio	total equity divided by total assets

MACROECONOMICAL ENVIRONMENT

The group operates in Baltic states and Finland, which are influenced by global and especially by Eurozone trends. As Baltics are small open economies this allows them to better react to changing economic circumstances. This has been evident through the COVID-19 pandemic – 2020 GDP decrease in Baltics and in Finland was significantly lower than the Eurozone on average of -6.4% and in 2021 the average growth of the four countries was close to the Eurozone average. Thus, the Baltics and Finland have been able to mitigate the pandemic impact to the economy with visibly better results than most of the EU. All four countries have exceeded the end of 2019 real GDP levels, while the EU and the Eurozone have not.

GDP growth (%)	2020	2021	'21 vs '19
EE	-3.0%	7.5%	4.3%
LV	-3.6%	4.7%	0.9%
LT	-0.1%	4.8%	4.7%
FI	-2.8%	3.5%	0.6%
Eurozone	-6.4%	5.3%	-1.4%

In the beginning of the COVID-19 pandemic, there was a significant fear for a rapid growth of unemployment for an extended period which would have had a significant impact for the overall economy. Although the unemployment numbers did increase in 2020, then the overall levels remained manageable and already decreased in 2021. Furthermore, recovery of the tourism-related sector is likely to give a positive boost to employment and economists forecast a further decrease of unemployment in 2022 in all four countries.

Unemployment (%)	2019	2020	2021
EE	4.4%	6.8%	6.2%
LV	6.3%	8.1%	7.6%
LT	6.5%	8.5%	7.1%
FI	6.7%	7.8%	7.7%

In 2020, average inflation in Baltics and Finland was on similar level as in the Eurozone (0.3%), but in 2021 the gap between the aforementioned groups widened. The four countries' average inflation was 3.6% compared to 2.6% in Eurozone. This was especially visible in the last months of 2021 when the inflation rapidly increased due to increase in energy prices. The same trend is expected to strengthen and continue in 2022. Higher inflation together with downward trend in unemployment creates a positive market environment for the Group going forward. We expect that the people will be able to continue to service their debts in the light of unemployment trends, at the same time inflation combined with salary growth as part of it will devaluate their claims in general.

CAPITAL AND FUNDING

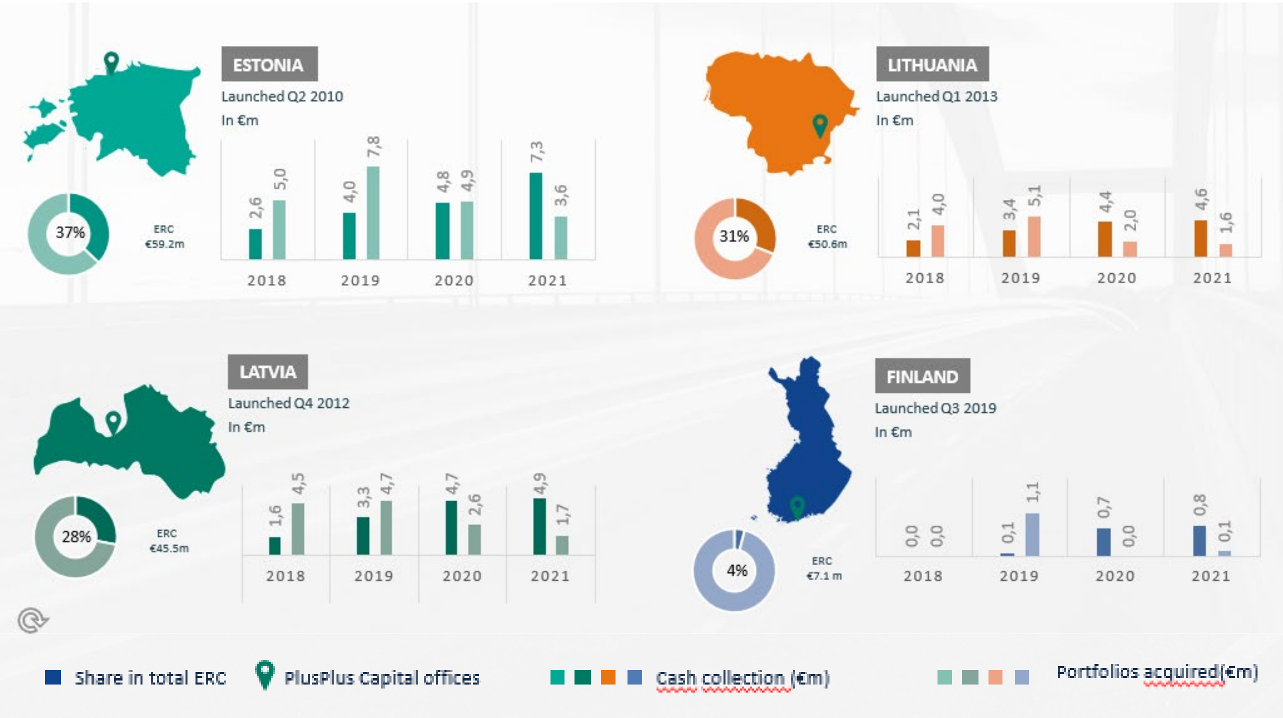
In December 2021, PlusPlus Capital completed its' first equity issue to financial investors. As a result, 12 million EUR of equity was raised, and number of shareholders grew by more than a hundred. As at end of the year 2021, pure shareholders' equity comprised 39.8 million EUR representing a healthy 35.1% equity to total assets ratio excluding subordinated debt. After the end of reporting period, in February 2022, PlusPlus completed another share issue that brought 3.6 million of new equity to the company.

PlusPlus was active in debt capital markets across the year. The company successfully redeemed and/or refinanced bonds and loans worth approximately 29.7 million euro. Since 2016, PlusPlus has issued 12 tranches of bonds and concluded loan agreements with more than 200 investors.

GEOGRAPHICAL FOCUS

With its headquarters located in Tallinn, Estonia, the Group currently operates in four countries Estonia, Latvia, Lithuania and Finland through direct and indirect subsidiaries of the Holding company. In each country, the Group has set up fully operative offices which carry out the full spectrum of the Group's claim portfolio business, from sourcing transactions to managing client relationships. The Group considers local competence to be critical to effectively navigate in different cultural and legal spaces.

In terms of asset allocation, PlusPlus seeks to maintain exposure to each of the three Baltic states on a similar level and considers Finland as new business opportunity with remarkable growth perspective. As at 31 December 2021, approximately 37% of assets in ERC (Estimated remaining collection) terms were in Estonia, 31% in Lithuania, 28% in Latvia and 4% in Finland.



SUSTAINABILITY REPORT

PLUSPLUS PRINCIPLES OF SUSTAINABLE DEVELOPMENT

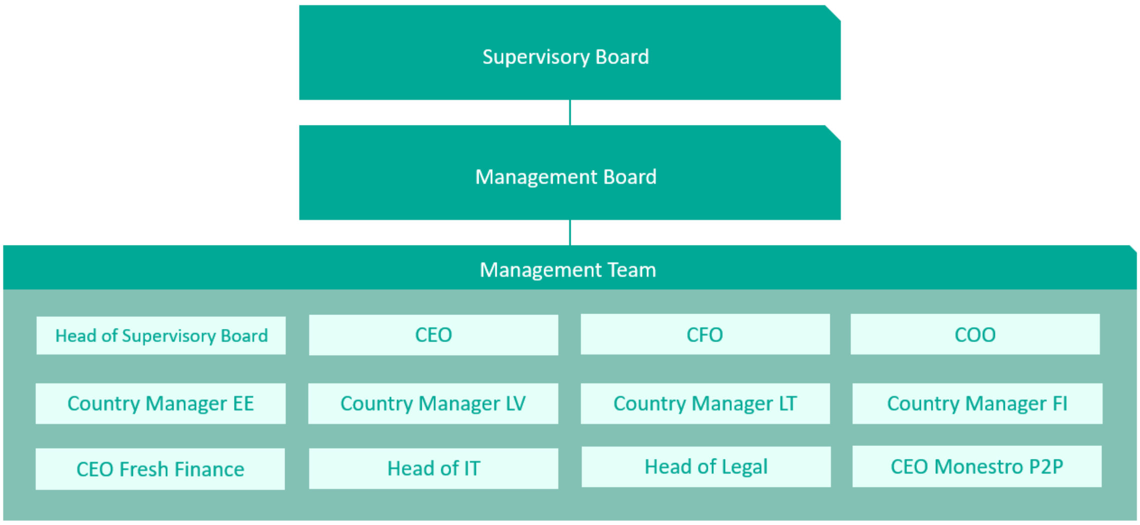
For PlusPlus, sustainability is an integral part of company's operations and interaction with financing partners and other stakeholders.

