JSC Longo Group

Unified registration number 42103081417

Consolidated annual report

For the year ended 31.12.2021

Prepared in accordance with international Financial reporting standards as adopted by the EU
Together with Independent Auditor's Report

Latvia, 2022

Contents

General information

Name of the Parent Group	Longo Group	
Legal status of the Parent Group	JSC	
Unified registration number, place and date of registration	42103081417, Latvia, 1004	
Registered office	Mūkusalas iela 72A, Riga, Latvia	
Shareholders		31.12.2021.
	SIA ALPPES Capital	46%
	Other shareholders	54%
	TOTAL:	**100%**
	* total shareholding is split in A type and B type shares, more details in Note 20.	
Board Members	Edgars Cērps - Chairman of the Board from 28.12.2020	
	Jacob Willem Hoogenboom - Member of the Board from 28.12.2020	
Council Members	Aigars Kesenfelds - Chairman of the Council from 28.12.2020	
	Māris Keišs - Deputy of the Council from 01.03.2021	
	Alberts Pole - Member of the Council from 01.03.2021	
	Kristaps Ozols - Member of the Council from 01.03.2021	
	Neil Johathan Smith - Member of the Council from 01.03.2021	
	Mārtiņs Baumanis - Member of the Council 28.12.2020-01.03.2021	
Subsidiaries	Longo Latvia JSC, Latvia (100%)	
	Longo LT LLC, Lithuania (100%)	
	Longo Estonia LLC, Estonia (100%)	
	Longo Shared Services LLC, Lithuania (100%)	
	Longo Netherlands LLC, Netherlands (100%)	
	Longo Belgium LLC, Belgium (100%)	
	Maxxus LLC, Germany (100%)	
Financial year	01.01.2021 - 31.12.2021	
Previous financial year	01.01.2020 - 31.12.2020	
Auditors	KPMG Baltics LLC, Vesetas street 7, Rīga, LV-1013, Licence No. 55	
	Certified auditor in charge Rainers Vilāns	
	Certificate No. 200	

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Management report

14 April 2022

General information

The Group was established in 2018 and is the leading used car retailer in the Baltics. It is present in Latvia, Lithuania and Estonia, as well as in the Netherlands, Belgium and Germany. The Group brings a new meaning to the Baltic used car retail industry by providing a fully transparent, reliable and world class used car purchase experience via both online and physical sales channels. Being a fully vertically integrated company, the Group carefully selects and sources (purchases) most of its cars from the Netherlands, Belgium, Germany and the Baltic countries. The Group has its own preparation center in Lithuania with facilities based in the Panevežys region. To ensure the highest quality standards, before cars are sold, they are thoroughly checked, conditioned and if needed repaired by Longo's professional team. The Group is also offering financing solutions of its partners to customers.

The Group's data-driven approach and significant online presence has allowed it to build efficient operations spanning multiple geographies and becoming a leader of the used car retail market in the Baltics. In order to support and control each step of the business, as well as make data driven decisions daily, Longo has heavily invested in IT infrastructure and developed its own proprietary integrated IT system.

Longo's mission is to deliver 3 (three) customer promises:

- Wide assortment (the largest and competitively priced popular used car models in the Baltics);
- Convenient and safe user experience (end-to-end, both digital and on-site);
- Highest quality (used cars with guaranteed mileage, full available history and freshly serviced and cleaned).

Edgars Cērps
CEO and Co-Founder of Longo Group

Business results

2021 as a whole was a very successful year for Longo. Even with several disruptions in business caused by COVID-19 restrictions across operations and worldwide supply shortages, the Group managed to double its revenues compared to previous year by reaching 30 million EUR turnover and hit EBITDA of 0,8 million EUR (1,8 million EUR increase compared to previous year) and earn a profit of 0,1 million EUR for the first time.

The significance of digital channels in used car retail increased in 2021 as consumers scaled down their visits to physical car lots and switched to online shopping more and more. Longo was well prepared for providing comprehensive customer service through digital channels, including launching first fully online reservation system in Baltics. Customers now are able to reserve a car by paying a fully refundable reservation fee just with few clicks.

In order to support the ambitious growth plans of Longo new sourcing channels are to be introduced, including local consumer sourcing. There will be continuous focus on increasing the capacity of refurbishing center of the Group.

Future prospects

The Group has ambitious plans for year 2022 - to deliver strong profit while increasing its revenue even further. It is to be achieved by boosting its brand awareness, expanding its physical network, and increasing the car assortment. A totally new concept in the market is planned- opening of showrooms in shopping malls and similar locations where customers have opportunity to interact with sales representatives and order cars to be delivered for test drives.

In order to support the ambitious growth plans of Longo new sourcing channels are to be introduced, including local consumer sourcing. There will be continuous focus on increasing the capacity of refurbishing center of the Group.

The Group obeys local laws relating to environmental protection.

Risk management

Credit risk

Receivables of the Group consist mainly of receivables from finance companies. Credit risk of the Group refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Longo considers all of its material counterparties to be creditworthy as they represent well-established financial institutions. Groups' exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed.

The credit risk on cash and cash equivalents is limited because the counterparties are banks and payment systems. To spread the credit risk, Longo deposits its cash reserves with different banks and payment systems.

Interest rate risk

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

Capital risk

The Group's objective when managing capital (net debt and total equity) is to ensure the continuity of its operations and within foreseeable future achieve optimal returns to shareholders. Management aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Bond prospectus. This ratio is calculated as Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt) to consolidated assets of the Group. Ratio as at December 31, 2021 was 67%. Overall management of the borrowings is driven by monitoring and complying with the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

Liquidity risk

Prudent liquidity risk management of Longo means maintaining sufficient cash reserve to cover planned liabilities of the Group.

Events after the reporting period

Longo Group JSC bonds have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga as of March 31, 2022 **(Note 22)**.

In line with the growth strategy of the Group, a first branch retail location was opened in the RYO shopping mall in Panevėžys and a new sales subsidiary was established in Poland. Furthermore, the Group entered into a lease for significantly larger premises in the Netherlands to expand the Group's sourcing operations.

The Group has no direct exposure to the conflict in Ukraine and there are no immediate accounting implications. For more details see **Note 31**.

Signed on behalf of the Group on 14 April 2022 by:

Edgars Cērps	Jacob Willem Hoogenboom
Chairman of the Board	*Member of the Board*

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

		2021 EUR	2020 restated* EUR
Revenue from vehicle sales	**4**	30,288,837	15,012,596
Cost of sales	**5**	(26,601,592)	(13,646,384)
Gross profit		**3,687,245**	**1,366,212**
Selling expense	**6**	(608,581)	(227,836)
Administrative expenses	**7**	(3,543,786)	(3,153,362)
Other operating income	**8**	759,590	734,225
Other operating expense	**9**	(50,373)	(282,392)
Interest expense and similar expense	**10**	(206,800)	(298,768)
Net operating expenses		**(3,649,950)**	**(3,228,133)**
Profit before tax		**37,295**	**(1,861,921)**
Income tax	**11**	96,037	66,196
Net profit/(loss) for the year		**133,332**	**(1,795,725)**
Other comprehensive income/(loss)		**-**	**-**
Total comprehensive income for the year		**133,332**	**(1,795,725)**

* Information regarding the restatements made in the financial statements is disclosed in **Note 2.**

The accompanying notes on pages 12 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 14 April 2022 by:

