SIA “AGROCREDIT LATVIA”

Annual Accounts for 2021

Prepared in accordance with the International Financial Reporting Standards as adopted by EU

Translation note: This version of the Annual Accounts is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Annual Accounts takes precedence over this translation.

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Management report

Type of operations

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. More than half of the credit portfolio consists of short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales. Also long-term loans secured by mortgage and commercial pledges are offered to the farmers as well as agri-machinery leasing services.

Credit policy of the Company is classified as a relatively conservative using basic principles characteristic to banking practice. Taking decisions on financing, the Company considers such aspects as experience of the potential client in agriculture, prior year’s financial results, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing usually covers no more than half of the average expected sales volume of harvest, which allows customers to pay for their obligations in poor harvest years.

The funds for lending are provided by the Company’s equity and related party loans as well as funds attracted from external sources of financing - listed bonds, bank’s credit line and other private investors.

The Company’s performance during the reporting year

2021 was the Company's tenth year of operation and was characterized by very moderate growth. Although the Covid-19 crisis, which continued throughout the year, did not directly affect the Company and its customers, it did cause a number of inconveniences and limitations, primarily in active sales, marketing and customer/ partner relationship building. There were limited opportunities to attend clients, to hold joint events and seminars, and no major traditional farm events were held to attract new clients.

In the grain farming sector, the season was relatively successful for most clients. Although summer yields were modest due to the summer drought and rainfall during threshing made it difficult to harvest, the significant increase in grain and rapeseed prices largely offset the reduced yields. In some regions, reduced yields have led to problems in enforcing fixed contracts and, in view of the significant increase in stock market prices, farmers have been forced to pay significant sums for failure to meet delivery commitments. In the second half of the year, prices for raw materials - mainly fertilizers - increased significantly. However, the high level of grain and rapeseed prices on the stock exchange allows to look optimistic to the next season.

The total interest income of the Company increased by 3,6% in 2021 comparing to previous year and exceeded 1.3 M EUR. The total assets exceeded 9,6 M EUR in the end year and exceeded last season’s level by 18%.

The Company's net profitability in 2021 increased, and net profit margin (net profit / interest income) was 24%, compared to 18% a year earlier. This was due to a decrease in the cost of credit resources, as well as less need to create additional provisions for expected credit losses. Also, with a small increase in revenue, administrative costs even decreased, largely due to Covid-19 restrictions. In general, the Company's operations in 2021 can be assessed positively.

The Company’s exposure to risks

The Company's main risks are related to its customers' ability to pay for the loans. Quality of credit granting decisions and customer solvency assessment is essential in risk management.

Borrowers' ability to repay loans influenced by external factors – harvest productivity and grain prices on the stock exchange. Therefore, for the lending decision, it is important to foresee the customer's ability to repay the loan in poor harvest years and unfavourable market conditions.

Statement on internal control procedures

The Board confirms that the internal control procedures are efficient and the risk management and internal control during the whole year has been carried out in accordance with the mentioned control procedures.

Future prospects

In 2022 the Company plans a higher growth rate than in 2021. It is planned to strengthen the sales side by hiring a sales and marketing specialist. With the end of the Covid-19 restrictions, more active communication with customers and participation in various sales promotion activities is planned.
It is planned to continue the development of IT in order to streamline internal processes and provide customers and partners with higher quality services.

Management report (continued)

Future prospects (continued)

Several marketing activities will be carried out to increase the brand recognition in the market and attract wider range of clients. Cooperation with grain, fuel and machinery vendors will be developed to ensure quick and effective service for their customers.

At the beginning of 2022, a further increase in the prices of raw materials needed for the grain farming industry (seed, fuel, mineral fertilizers, etc.) was observed. Russia's invasion of Ukraine on February 24, 2022 and the associated sanctions against the Russian Federation as well as against Belarus, are exacerbating the situation. It is safe to predict that the supply of grain on world markets in 2022-2023 will be significantly lower than usual, due to sanctions against Russia and war in Ukraine. The Company's management believes that despite the growing uncertainty regarding the future development of the economy and the downward revision of the annual macroeconomic GDP forecasts, the problematic global situation creates possibilities and opportunities for the Latvian grain production industry and agriculture in general (eg increased demand for Latvian agricultural products, increase in sales prices, motivation to produce rationally and efficiently) which, in the opinion of management, will offset the risks associated with the availability and price increase of raw materials.

Distribution of the profit proposed by the Board

The Management Board recommends to the shareholders to retain the profit of the reporting year in amount of 307 941 EUR undistributed.

The Management Board has prepared this annual report of SIA AgroCredit Latvia, including Management report, Statement of management`s responsibility, Corporate Governance Report and Financial statements for 2021 and has approved it for submission to Shareholder's meeting.

/signed/	/signed/
Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board

Statement of management`s responsibility

The management of SIA AgroCredit Latvia is responsible for the preparation of the financial statements for 2021.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant primary documents and in accordance with International Financial Reporting Standards as adopted by the European Union, based on a going concern basis, and present a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2021 and its profit and cash flows for 2021.

The Company's management confirms that appropriate and consistent accounting policies and prudent and reasonable management estimates have been applied.

The management of the Company confirms that it is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Company's assets. The management of the Company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Company is responsible for ensuring that the Company operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Company's business development and operational performance.

Corporate governance statement

The Corporate governance report of SIA AgroCredit Latvia for 2021 has been prepared as a separate document in accordance with Section $56.^2$ Paragraph 3 of the Financial Instruments Market Law.

The report is submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the audited financial statements SIA AgroCredit Latvia for 2021 for publishing on the website of the Stock Exchange: http://www.nasdaqbaltic.com/ and the website of SIA AgroCredit Latvia http://www.agrocredit.lv .

/signed/	/signed/
Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board

Statement of comprehensive income for the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
Interest income	1	1 297 261	1 252 133
out of this, income at effective interest rate		*1 297 261*	*1 252 133*
Interest expense	2	(583 932)	(596 956)
Impairment	3	(10 000)	(40 000)
Administrative expense	4	(246 603)	(248 850)
Other operating expense	5	(113 477)	(99 141)
Other operating income		2 942	566
Profit before corporate income tax		**346 191**	**267 752**
Corporate income tax	6	(38 250)	(36 400)
Current year's profit		**307 941**	**231 352**
Other comprehensive income		-	-
Total comprehensive income for the current year		**307 941**	**231 352**

Notes on pages from 10 to 27 are integral part of these financial statements.