The Management Board has established the principles of sustainable development, which are used as a basis for planning and implementing company's strategy as well as the day-to-day operations.

- We develop sustainable services so that clients can be reintegrated successfully into the financial services ecosystem.
- We carry out all aspects of client relationship transparently and respectfully.
- We strive to improve our ability to provide smooth transformation from debt to client relationship based on a mutually beneficial payment solution.
- We use innovative IT systems and digital services to find individual solutions to each client.
- We regularly analyse and are aware of the impact of our activities from economical, societal and environmental perspective.
- We use resources in a sustainable manner.
- We operate in compliance with legislations, internationally accepted industry good practice rules and sustainability principles.
- We operate in an open and transparent manner and give information about our sustainable development steps to stakeholders.
- We consistently and sustainably develop our management practices, processes and internal systems.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

During 2021, Group management structure was reviewed in order to ensure the implementation of sustainable development goals.



Supervisory Board provides sustainability guidelines and supervises their implementation.

The Group Management Board identifies the Group's impacts on the economy, environment and people. In conjunction, it approves Group's sustainable development policy, strategy, statements and goals. The Group Management Board delegates responsibility for managing impacts and implementing sustainability activities to Management Team members.

Management Team is responsible for implementation of sustainability management based on tasks assigned by Group Management Board.

SUSTAINABLE DEVELOPMENT GOALS

We have chosen UN Sustainable Development Goals (SDGs) as the basis for developing PlusPlus sustainable development framework. This is an internationally accepted methodology based on which each company can set their sustainability targets, regardless of their industry. Based on multiple discussions in the Group Management Team, we have chosen nine development goals through which PlusPlus can have the most significant impact.

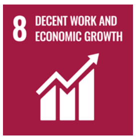
SDG GOALS PLUSPLUS CONTRIBUTION

... all people, in particular the poor and the vulnerable, should have equal rights to economic resources, access to financial services, also possibility to increase their resilience

... promote mental health and well-being of employees

... increase people's knowledge and skills to better manage their financial responsibilities, thereby increasing their ability to cope and participate successfully in working life

... to help ensure that everyone has equal access to financial services. Also ensure professional development and equal opportunities for employees regardless of gender and age



... ensure the sustainable business growth so that financial services are accessible to all

... to contribute to the improvement of financial regulations and legislation to ensure dignified and equal treatment of people in temporary financial difficulties

... operate in an environmentally sound manner, prevent and mitigate the impacts of environmental and climate change.

... ensure equal legal protection for all through compliance and improvement of the law

... cooperate actively with the public and private sectors to develop a socially acceptable framework for helping people in temporary financial difficulties

SUSTAINABLE DEVELOPMENT AND ESG PRINCIPLES

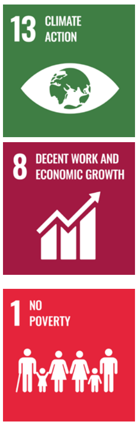
In 2021, PlusPlus Group Management developed a comprehensive approach towards its sustainable development and an action plan for the upcoming years. This was done in order to ensure our contribution towards achieving UN SDGs, taking into account ESG principles and criteria.

PLUSPLUS ESG FRAMEWORK

SDG GOALS

PLUSPLUS ESG goals and activities

E ENVIRONMENTAL



Reducing environmental and climate impacts
- focus on digital services, paperless office
- sustainable energy consumption
- implementation of the principles of the Green Office
- compliance with environmental legislation

S SOCIAL

Everybody is a part of financial ecosystem
- understanding disadvantaged people, dignified problem solving
- contributing into ability to cope by improving the knowledge
- public communication that supports the dignified treatment of people in difficulty
- reduction of stigmatization
- partnership to promote socially acceptable framework for assisting people in temporary financial difficulties

Supportive working environment
- development of professional competence
- promoting mental health and well-being
- healthy and safe working conditions
- equal opportunities
- compliance with labor and health & safety legislation

G GOVERNANCE

Inclusive customer experience
- personal communication, active listening, empathy
- respectful client relationship
- customized payment plans to regain the control over finances
- digital services

Good corporate governance
- sustainable growth and profitability
- balance of automated and non-automated processes
- ensuring compliance with all regulations
- effective management system and certification schemes
- participation in developing legal framework

More detailed overview of all activities in each of the ESG areas is presented below.

E ENVIRONMENT

Under the Environment category, the company aims to reduce the environmental and climate impact of its day-to-day operations. As the business process and office activities cause the majority of the company's environmental impact, we decided to pay more attention to the use of resources in our processes, office operations and the behaviour of employees.

Our goals

8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION

Reducing environmental and climate impacts

- focus on digital services, paperless office
- sustainable energy consumption
- implementation of the principles of the green office
- compliance with environmental legislation

KPI	2020	2021
Energy consumption (kWh)	55 865	46 599
Energy consumption per employee (kWh/ per employee)	582	466
Paper usage (pages)	171 000	98 000
Paper usage per employee (pages/per employee)	1 781	980
Share of digitally signed client agreements (%)	56	69
Share of PlusPlus Baltic clients paying through self-service (%)	18	23

Focus on digital services

Due to the nature of services that PlusPlus provides and due to requirements from the regulations, significant amount of documentation is produced with our business processes. Digitalising our services is one of the main ways to reduce the amount of paper used by the company and to transition to Green Office concept. The level of digitalization differs between countries – in Estonia and Finland most of procedures can be concluded digitally and clients have adopted these options. Contrastingly, in Latvia and Lithuania there is potential to grow the share of digital procedures and encourage clients to use these opportunities. Although we have seen the decrease of paper usage in our processes, PlusPlus will continue to focus on digitalization of our services.

Sustainable energy consumption

The largest part of our energy consumption comes from electricity, heating and usage of fuels for business travel. In Estonia, we have two office premises under PlusPlus ownership and these use smart office solutions. Premises in other countries are rental properties and PlusPlus does not have direct overview of the general resource consumption. Nonetheless, we monitor our energy consumption and strive towards finding energy saving alternatives. In 2020 and 2021, office resource use has been significantly affected by the pandemic – due to safety considerations, working remotely was used more and currently this does not show in the energy consumption.

In 2021, we started collecting and analysing data about business travel within the Group. Business trips are necessary to meet with local clients, other stakeholders and for in-house meetings. We see opportunity to continue to increase the share of virtual meetings and to continue to specify and analyse data related to business travel.

Green Office

Although the Group has an overview of the main environmental impacts, in 2022 it is planned to develop a systematic environmental management system, continue to analyse the environmental impact caused by the company's activities and apply the principles of a Green Office in all offices to further reduce environmental impact.
It is important to find ways to reduce greenhouse gas emissions and to build a transparent data collection system for measuring the carbon footprint in order to make a greater contribution to mitigating the effects of climate change in the future.