Edgars Cērps	Jacob Willem Hoogenboom	Jevgenijs Sokolovs
Chairman of the Board	*Member of the Board*	*Chief accountant*

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Consolidated Statement of Financial Position

Assets

NON-CURRENT ASSETS		31.12.2021. EUR	31.12.2020. restated* EUR
Intangible assets			
Intangible assets	**12**	475,768	246,650
Intangible assets development costs	**12**	2,733	35,669
Total intangible assets		**478,501**	**282,319**
Tangible assets			
Right-of-use assets	**13**	1,478,513	1,604,674
Property and equipment	**13**	323,234	297,662
Leasehold improvements	**13**	127,227	147,912
Total tangible assets		**1,928,974**	**2,050,248**
Deferred tax assets	**11**	318,075	221,922
Total non-current financial assets		**318,075**	**221,922**
TOTAL NON-CURRENT ASSETS		**2,725,550**	**2,554,489**
CURRENT ASSETS			
Inventories			
Goods for resale and raw materials	**14**	8,053,706	6,598,506
Work in progress	**14**	174,856	-
Total inventories		**8,228,562**	**6,598,506**
Receivables and other current assets			
Other assets	**15**	666,588	349,584
Trade and other receivables	**16**	213,438	26,819
Prepayments to suppliers and similar	**17**	565,922	37,741
Contract assets	**18**	37,947	18,016
Total receivables and other current assets		**1,483,895**	**432,160**
Cash and cash equivalents	**19**	**2,890,919**	**1,481,946**
TOTAL CURRENT ASSETS		**12,603,376**	**8,512,612**
TOTAL ASSETS		**15,328,926**	**11,067,101**

* Information regarding the restatements made in the financial statements is disclosed in **Note 2.**

The accompanying notes on pages 12 to 47 are an integral part of these consolidated financial statements.

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Consolidated Statement of Financial Position

Equity and Liabilities

EQUITY		31.12.2021. EUR	31.12.2020. restated* EUR
Share capital	**20**	12,969,926	7,000,000
Share premium		250,000	-
Share-based payment reserve	**21**	38,007	-
Accumulated losses/Retained earnings			
brought forward		(5,144,744)	(3,349,019)
for the period		133,332	(1,795,725)
TOTAL EQUITY		**8,246,521**	**1,855,256**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	**22**	5,393,945	7,316,744
Total non-current liabilities		**5,393,945**	**7,316,744**
Current liabilities			
Loans and borrowings	**22**	602,674	1,004,678
Trade payables		324,908	427,881
Taxes payable	**23**	424,149	253,607
Corporate Income tax		284	11,498
Other liabilities	**24**	87,377	32,243
Accrued liabilities	**25**	249,068	165,194
Total current liabilities		**1,688,460**	**1,895,101**
TOTAL LIABILITIES		**7,082,405**	**9,211,845**
TOTAL EQUITY AND LIABILITIES		**15,328,926**	**11,067,101**

* Information regarding the restatements made in the financial statements is disclosed in **Note 2.**

The accompanying notes on pages 12 to 47 are an integral part of these consolidated financial statements.

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Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Other Reserves	Retained earnings	**Total**
Balance at 01.01.2020.		**5,000,000**	**-**	**-**	**(3,349,019)**	**1,650,981**
Total comprehensive income restated						
Losses for the period		-	-	-	(1,795,725)	(1,795,725)
Total comprehensive income for the period		-	-	-	(1,795,725)	(1,795,725)
Transactions with owners of the Group						
Contributions and distributions						
Issues of ordinary shares		2,000,000	-	-	-	2,000,000
Total transactions with owners of the Group		2,000,000	-	-	-	2,000,000
Restated		**7,000,000**	**-**	**-**	**(5,144,744)**	**1,855,256**
Balance at 01.01.2021.		**7,000,000**	**-**	**-**	**(5,144,744)**	**1,855,256**
Balance at 01.01.2021. (restated)		**7,000,000**	**-**	**-**	**(5,144,744)**	**1,855,256**
Total comprehensive income						
Profit for the period		-	-	-	133,332	133,332
Total comprehensive income for the period		-	-	-	133,332	133,332
Transactions with owners of the Group						
Contributions and distributions						
Issues of ordinary shares	**21**	6,219,927	250,000	-	-	6,469,927
Decrease in capital		(250,001)	-	-	-	(250,001)
Equity-settled share-based payment	**22**	-	-	38,007	-	38,007
Total transactions with owners of the Group		5,969,926	250,000	38,007	-	6,257,933
Balance at 31.12.2021.		**12,969,926**	**250,000**	**38,007**	**(5,011,412)**	**8,246,521**

* Information regarding the reclassifications made in the financial statements is disclosed in **Note 2**.

The accompanying notes on pages 12 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 14 April 2022 by:

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Chairman of the Board	*Member of the Board*	*Chief accountant*

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Consolidated Statement of Cash Flows

Cash flows to/from operating activities	Notes	2021 EUR	2020 restated EUR
Profit before tax		37,295	(1,834,266)
Adjustments for:			
Amortisation and depreciation	**12, 13**	577,697	714,909
Interest expense	**10**	206,800	298,768
Interest income		(10)	(7)
Loss from disposal of property, plant and equipment		4,716	127,022
Equity settled share-based payment transactions	**21**	38,007	-
Income from COVID-19 related rent concession		(15,621)	(85,956)
Operating profit before working capital changes		**848,884**	**(779,530)**
(Increase)/ decrease in inventories		(1,630,056)	545,202
(Increase)/ decrease in trade and other receivables		(802,355)	(326,193)
(Decrease)/increase in advances received and trade payables		185,756	(306,619)
Increase in accrued liabilities		(43,060)	30,677
Increase in accrued income		(249,380)	-
Cash flow used in/from operations		**(1,690,211)**	**(836,463)**
Interest received		10	6
Corporate income tax paid		(11,214)	(11,498)
Net cash flows used in operating activities		**(1,701,415)**	**(847,955)**
Cash flows to/from investing activities			
Acquisition of property and equipment and other intangible assets	**12, 13**	(334,251)	(271,482)
Proceeds of property and equipment and other intangible assets	**12, 13**	5,756	9,875
Net cash flows used in operating activities		**(328,495)**	**(261,607)**
Cash flows to/from financing activities			
Proceeds from issue of share capital	**20**	250,001	-
Decrease of share capital		(250,001)	-
Repayments for borrowings	**22**	(1,192,356)	(2,151,055)
Payments for borrowings issuance costs	**22**	(72,020)	-
Repayment of liabilities for right-of-use assets	**22**	(375,068)	(314,262)
Borrowing received		2,697,105	4,202,682
Bonds issued	**22**	2,530,000	-
Interest paid		(104,106)	(411,872)
Cash payments for the interest portions of lease liabilities		(44,672)	(54,276)
Net cash flows to/from financing activities		**3,438,883**	**1,271,217**
Change in cash		**1,408,973**	**161,655**
Cash at the beginning of the year		1,481,946	1,320,291
Cash at the end of the year	**19**	**2,890,919**	**1,481,946**

* Information regarding the reclassifications made in the financial statements is disclosed in **Note 2.**

The accompanying notes on pages 12 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 14 April 2022 by:

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Notes to the Financial Statements

1. CORPORATE INFORMATION

Longo Group JSC (the "Parent Group") and its subsidiaries (together "the Group") is a Latvian Group. The Parent Group was incorporated on October 10, 2017 as a joint stock Group for an unlimited duration, subject to general Group law.