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Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board	Evija Šverna Accountant

Statement of financial position as at 31 December 2021

	Notes	31.12.2021. EUR	31.12.2020. EUR
Assets			
Long term investments			
Property, plant and equipment	7	2 750	3 751
Right-of-use assets	8	68 657	41 369
Loans	9	1 962 774	1 538 694
Total long-term investments:		**2 034 181**	**1 583 814**
Current assets			
Loans	9	7 429 449	6 240 482
Other debtors	10	1 715	87 748
Cash and bank	11	221 997	309 482
Total current assets:		**7 653 161**	**6 637 712**
Total assets		**9 687 342**	**8 221 526**
Liabilities and shareholder's' funds			
Shareholders' funds:			
Share capital	12	1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		292 919	214 567
- current year's profit		307 941	231 352
Total shareholders' funds:		**2 100 885**	**1 945 944**
Liabilities:			
Long-term liabilities:			
Borrowings	13	6 020 000	5 745 000
Lease liabilities	8	42 480	29 738
Total long-term liabilities:		**6 062 480**	**5 774 738**
Short-term liabilities:			
Borrowings	13	1 494 728	438 254
Lease liabilities	8	15 599	51 448
Trade creditors and other liabilities	14	13 650	11 142
Total short-term creditors:		**1 523 977**	**500 844**
Total liabilities and shareholders' funds		**9 687 342**	**8 221 526**

Notes on pages from 10 to 27 are integral part of these financial statements.

/signed/	/signed/	/signed/
Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board	Evija Šverna Accountant

Statement of changes in equity for the year ended 31 December 2021

	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
As at 31 December 2019	**1 500 000**	**25**	**374 567**	**1 874 592**
Profit for the year	-	-	231 352	**231 352**
Dividends	-	-	(160 000)	**(160 000)**
As at 31 December 2020	**1 500 000**	**25**	**445 919**	**1 945 944**
Profit for the year	-	-	307 941	**307 941**
Dividends	**-**	**-**	(153 000)	**(153 000)**
As at 31 December 2021	**1 500 000**	**25**	**600 860**	**2 100 885**

Notes on pages from 10 to 27 are integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
Cash flow from operating activities			
Profit before corporate income tax		**346 191**	**267 752**
Depreciation of plant, property and equipment	7	1 486	1 638
Depreciation of right-of-use assets	8	13 673	10 729
Interest income	1	(1 297 261)	(1 252 133)
Interest expense	2	575 843	590 436
Impairment loss on loans	3, 9	10 000	40 000
Decrease of cash and cash equivalents from operating activities before changes in assets and liabilities		**(350 068)**	**(341 578)**
Increase of loans issued	9	(1 476 129)	(250 365)
(Increase) / decrease in trade and other debtors		82 674	(70 155)
Trade creditors’ increase		21 400	20 153
Decrease of cash and cash equivalents from operating activities before corporate income tax		**(1 722 123)**	**(641 945)**
Interest paid		(584 717)	(603 139)
Interest received		1 134 810	1 286 477
Corporate income tax (paid)/ surplus reimbursed	6	(38 250)	(40 000)
Net increase/(decrease) of cash and cash equivalents from operating activities		**(1 210 280)**	**1 393**
Cash flow from investing activities			
Acquisition of fixed assets and intangibles		(485)	(552)
Net decrease of cash and cash equivalents from investing activities		**(485)**	**(552)**
Cash flow from financing activities			
Dividends paid	12	(153 000)	(160 000)
Loans received		7 919 053	8 691 748
Repaid loans		(6 578 705)	(8 270 208)
Lease payments for right-of-use assets	8	(64 068)	(56 414)
Net increase of cash and cash equivalents from financing activities		**1 123 280**	**205 126**
Net increase/(decrease) of cash and cash equivalents in the reporting year		**(87 485)**	**205 967**
Cash and cash equivalents at the beginning of the reporting year		**309 482**	**103 515**
Cash and cash equivalents at the end of reporting year	11	**221 997**	**309 482**

Notes on pages from 10 to 27 are integral part of these financial statements.

Notes to the financial statements

General information about the Company

Name of the Company	SIA AGROCREDIT LATVIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103479757 Commercial Registry, Riga, 11 November 2011
Type of operations	The Company specializes in providing financial services and offering credit services to farmers. Basically, the Company issues short-term financing to crop-farmers for the purchase of raw materials, which is repaid after the harvest sales. As classified by NACE classification code system: 64.91 – Financial leasing 64.92 – Other credit granting
Address	K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia
Shareholders	AgroCredit Finance SIA (100%) Reg. No. 42403046209 K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia
Beneficial owners	Ģirts Vinters and Jānis Kārkliņš, each owning 50% of shares of the Parent Company.
The Board	Ģirts Vinters – Chairman of the Board Jānis Kārkliņš – Member of the Board
The Council	Silva Jeromanova- Maura – Member of the Council Edmunds Demiters – Member of the Council Rūta Dimanta - Member of the Council from December 2021 Lauris Buls – Member of the Council till 2 December 2021
Person responsible for accounting	Evija Šverna - accountant
Name and address of the auditor	SIA Potapoviča un Andersone Certified Auditors’ Company Licence No. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor: Lolita Čapkeviča Certificate No. 120

Approval of the Financial statements

These financial statements have been approved by the Board signing with electronic signatures on 27 April 2022. The Financial statements are subject to approval by the shareholder**.**

Notes to the financial statements
Accounting policies

(a) Basis of preparation

These financial statements for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The accounting policies of the Company have not changed in comparison to previous reporting period.

The financial statements cover the period from 1 January 2021 until 31 December 2021.

The financial statements are prepared on historical cost basis.

(b) Significant accounting judgements, estimates and assumptions

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality. Any effect of changes in estimates is reflected in the financial statements at the time of their determination. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ.

The most significant judgments and estimates that affect the Company's financial statements are related to the determination of expected credit losses (ECL) for issued loans and are described in Note 9.

(c) Summary of significant accounting policies

Changes in accounting principles and reporting

New and amended IFRS and their interpretations which have been adopted during 2021 have had no or immaterial impacts on the Company's financial position, operations, cash flows and disclosures in the financial statements.

Functional and reporting currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Items included in the financial statements are presented in the official currency of the Republic of Latvia, the euro (EUR), which is the Company's reporting currency.

Foreign currency translation
All foreign currency transactions are translated into euros using the exchange rates published at the morning of the dates of the transactions by the European Central Bank. Monetary assets and liabilities denominated in foreign currencies on the last day of the reporting year are translated into euros at the foreign exchange rate published by the European Central Bank ruling at the end of the reporting year.

Gains or losses arising from foreign exchange rate fluctuations are recognized in the profit or loss in the period in which they arise.

Recognition of revenue and expenses

Interest income and expense

The Company provides lending services, and interest income is the main type of income of the Company. Interest income and expense are recognized in the statement of profit or loss on an accrual basis using the effective interest method. Interest income and expense are recognized in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income is recognized over time.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Recognition of revenue and expenses (continued)

Other income
Other income is recognized on an accrual basis when it has been earned or when there is no doubt that it will be received in due time.

Other expenses
Expenses are recognised on an accrual basis in the period in which they are incurred, regardless of when the invoice is received or paid.