S SOCIAL

PART OF FINANCIAL SERVICES ECOSYSTEM

On a daily basis, PlusPlus comes across with people in financial difficulties. Approximately 15% of the labour force has its access to financial services restricted due to indebtedness.
Therefore, PlusPlus sees the biggest opportunity for societal impact in ensuring that each customer is seen as an individual – they deserve individual assessment and option to be reintegrated into financial services ecosystem.

Our goals

Everybody is a part of financial ecosystem

- understanding disadvantaged people, dignified problem solving
- contributing into ability to cope by improving the knowledge
- public communication that supports the dignified treatment of people in difficulty
- reduction of stigmatization
- partnership to promote socially acceptable framework for assisting people in temporary financial difficulties

KPI	2020	2021
Number of claims paid in full (pcs)	6 257	7 778

Reducing stigmatisation

Acknowledging the problem is the first step to solving it – reducing stigmatisation and helping develop forward-looking solutions. In majority of the cases, financial difficulties are temporary and due to sickness, unemployment or similar causes. These people are cut off from regular financial activity which negatively impacts the society altogether.
We have identified public sector target groups to address the topic and discuss cooperation in improving legal framework and business environment.

Through public communication PlusPlus helps to improve competence of financial liability management in society.

Cooperation with partners aiming at restoring client's access to financial services

Existing legal framework and market practices do not support effective solutions to help clients regain access to financial services. This needs cooperation between financial institutions to develop necessary legal framework to effectively help people in financial difficulties. With its cooperation partners, PlusPlus can change existing market practices by delivering a socially responsible, consumer-friendly approach that helps reshape non-performing credit portfolios.

Dignified problem solving

Helping indebted people requires knowledge, experience and necessary skillset – all of which are parts of modern financial system.
People are encouraged to find a way out of their financial difficulties in a dignified manner by actively participating in working out personal financial solutions. People will be more proactive if the see that they can solve their problems in a discreet way.

PLUSPLUS AS EMPLOYER

A well-functioning and competent team is key to achieving sustainable development.

Our goals

Supportive working environment

- development of professional competence
- promoting mental health and well-being
- healthy and safe working conditions
- equal opportunities
- compliance with labor and health & safety legislation

KPI	2020	2021
Total employees	96	100
Proportion of female/male employees (no)	57/39	57/43
Age group under 30 y (%)	26%	22%
Age group 30 – 40 y (%)	46%	48%
Age group 41 – 50 y (%)	24%	22%
Age group over 50 y (%)	4%	8%
Length of the service under 3 y	69%	68%
Length of the service 3 – 5 y	21%	22%
Length of the service 6 – 10 y	9%	8%
Length of the service over 10 y	1%	2%
Number of work accidents	0	0

Equal opportunities

PlusPlus provides equal opportunities to people regardless of their gender, race, age or sexual orientation, taking only into account peoples' competence and suitability for the position. In majority, Groups employees are below age of 40 and 57% are female and 43% are male. PlusPlus' remuneration policy takes account of persons knowledge and experience, and we offer competitive pay within the industry.

Supporting employee development

Employees are supported with trainings necessary to perform daily activities. These are mainly related to how to use different IT systems, how to interact with customers over the phone and how to communicate with indebted clients. For people in management position, we have and continue providing leadership training.

Well-being of employees

During the past two years, the pandemic situation has significantly impacted our employees. PlusPlus has offered more opportunities to work remotely. We also create a supportive working environment – through providing fruits and other healthy food and different types of events. Depending on the country we have also provided health insurance programs, fitness programs and accident insurance for our employees.

Ensuring safe working environment

Each Group entity ensures the safety of their employees by following all the legal requirements on workplace safety. We have conducted the necessary risk analysis and given guidance and instructions to employees. In office premises, we have ergonomic and modern working equipment for our employees to minimize the risks on health when working in the office.

G GOVERNANCE

CLIENT RELATIONS

Good customer experience is the foundation for company's sustainable development and growth. We see modern and easy to use digital solutions as one of the key aspects of good customer experience, at the same time always being open and keeping the balance of digital and person-to-person interaction.

Our goals

Inclusive customer experience

- personal communication, active listening, empathy
- respectful client relationship
- customized payment plans to regain the control over finances
- digital services

KPI	2020	2021
Share of digitally signed client agreements (%)	56	69
Share of PlusPlus Baltic clients paying through self-service (%)	18	23
No of PlusPlus Baltic different payment solutions	24	24

Customised payment plans

PlusPlus offers debtors a restructuring process to upgrade the status of the case from indebtedness into client relationship based on a mutually beneficial payment solution. Preferred solution is to restructure non-performing private loans into affordable payment schedules to provide people an opportunity to resolve temporary financial difficulties.
PlusPlus is also able to help customers when they have debt with multiple creditors – we are able to offer a solution where all the debts are refinanced into one loan.

More than a third of debtors are able to solve the situation by their own initiative through the self-service application. With implementing the Self-Service and automated payment processing technology, the privacy of customers is highly protected since the customers can easily develop payment schedule for themselves without negotiating with anyone face to face.

To balance and complement its digital power, PlusPlus has implemented robust operations based on educated and well-trained employees to reach out to the people with no initial response by electronic communication channels.

In many cases, employees are first persons over prolonged period of time to establish the personal contact outside digital channels. Employees listen to people and learn the core cause of the financial distress and assist in solving the situation. PlusPlus recognizes the value of its fist-hand experience in understanding the needs of people in disadvantaged situations.

Digital services

PlusPlus's data and technology-driven approach, and unbeaten customer response, have helped to become a leading platform with the ability to offer the best service for its customers.

PlusPlus has focused on digitalized processes with increased effort to adjust the operational models and accessibility of service according to behavioural patterns of specific segments.
PlusPlus has reached operational efficiency where over one third of the claims are solved by the individuals themselves via Self-Service IT solution.

PlusPlus implemented the use of Self-Service and Automated payment processing system in 2018. Payment schedules made in Self-Service were 56% more likely to repay obligations on-time compared with schedules made in traditional ways. Less than 10% of schedules concluded in Self-Service end up in legal or enforcement stage, which is 2,5 times less compared with conventional schedules. It shows that if clients make payment schedules themselves and audit their financial situation, they are more likely to make an agreed payment on time.

CORPORATE GOVERNANCE

Emphasis on corporate governance ensures best services to our clients, good working environment for our employees and delivering on the promises to our shareholders – doing all of this whilst complying with all the applicable legal framework.

Our goals

Good corporate governance

- sustainable growth and profitability
- balance of automated and non-automated processes
- ensuring compliance with all regulations
- effective management system and certification schemes
- participation in developing legal framework

KPI	2020	2021
Number of Management Team members	11	12
Proportion of female employees in Management Team (%)	18	25
Number of data protection incidents	0	2

Sustainable growth

We are a growing company with ambition to increase our portfolios and market share. We always plan our growth keeping in mind the portfolio balance between our home markets and holding necessary equity ratio and liquidity buffers. We have fixed performance-related return targets to be met to attain sustainable development and growth of the company.

Compliance with laws and regulations

The legal framework relevant for Group companies varies across the business lines and markets in which the Group operates. Depending on the jurisdiction and activities of the relevant Group entities, the companies must comply with applicable legal acts regulating general civil law matters, contractual relationships, lending activities, debt collection, consumer protection, prevention of money laundering and terrorist financing etc. The Group has implemented appropriate measures and practices to ensure compliance with the applicable legal framework.

Ensuring customer and data privacy

In order to carry out their business operations, Group companies process a considerable amount of personal data in different jurisdictions and must therefore also comply with the EU General Data Protection Regulation and applicable local legal acts. Personal data processing must take place in compliance with the applicable requirements by applying technical and organisational measures which ensure personal data protection, particularly against unauthorised disclosure to third parties. In response, relevant Group companies have prepared and implemented an internal data protection system involving appropriate procedures and practices.