The consolidated financial statements of the Group include:

Subsidiary name	Registration number	Country of incorporation	Principal activities	% equity interest 2021	% equity interest 2020
Longo Group JSC	42103081417	Latvia	Holding activity	-	-
Longo Latvia JSC	40203147079	Latvia	Car sales	100%	100%
Longo LT LLC	304837699	Lithuania	Car sales	100%	100%
Longo Estonia LLC	14554950	Estonia	Car sales	100%	100%
Longo Shared Services LLC	305217797	Lithuania	Car repair services	100%	100%
Longo Netherlands LLC	71706267	Netherlands	Car sales	100%	100%
Longo Belgium LLC	0881764642	Belgium	Car sales	100%	100%
Maxxus LLC	HRB18213	Germany	Car sales	100%	100%
Car Stock LVA LLC*	42103103659	Latvia	Car sales	-	100%

* During the reporting year management decided to voluntarily liquidate Car Stock LVA LLC. The process was finalised on November 9, 2021, Longo Group JSC has recognised loss on disposal of subsidiary in amount of EUR 16 145 in its standalone annual report.

The core business activity of the Group is vehicle sales to customers.

Consolidated annual report of 2021 has been approved by decision of the board on 14 April 2022.

Shareholders have the financial statements approval rights after their approval by the Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated annual financial statements as of and for the year ended 31.12.2021 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union (further IFRS).

According to the decision made by the management the financial statements for 2021 were prepared in accordance with IFRS. The financial statements for 2020 were prepared in accordance with the Law on Accounting and the Annual Reports and Consolidated Annual Report Law. The comparatives for 2020 disclosed in the financial statements for 2021 are reflected in accordance with IFRS and were classified in line with the principles used in 2021 and are comparable. The Group was not required to prepare consolidated Financial statements for 2019 as it was part of another group of companies and was consolidated into that group. Consequently, no consolidated financial statements have been previously published. Due to this reason, there are no direct disclosures of IFRS transfer comparing 1 January 2020 IFRS balances to Latvian GAAP balances. However to illustrate the impact of the transition from financial statements prepared in accordance with the Law on Accounting and the Annual Reports and Consolidated Annual Report Law and the ones prepared in accordance with IFRS, the Group has compared its 2020 figures under both standards. The opening balances before the transition to IFRS agree to the prior year closing balances. For the comparison and impact of transition to IFRS on the Group's financial statements please refer to **Note a;**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards is applicable. These consolidated financial statements include the disclosures required by IFRSs that are applicable for financial years beginning on or after 1 January 2021.

a) First-time adoption of IFRS

The comparatives for the period ended 31 December 2021 and as at the date of transition 1 January 2020 were prepared and disclosed by the Company in accordance with IFRS.

The transition from the Latvian statutory requirements to IFRS had a significant impact on the presentation of the items of the balance sheet, profit or loss for 2020. The most significant impact was that on right-of use assets and loss for the reporting year.

In 2020 operating leases were recognized under Latvian GAAP which are similar to IAS 17 in regards to recognition of finance and operational leases. Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor were classified as operating leases. Lease payments under an operating lease were recognized as expenses on a straight-line basis over the lease term and included in administrative expenses.

The Administrative expenses item in the statement of comprehensive income for 2020 includes EUR 68 484 that arises from the change of the accounting treatment of operational leases under IFRS 16, which includes the reversal of operational leases expenses (EUR 425 327) and an adjustment to depreciation in 2020 of EUR 493 811. Other operating income includes effect of IFRS 16 COVID-19-Related rent concessions discount in amount of EUR 85 957. The amount change of EUR 56 789 under Interest expense and similar expense arises from additional interest charged on financial leases. The total balance sheet amount as at 31 December 2020 was adjusted due to the application of IFRS 16. The accumulated losses were adjusted in amount of EUR 39 316 due to additional depreciation and interest charges, right-of use asset in amount of EUR 1 604 674 and lease liabilities in amount of EUR 1 643 987 have been recognised.

b) Reclassifications in comparative indicators

Reclassifications below are made as part of the conversion from Latvian GAAP to IFRS.

1) Management has reassessed approach to determining cost of sales items to enhance fair presentation and classification of expenses. Items in amount of EUR 39 600 have been reclassified from Cost of sales to Administrative expenses.

2) The interest income and similar income in amount of EUR 6 was reclassified to other operating income as not material item in terms of providing relevant information to stakeholders.

3) Income from transportation services were reclassified from Other operating income to Revenue from vehicle sales (EUR 16 844)

4) Prepaid expenses in amount of EUR 11 188 are transferred to Prepayments to supplier and similar.

5) Other receivables in amount of EUR 299 807 are reclassified to Trade and other receivables (EUR 16 819) and to Prepayment to supplier and similar (EUR 282 988).

6) Administrative expenses in amount of EUR 25 143 were adjusted due to under accrued liabilities in 2020.

7) Corporate income tax in amount of EUR 11 498 has been separated from Tax payable.

8) BPM tax receivables were reclassified from Contract assets (EUR 93151) and Prepayments to suppliers (EUR 256 433) to Other assets.

9) Accrued interest in 2020 was reclassified from Accrued liabilities to Loans and Borrowings in amount of EUR 135 007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reconciliation of the statement of comprehensive income for the year ended 31 December 2020:

	2020 under Latvian GAAP EUR	Reclassifications and other adjustments EUR	Adjustment from IFRS first-time adoption EUR	2020 under IFRS EUR
Revenue from vehicle sales[3]	14,995,752	16,844	-	15,012,596
Cost of sales[1]	(13,685,984)	39,600	-	(13,646,384)
Gross profit	**1,309,768**	**-**	**-**	**1,366,212**
Selling expense	(227,836)	-	-	(227,836)
Administrative expenses[1)6]	(3,017,622)	(67,256)	(68,484)	(3,153,362)
Other operating income[2)3]	665,106	(16,838)	85,957	734,225
Other operating expense	(282,392)	-	-	(282,392)
Interest income and similar income[2]	6	(6)	-	-
Interest expense and similar expense	(241,979)	-	(56,789)	(298,768)
Net operating expenses	**(3,104,717)**	**-**	**-**	**(3,228,133)**
Profit before tax	**(1,794,949)**	**(27,656)**	**(39,316)**	**(1,861,921)**
Income tax	**66,196**	**-**	**-**	**66,196**
Net profit/(loss) for the period	**(1,728,753)**	**(27,656)**	**(39,316)**	**(1,795,725)**
Total comprehensive income for the year	**(1,728,753)**	**(27,656)**	**(39,316)**	**(1,795,725)**

Reconciliation of balance sheet items as at 31 January 2020:

ASSETS	31.12.2020 under Latvian GAAP EUR	Reclassifications EUR	Adjustment from IFRS first-time adoption EUR	31.12.2020 under IFRS EUR
Right-of-use assets	-	-	1,604,674	1,604,674
Other non-current assets	949,816	-	-	949,815
TOTAL NON-CURRENT ASSETS	**949,816**	**-**	**1,604,674**	**2,554,489**
Other assets[8]	-	349,584	-	349,584
Trade and other receivables[5]	9,999	16,820	-	26,819
Other debtors[5]	299,807	(299,807)	-	-
Prepaid expenses[4]	11,188	(11,188)	-	-
Prepayments to suppliers and similar[5)4]	-	37,742	-	37,742
Contract assets[8]	111,167	(93,151)	-	18,016
Other current assets	8,080,452	-	-	8,080,452
TOTAL CURRENT ASSETS	**8,512,613**	**-**	**-**	**8,512,612**
TOTAL ASSETS	**9,462,429**	**-**	**1,604,674**	**11,067,101**
EQUITY AND LIABILITIES				
Share capital	6,997,487	2,513	-	7,000,000
Accumulated losses[6]	(5,077,772)	(27,656)	(39,316)	(5,144,744)
TOTAL EQUITY	**1,919,715**	**(25,143)**	**(39,316)**	**1,855,256**
Loans and borrowings[9]	-	6,042,428	1,274,316	7,316,744
Other non-current liabilities	6,042,428	(6,042,428)	-	-
Total non-current liabilities	**6,042,428**	**-**	**1,274,316**	**7,316,744**
Loans and borrowings	500,000	135,007	369,671	1,004,678
Corporate Income tax[7]	-	11,498	-	11,498
Taxes payable[7]	265,105	(11,498)	-	253,607
Other current liabilities	460,125	-	-	460,124
Accrued liabilities[6]	275,056	(109,864)	-	165,194
Total current liabilities	**1,500,286**	**25,143**	**369,671**	**1,895,101**
TOTAL LIABILITIES	**7,542,714**	**25,143**	**1,643,987**	**9,211,845**
TOTAL EQUITY AND LIABILITIES	**9,462,429**	**-**	**1,604,672**	**11,067,101**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements 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 Group's results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the consolidated financial statements, when determinable.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments in their present form, will have a material impact on the group.

Significant accounting principles:

a) In accordance with IFRS 9 Financial Instruments – standard the impairment of financial asset is based on the expected credit loss method. The significant financial assets of Longo are trade receivables arising from normal business operations. For these trade receivables the group applies a simplified provision matrix approach. According to this approach, a loss is recognized by using the provision matrix, except for situations where financial assets are assessed to be impaired due to credit risk. In Longo the amount of impairment losses from trade receivables has been historically low.

b) The consolidated financial statements are prepared on a historical cost basis, except for share based payment transactions whose amounts initially are determined at fair value at the time of granting.

c) Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The Group's presentation currency is euro (EUR). The financial statements cover the period from 01.01.2021 till 31.12.2021 , with comparative period 2020 conversed from Latvian GAAP to IFRS. Accounting policies and methods are consistent with those applied in the previous years, except as described in Note b.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as for the Parent company, using consistent accounting policies. The consolidated financial statements comprise the financial statements of the Parent company (Longo Group JSC) and its subsidiaries as at 31 December 2021. Special conversion from local GAAP to IFRS has been performed for all subsidiaries, for more details refer to **Note 2.**

Control is achieved when the Parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealised gains and losses on transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it:

- Derecognises the related assets and liabilities of the subsidiary;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the statement of comprehensive income;

Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives of 7 years.

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the project is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the project is demonstrated;
- there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in **Notes 3 and 12**.

Licenses and other intangible assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Other intangible assets mainly consist of acquired computer software products.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Other intangible assets - acquired IT Systems	over 7 years.

Property and equipment

Equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Computers	over 3 years;
Furniture	over 5 years;
Vehicles	over 7 years;
Leasehold improvements	according to lease term;
Other equipment	over 3 years.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset’s net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income in the impairment expense caption.

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

Financial instruments

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid assets that are readily convertible to cash without the significant risk of changes in value within 3 months or less. Cash and cash equivalents comprise non-cash balances on current accounts at banks, payment systems and cash balances.

Operating lease – Group as lessee

Lease liability

Initial recognition

At the commencement date of the lease the Group measures the lease liability at the present value of the lease payments that are not paid at that date in accordance with lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group has elected for all classes of underlying assets not to separate non-lease components from lease components in lease payments. Instead Group accounts for each lease component and any associated non-lease components as a single lease component. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset, together with both:

(a) Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and

(b) Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

At the commencement date, the Group assesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

After the commencement date, the Group measures the lease liability by:

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

Right-of-use assets

Initial recognition

At the commencement date of the lease, the Group recognises right-of-use asset at cost. The cost of a right-of-use asset comprises:

- 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 Group; and
- an estimate of costs to be incurred by the Group 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, unless those costs are to produce inventories.

Subsequent measurement

Group measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses; and adjusted for the remeasurement of the lease liability. Depreciation of the right-of- use asset is recognised on a straight-line basis in profit or loss. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated 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.

Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Initial recognition exemptions applied

As a recognition exemption the Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:

(a) Short term leases – for all classes of underlying assets; and

(b)Leases of low-value assets – on a lease-by-lease basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognise a lease liability or right-of-use asset. The Group recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

(a) Short term leases

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.

(b) Leases of low-value assets

The Group defines a low-value asset as one that:

1) has a value, when new of 5 000 EUR or less. Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.

2) the Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and

3) the underlying asset is not dependent on, or highly interrelated with, other assets.

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

The Group negotiated rent concessions with its landlords for a number of its car lots as a result of the impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID- 19-related rent concessions consistently to eligible rent concessions relating to its car lots leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19- related rent concessions is EUR 15 621 (2020: EUR 85 956). See **Note 8.**

Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business less estimated costs necessary to make the sale.

Inventories contain only vehicles which are purchased for the sole purpose of selling them to customers.

Value of inventories is measured on a stock item by item basis. Write-off of each individual stock item is performed on sale of respective individual stock item.

Cash and cash equivalents

Cash comprises cash at bank and on hand with an original maturity of less than three months.

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

Reserves

Share-based payment reserve

Share-based payment reserve is used to record the effect of transactions with owners in their capacity as owners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pensions

The Group pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with legislation. State funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by the law and has no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

Accruals and deferrals

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

Contingencies

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Fair value of share options is determined using valuation method using multiples of similar companies and discounting the value based on characteristics (limitations) of the share options granted.

Income and expenses

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations value added tax incurred on a services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases value added tax is recognized as part of the related expense item as applicable. The same principles is applied if value added tax is not recoverable on acquisition of an asset.

Revenue is recognized in accordance with the related standard's requirements and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The effective interest rate method

Under IFRS 9 for all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Revenue and expenses from contracts with customers (according to IFRS 15)

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the Group's ordinary activities. The Group uses the following criteria to identify contracts with customers:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- can be identified each party's rights regarding the goods or services to be transferred;
- can be identified the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance obligations are promises in the contracts (either explicitly stated or implied) with Group's customers to transfer to the customers distinct goods or services. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract). Both of these criteria must be met to conclude that the good or service is distinct.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of vehicles, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

In order to maintain customer service and satisfaction at the highest level, The Group is offering to its customers free warranty of two months for the sold vehicles. The management of the Group has concluded that it is assurance warranty and therefore no separate performance obligation is recognized.

The Group is recognizing accruals for the potential warranty costs at the moment when car is sold. The amount of accruals is based on historical statistics about realized warranty costs and estimated trend of the costs. As at December 31, 2021 Group had accrued 7.7 thousand EUR for the potential warranty expenses. Actual warranty costs have increased concurrently as the sales volumes have grown.