Intangible assets and property, plant and equipment
All intangibles and property, plant and equipment are recorded at cost net of depreciation or amortisation. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Intangibles	20
Other fixed assets	20

Corporate income tax
Corporate income tax for the reporting period is included in the financial statements based on the calculations prepared in accordance with tax legislation of the Republic of Latvia effective at the end of reporting year. Corporate income tax is calculated on the basis of distributed profit which is subject to the tax rate of 20 % of their gross amount, or 20/80 of net amount. Corporate tax on distributed profit is recognized when the shareholders of the Company make a decision about profit distribution. Corporate income tax calculated on transactions other than profit distribution is included in the statement of profit or loss within other operating expenses. As of January 1, 2021, all overpaid tax amounts are considered as unallocated tax contributions that are not related to a specific tax. Such overpayments automatically cover other tax debts, if such exist.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, current account balances and short-term deposits with original maturities of less than 90 days and short-term highly liquid investments that are readily convertible to known amounts of cash and which are not subject to significant changes in value.

Financial instruments

Classification

The Company's financial instruments consist of financial assets (financial assets at amortized cost and financial assets at fair value through profit or loss (FVTPL) and financial liabilities (financial liabilities at amortized cost).

The classification of debt instruments depends on the business model implemented by the Company's financial asset management, as well as on whether the contractual cash flow characteristics consist of solely payments of principal and interest (SPPI). Debt instruments are carried at amortized cost if both of the following criteria are met:

- the business model objective is to hold assets to collect contractual cash flows; and

- the contractual cash flow characteristics consist of solely payments of principal and interest.

The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses. Debt instruments that meet the requirements of the SPPI and are nevertheless held in a portfolio to both hold contractual cash flows and sell, such assets may be classified as FVTPL. Financial assets whose cash flows do not meet the requirements of the SPPI should be valued at FVTPL (eg financial derivatives). Embedded derivatives are not separated from financial assets, but when included in financial assets, the requirements of SPPI are assessed.

Recognition and derecognition
Financial assets are recognized when the Company has become a party to the contractual provisions of the instrument, i.e., on the trading date.

Financial assets are derecognised when the Company's contractual obligations to receive cash flows from the financial asset expire or when the Company transfers the financial asset to another party or transfers the significant risks and rewards of ownership of the asset. Purchases and sales of financial assets in the ordinary course of business are accounted for on the trading date, i.e., the date on which the Company decides to buy or sell the asset.

A financial liability is derecognised when the obligation under the liability is withdrawn, cancelled or expires.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value. For financial assets and financial liabilities at amortized cost on initial recognition, fair value is adjusted for transaction costs that are directly attributable to the financial instrument.

Financial assets at amortized cost

Financial assets at amortized cost are debt instruments with fixed or determinable payments that are not held for trading and whose future cash flows consist solely of principal and interest payments. Financial assets at amortized cost include loans, trade receivables and other receivables, and cash and cash equivalents. Financial assets at amortized cost are classified as current assets if their maturity is one year or less. If the maturity is longer than one year, they are presented as non-current assets. Short-term receivables are not discounted.

Financial assets at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Impairment of financial assets at amortised cost

Expected credit losses

Measurement

Impairment is measured using the expected credit loss (ECL) model. It involves monitoring the deterioration or improvement of the credit quality of financial instruments. The ECL model is applicable to all financial assets that are measured at amortized cost The ECLs on financial assets measured at amortised cost are presented as allowances, i.e., the allowance reduces the gross carrying amount. An allowance for expected credit losses due to changes in ECL is recognized in the statement of profit or loss under "Impairment". The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

When calculating impairment losses on assets due to default on principal or interest payments or other loss-making events, collateral, including real estate and commercial pledges, is taken into account, valued at market value. The value of collateral is based on independent expert valuations or the Company's assessments.

Significant increase in credit risk

At the end of each reporting period the Company performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Both historic and forward-looking information shall be used in the assessment. As significantly most (more than 89%) of the loans reported in the balance sheet on 31 December 2021 have an initial origination date as of 1 January 2018 or later, the primary indicator is changes in lifetime probability of default (PD) by comparing the scenario-weighted annualized lifetime PD at the reporting date with the scenario-weighted annualized lifetime PD at initial recognition.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur if:
- payments are past due over 30 days but less than 90 days; or
- financial assets are forborne (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given).

Back-stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. In subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets move back to Stage 1. If credit quality of financial instrument deteriorates further, the financial instrument is transferred to Stage 3.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

Transfer to Stage 3 is triggered if the following indications occur:
- Payments are past due more than 90 days;
- Financial instrument is in default (PD = 100%).

Definition of default

Financial instruments in default are in Stage 3. Default and credit-impaired are triggered when an exposure (principal or interest payment) is more than 90 days past due, it becomes probable that the borrower will enter bankruptcy proceedings or will undergo or has undergone some other type of financial or legal reorganization, the borrower has been declared bankrupt or is equivalent to bankruptcy, the transaction has been restructured for economic or legal reasons related to the borrower's financial difficulties, or an assessment has been made indicating that the borrower is unlikely to be able to meet its obligations as expected.

When assessing whether a borrower is unlikely to pay its obligations, the Company takes into account both qualitative and quantitative factors including, but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. An instrument is no longer considered to be in default or credit impaired when all overdue amounts are repaid, there is sufficient evidence to demonstrate that there is a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of credit-impairment.

Credit loss allowances on assessed financial assets are presented in the Company's statement of financial position as a reduction in the gross carrying amount of the assets. An impairment loss is recognized in a separate allowance account and the loss is recognized in the statement of profit and loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (for example, an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Modifications

The Company may renegotiate loans and modify contractual terms. In a situation where a renegotiation is determined by the counterparty's financial difficulties and inability to make the originally agreed payments, the Company compares the initial and revised estimated cash flows with the assets and determines whether the risks and rewards of the asset have changed significantly as a result of the modified contract. If the risks and rewards do not change, the modified asset does not differ significantly from the original asset and no de-recognition occurs due to the modification. The Company recalculates the gross carrying amount by discounting the changed contractual cash flows at the original effective interest rate and recognizes modification gain or loss in in the statement of profit or loss.

If the amended terms differ materially, the right to cash flows expires and the Company derecognises the original financial asset and recognizes a new financial asset at its fair value. The revision date is the original date used for the subsequent calculation of the impairment of the asset, including an assessment of whether the credit risk has increased significantly. The Company also assesses whether the new loan or debt instrument meets the criteria for solely principal and interest payments (SPPI). Any difference between the carrying amount of the derecognised original asset and the fair value of the newly recognized substantially revised asset is recognized in the statement of profit or loss, unless the nature of the change is attributable to equity transactions with owners.

In cases where the restructuring is due to financial difficulties of the counterparties resulting in non-compliance with the originally agreed payment schedule, the Company compares the initially planned and renewed cash flows to assess whether the risks and rewards of the modified terms have not changed significantly. If the risks and rewards do not change, the modified asset is not materially different from the original asset and derecognition is not required as a result of the modification. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows using the original effective interest rate and recognizes the gain or loss arising on the modification in the statement of profit or loss for the period.