We also keep track and respond to requests by the data subjects in accordance with the requirements of the EU General Data Protection Regulation and internal procedures of personal data processing. Depending on specifics of each request, the customer will be provided with requested information or other actions will be taken by the relevant Group company.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position
as at

In Euros	**Notes**	**31.12.2021**	**31.12.2020**
ASSETS			
Non-current assets			
Property, plant and equipment	6	1 706 915	2 002 909
Intangible assets	7	2 132 827	1 578 069
Acquired debt receivable portfolios	9	87 932 549	74 485 970
Loans and advances to customers	10, 11	1 435 436	1 907 657
Trade and other receivables	12	45 000	45 000
Total non-current assets		**93 252 727**	**80 019 605**
Current assets			
Acquired debt receivable portfolios	9	18 350 205	16 278 586
Loans and advances to customers	10, 11	874 494	741 398
Trade and other receivables	12	464 868	618 544
Cash and cash equivalents	13	566 413	740 240
Total current assets		**20 255 980**	**18 378 768**
Total assets		**113 508 707**	**98 398 373**
EQUITY AND LIABILITIES			
Share capital	14	15 666 399	5 000 000
Share premium		6 216 399	0
Statutory legal reserve		500 000	500 000
Subordinated convertible loans	15	0	436 281
Retained earnings		17 545 029	18 617 198
Total equity		**39 927 827**	**24 553 479**
LIABILITIES			
Non-current liabilities			
Subordinated convertible loans	15	1 486 107	5 354 966
Interest-bearing loans and borrowings	18	42 582 235	32 021 495
Total non-current liabilities		**44 068 342**	**37 376 461**
Current liabilities			
Trade and other payables	17, 19	1 969 228	1 758 979
Subordinated convertible loans	15	2 000 000	500 000
Interest-bearing loans and borrowings	18	25 543 310	34 209 454
Total current liabilities		**29 512 538**	**36 468 433**
Total equity and liabilities		**113 508 707**	**98 398 373**

The accompanying notes on pages 23-67 are an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December

In Euros	Notes	2021	2020
Operating revenue	21	25 932 270	21 628 151
Interest income	22	609 316	896 712
Net interest income		**609 316**	**896 712**
Net fee and commissions income		23 175	26 260
Other revenue		33 836	47 543
Net charge for expected credit losses on loans and advances to customers	11	50 961	564 748
Total operating revenue		**26 547 636**	**22 033 918**
Operating expenses	23	4 259 616	3 181 532
Salary expense	24	4 860 287	4 317 565
Depreciation and amortisation	6, 7	573 144	478 054
Other expenses		7 070	278
Total operating expenses		**9 700 117**	**7 977 429**
Net operating profit		**16 847 519**	**14 056 489**
Finance income	25	2 912	152 897
Finance expense	26	10 990 042	8 056 333
Profit before income tax		**5 860 389**	**6 153 053**
Income tax		482 558	122 093
Net profit for the year		**5 377 831**	**6 030 960**
Total comprehensive income		**5 377 831**	**6 030 960**

The accompanying notes on pages 23-67 are an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December

In Euros	**Notes**	**2021**	**2020**
Cash flows from operating activities			
Profit before income tax		5 860 389	6 153 053
Adjustments for non-cash items:			
Depreciation and amortisation	6, 7	573 144	478 054
Changes in working capital:			
Change in trade and other receivables	12	91 018	-102 343
Change in trade and other payables	17	-3 354 855	-2 992 088
Change in acquired debt receivable portfolios	9	-15 518 198	-16 731 101
Change in loans and advances to customers		339 125	1 113 646
Other adjustments:			
Interest expense	18, 26	10 989 892	8 024 417
Other financial income and expense	25, 26	-2 633	120 929
Interest income	22	129	53
Net cash generated from operating activities		**-1 021 989**	**-3 935 380**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	6, 7	-880 249	-546 827
Repayments received for business loans issued		0	110 696
Interests received		65 311	72 336
Net cash used in investing activities		**-814 938**	**-363 795**
Cash flows from financing activities			
Loans received and bonds issued	18	22 960 765	18 815 600
Repayments of loans received and bonds issued	18	-10 333 767	-7 200 312
Repayments of financial lease liabilities	18	-42 389	-51 170
Paid dividend		-2 000 000	-500 000
Income tax paid from dividend		-482 558	-122 093
Interests paid on loans and borrowings	18, 26	-8 435 657	-6 604 418
Interest paid on financial lease liabilities	18, 26	-3 294	-5 091
Net cash used in financing activities		**1 663 100**	**4 332 516**
Net change in cash and cash equivalents		-173 827	33 341
Cash and cash equivalents at the beginning of the year	13	**740 240**	**706 899**
Cash and cash equivalents at the end of the year	13	**566 413**	**740 240**

The accompanying notes on pages 23-67 are an integral part of these financial statements.

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

In Euros	**Notes**	**Share capital**	**Share premium**	**Statutory legal reserve**	**Subordinated convertible loans**	**Retained earnings**	**Total**
As at 1 January 2020	14	**1 000 000**	**0**	**100 000**	**1 342 318**	**17 486 238**	**19 928 556**
Subordinated convertible loan	15	0	0	0	-906 037	0	**-906 037**
Dividend paid		0	0	0	0	-500 000	**-500 000**
Bonus issue		4 000 000	0	400 000	0	-4 400 000	**0**
Total transactions with owners		**4 000 000**	**0**	**400 000**	**-906 037**	**-4 900 000**	**-1 406 037**
Net profit for the year		0	0	0	0	6 030 960	**6 030 960**
Total comprehensive income		**0**	**0**	**0**	**0**	**6 030 960**	**6 030 960**
As at 31 December 2020	14	**5 000 000**	**0**	**500 000**	**436 281**	**18 617 198**	**24 553 479**
As at 1 January 2021	14	**5 000 000**	**0**	**500 000**	**436 281**	**18 617 198**	**24 553 479**
Subordinated convertible loan	15	0	0	0	-436 281	0	**-436 281**
Dividend paid		0	0	0	0	-2 000 000	**-2 000 000**
Non-monetary contribution		6 216 399	6 216 399	0	0	0	**12 432 798**
Bonus issue		4 450 000	0	0	0	-4 450 000	**0**
Total transactions with owners		**10 666 399**	**6 216 399**	**0**	**-436 281**	**-6 450 000**	**9 996 517**
Net profit for the year		0	0	0	0	5 377 831	**5 377 831**
Total comprehensive income		**0**	**0**	**0**	**0**	**5 377 831**	**5 377 831**
As at 31 December 2021	14	**15 666 399**	**6 216 399**	**500 000**	**0**	17 545 029	**39 927 827**

For more information refer to Note 14.

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

The accompanying notes on pages 23-67 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Aktsiaselts 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 without nominal value and were fully paid as at 31 December 2021 and 31 December 2020. The list of shareholders of the Company is disclosed in Note 14.

The Company's management approved these financial statements on 12 April 2022. 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 2021 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 2021 (and 31.12.2020), 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

The following new or revised standards and interpretations became effective for the Group from 1 January 2021:

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.

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.

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 2021 that had 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 2022, and which the Group has not early adopted.

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

Effective for annual periods beginning on or after 1 April 2021.

In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

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

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.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

Effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis

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.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies

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

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

Amendments to IAS 8: Definition of Accounting Estimates

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

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

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

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

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. 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

Parent company and subsidiaries registered in Estonia

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.

Subsidiaries in Finland, Latvia and Lithuania

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.

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.

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 assets include debt receivable portfolios, other receivables and cash that derives from its operations. The Group's financial liabilities comprise mainly of loans and borrowings, trade and other payables.

The main risk that the Group is exposed to are market risk, credit risk and liquidity risk. The Group's senior management (management board) oversees the management of these risks and is supported by internal financial management function that advises on financial risk governance framework of the Group. Internal financial management function is governed by Group's CFO who reviews and agrees procedures and practices for managing each of these risks, as 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. 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 2021 and 31 December 2020.