Customer has a right of return of the purchased vehicle for 14 days after the purchase is made. The Group is following the trend of such returns and as the rate of return is low, is not adjusting the revenue for it.

The Group recognizes revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognized when customer obtains control of the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:

- customer simultaneously receives and consumes the benefits;
- customer controls the asset as it is created or enhanced;
- the Group's performance creates an asset and has a right to payment for performance completed.

Payment terms for goods or services transferred to customers according to contract terms are within 1 to 5 days from the provision of services or sale of goods. The transaction price is generally determined by the contractually agreed conditions. Invoices typically are issued after the goods have been sold or service provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income from commissions

Income from commissions is received from financing companies for selling their lease and credit products to Groups customers.

Other income

Other income arises from additional services provided by the Group to its customers. Main additional source of income from commissions are lease preparation and transportation services. Income is recognized at the moment of cash receipt as likelihood and timing of settlement is uncertain. The performance obligation is satisfied when respective service has been provided.

Contract balances

Contract assets

Contract based assets according to IFRS 15 comprise of accrued financing fees included in the accrued income, and advance payments received relating to Additional warranty product included in deferred income. In the following table is presented the contract based balance sheet items according to IFRS 15

EUR	31.12.2021	31.12.2020
Contract based assets	37,947	18,016

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These receivables are disclosed in balance sheet caption 'Trade and other receivables' **Note 16.**

Trade receivables are non-interest bearing and are generally on terms of 1 to 15 days.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

The Group generates the majority of its revenues from contracts from the sale of cars. Revenues for car sales are recognised in point in time, when invoice is issued and a car is transferred to customer.

The Group revenues from contracts mainly consist of car sales. Table below includes the revenue categories and business models identified as material for the Group`s earnings and the respective timing of recognition:

Revenues	Business type	Timing of recognition
Revenue from sale of motor vehicles	Group business consists of retail sales of used cars. Sales are based on the network of physical car lots and efficient online showrooms in Group's websites.	Income is recognised when the car is delivered to client (point in time)
Revenue from transportation services	Group offers its customers additional services provided by third parties in connection with the sale of the used car.	Income is recognised when service is provided (point in time).

* The quantitative information of those positions are presented in **Note 4.**

The transaction price is generally determined by the contractually agreed conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of motor vehicles

The Group earned its revenues from the sales of used vehicles that were bought from third parties. The Group is calculating minimum sales price based on initial cost plus additional cost incurred (e.g. repairs). All of the mentioned are variable constraints included in the price. A margin then is added in order to make profit from the deal. Subsequently car is sold based on market demand, it can be sold with margin or at bargain price as well. The performance obligation is satisfied upon sales of car since the payment is immediate.

Income taxes

Corporate income tax is paid on distributed profits and deemed profit distributions. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date in the countries where the Group and the Parent Company operates.

Current corporate income tax rates for the foreign subsidiaries are:

Country	Tax rate
Latvia	20%
Lithuania	15%
Estonia	20%
Netherlands	25%
Belgium	29%
Germany	30%

Deferred tax assets and liabilities

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Corporate income tax on profits and deferred income tax expense or benefit of subsidiaries are reported in the consolidated statement of comprehensive income

In Latvia and Estonia legal entities are not required to pay income tax on earned profits. Corporate income tax is paid on distributed profits and deemed profit distributions. Starting from 1 January 2018, both distributed profits and deemed profit distributions are subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense in Latvia. Corporate income tax on other deemed profit items is recognised at the time when expense is incurred in the reporting year. Thus, the effective tax rate in the reporting period for the Bank in Latvia and Estonia and the Group in Latvia was close to 0%.

In other jurisdictions where the Group operates earnings are taxable when earned. The effective tax rate in the reporting period for the all operations of the Group was close to zero. The assessment of the recognisable amount of the tax asset is based on reasonably certain three year forecast to utilised accumulated tax loss by the respective entities. The recognised deferred tax asset represents unutilised tax loss in Lithuania.

Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the group in accepting operating business decisions, key management personnel of the Group including close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence, including subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Segment revenue and expenses are items directly attributable to the operating segment. Certain expenses such as centralized procurement are allocated to the segments on a reliable basis in the internal management reporting.

Other activities comprise Group level operations that are not directly employed by the individual segment in its operating activities. Sales between segments are carried out on arm's length and eliminated on consolidation.

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group assess and identify all potential business segments and

determine whether these segments should be accounted for separately. The Group reports the segment if it contributes 10% or more of the entity's total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments. See **Note 30.**

The group considers sales entities in Latvia, Lithuania and Estonia as an operating segment.

The Group`s subsidiaries in Netherlands, Germany and Belgium (car sourcing activities), Shared Service center in Lithuania (car preparation activities) and holding company in Latvia (administrative support) are engaged in sale of cars and services to Group`s entities only, with no external sales. The Group doesn`t consider these subsidiaries as operating segments.

The Group`s chief executive officer reviews the internal management reports of each division on monthly basis.

There is a high level of integration between both segments, this integration includes transfer of goods and services. Inter-segment pricing is determined on an arm`s length basis.

Subsequent events

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to capitalization of development costs, initial recognition of rights-of- use assets, recoverability of deferred tax asset and fair value of employee share options. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Initial recognition of rights-of-use assets

At initial recognition and reassessment of the rights-of-use assets the Group has to make assumptions and estimates which directly influence the amount of rights-of-use assets. One of those assumptions is a discount rate used for determining the present value of rights-of-use liabilities.

The Group also has to make assumptions in situations where lease term is either not clearly stated in the lease agreement or is different from term which the Group expects to use the asset. In such situations the Group uses in its assessment 5 year term as the actual lease term. Total lease liabilities under this assumption is EUR 276 868 as at 31.12.2021 (2020: EUR 334 330). Under 6 year assumption lease liabilities would be EUR 365 457 as at 31.12.2021 (2020: EUR 415 297). See **Note 13.**

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Capitalization of development costs

For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and hours dedicated to development of new functionality. Therefore these salary expenses of involved personnel are capitalized under Other intangible assets while remaining are recognized as salary expenses in Statement of comprehensive income.

Expenses from amortization of capitalized development costs are included in statement of comprehensive income caption "Administrative expense".

Fair value of employee share options

Group's employees have entered a share option agreements with Longo Group JSC. Under the agreements respective employees obtain rights to acquire Longo Group shares under several graded vesting scenarios.

In estimating fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant.

Expense for share-based remuneration is measured at fair value at the grant date. Share-based remuneration is in a form of conditional share share options. The grant date is the date at which the entity and the participating employee agree to a share-based payment arrangement and an internal approval is obtained. Expense for share-based remuneration is re-measured only if the compensation arrangement is modified so that the fair value after modification has increased compared to the fair value before modification.

The expense is recognised on a straight-line basis over the period of the remuneration program as intention is to receive services from employees over the whole period. For share options granted a corresponding increase in equity is recognised as other reserves.

Estimates of actual or expected forfeitures are re-estimated at each reporting date and if necessary, previously recognised other reserves are reversed directly to the retained earnings. After deferral period,

when vesting conditions are met and conditional share option exercised, previously recognised other reserves are transferred to issued share capital and share premium accounts. See **Note 21.**

Lease term determination under IFRS 16 (Group as a lessee)

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall determine the period for which the contract is enforceable. In assessment of lease term determination the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. These considerations are also applied for lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice. As a result, such agreements are considered as short term leases in accordance with IFRS 16 definition and the Group does not recognise a lease liability or right-of-use asset for these leases. Group considers that after the non-cancellable term lapses the Group does not have enforceable rights and obligations under such agreements.