Financial liabilities at amortized cost

The amortized cost of financial liabilities includes borrowings, including debt securities, lease liabilities, as well as payables to suppliers and contractors and other creditors. Financial liabilities at amortized cost are initially recognized at fair value. In subsequent periods, financial liabilities at amortized cost are carried at amortized cost using the effective interest method. Financial liabilities at amortized cost are classified as current liabilities if the payment term is one year or less. If the payment term is longer than one year, they are presented as long-term liabilities.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial instruments (continued)

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. The difference between the proceeds, net of borrowing costs, and the redemption value is recognized in the income statement using the effective interest method. This difference is recognized in finance costs.

Borrowings are classified as current liabilities unless the Company has an irrevocable right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issued debt securities
The Company recognises issued debt securities at the date when the respective funds are received. After initial recognition when these financial liabilities are initially recognised at fair value including direct transaction costs, those are subsequently carried at amortised cost using the effective interest method. When issued debt securities are sold at a discount or premium, the difference is amortised applying the effective interest method until the debt matures and charged to the statement of comprehensive income as interest expense.

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

Subsequent events
The financial statements reflect events after the balance sheet date that provide additional information about the Company's financial position at the balance sheet date (adjusting events). If the events after the end of the reporting year are not adjusting, they are reflected in the notes to the financial statements only if they are significant.

Leases

Classification
At the time of concluding the agreement, the Company assesses whether the contract is a lease or contains a lease. Under IFRS 16, 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. To assess whether the contract is a lease or contains a lease, the Company assesses whether:
- the contract provides for the use of an identified asset: the asset may be designated, directly or indirectly, and must be physically separable or represent practically full capacity of the asset from the physically separable asset. If the supplier has a significant right to replace the asset, the asset is not identifiable;
- the Company has the right to obtain all economic benefits from the use of the identifiable asset over its useful life;
- the Company has the right to determine the use of the identifiable asset. The Company has the right to determine the manner in which the asset will be used, when it can decide how and for what purpose the asset will be used. Where the relevant decisions about how and for what purpose an asset is used are predetermined, the Company should assess whether it uses the asset, or the Company has developed an asset in a manner that predetermines how and for what purpose the asset will be used.

In the case of an initial measurement or reassessment of a contract that includes a lease component or multiple lease components, the Company attributes the relative separate price to each lease component.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

The Company is a lessee

Leases are recognised as right–of–use assets and the corresponding lease liabilities at the date when leased assets are available for use of the Company. The cost of the right–of–use an asset consists of:

- the amount of the initial measurement of the lease liability;
- any lease payments made before the commencement date less any lease incentives received;
- replacement costs associated with the dismantling and restoration of property, plant and equipment;
- any initial direct costs.

The right–of–use asset is amortised on a straight–line basis from the commencement date to the end of the useful life of the underlying asset or from the commencement date of the lease to the end of the lease term, unless an asset is scheduled to be redeemed. The right–of–use asset is periodically reduced for impairment losses, if any, and adjusted for any revaluation of the lease liabilities.

Assets and liabilities arising from leases at commencement date are measured at the amount equal to the present value of the remaining lease payments, discounted by the Company's incremental interest rate. Lease liabilities include the present value of the following lease payments:

- fixed lease payments (including in–substance fixed lease payments), less any lease incentives receivable;
- variable leases payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease liabilities are subsequently measured when there is a change in future lease payments due to changes of an index or a rate, when the Company's estimate of expected payments changes, or when the Company changes its estimate of the purchase option, lease term modification due to extension or termination. When a lease liability is subsequently measured, the corresponding adjustment is made to the carrying amount of the right–of–use asset or recognised in the statement of comprehensive income if the carrying amount of the right–of–use asset decreases to zero.

Each lease payment is divided between the lease liability and the interest expense on the lease. Interest expense on lease is recognised in the statement of comprehensive income over the lease term to form a constant periodic interest rate for the remaining lease liability for each period.

Short-term leases and leases for low-value assets

Lease payments related to short–term leases and lease for low-value assets are recognised as an expense in the statement of profit or loss on a straight–line basis. Short–term leases are leases with a lease term of 12 months or less at the commencement date.

The Company is a lessor - financial lease

Receivables from finance leases are recognized at the net present value of the minimum lease payments, less any principal payments received and plus any unguaranteed residual value at the end of the lease term.

The lease payments received are allocated between the repayment of principal and the finance income. Finance income is recognized over the lease term to reflect a constant periodic rate of return on the lessor's net investment in the lease. Initial service charges levied at the commencement of a lease are taken into account in calculating the effective interest rate and the lessor 's net investment. The lessor's direct costs associated with the contract are included in the effective interest rate and are reported as a reduction of lease income over the term of the lease.

Lease payments receivable from customers are recognized in the statement of financial position when the related assets that are the subject of the contract with the customer are transferred to the customer.

Notes to the financial statements (continued)
Accounting policies (continued)
(c) Summary of significant accounting policies (continued)

Financial risk management

The activities of the Company are exposed to different financial risks: credit risk, liquidity risk, market risk, cash flow and interest rate risk, operational risk and foreign currency risk. The Board is responsible for risk management. The Board identifies, assesses and seeks to find solutions to avoid financial risks.

Credit risk
The credit risk is a risk that a borrower of the Company is unable or unwilling to meet its liabilities towards the Company in full and within the established term as a part of the Company's main activity – lending. Credit risk also includes concentration risk in transactions groups of customers or cooperation partners.

The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for expected credit losses. The Company has no concentration of credit risk related to the loan issued to any one borrower.

The Company specializes in the financing of one sector of the economy - agriculture - which increases the risks associated with the market situation of the particular sector. However, agriculture has several sub-sectors – namely, cereals, dairy farming, livestock agriculture, vegetable growing, etc., whose market situations develop in an unrelated way. The Company also ensures geographical diversification by financing customers from various regions of Latvia.

The core principle of the Company's credit risk management is the ability of borrowers to meet their obligations to the Company, which is ensured by evaluating business partners before the start of the transaction, as well as through further continuous monitoring and evaluation. In order to make high-quality and balanced credit decisions, the Company monitors local and global trends in agricultural markets, as well as the impact of each season's weather on the expected local harvest. It also gets to know each specific borrower, analyzes his financial data and ability to repay the loan.

In order to maintain a sufficiently diversified loan portfolio with a low risk profile and to find a favourable balance between risk and return, the Company constantly strives to understand customers and their market conditions. When reviewing a loan application, the Company thoroughly analyses the cooperation partner's ability and willingness to repay the new as well as previous loans.

The cash flow and solvency of the business partner are the main variables when deciding on a loan, and the Company seeks to obtain sufficient collateral. The Company issues secured loans and unsecured loans. Most unsecured loans are seasonal financing for farmers secured by grain contracts.