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 manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

As of 31 December 2021 and 31 December 2020 the Group had following interest-bearing loan obligations with variable interest rates from which the interest rate risk would arise:

As at	**Note**	**31.12.2021**	**31.12.2020**
Bank loans	18	545 165	592 824
Leases	18	120 045	143 020
Total *(Note 18)*		**665 210**	**735 844**

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**
31.12.2021	+1%	7 005
	-1%	-7 005
31.12.2020	+1%	7 615
	-1%	-7 615

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, whereby risks are continuously managed.

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

	Note	**31.12.2021**	**31.12.2020**
Cash and cash equivalents	13	566 413	740 240
Trade and other receivables	12	509 868	663 544
Loans and advances to customers	10, 11	2 309 930	2 649 055
Acquired debt receivable portfolios	9	106 282 754	90 764 556
		109 668 965	**94 817 395**

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**	**31.12.2021**	**31.12.2020**
Aa3		407 944	421 593
Baa1		30 815	52 262
Aa2		0	41 541
Baa3		21 644	26 436
Total	**13**	**460 403**	**541 832**

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 originate from ordinary operating activities and impairment risks are not considered as significant for these balances.

As the COVID-19 (Coronavirus) pandemic is rather stabilising, the management considers it still impracticable to provide a quantitative estimate of the potential impact of the pandemic on the Group.

Similarly to prior year, however, the management of the Group estimates that in short-term (within 12 months as of drafting of this 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 when they fall due. In order to ensure that the Group has sufficient liquidity to meet its liabilities, the management concludes detailed cash flow prognoses and assures that investments are aligned with relevant framework. The table below analyses the Group's financial liabilities and assets by categorizing them into relevant maturity groupings based on the settlement terms and the below amounts are shown at the carrying amounts (at the undiscounted gross amounts of cash flows) because they do not differ materially from the discounted amounts.

As at		**Notes**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**TOTAL**
31.12.2021	**Liabilities**					
	Loans and borrowings	**18**	34 136 553	49 774 652	0	**83 911 205**
	Subordinated convertible loans	**15**	2 476 867	1 540 836	0	**4 017 703**
	Trade and other payables	**17**	1 651 710	0	0	**1 651 710**
	Lease liabilities	**18**	197 799	233 076	0	**430 875**
	Liabilities total		**38 462 929**	**51 548 564**	**0**	**90 011 493**
	Assets					
	Trade and other receivables	**12**	464 868	45 000	0	**509 868**
	Acquired debt receivable portfolios	**9**	19 288 998	91 743 529	41 547 154	**152 579 681**
	Loans and advances to customers	**10, 11**	1 003 938	2 527 507	103 247	**3 634 692**
	Assets total		**20 757 804**	**94 316 036**	**41 650 401**	**156 724 241**
	Maturity gap		**-17 705 125**	**42 767 472**	**41 650 401**	**66 712 748**

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**

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

For additional information, see also liquidity risk information disclosed in **Chapter 3 "Capital management"**.

As at 31 December 2021 the current liabilities of the Group exceed current assets by EUR 9.3 million and the current ratio is 0.7 (31 December 2020: 18.1 million euros and current ratio 0.5), which is in accordance with the long-term financing strategy of the Group. Long-term loans and bonds, which are maturing during 2022, are planned to be repaid and refinanced.

In relation with the liquidity risks of the Group, we have also considered the potential effect of the COVID-19 (Coronavirus) pandemic on the Group and taking into account the ongoing nature of the pandemic, the management considers it impracticable to provide a quantitative estimate of the respective potential impact.

However, the management of the Group considers that in short-term (during 12 months as of the balance sheet date of these financial statements), the proceeds from portfolios may suffer, which may result in higher liquidity risks and affect the terms of restructuring of financial liabilities 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 2021 and 2020.

The Group monitors the equity ratio calculated by dividing equity by total assets, target is to keep the ratio above 25%. The Group's equity includes issued share capital, share premium, legal reserve, subordinated convertible loan (see Note 15) and retained earnings.

	31.12.2021	**31.12.2020**
Total equity*	43 413 934	30 408 445
Total assets	113 508 707	98 398 373
Capital Ratio	**38.25%**	**30.90%**

**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.

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	Note	Carrying value	Total	Level 1	Level 2	Level 3
Assets measured at fair value							
Acquired debt receivable portfolios	31.12.2021	9	106 282 754	106 282 754	0	0	106 282 754
Acquired debt receivable portfolios	31.12.2020	9	90 764 556	90 764 556	0	0	90 764 556

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 2021 the Group manages 645 portfolios (2020: 515 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 5% to 25% (2020: from 4% to 30%) of total ERC, for 2nd to 3rd year from 5% to 30% (2020: from 7.5% to 30%), for 4th to 5th year from 10% to 30% (2020: from 10% to 30%), for 6th to 10th year from 0% to 20% (2020: 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 31.12.2021		
Discount rate in model 31.12.2021	**90%**	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	87 433 191	96 826 838	106 220 331
Discount rate plus 2.0 percentage points	90 112 045	99 803 342	109 494 640
Discount rate plus 1.0 percentage points	92 944 918	102 950 979	112 957 040
Discount rate used for 31.12.2021: 9.67%	95 943 516	**106 282 754**	116 621 993
Discount rate less 1.0 percentage points	99 120 623	109 812 873	120 505 124
Discount rate less 2.0 percentage points	102 490 215	113 556 864	124 623 513
Discount rate less 3.0 percentage points	106 067 587	117 531 723	128 995 858

	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

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 2021 and 31 December 2020 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

Subsidiary	Country of incorporation	Field of activity	Ownership interest	
			31.12.2021	31.12.2020
PlusPlus Invest OÜ	Estonia	Property investments	100%	100%
PlusPlus Baltic OÜ	Estonia	Management of receivable portfolios	100%	100%
PlusPlus Baltic OU filiāle Latvijā (branch in Latvia)	Latvia	Management of receivable portfolios	100%	100%
PlusPlus Baltic OU Lietuvos filialas (branch in Lithuania)	Lithuania	Management of receivable portfolios	100%	100%
PlusPlus Capital Oy	Finland	Management of receivable portfolios	100%	100%
Fresh Finance Group OÜ	Estonia	Holding entity for credit issuance business line	100%	100%
Fresh Finance OÜ	Estonia	Credit issuance	100%	100%
Fresh Finance AS	Latvia	Credit issuance	100%	100%
Fresh Finance UAB	Lithuania	Credit issuance	100%	100%
Forward View OÜ	Estonia	Support activities	100%	100%
Monestro P2P OÜ	Estonia	Credit intermediation activities	100%	100%
Monestro Investor OÜ	Estonia	Investment activities	100%	100%
Monestro Finland Oy	Finland	Credit intermediation activities	100%	100%
PlusPlus Inkaso UAB	Lithuania	Defunct unit	100%	100%
PlusPlus Inkasso SIA	Latvia	Defunct unit	100%	100%

6. Property, plant and equipment

	Property	Vehicles	Right-of-use assets	Equipment	TOTAL
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**
Acquisitions	0	0	56 500	56 587	**113 087**
Depreciation	-57 684	0	-188 190	-114 780	**-360 654**
Disposals	0	0	-86	0	**-86**
Cost as at 31 December 2021	**1 153 717**	**121 850**	**910 114**	**729 804**	**2 915 485**
Accumulated depreciation as at 31 December 2021	-271 301	-121 850	-453 821	-361 598	**-1 208 570**
Residual value as at 31 December 2021	**882 416**	**0**	**456 293**	**368 206**	**1 706 915**

Net book value	**Property**	**Vehicles**	**Right-of-use assets**	**Equipment**	**TOTAL**
At 1 January 2020	**997 784**	**0**	**515 861**	**383 799**	**1 897 444**
At 31 December 2020	**940 100**	**0**	**636 411**	**426 399**	**2 002 910**
At 31 December 2021	**882 416**	**0**	**456 293**	**368 206**	**1 706 915**

There were no material fully depreciated property, plant and equipment in the Group as at 31 December 2021 and 31 December 2020.