In considering the Group's options to extend or not to terminate the lease the Group firstly evaluates what the rights of the Group and the lessor under such options. The Group considers whether options included in the lease agreements (1) give an unilateral right for one party (i.e. Group) and (2) creates an obligation to comply for the other party (i.e. lessor). If neither party in the contract has an obligation then Group assessment is that no options are to be considered in the context of lease term assessment. In such situations the lease term would not exceed the non-cancellable contractual term. In determining the lease term the Group has assessed the penalties under the lease agreements as well as economic incentives to prolong the lease agreements such as the underlying asset being strategic. The judgment of the Group management has been that the impact of such factors is not significant due to the contractual features and the Group's business model, which is not reliant on strategic assets.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Lease liability incremental borrowing rate determination under IFRS 16 (Group as a lessee)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has used market rates as its incremental borrowing rate. The Group considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability to finance a specific asset purchase.

It is further considered that the way how local lenders would approach asset financing at each subsidiary level. As per Group's assessment each of the Group's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Group results.

Inventories net realizable value and write-offs

Management evaluates the net realizable value of inventories **(Note 27)** based upon the expected sales prices and selling costs per various product groups and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, a write-off is recorded. At the end of each reporting year the inventories are reviewed for any indications of damages or slow-moving inventories. In cases when damaged or slow-moving inventories are identified write-offs are recognized. During the reporting year stock–counts of the inventories are performed with the purpose to identify damaged inventories.

At each reporting date, a detailed review for net realizable value is executed for cars that have been in inventory for more than 90 days. Management had performed analysis to determine margins for all cars that were sold in 2021 and have been in inventory more than 90 days, and concluded that no adjustments to net realizable value should be expensed through profit or loss, as 100% of that stock have been sold with average margin of 11%.

Recoverability of deferred tax asset

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 5 year horizon. In developing these assumptions the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable.

At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized **(Note 11).**

Intangible assets

The Group has capitalised expenses for internally generated intangible assets on the basis of expectation that those will generate probable future economic benefits. The future recoverability of capitalised expenses expenditure is dependent on a number of factors. Management applies judgement to determine the components of implementation costs to which the purchase consideration should be allocated, which will determine the amounts that should be capitalised and the amounts that should be expensed as incurred.

The Group has assigned finite lives of 7 years to its internally generated intangible assets.

4. REVENUE FROM VEHICLE SALES

Revenue from contracts with customers recognised point in time:		2021 EUR	2020 EUR
Revenue from vehicle sales		30,206,641	14,995,752
Revenue from transportation services		82,196	16,844
	TOTAL:	**30,288,837**	**15,012,596**

Revenue from vehicle sales by countries:			
Lithuania		14,173,835	6,471,792
Latvia		9,619,159	5,129,197
Estonia		6,495,843	3,324,337
Netherlands		-	87,270
	TOTAL:	**30,288,837**	**15,012,596**

Essential business models and revenue recognition methods

The Group revenues from contracts mainly consist of car sales. Table below includes the revenue categories and business models identified as material for The Group`s earnings and the respective timing of recognition:

Revenues	Business type	Timing of recognition
Revenue from car sales	Sales of cars	Income is recognised when the sales happens (Point in time)
Revenue from services	Sales of services	Income is recognised when invoice is issued and service is rendered to a customer (point in time)

The transaction price is generally determined by the contractually agreed conditions.

Performance obligations

The Group's performance obligations consist from advance payments from customers in amount of EUR 22 891 (EUR 24 664 in 2020) and are fully satisfied in 2022.

The performance obligation is satisfied upon sales of the car and payment is generally due immediately and sale happens only when the payment is received.

5. COST OF SALES

Revenue from contracts with customers recognised point in time:		2021 EUR	2020 EUR
Cost of cars sold		26,601,592	13,646,384
	TOTAL:	**26,601,592**	**13,646,384**

6. SELLING EXPENSE

		2021 EUR	2020 EUR
Online advertising and marketing		455,438	172,684
Cars selling expenses		127,554	31,308
Marketing fees		15,734	23,844
Total marketing expenses		**598,726**	**227,836**
Other selling expenses		9,855	-
	TOTAL:	**608,581**	**227,836**

7. ADMINISTRATIVE EXPENSES

		2021 EUR	2020 EUR
Employees' salaries		1,810,993	1,626,016
Amortization and depreciation		577,697	659,351
Social tax contributions		250,724	229,612
Other personnel expenses		227,330	77,837
Professional services		208,415	167,226
Office and branches' maintenance expenses		165,508	185 820
IT services		65,811	49,073
Audit fees		49,718	26,230
Legal services		27,064	29,167
Recruitment fees		23,347	1,215
Insurance		17,788	13,872
Transportation expenses		16,475	17,410
Communication expenses		14,083	13,501
Business trips		13,123	9,177
Representation		11,693	875
Bank commissions		9,227	9,265
Other administration expenses		54,790	37,715
	TOTAL:	**3,543,786**	**3,153,362**

8. OTHER OPERATING INCOME

		2021 EUR	2020 EUR
Commissions from lease companies			
Recognised at point in time		620,555	451,899
Recognised over time		37,327	7,304
	TOTAL:	**657,882**	**459,203**
Commissions by countries:			
Lithuania		258,015	192,171
Latvia		178,080	151,742
Estonia		221,787	115,289
	TOTAL:	**657,882**	**459,203**
Other operating income		62,445	96,193
Reversal of allowance for slow-moving inventory		23,642	-
Income from IFRS 16 COVID-19-Related Rent Concessions		15,621	85,957
Government support in relation to COVID-19		-	92,872
	TOTAL:	**759,590**	**734,225**

Table below includes the income categories for The Group`s earnings and the respective timing of recognition:

Income	Business type	Timing of recognition
Income from received commissions	Group offers its customers financing products provided by third parties in connection with the sale of the used car. The credit risks for these products are borne by finance companies. Group is entitled to financing commissions from its sales of these products. Parts of the fees are contingent on the continuation of the agreement between the finance company and the client.	Income is recognised when the sale of financing product happens (Point in time) or over time when fees are contingent on the continuation of the agreement.