Company's exposure to credit risk (excluding available collateral or other security):

	31.12.2021 EUR	%	31.12.2020 EUR	%
Loans with collateral	5 025 319	51	3 674 644	44
Loans without collateral	2 942 121	30	3 165 970	38
Financial lease receivables	1 649 783	17	1 153 562	14
Cash in bank	221 997	2	309 482	4
Maximum credit risk	**9 839 220**	**100**	**8 303 658**	**100**

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet the legally substantiated claims from securities holders and other creditors or for contingent liabilities on time and in full, or will not be able to provide pre-planned asset growth with funding sources in a timely and appropriate and reasonable manner. The purpose of liquidity risk management is to maintain a sufficient amount and appropriate quality of liquid assets, as well as to attract financing with an appropriate term structure, which allows to ensure timely fulfilment of liabilities, as well as pre-planned growth of assets.

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and it makes current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities.

Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

Financial risk management (continued)

Liquidity risk (continued)

The total liabilities of the Company by term is reflected in the following table. The amounts disclosed in the table are contractual undiscounted cash flow.

31 December 2020, EUR

	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	TOTAL	Net book value
Borrowings	183 058	684 133	2 468 600	5 077 150	**8 412 941**	**6 183 254**
Lease liabilities	15 119	37 217	34 316	-	**86 652**	**81 186**
Other liabilities	11 142	-	-	-	**11 142**	**11 142**
Total	209 319	721 350	2 502 916	5 077 150	**8 510 735**	**6 275 582**

31 December 2021, EUR

	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	TOTAL	Net book value
Borrowings	11 111	1 170 637	7 474 600	-	**8 656 348**	**7 514 728**
Lease liabilities	4 115	12 344	44 734	-	**61 193**	**58 079**
Other liabilities	13 650	-	-	-	**13 650**	**13 650**
Total	28 876	1 182 981	7 519 334	-	**8 731 191**	**7 586 457**

Market risk

The Company is exposed to market risks, mostly related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company’s services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

Cash flow and interest rate risk

Interest rate risk is related to the possible impact of general changes in market interest rates on the Company's interest income and expenses.

Loans issued by the Company are with a fixed interest rate, similarly as LCD Bonds and other short-term loans received. At the end of the reporting year, interest rate risk applies only to finance lease liabilities with interest rates applied consisting of base rate and variable rate (6M Euribor, 3M Euribor), however the balance of these liabilities compared to other liabilities is not particularly significant.

Management of the Company monitors fluctuations of interest rates on regular basis and, if necessary, takes measures in order to minimize negative impact of interest rate fluctuations on Company’s operations.

Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, pandemic, crimes, etc) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk.

Foreign exchange risk

The Company’s financial assets and liabilities are not exposed to foreign currency risk. All transactions are concluded in euros.

Management of the capital structure

The Company's objectives in capital risk management are to ensure its sustainable operation while maximizing the income of its stakeholders and to avoid violating the restrictive conditions set out in the loan agreements and related to the capital structure. Capital management is performed by optimizing the balance of creditors and equity (with the aim that the debt-to-equity ratio does not exceed 4) and by ensuring that the total amount of equity and subordinated loan (see Note 13 (b)) is not less than 20% of total assets (this condition was met during 2021 and 2020).The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, other reserves and retained earnings.

At year-end the ratios were as follows:

	31.12.2021 EUR	31.12.2020 EUR
Liabilities, gross	7 586 457	6 275 582
Cash and bank	221 997	309 482
Net debts	**7 364 460**	**5 966 100**
Equity	2 100 885	1 945 944
Liabilities / equity ratio	**3.61**	**3.22**
Net liabilities / equity ratio	**3.51**	**3.07**

Notes to the financial statements (continued)
Accounting policies (continued)

(c) Summary of significant accounting policies (continued)
Financial risk management (continued)

Fair value considerations for assets and liabilities

Financial instruments by category
The Company's principal financial instruments are issued loans, cash and cash equivalents, issued bonds and other borrowings, payables to suppliers and other creditors. These financial instruments ensure day-to-day operations of the Company.

	31.12.2021 EUR	31.12.2020 EUR
Assets carried at amortized cost		
Issued loans and other receivables	9 393 839	7 866 924
Cash and cash equivalents	221 997	309 482
Total	**9 615 836**	**8 176 406**
Liabilities at amortized cost		
Issued debt securities (bonds)	4 920 000	4 745 000
Other borrowings	2 594 728	1 438 254
Lease liabilities, trade creditors and other payables	71 729	92 328
Total	**7 586 457**	**6 275 582**

Fair value hierarchy of assets and liabilities
In order to estimate the financial assets and liabilities fair value, the three-level fair value hierarchy is used.
Level 1: active market published price quotations;
Level 2: other methods that use data, all of which are directly or indirectly observable and have a significant impact on the recognized fair value;
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

No financial assets or liabilities of the Company are attributed to Level 1. Included in Level 2 are cash and cash equivalents and debt securities (bonds). Level 3 includes issued loans and other debts, other financial assets, payables and other liabilities.

The Company's management has determined that the carrying amounts of the Company's financial assets and liabilities carried at amortized cost as at 31 December 2021 and 2020 approximate their fair values, as explained below:

- the amortized cost of loans granted, net of provisions for the ECL, approximates their fair value, taking into account the short-term nature of these assets and the fact that their interest rate is similar to the average market interest rate for similar financial assets;
- the carrying amount of the issued bonds approximates their fair value, given that the rate of return quoted on the securities market is similar to the coupon rate of these bonds;
- the fair value of variable interest rate leases is similar to their carrying amount, as their actual variable interest rates approximate the market price of similar financial instruments available to the Company, ie the variable interest rate corresponds to the market price, while the added part of the interest rate corresponds to the risk premium charged by lenders in the financial and capital markets to companies with a similar credit rating level;
- the rate applied to loans received at fixed interest rates does not differ significantly from the comparable variable rate that the Company could receive from market lenders.

New standards and interpretations

Standards and amendments that became effective in the reporting year

New or revised standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2021 and which have not been early adopted by the Company. These standards or interpretations are not expected to have a material impact on the Company's financial statements.

Amendments for Interest Rate Benchmark Reform (phase 2)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 were issued in August 2020 and are applicable from 1 January 2021, with early application permitted. The amendments address the accounting issues that arise when financial instruments that reference an IBOR interest rate transition to an alternative benchmark rate. The amendments include a practical expedient for modifications required by the Interest Rate Benchmark Reform (the Reform), to be treated as changes to a floating interest rate. They also permit changes required by the Reform to be implemented in hedge designations
Notes to the financial statements (continued)

Accounting policies (continued)

(c) Summary of significant accounting policies (continued)
New standards and interpretations (continued)

Amendments for Interest Rate Benchmark Reform (phase 2) (continued)
and hedge documentation without the hedging relationship being discontinued. Adoption of the amendments does not have significant impact on the Company's financial position, results, cash flows or disclosures.

Standards issued but not yet approved

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2022. The IASB permits earlier application. For Company to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, the Company has not applied the following amendments in the financial statements for 2021.

• Amendments to IFRS 4 – deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2023).

• *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 EU).* These narrow scope amendments clarify that liabilities are classified as either current or noncurrent, 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.

• *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, IFRS9, IFRS16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).* 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.

• *Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).* 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.

• *Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).* 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.

• *Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).* The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Company is currently assessing the impact of the amendments listed above on its financial statements.