7. Intangible assets

	Computer software	Unfinished software	Goodwill	Total
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**
Acquisitions	256 330	510 832	0	**767 162**
Depreciation	-212 404	0	0	**-212 404**
Cost as at 31 December 2021	**1 781 548**	**723 470**	**190 666**	**2 695 684**
Accumulated depreciation as at 31 December 2021	-562 857	0	0	**-562 857**
Residual value as at 31 December 2021	**1 218 691**	**723 470**	**190 666**	**2 123 827**

Net book value	**Computer software**	**Unfinished software**	**Goodwill**	**Total**
At 1 January 2020	**531 517**	**0**	**190 666**	**722 183**
At 31 December 2020	**1 174 765**	**212 637**	**190 666**	**1 578 068**
At 31 December 2021	**1 218 691**	**723 470**	**190 666**	**2 132 827**

There were no material fully amortised intangible assets in the Group as at 31 December 2021 and 31 December 2020.

8. Investments

In financial year 2019 an investment in 17.54% shares of a credit intermediary registered in Estonia was performed. 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

	31.12.2021	31.12.2020
Acquired debt receivable portfolios	106 282 754	90 764 556
Total, including:	**106 282 754**	**90 764 556**
Current:	*18 350 205*	*16 278 586*
Non-current:	*87 932 549*	*74 485 970*

	2021	2020
As at 1 January	**90 764 556**	**74 033 455**
Acquisitions of acquired debt receivable portfolios	7 119 289	9 525 877
Proceeds from acquired debt receivable portfolios	-17 533 361	-14 422 927
Change in fair value of acquired debt receivable portfolios (Note 9)	25 932 270	21 628 151
As at 31 December	**106 282 754**	**90 764 556**

Change in fair value by countries	2021	2020
Finland	1 894 704	1 145 179
Estonia	9 622 113	5 552 644
Latvia	4 212 433	6 323 438
Lithuania	10 203 020	8 606 890
Change in fair value total	**25 932 270**	**21 628 151**

Revenues by field of activity	2021	2020
Operating revenues (Note 21)	**25 932 270**	**21 628 151**
including fair value changes	*25 932 270*	*21 628 151*
Net interest income (Notes 22)	**609 316**	**896 712**
Net fee and commission income	**23 175**	**26 260**
Other operating income	**33 836**	**47 543**
Loan impairment expense	50 961	564 748
Total revenues by field of activity	**26 547 636**	**22 033 918**

The total estimated remaining collections (ERC) according to scenarios ((ERC of target and conservative scenarios are +/- 5% 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 31.12.2021, including:	**146 935 557**	**154 669 007**	**162 402 457**
Restructured portfolios (over 6 months since acquisition)	136 973 936	144 183 089	151 392 244
New portfolios (fair value model sliding scale applied)	8 174 036	8 396 591	8 619 145
Fresh new portfolios (fair value model not applied)	1 787 585	2 089 327	2 391 068
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

**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 2021 the Group has under restructuring 645 debt portfolios (31 December 2020: 515). 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:

	31.12.2021	**31.12.2020**
Estimated remaining collection (ERC) by vintage		
Debt receivable portfolios acquired in 2010	232 944	239 033
Debt receivable portfolios acquired in 2011	546 625	513 504
Debt receivable portfolios acquired in 2012	391 128	455 786
Debt receivable portfolios acquired in 2013	1 945 879	1 854 576
Debt receivable portfolios acquired in 2014	472 976	528 428
Debt receivable portfolios acquired in 2015	1 119 429	1 260 570
Debt receivable portfolios acquired in 2016	8 073 992	8 081 817
Debt receivable portfolios acquired in 2017	15 230 369	14 964 472
Debt receivable portfolios acquired in 2018	34 158 274	32 909 046
Debt receivable portfolios acquired in 2019	48 253 224	48 493 213
Debt receivable portfolios acquired in 2020	25 785 603	23 313 885
Debt receivable portfolios acquired in 2021	18 458 564	0
Total ERC as at 31 December	**154 669 007**	**132 614 330**
Fresh new portfolios, ERC not applied for fair value model	-2 089 327	-3 105 451
Total ERC applied for fair value model as at 31 December	**152 579 680**	**129 508 879**

10. Loans and advances to customers

	31.12.2021	**31.12.2020**
Refinancing	1 360 484	1 941 158
Consumer credits	1 009 714	656 875
Mortgage loans	136 058	297 717
Leases	8 285	36 738
Other	55 042	72 104
Total	**2 569 583**	**3 004 657**
Allowance	**-259 653**	**-355 537**
Total, including:	**2 309 930**	**2 649 055**
Current portion:	*874 494*	*741 398*
Non-current portion:	*1 435 436*	*1 907 657*

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

	2021				
	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	811 452	141 282	381 916	25 834	**1 360 484**
Consumer credits	523 628	60 313	186 614	239 159	**1 009 714**
Mortgage loans	76 802	0	25 823	33 433	**136 058**
Leases	8 239	46	0	0	**8 285**
Other	13 599	0	41 443	0	**55 042**
Gross carrying amount	**1 433 720**	**201 641**	**635 796**	**298 426**	**2 569 583**
Loss allowance	-59 159	-9 101	-183 780	-7 613	**-259 653**
Carrying amount	**1 374 561**	**192 540**	**452 016**	**290 814**	**2 309 930**
Including:					
Current portion					***874 494***
Non-current portion					***1 435 436***

	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***

Credit risk
The following principles are applied to loans and advances to loan clients of Fresh Finance that represent approximately 3% of total assets as at 31 December 2021.

Fresh Finance is exposed to a risk of financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises from Group's lending and other transactions with counterparties. 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 2021 nor 2020.

Group management 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 60 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 collateral

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

	31.12.2021	31.12.2020
Prepaid and refundable taxes (Note 19)	3 539	1 872
Other assets	38 743	38 743
Prepayments	207 505	144 882
Other receivables	260 081	478 047
Total, including:	**509 868**	**663 544**
Current:	*464 868*	*618 544*
Non-current:	*45 000*	*45 000*

Prepayments as at 31.12.2021 and 31.12.2020 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 2021 for 102 694 euros (31 December 2020: 199 657 euros, see more detailed info in Note 27).

13. Cash and cash equivalents

	31.12.2021	31.12.2020
Cash at bank	460 403	541 847
Cash on hand	106 010	198 393
Total	**566 413**	**740 240**

14. Share capital

	Ordinary shares	
	31.12.2021	**31.12.2020**
Share capital	15 666 399	5 000 000
Number of ordinary shares	15 666 399	10 000
Nominal value per share	-	500

In financial year 2021 the share capital was increased by EUR 6 216 399 (and by share premium EUR 6 216 399) by emission of new shares (with non-monetary contribution) and by EUR 4 450 000 up to EUR 15 666 399 through bonus issue from retained earnings (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 2021		31 December 2020	
Shareholder	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**
Mirje Trumsi	7 068 600	45.12%	6 800	68%
Investors	6 688 899	42.70%	0	0%
Management	1 908 900	12.18%	3 200	32%
Total	**15 666 399**	**100.00%**	**10 000**	**100%**

Shareholdings are owned directly and through entities. In December 2021 through share issue 128 investors converted their loans into shares of Aktsiaselts PlusPlus Capital. Shares of management are owned by 5 management team members. All the investors and management team members have less than 10% of individual shareholdings.