9. OTHER OPERATING EXPENSE

	2021 EUR	2020 EUR
Penalty fees paid	8,385	85,868
Loss on sale of fixed assets	4,716	127,022
Write-offs of bad debts	1,546	17,818
Allowance for slow-moving inventory	-	23,642
Other operating expenses	35,726	28,042
TOTAL:	**50,373**	**282,392**

10. INTEREST EXPENSE AND SIMILAR EXPENSE

	2021 EUR	2020 EUR
Interest expenses on loan facilities	142,836	241,979
Interest expenses on lease liabilities	46,737	56,789
Interest expenses on issued bonds	15,216	-
Other financial expenses	2,011	-
TOTAL:	**206,800**	**298,768**

11. CORPORATE INCOME TAX PAYABLE

	2021 EUR	2020 EUR
Current corporate income tax charge for the reporting year	(116)	(639)
Deferred corporate income tax due to changes in temporary differences	96,153	66,835
Corporate income tax charged to the income statement:	**96,037**	**66,196**

Deferred corporate income tax

Change in net deferred corporate income tax asset:

	2021 EUR	2020 EUR
At the beginning of the period	221,922	155,087
Charge to statement of income	96,153	66,835
Net deferred income tax asset at the period end:	**318,075**	**221,922**

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2021 EUR	2020 EUR
Profit before tax	**37,295**	**(1,861,921)**
Income tax rate	**20%**	**20%**
Tax calculated at the applicable tax rate	**7,459**	**(372,384)**
Undistributed earnings taxable on distribution*	**(28,411)**	**(145,394)**
Non-deductible expenses	116	639
Effect of different tax rates of subsidiaries operating in other jurisdictions	(9,584)	94,004
Deferred tax assets recognized for tax losses carried forward	(96,153)	(66,835)
Unrecognized deferred tax asset	30,536	423,774
Actual corporate income tax for the reporting year:	**(96,037)**	**(66,196)**
Corporate income tax charged to the statement of comprehensive income:	**(96,037)**	**(66,196)**
Effective income tax rate	-257.51%	3.56%

* In Latvia and Estonia corporate income tax expenses are not recognized before profit distribution in accordance with local legislation.

In 2021 management revised its estimates of future taxable profits in Lithuania and the Group recognised the tax effect of EUR 115 455 of previously unrecognised tax losses because management considered it probable that future taxable profits would be available against which such losses can be used.

11. CORPORATE INCOME TAX PAYABLE (Continued)

Deferred corporate income tax:

	Statement of financial position		Statement of income	
	31.12.2021 EUR	31.12.2020 EUR	2021 EUR	2020 EUR
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	367	173	194	(333)
Gross deferred corporate income tax liabilities	**367**	**173**	**194**	**(333)**
Deferred corporate income tax asset				
Tax loss carried forward	(308,977)	(217,985)	(90,992)	(65,830)
Unused vacation accrual	(9,465)	(3,764)	(5,701)	(672)
Other		(346)	346	
Gross deferred corporate income tax assets	**(318,442)**	**(222,095)**	**(96,347)**	**(66,502)**
Net deferred corporate income tax assets prior to the reversal of deferred tax	**(318,075)**	**(221,922)**	**(96,153)**	**(66,835)**
Net deferred corporate income tax assets	(318,075)	(221,922)		
Net deferred corporate income tax expense/ (benefit)			(96,153)	(66,835)

Based on five-year business plan the Group believes that the tax asset arising from tax losses will be utilized in the nearest few years against future profits.

A deferred tax asset has been recognized in subsidiaries in Lithuania.

12. INTANGIBLE ASSETS

	Licenses	Internally generated intangible assets	Intangible assets development costs	Other intangible assets	Total intangible assets
Cost	-	-	37,967	229,839	**267,806**
Accumulated amortization	-	-	-	(14,320)	**(14,320)**
As at 1 January 2020	**-**	**-**	37,967	215,519	**253,486**
2020					
Additions	-	-	73,971	78,240	**152,211**
Reclassification	-	-	-	(47,109)	**(47,109)**
As at 31 December 2020	**-**	**-**	**111,938**	**246,650**	**358,588**
2020 after restatement					
Additions	-	-	-	308,079	**308,079**
Reclassification	303	305,574	(76,268)	(305,877)	**(76,268)**
Amortization charge	-	-	-	(61,429)	**(61,429)**
Reclassification of depreciation	(200)	(60,693)	-	60,893	**-**
Cost	303	305,574	35,670	2,201	**343,748**
Accumulated amortization	(200)	(60,693)	-	(536)	**(61,429)**
As at 31 December 2020	**103**	**244,881**	**35,670**	**1,665**	**282,319**
2021					
Additions	-	-	223,624	24,620	**248,244**
Disposals (cost)	-	-	-	-	-
Amortization charge	(101)	(48,386)	-	(1,911)	(**50,398**)
Transfer*	-	256,561	(256,561)	-	**-**
Cost	303	562,135	2,733	24,621	**589,792**
Accumulated amortization	(301)	(109,079)	-	(1,911)	**(111,291)**
As at 31 December 2021	**2**	**453,056**	**2,733**	**22,710**	**478,501**

Other intangible assets on 01.01.2020 mainly consisted of Group's developed IT systems in amount of EUR 229 536 and License in amount of EUR 303. These assets` costs and accumulated depreciation were reclassified to Internally generated intangible assets (EUR 229 536) and Licenses (EUR 303).

* Transfer between IA setting up costs and Internally generated IA represents intangible assets recognised during 2021 for which recognition criteria for internally generated IA have been met.

Amortization costs are included in **Note 7** - "Administrative expense".

13. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Vehicle	Right-of-use assets	Advance payments for tangible assets	Leasehold improvements	Property and equipment	TOTAL
Cost		**2,051,649**	-	276,601	365,689	**2,693,939**
Accumulated depreciation		**-**	-	(10,835)	(49,369)	**(60,204)**
As at 1 January 2020		**2,051,649**	**-**	**265,766**	**316,320**	**2,633,735**
2020						
Additions		**46,836**	**-**	10,205	191,994	**249,035**
Disposals (historical cost)		**(113,716)**	-	(107,513)	(131,734)	**(352,963)**
Depreciation charge		**(493,811)**	-	(20,546)	(86,890)	**(601,247)**
Disposals (depreciation)		**113,716**	-		7,972	**121,688**
Cost		**1,984,769**	-	179,293	425,949	**2,590,011**
Accumulated depreciation		**(380,095)**	-	(31,381)	(128,287)	**(539,763)**
As at 31 December 2020	**-**	**1,604,674**	**-**	**147,912**	**297,662**	**2,050,248**
2021						
Additions		**280,811**	61,263	210	73,837	**416,121**
Transferred		**-**	(61,263)	-	61,263	**-**
Disposals (historical cost)		**(68,396)**	-	-	(14,112)	**(82,508)**
Depreciation charge		**(406,972)**	-	(20,895)	(99,969)	**(527,836)**
Disposals (depreciation)		**68,396**	-	-	4,553	**72,949**
Cost		**2,197,184**	**-**	**179,503**	**546,937**	**2,923,624**
Accumulated depreciation		**(718,671)**	**-**	**(52,276)**	**(223,703)**	**(994,650)**
As at 31 December 2021		**1,478,513**	**-**	**127,228**	**323,234**	**1,928,974**

Right-of-use assets and lease liabilities

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated statement of financial position and statement of comprehensive income:

ASSETS		31.12.2021 EUR	31.12.2020 EUR
Non-current assets			
Right-of-use assets (premises)		1,411,622	1,539,404
Right-of-use assets (vehicles)		44,073	28,754
Right-of-use assets (other)		22,818	36,516
	TOTAL:	**1,478,513**	**1,604,674**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities		1,123,674	1,274,318
Current liabilities			
Lease liabilities		412,503	369,671
	TOTAL:	**1,536,177**	**1,643,989**

Leases in the statement of comprehensive income	2021 EUR	2020 EUR
Administrative expense		
Expenses relating to leases of low-value assets and short-term leases	(39,049)	(41,199)
Depreciation of right-of-use assets	(406,972)	(493,811)
Other income		
Income from COVID-19-Related discount	15,621	85,957
Net finance costs		
Interest expense for right to assets	(46,737)	(56,789)
Total cash outflow from leases	**(477,138)**	**(505,842)**

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of 1 January 2021 and 2020 was 3,24% per year.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2021. There were no leases with residual value guarantees. The Group is reasonably certain not to exercise termination or extension options. The Group has committed to 2 new premises lease agreements starting 1 January 2021 with initial term of 5 and 3 years,

14. GOODS FOR RESALE AND RAW MATERIALS

		31.12.2021. EUR	31.12.2020. EUR
Acquired vehicles for purpose of selling them to customers		8,030,385	6,622,148
Write-down allowances		-	*(23,642)*
Raw materials		23,321	-
Work in progress		174,856	-
	TOTAL:	**8,228,562**	**6,598,506**

Inventory is measured at lower of cost and net realizable value. The cost of an individual car included in the inventory balance is determined using the purchase price for the car including directly attributable repair costs for reconditioning the car for selling purposes. At the reporting date, a detailed review for net realizable value is executed for cars that have been in inventory for more than 90 days. In Latvia and Lithuania inventories are pledged as bonds` collateral, totals amount of pledged inventory in these countries is EUR 5 774 456.