Other changes in IFRS
Other new or amended IFRSs or interpretations issued and not yet adopted are not expected to have a significant impact on the Company's financial position, results, cash flows or disclosures.

Notes to the financial statements (continued)

(1) Interest income

	2021 EUR	2020 EUR
Interest income from issued loans	1 267 241	1 151 001
Other interest income	30 020	101 132
	1 297 261	**1 252 133**

All interest income is recognized at the effective interest rate and includes amortized commissions (2021: EUR 116 610 and 2020: EUR 121 964). All of the Company's revenues are generated in Latvia.

(2) Interest expense

LCD bonds' coupon expense	340 293	343 700
Interest on other borrowings	129 009	86 133
Interest on borrowings from Citadele Banka AS	104 231	2 585
Borrowing fees	6 469	6 520
Interest on borrowings from Mintos Marketplace AS	2 310	154 056
Interest on lease liabilities	1 620	3 962
	583 932	**596 956**

(3) Impairment

Change of impairment allowance for issued loans (see Note 9)	10 000	40 000
	10 000	**40 000**

(4) Administrative expense

Staff costs	87 047	80 083
Legal services, including debt collection costs	42 435	57 534
Accounting services and professional fees	24 643	20 098
Social insurance	20 535	19 292
IT costs	18 529	19 283
Depreciation of right-of-use assets	13 673	10 729
Transportation expenses	11 484	12 162
Office rent	9 919	9 888
Office expenses	5 426	7 447
Communication expenses	4 783	3 302
Insurance	2 766	5 368
Depreciation of property, plant and equipment	1 486	1 638
Bank commission	679	475
Risk duty	18	18
Other administrative expenses	3 180	1 533
	246 603	**248 850**

(5) Other operating expenses

Marketing and advertising costs	64 945	29 004
Trademark royalties	39 000	39 000
Debt recovery costs	17 004	22 219
Sales promotion costs	5 044	3 919
Membership fees	1 896	105
Donations	-	6 000
Reimbursement of expenses	(17 540)	(3 138)
Other operating expenses	3 128	2 032
	113 477	**99 141**

Notes to the financial statements (continued)

(6) Corporate income tax

	2021 EUR	2020 EUR
Calculated and paid corporate income tax on distributed profit (see Note 12)	38 250	40 000
Tax allowance for donations	-	(3 600)
	38 250	**36 400**

As at 31 December 2021, the Company's retained earnings are EUR 600 860, all of which have arisen after 1 January 2018. If the highest possible dividend payment were approved, the Company would incur a corporate income tax liability in the amount of EUR 150 215.

(7) Property, plant and equipment

	Other fixed assets EUR	Total EUR
Cost:		
31.12.2019.	11 513	11 513
Additions during 2020	552	552
31.12.2020.	12 065	12 065
Additions during 2021	485	485
31.12.2021.	**12 550**	**12 550**
Depreciation:		
31.12.2019.	6 676	6 676
Charge for 2020	1 638	1 638
31.12.2020.	8 314	8 314
Charge for 2021	1 486	1 486
31.12.2021.	**9 800**	**9 800**
Net book value 31.12.2020.	3 751	3 751
Net book value 31.12.2021.	**2 750**	**2 750**

(8) Leases

Company as a lessee:

	2021 EUR	2020 EUR
Right-of-use assets:		
1 January:		
Initial recognition amount	50 514	52 580
Depreciation accrued	(9 145)	(7 063)
Net book value 1 January:	**41 369**	**45 517**
New contracts concluded during the reporting year	74 521	-
Book value of contracts terminated during the reporting year	(37 623)	-
Accumulated depreciation of contracts terminated during the reporting year	4 063	-
Effect of leases refinanced during the reporting year	-	6 581
Charge for 2021	(13 673)	(10 729)
Net book value 31 December:	**68 657**	**41 369**

	2021 EUR	2020 EUR
Lease liabilities:		
Net book value 1 January:	**81 186**	**131 019**
Incl. long-term	*29 738*	*74 782*
short-term	*51 448*	*56 237*
New contracts concluded during the reporting year	74 520	-
Residual value of contracts terminated during the reporting year	(33 559)	-
Effect of leases refinanced during the reporting year	-	6 581
Interest expenses on lease liabilities	1 620	3 962
Interest paid on lease liabilities	(1 620)	(3 962)
Decrease of lease liabilities	(64 068)	(56 414)
Net book value 31 December:	**58 079**	**81 186**
Incl. long-term	*42 480*	*29 738*
short-term	*15 599*	*51 448*

Assets received under finance leases are leased under finance leases to the Company's customers.

Notes to the financial statements (continued)

(8) Leases (continued)

Company as a lessor (financial lease)

Undiscounted lease payments expected after reporting date and within:	**31.12.2021 EUR**	**31.12.2020 EUR**
1 year	933 991	654 920
2-5 years	1 050 106	663 483
Total undiscounted lease payments receivable	1 984 097	1 318 403
Discounted unguaranteed residual value	-	-
Unearned finance income	(350 198)	(181 984)
Net investment leasing	**1 633 899**	**1 136 419**
Interest income on the net investment	182 769	127 496

The lessor's portfolio mainly includes agricultural machinery and equipment. Residual value risk is not significant as there is a secondary market.

(9) Loans

Loans – long-term portion, net	1 962 774	1 538 694
Loans – short-term portion, net	7 429 449	6 240 482
Total	**9 392 223**	**7 779 176**
Including:		
Loans - long-term portion, gross	1 966 274	1 563 277
Loans - short-term portion, gross	7 650 949	6 430 899
Total loans, gross	***9 617 223***	***7 994 176***
Allowance for expected credit losses	(225 000)	(215 000)
Total loans, net	**9 392 223**	**7 779 176**

Loans – movement during the year	**2021 EUR**	**2020 EUR**
Net book value as at 1 January	7 779 176	7 621 205
Loans issued	11 665 471	9 813 143
Loans repaid	(10 189 342)	(9 562 778)
Interest charge	1 297 261	1 252 133
Interest payments received	(1 134 810)	(1 286 477)
Write-offs	(15 533)	(18 050)
Increase in impairment allowance	(10 000)	(40 000)
Net book value as at 31 December	**9 392 223**	**7 779 176**

As at 31 December 2021 the Company has no credit risk concentration for loans issued to one major customer or group of partners.

Company's maximum exposure to credit risk on finance leases and loans issued against the pledge is the loan/ finance lease amount decreased by the value of the pledge. Loans are usually issued in amount of 70-80% of the pledge value.

Company's maximum exposure to credit risk on unsecured loans is the remaining amount of the loans issued. The risk is compensated by the concluded grain contracts.