15. Subordinated convertible loans

	31.12.2021	31.12.2020
Subordinated convertible loans in equity	0	436 281
Subordinated convertible loans in liabilities	3 486 107	5 854 966
Total of convertible subordinated loans by split-accounting	**3 486 107**	**6 291 247**
Difference of discounted cash flows in interest expense (Note 26)	213 893	13 753
Total	**3 700 000**	**6 305 000**

As at 31 December 2021 the convertible subordinated loans raised in amount of EUR 3.7 million (31 December 2020: 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 were 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 2021 the conversion options of convertible subordinated loans matured, and the respective change in interest expense was recognised for EUR 436 281 as decrease of interest expense in financial year 2021 (2020: EUR 906 037).

16. Distributions made and proposed

Dividends were declared and distributed in 2021 in amount of 2 482 558 euros and net dividends 2 000 000 euros (2020: 622 093 euros and net dividends 500 000 euros), corporate income tax expense for 2021 was 482 558 including tax on dividends (2020: 122 093 euros). 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 2021 the maximum possible income tax liability that could arise upon the payment of all the retained earnings as dividends would be 3 457 006 EUR (31.12.2020: 3 723 440 EUR) and therefore 14 088 023 EUR could be paid out as net dividends (31.12.2020: 14 893 758 EUR).

17. Trade and other payables

	31.12.2021	31.12.2020
Trade payables	196 787	200 391
Payables to employees	495 437	436 034
Taxes payable (Note 19)	317 518	367 593
Interest payable	959 486	742 671
Other payables	0	12 290
Total	**1 969 228**	**1 758 979**

The trade and other payables include payables to related parties (see Note 27) as at 31 December 2021 for 155 893 euros (31.12.2020: 136 637 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

	31.12.2021	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	46 408 100	18 146 200	28 261 900	9% - 12%	2022 – 2024
Bank loans	545 165	545 165	0	2.75%*	2022
Other loans	24 511 240	8 577 080	15 934 160	9.5%	2022 – 2024
Other borrowings	22 857	22 857	0	10%	2022
Leases	430 875	197 799	233 076	2% - 5%	2022 – 2026
Capitalised expense	-3 792 692	-1 945 791	-1 846 901	9% - 12%	2022 – 2024
Total obligation	**68 125 545**	**25 543 310**	**42 582 235**		

	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
Other borrowings	0	0	0		
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**		

**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 2021 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 2021 and 31 December 2020 (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	**31.12.2021**	**31.12.2020**
Lease	456 293	636 411
Total	**456 293**	**636 411**

Carrying amount of assets pledged as collateral	**31.12.2021**	**31.12.2020**
Carrying amount	106 282 754	90 764 556
Total	**106 282 754**	**90 764 556**

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 2021, the following changes occurred in interest bearing loans and borrowing balances:

Interest bearing loans and borrowings	**Balance as at 31.12.2020**	**Loans raised during period**	**Loan repaid during period**	**Balance as at 31.12.2021**
Bonds	30 634 600	26 645 500	-10 872 000	46 408 100
Bank loans	592 824	0	-47 659	545 165
Other loans	36 767 000	0	-12 255 760	24 511 240
Other borrowings	0	32 710	-9 853	22 857
Lease liabilities	592 263	0	-161 388*	430 875
Capitalised expense	-2 355 738	-3 990 314	2 553 360	-3 792 692
Total	**66 230 949**	**22 687 896**	**-20 793 300**	**68 125 545**

**Lease liabilities repayments in 2021 include decrease in lease liabilities due to lease modifications in the amount of EUR 118 999.*

As at 31 December 2021 the current liabilities of the Group exceed current assets by EUR 9.3 million and the current ratio is 0.7 (31 December 2020 by EUR 18.1 million and current ratio was 0.5), which is in accordance with the long-term financing strategy of the Group. Long-term loans and bonds, which are maturing in year 2022, will be repaid and refinanced according to the terms to be agreed with investors. For further details please refer to the Note 3 “Financial risk management” chapters “Credit risk”, “Liquidity risk” and “Fair value”. Other loan repayments in 2021 include for EUR 11 790 760 non-monetary contributions to equity (see Note 14).

19. Tax liabilities and prepayments

	31.12.2021		**31.12.2020**	
	Tax prepayment	**Tax liabilities**	**Tax prepayment**	**Tax liabilities**
Value added tax	0	4 123	0	1 618
Company income tax	0	0	0	63 039
Personal income tax	0	104 086	0	107 930
Income tax from fringe benefits	0	4 832	0	4 836
Social security tax	0	179 371	0	167 593
Pension tax	0	15 546	0	14 828
Unemployment tax	0	9 748	0	7 749
Prepayment account balance	3 539	0	1 872	0
Total tax liabilities and prepayments (Notes 12 and 17)	**3 539**	**317 518**	**1 872**	**367 593**

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	**2021**	**2020**
Finland	1 894 704	1 145 179
Estonia	10 032 871	6 147 626
Latvia	4 367 885	6 608 839
Lithuania	10 303 137	8 697 022
Loan impairment expense	50 961	564 748
Operating revenues total	**26 547 636**	**22 033 918**

Operating revenues by field of activity	**2021**	**2020**
Management of debt portfolios	**25 932 270**	**21 628 151**
Other revenues	33 836	47 543
Credit issuance activities	**632 491**	**922 972**
Including interest income (Note 22)	*609 316*	*896 712*
Loan impairment expense	50 961	564 748
Operating revenues total	**26 547 636**	**22 033 918**

22. Interest income

	2021	**2020**
Refinancing	331 256	431 955
Mortgage loans	32 342	66 646
Consumer credits	236 195	370 456
Leases	953	14 558
Other	8 570	13 097
Total interest income	**609 316**	**896 712**
Including:		
Estonia	*381 504*	*535 528*
Latvia	*146 384*	*272 989*
Lithuania	*81 428*	*88 195*

23. Operating expenses

	2021	2020
Acquired debt portfolio management costs	2 277 085	1 378 777
Consultations and compliance	136 921	221 370
Fees, taxes and insurance	155 290	223 670
Travel and transportation	158 080	210 590
Telecommunication and data	273 379	319 232
Premises and furnishings	222 423	178 949
Equipment and supplies	39 739	95 795
Marketing and development	239 684	128 744
Personnel and trainings	229 752	35 737
Professional services	419 869	352 236
Other miscellaneous operating expenses	107 394	36 432
Total other expenses	**4 259 616**	**3 181 532**

24. Salary expense

	2021	2020
Wages and salaries	3 855 877	3 482 943
Social security costs	1 004 410	834 622
Total salary expense	**4 860 287**	**4 317 565**
Average number of employees	100	96

25. Finance income

	2021	2020
Interest income	130	14 222
Other finance income	2 782	138 675
Total finance income	**2 912**	**152 897**

26. Finance expense

	2021	2020
Interest expense on bonds	4 356 314	2 795 733
Interest expense on interest-bearing loans	4 733 898	4 211 106
Expenses directly related to financing activities (raised bonds and loans)	2 069 066	1 586 005
Discounted cash flows effect for subordinated convertible loans (Note 15)	-200 140	-581 407
Other finance expense	12 494	44 896
Total finance expense	**10 990 042**	**8 056 333**

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.

	31.12.2021		31.12.2020	
	Receivables	**Payables**	**Receivables**	**Payables**
Holding entity	0	0	65 093	0
Management board and private investors with significant ownership interest; entities under their control or significant influence	102 694	155 893	124 871	136 637
Total	**102 694**	**155 893**	**189 964**	**136 637**

	2021		2020	
	Purchases	**Sales**	**Purchases**	**Sales**
Holding entity	0	0	0	138
Management board and private investors with significant ownership interest; entities under their control or significant influence	363 481	0	303 514	276
Total	**363 481**	**0**	**303 514**	**414**

Key management benefits

	2021	2020
Salaries and remuneration	472 802	426 792
Total	**472 802**	**426 792**

In financial years 2021 and 2020 no discounts were made to related parties. Severance pays were agreed with board members as at 31 December 2021 for 79 400 euros (31 December 2020: 67 400 euros). From related parties no loans were raised nor issued loans to related parties in 2021 and 2020.