Loan (gross) age analysis:

	31.12.2021 EUR	**31.12.2020 EUR**
Not overdue	9 204 424	7 668 185
Overdue for 1 - 30 days	1 935	2 444
Overdue for 31 - 90 days	173 353	58 960
Overdue for 91 - 180 days	109 078	67 860
Overdue for more than 180 days	128 433	196 727
	9 617 223	**7 994 176**

Notes to the financial statements (continued)

(9) Loans issued (continued)

Movement of impairment allowance:

	2021 EUR	2020 EUR
Allowance at the beginning of the year	215 000	175 000
Additional allowance	120 000	140 000
Recovered debts	(110 000)	(100 000)
Allowance at the end of the year	**225 000**	**215 000**

Breakdown of loans issued according to their qualitative assessment

31.12.2020	**Stage 1 (12 month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (impaired/ life-time ECL)**	**Total**
	EUR	EUR	EUR	**EUR**
Gross carrying amounts	7 290 709	551 871	151 596	**7 994 176**
ECL allowances	(72 907)	(25 235)	(116 858)	**(215 000)**
Net carrying amounts	7 217 802	526 636	34 738	**7 779 176**
ECL coverage ratio	0,01	0,05	0,77	**0,03**
31.12.2021	EUR	EUR	EUR	
Gross carrying amounts	8 533 989	928 384	154 850	**9 617 223**
ECL allowances	(83 773)	(30 736)	(110 492)	**(225 000)**
Net carrying amounts	8 450 216	897 648	44 359	**9 392 223**
ECL coverage ratio	0,01	0,03	0,71	**0,02**

The dynamics of the ratio of expected credit losses to total loan portfolio reflects management's assumptions and judgments that, despite growing uncertainty about future economic development and the downward revision of initial macroeconomic GDP projections, the problematic global situation presents possibilities and opportunities for Latvia (for example, increase in demand for agricultural products produced in Latvia, increase in sales prices, motivation to produce rationally and efficiently) which, in the opinion of the management, will compensate for the risks related to the availability and increase in prices of raw materials.

Gross carrying amounts and ECL allowances for credit-impaired loans allocated to stage 3 and the fair value of collaterals for these assets

Stage 3 (impaired/ life-time ECL)	**Gross carrying amounts**	**ECL allowances**	**Net carrying amounts**	**Fair value of collateral held**
	EUR	**EUR**	**EUR**	**EUR**
31.12.2020	151 596	(116 858)	**34 738**	45 000
31.12.2021	154 850	(110 492)	**44 359**	46 500

(10) Other debtors

	31.12.2021 EUR	31.12.2020 EUR
LCD bonds' coupon	-	81 900
Taxes overpaid	-	3 240
Prepaid expenses	1 715	2 608
	1 715	**87 748**

(11) Cash and bank

Cash at bank	**221 997**	**309 482**

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, since cash at bank are held in Range A banks (Moody's rating), the identified impairment loss is immaterial and allowance was not recognised.

Notes to the financial statements (continued)

(12) Share capital and dividends

As at 31 December 2021 and 31 December 2020 the subscribed and fully paid share capital the Company is EUR 1 500 000 that consists of 50 000 ordinary shares with a nominal value of EUR 30 each.

On 1 October 2021, the shareholders of the Company made a decision on the distribution of profit in the total amount of EUR 153 000 or approximately EUR 3,06 per share (rounded).

(13) Borrowings

	Note	31.12.2021 EUR	31.12.2020 EUR
Bonds issued	(13a)	4 920 000	4 745 000
Other borrowings	(13b)	1 100 000	1 000 000
Long-term part of borrowings		**6 020 000**	**5 745 000**
Bank borrowings	(13c)	808 062	207 585
Mintos Marketplace AS	(13b)	-	160 669
Other borrowings	(13b)	686 666	70 000
Short-term part of borrowings		**1 494 728**	**438 254**
Total borrowings		**7 514 728**	**6 183 254**

(13a) Bonds issued

LCD Bonds, long-term	4 920 000	4 745 000
	4 920 000	**4 745 000**

The Company has issued bonds (ISIN LV0000802106, registered in Latvian Central Depository, listed in AS Nasdaq Riga). As at the end of reporting year total amount of bonds listed in AS Nasdaq Riga is 1200 bonds, 5 000 EUR nominal value each (total nominal value 6 000 000 EUR) (31.12.2020: 1 200 bonds, 5 000 EUR nominal value each). As at 31 December 2021, 216 bonds are held by the Company itself (31.12.2020: 251 bonds). The coupon rate is 7% and it is paid once a year – on December 31. The nominal value of the bonds will be redeemed in one payment on the redemption date of the bonds. The expiry date of the bonds is 31 December 2026. Most of the holders (excluding bonds for amount of EUR 1 455 000) have an option to sell-back the bonds in the end of each calendar year, with a prior 1-month notice. So far, no such requests have been received.

(13b) Other borrowings

Long-term part (payable after more than 1 year and less than five years):		
SIA KEY INVESTMENT	1 100 000	1 000 000
Long-term part of other borrowings	1 100 000	1 000 000
Short-term part:		
SIA KEY INVESTMENT	-	70 000
KR Capital SIA	150 000	-
DG Ieguldījumi SIA	36 000	-
SIA "Jāņa Kārkliņa zvērinātu advokātu birojs"	500 000	-
Mintos Marketplace AS	-	160 669
Short-term part of other borrowings	**686 000**	**230 669**
Total other borrowings	**1 786 000**	**1 230 669**

As at 31 December 2021 the Company has the following borrowings:

- unsecured loan from SIA KEY INVESTMENT according to the loan agreement from 8 December 2020 in total amount of EUR 1 070 000 with the annual interest rate of 7% and repayment date 31 December 2023. An agreement to increase the loan amount to EUR 1 100 000 was signed on October 6, 2021. This loan is subordinated to the loan from Citadele Banka AS.
- an agreement was signed on 25 January 2019 with AS Mintos Marketplace whereas AgroCredit uses the Mintos internet platform to attract funds from investors to provide credit resources. For borrowed funds, AgroCredit pays investors the interest rate indicated on the platform (normally 6-7% per annum), as well as fee to Mintos (depending on the total amount financed, 1.3-2% per annum. The repayment term for the borrowing which is related to the current grain season, is set at 31.10.2021. All liabilities were settled during the reporting year.

Notes to the financial statements (continued)

(13) Borrowings (continued)

(13b) Other borrowings (continued)

- unsecured loan from SIA "Jāņa Kārkliņa zvērinātu advokātu birojs" according to the loan agreement from 1 November 2021 in total amount of EUR 500 000 with the annual interest rate of 7% and repayment date 31 October 2022.
- unsecured loan from SIA KR Capital according to the loan agreement from 30 November 2021 in total amount of EUR 1 500 000 with the annual interest rate of 5% and repayment date 30 September 2022.
- unsecured loan from SIA DG ieguldījumi according to the loan agreement from 6 October 2021 in total amount of EUR 36 000 with the annual interest rate of 7% and repayment date 31 December 2022.

(13c) Bank borrowings

	31.12.2021 EUR	31.12.2029 EUR
Citadele Banka AS – principal amount	828 347	220 000
Capitalised commission	(23 333)	(13 637)
Accrued interest	3 048	1 222
Total bank borrowings	**808 062**	**207 585**

On 11 December 2020, the Company concluded credit facility agreement with AS Citadele Banka. According the agreement, total limit of the credit facility is EUR 1 950 000. Annual interest rate consists of variable rate 6M Euribor and fixed base rate. The repayment date is October 31, 2021. The credit line was repaid in full during the reporting year.