28. COVID-19 impact and subsequent events and Russian war in Ukraine

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. In financial year 2021 the collections from acquired debt receivable portfolios realised as expected as at 31 December 2020. As the situation is stabilising, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group for current financial year 2022. 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.

In spring 2022, due to Russian initiated war against Ukraine, which we consider a non-adjusting post balance sheet event, the macroeconomic forecasts are worsened, long-term effect cannot yet be predicted.

In February 2022 through equity investment of 3 634 992 euros by eight new shareholders share capital was increased by 1 442 457 euros and share premium by 2 192 535 euros respectively.

During the period of preparation of the financial statements since balance sheet date 31 December 2021 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 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

	31.12.2021	31.12.2020
Non-current assets		
Property, plant and equipment	162 436	228 272
Right-of-use of assets	26 807	52 810
Intangible assets	617 011	708 064
Financial investments	14 142 355	13 556 508
Acquired debt receivable portfolios	58 810 948	47 736 052
Trade and other receivables	28 154 219	25 837 458
Total non-current assets	**101 913 776**	**88 119 164**
Current assets		
Acquired debt receivable portfolios	12 408 981	10 176 925
Trade and other receivables	3 309 182	2 333 373
Cash and cash equivalents	137 894	327 842
Total current assets	**15 856 057**	**12 838 140**
Total assets	**117 769 833**	**100 957 304**
Equity		
Share capital	15 666 399	5 000 000
Share premium	6 216 399	0
Statutory legal reserve	500 000	500 000
Subordinated convertible loan	0	436 281
Retained earnings	23 000 327	22 854 014
Total equity	**45 383 125**	**28 790 295**
Liabilities		
Non-current liabilities		
Subordinated convertible loans	1 486 107	5 354 966
Interest-bearing loans and borrowings	42 349 159	31 117 074
Lease liabilities	0	70 896
Total non-current liabilities	**43 835 266**	**36 542 936**
Current liabilities		
Trade and other payables	1 724 311	1 146 341
Subordinated convertible loans	2 000 000	500 000
Interest-bearing loans and borrowings	24 777 489	33 939 683
Lease liabilities	49 642	38 049
Total current liabilities	**28 551 442**	**35 624 073**
Total equity and liabilities	**117 769 833**	**100 957 304**

Unconsolidated statement of comprehensive income
for the year ended 31 December

	2021	**2020**
Operating revenue	19 617 959	13 791 461
Other revenue	2 750	0
Operating expenses	2 432 843	1 659 850
Salary expense	1 447 284	1 470 512
Depreciation and amortisation	320 603	242 051
Other expenses	24 362	9 800
Operating profit	**15 395 617**	**10 409 248**
Finance income	2 643 670	5 246 429
Finance expense	10 960 416	7 992 805
Profit before income tax	**7 078 871**	**7 662 872**
Income tax	482 558	122 093
Net profit for the year	**6 596 313**	**7 540 779**
Total comprehensive income	**6 596 313**	**7 540 779**

Unconsolidated statements of cash flows
for the year ended 31 December

	2021	**2020**
Cash flows from operating activities		
Profit before income tax	7 078 871	7 662 872
Adjustments for non-cash items:		
Depreciation and amortisation	320 603	242 051
Changes in working capital:		
Change in trade and other receivables	-84 032	-96 174
Change in trade and other payables	-589 679	-958 134
Change in acquired debt receivable portfolios	-13 306 952	-11 818 352
Other adjustments:		
Interest expense	8 891 248	6 406 239
Other financial income and expense	-2 643 460	-5 245 867
Interest income	107	37
Net cash generated from operating activities	**-333 294**	**-3 807 328**
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-164 091	-405 483
Acquisition of subsidiaries	0	-3 000
Loans issued	-3 331 000	-4 279 500
Repayments of loans issued	22 942	385 987
Interests received	2 157 026	3 647 500
Net cash used in investing activities	**-1 315 123**	**-654 496**
Cash flows from financing activities		
Loans received and bonds issued	22 149 129	18 815 600
Repayment of loans received and bonds issued	-10 256 486	-7 154 500
Repayment of lease liabilities	-14 313	-25 144
Interests paid for loans	-8 419 078	-6 585 970
Interest paid for lease liabilities	-764	-2 333
Dividend distributions	-2 000 000	-500 000
Net cash flows from (to) financing activities	**1 458 469**	**4 547 653**
Net increase in cash and cash equivalents	-189 948	85 829
Cash and cash equivalents at the beginning of the year	**327 842**	**242 013**
Cash and cash equivalents at the end of the year	**137 894**	**327 842**

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

	Share capital	Share premium	Legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2020	**1 000 000**	**0**	**100 000**	**1 342 318**	**20 213 235**	**22 655 553**
Subordinated convertible loan	0	0	0	-906 037	0	**-906 037**
Dividend paid	0	0	0	0	-500 000	**-500 000**
Bonus issue	4 000 000	0	400 000	0	-4 400 000	**0**
Total transactions with owners	**4 000 000**	**0**	**400 000**	**-906 037**	**-4 900 000**	**-1 406 037**
Net profit for the year	0	0	0	0	7 540 779	**7 540 779**
Total comprehensive income	**0**	**0**	**0**	**0**	**7 540 779**	**7 540 779**
As at 31 December 2020	**5 000 000**	**0**	**500 000**	**436 281**	**22 854 014**	**28 790 295**
As at 1 January 2021	**5 000 000**	**0**	**500 000**	**436 281**	**22 854 014**	**28 790 295**
Subordinated convertible loan	0	0	0	-436 281	**0**	**-436 281**
Dividend paid	0	0	0	0	-2 000 000	**-2 000 000**
Non-monetary contribution	6 216 399	6 216 399	0	0	0	**12 432 798**
Bonus issue	4 450 000	0	0	0	-4 450 000	**0**
Total transactions with owners	**10 666 399**	**6 216 399**	**0**	**-436 281**	**-6 450 000**	**9 996 517**
Net profit for the year	0	0	0	0	6 596 313	**6 596 313**
Total comprehensive income	**0**	**0**	**0**	**0**	**6 596 313**	**6 596 313**
As at 31 December 2020	**15 666 399**	**6 216 399**	**500 000**	**0**	**23 000 327**	**45 383 125**

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

	31.12.2021	31.12.2020
Parent company's unconsolidated equity	45 383 125	28 790 295
Less carrying amount of subsidiaries in the unconsolidated balance sheet (-)	-14 142 355	-13 556 508
Add carrying amount of subsidiaries under equity method (+)	14 142 355	13 556 508
Total	**45 383 125**	**28 790 295**

Confirmation of the management board to the 2021 consolidated annual report

Hereby, we confirm the correctness of the information disclosed in the 2021 consolidated annual report of Aktsiaselts PlusPlus Capital.

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Linda Visocka

Member of the Management Board
Kaarel Raik

Tallinn, 12 April 2022

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 2021, 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 2021;
- 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.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the CEO Foreword, the Management report, the Sustainability 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, including the Management report.

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.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. 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	Rando Rand
Auditor's certificate no. 567	Auditor's certificate no. 617

12 April 2022
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 2021 as follows (in euros):

Retained earnings as at 31.12.2021	17 545 029
Dividends	1 350 000
Retained earnings after allocation	16 195 029

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Linda Visocka

Member of the Management Board
Kaarel Raik

Tallinn, 12 April 2022

Allocation of income according to EMTA classificators

The income of Aktsiaselts PlusPlus Capital Group for financial year 2021 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	25 932 270	98%	Yes
Other credit issuance, except for lombarding	64929	615 366	2%	Yes
Total operating revenues		**26 547 636**		

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