On 20 October 2021 the Company concluded credit facility agreement with AS Citadele Banka. According the agreement, total limit of the credit facility is EUR 2 000 000 till 28 February 2022, but from 1 March 2022- EUR 4 000 000. Annual interest rate consists of variable rate 6M Euribor and fixed base rate. The repayment date is October 31, 2022.

The collateral of the contract is pledge on the Company’s shares, as well as the Company's assets as a whole at the date of pledge as well as their future components.

According to the concluded loan agreement, the maximum amount of the credit line granted to the Company depends on the structure of its loan portfolio, as well as other requirements specified in the loan agreement must be met.

(13d) Borrowings – movement during the year

	2021 EUR	2020 EUR
Net book value as at 1 January	6 183 254	5 774 417
Borrowings received	7 919 053	8 691 748
Borrowings repaid	(6 578 705)	(8 270 208)
Interest charge	575 843	586 474
Interest paid	(584 717)	(599 177)
Net book value as at 31 December	**7 514 728**	**6 183 254**

(14) Trade creditors and other liabilities

	31.12.2021 EUR	31.12.2020 EUR
Debt for goods and services received	5 101	6 640
Accrued liabilities	6 530	4 417
Other liabilities	2 019	85
	13 650	**11 142**

Notes to the financial statements (continued)

(15) Related party transactions

Payables and receivables from related parties and the transactions performed during reporting period

	Type of transaction	Transaction value 2021 EUR	Outstanding liabilities 2021 EUR	Transaction value 2020 EUR	Outstanding liabilites 2020 EUR
Loan from related company	Loan received	590 000	-	3 470 000	-
	Loan repaid	(24 000)	-	(2 940 000)	-
	Interest charge	83 691	-	43 222	-
	Outstanding balance as at 31 December	-	1 636 000	-	1 070 000
Loan from shareholder	Loan received	-	-	-	-
	Loan repaid	-	-	(199 000)	-
	Interest charge	-	-	271	-
	Outstanding balance as at 31 December	-	-	-	-

Except for the above transactions, the Company has not performed any other related party transactions during the reporting year.

(16) Average number of the Company's employees

	2021	2020
Average number of employees during the reporting year:	**4**	**4**

(17) Personnel costs

	2021 EUR	2020 EUR
Salary expenses	61 847	54 883
Social insurance	14 590	13 221
	76 437	**68 104**
incl. management remuneration:		
Salary expenses	25 200	25 200
Social insurance	5 945	6 071
	31 145	**31 271**

(18) Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2021.

(19) Distribution of the profit proposed by the Board

The Management Board recommends to the shareholders to retain the profit of the reporting year in amount of 307 941 EUR undistributed.

/signed/
Ģirts Vinters
Chairman of the Board

/signed/
Jānis Kārkliņš
Member of the Board

/signed/
Evija Šverna
Accountant

POTAPOVIČA
ANDERSONE

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Independent Auditor's Report

To the shareholders of SIA AgroCredit Latvia

<u>Report on the audit of financial statements</u>

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA AgroCredit Latvia ("the Company") set out on pages 6 to 27 of the accompanying annual accounts, which comprise:

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

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

Our opinion is consistent with our additional report to the Council (body equivalent to the Audit Committee) dated 27 April 2022.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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

Key Audit Matters

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

Key audit matter	*How our audit addressed the key audit matter*
<u>*Expected credit losses on loans issued*</u>	
Refer to Section "Impairment of financial assets at amortised cost. Expected credit losses" on pages 13 and 14 of the financial statements and Note 9 on pages 23 and 24 respectively. We focused on this area because loans issued represent a significant part of the Company's assets and application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans impairment losses requires subjective judgements over both timing of recognition of impairment and the size of any such impairment. As disclosed in Note 9 to the Financial statements, the net balance sheet value of loans issued as at 31 December 2021 amount to EUR 9 392 223. As at 31 December 2021	Our audit procedures, amidst others, included the following: • discussion with the management of the Company regarding the specifics of the current market situation, including the impact of Covid-19 crisis on the agriculture industry, expected profit levels and ratios of asset return; • updating our understanding of general principles applied to loan issuance and the adequacy of control procedures applied for the monitoring of borrowers; • assessing whether the Company's accounting policies in relation to the ECL of issued loans are in compliance with IFRS 9 by assessing each significant model component;

Key audit matter	*How our audit addressed the key audit matter*
expected credit losses for loans issued amounted to EUR 225 000 and net loss for 2021 from the impairment allowance amounted to EUR 10 000. ECL rate is affected by the carrying value of defaulted asset, the probability of default and other risk factors known, as well as expected cash flows from loan repayment or pledge realisation, as well as modifications of ECL model in the result of microeconomic scenarios. For determination of components for ECL calculation, the management of the Company applies a number of significant assessments and judgements.	• performing detailed audit procedures on the reliability of loan data, checking the dates of agreements, loan amounts issued and repaid, on sample basis. • review of adequacy of ageing analysis of loans issued on a sample basis, as ageing analysis is one of the ECL components; • in accordance with the ECL model developed by the Company, as well as our test results, identified accounts receivable with the highest risk level and substantively tested ECL recognition; • evaluating the adequacy and sufficiency of provisions made in prior periods with the actual repayment data for the loans provided for; • analytical tests of consistency and adequacy of ECL model application; • evaluating the loan repayment dynamics after the balance sheet date; • we have reviewed the disclosures to the financial statements.

Reporting on Other Information

Management is responsible for the other information. The other information comprises:

- the Management report, as set out on pages 3 to 4 of the accompanying annual accounts,
- the Statement of Management's Responsibility and Corporate governance statement, as set out on page 5 of the accompanying annual accounts,
- the Statement of Corporate Governance, set out in separate statement prepared by the Company's management and at the date of this auditor's report available on the Company's website http://www.agrocredit.lv/.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in Article 56.^{2} section 3 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance available on the Company's website http://www.agrocredit.lv/ at the date of this auditor's report includes the information required in Article 56.^{2} section 3 of the Financial Instruments Market Law.

To the best of our knowledge and belief, we declare that we have not provided to the Company any non-audit services prohibited in accordance with Article 37.^{6} of the Law on Audit Services of the Republic of Latvia.

Appointment

We were first appointed as auditors for the Company's financial statements for the year ended 31 December 2016. This is the sixth consecutive year of our appointment as auditors.

The responsible certified auditor on the audit resulting in this independent auditor's report is Lolita Čapkeviča.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99

/signed/

Lolita Čapkeviča
Responsible Certified Auditor
Certificate No. 120
Member of the Board

Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.
This independent auditor's report (translation of the Latvian original) should only be used with the original document submitted to the Riga Stock Exchange in machine-readable .xhtml format (https://nasdaqbaltic.com).