There were no write-downs identified for inventoty as at 31.12.2021. (31.12.2020.: 23 642 EUR).

15. OTHER ASSETS

		31.12.2021. EUR	31.12.2020. EUR
BPM tax receivable		343,988	256,433
BPM asset to be declared to tax authorities		322,600	93,151
	TOTAL:	**666,588**	**349,584**

The Group is purchasing majority of its cars in The Netherlands where there is special tax (BPM) for vehicles. The tax is being paid by the buyers of motorized vehicles which are being used in The Netherlands. In case the vehicle is exported out of the country, it is possible to receive a refund of this tax. For each of the used vehicles that are exported out of the Netherlands and have BPM remaining, Groups subsidiary Longo Netherlands BV is claiming the tax back from tax authorities. As the process of submitting the refund request is complicated, the Group initially recognizes asset for all of the imported cars based on BPM amounts for individual cars provided by sellers and information available on publicly available database. When criteria for BPM claim are met, the Group recognizes BPM asset receivable. As at December 31, 2021 Group had recognized 322 600 EUR for BPM asset to be claimed and 343 988 EUR as accounts receivable as they were approved by tax authority. Payments expected to be received within 4 and 2 months respectively.

16. TRADE AND OTHER RECEIVABLES

		31.12.2021. EUR	31.12.2020. EUR
Receivables for sold motor vehicles and commissions		226,129	34,638
Impairment allowance		(12,691)	(17,818)
Receivables from related parties		-	9,999
	TOTAL:	**213,438**	**26,819**

Receivables for sold motor vehicles and commissions

2021	**Not overdue EUR**	**Overdue up to 30 days EUR**	**Overdue up to 60 days EUR**	**Overdue more than 90 days EUR**	**ECL EUR**	**Total EUR**
Finance companies	89,708	11,489	1,101	7,315	(7,315)	**102,298**
Private persons	110,191	99	850	5,376	(5,376)	**111,140**
Total undiscounted financial assets	199,899	11,588	1,951	12,691	(12,691)	**213,438**
2020						
Finance companies	13,303	-	-	12,442	(12,442)	**13,303**
Private persons	3,517	-	-	5,376	(5,376)	**3,517**
Total undiscounted financial assets	16,820	-	-	17,818	(17,818)	**16,820**

Increase in Trade receivables is due to increase in sales where leasing was used as source of financing by clients, both in terms of units and average price, especially at the year end as in 2020 there were stricter Covid-19 restrictions in place at that time and therefore almost no sales.

Movements in the impairment allowance for trade receivables:

Impairment allowance for trade receivables as at 01.01.2020	523
Additional allowances	17,818
Decrease of allowances due to write-off of debts	(523)
Impairment allowance for trade receivables as at 31.12.2020	17,818
Additional allowances	-
Decrease of allowances due to received debts	(5,127)
Impairment allowance for trade receivables as at 31.12.2021	12,691

17. PREPAYMENTS TO SUPPLIERS AND SIMILAR

	31.12.2021. EUR	31.12.2020. EUR
VAT receivable and other taxes*	460,387	1,009
Advances paid for goods and services	72,477	15,591
Prepaids	25,054	11,188
Security deposits	8,004	-
Other debtors	-	9,953
TOTAL:	**565,922**	**37,741**

* Significant increase in VAT receivable is due to active sourcing activities in Netherlands and Belgium during November and December 2021.

18. CONTRACT ASSETS

	31.12.2021. EUR	31.12.2020. EUR
Lease commissions receivable	37,947	18,016
TOTAL:	**37,947**	**18,016**

19. CASH AND CASH EQUIVALENTS

	31.12.2021. EUR	31.12.2020. EUR
Cash at banks and payment systems	2,808,821	1,469,170
Cash on hand*	60,392	12,776
Cash in transit	21,706	-
TOTAL:	**2,890,919**	**1,481,946**

This financial asset is not impaired as of 31.12.2021. (31.12.2020.: 0 EUR).

*The cash on hand is held in regional offices and is kept there to ensure daily cash transactions.

The Group has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (31.12.2020: EUR 0).

20. SHARE CAPITAL

The share capital of the Parent Group is EUR 12 969 926 and consists of 129 699 256 shares. The par value of each share is EUR 0.1. All the shares are fully paid.

The movements on the Share capital caption during the year are as follows:

	Share capital EUR	Share premium EUR	Total EUR
Opening balance as at 1 January 2020	**5,000,000**		**5,000,000**
Subscriptions	2,000,000		**2,000,000**
Redemptions	-	-	**-**
Closing balance as at 31 December 2020	**7,000,000**	**-**	**7,000,000**
Opening balance as at 1 January 2021	**7,000,000**	**-**	**7,000,000**
Subscriptions	6,219,927	250,000	**6,469,927**
Redemptions	(250,001)	-	**(250,001)**
Closing balance as at 31 December 2021	**12,969,926**	**250,000**	**13,219,926**

In December 2020 share capital was increased by capitalising shareholder loans in amount of EUR 2 000 000.

In April 2021 share capital was decreased by EUR 250 001 and increased by EUR 6 219 927 with the nominal value of each newly issued share of EUR 0.10 and total share premium of EUR 250 000.

Shares are split in A type and B type shares. B type shares do not provide a shareholder with voting rights and rights to dividends, liquadition quota is limited to EUR 0.10 per share.

	A shares	B shares
SIA ALPPES Capital	39%	49%
Other shareholders	61%	51%
TOTAL:	**100%**	**100%**

21. SHARE BASED PAYMENT RESERVE

The Group's employees have entered a share option agreements with Longo Group JSC. The aim of the share based options is to retain employees and increase their motivation through possibility to directly benefit from the growth in value of the company.

The share based option program is based on following principles:

Employee stock options are granted free of charge to employees with management responsibilities. Company's and its subsidiaries' management and supervisory board members are also considered employees regardless of whether they have concluded employment agreements or other types of agreements such as management agreements.

- The standard share option plan is with monthly vesting after 1 year of working with Company
- Thereafter (after the first year has passed) the employee is entitled to exercise a proportion of its stock options twice a year on days set by Company's management. This proportion is calculated as follows: after the employee has worked at least one year for the Company since stock options were granted to the employee, for each following month the employee has worked for the Company the employee can exercise 1/48 of the total amount of stock options it received initially. Company's management board, taking into account the time specific employees have already worked for the Company or other employment related criteria, can entitle specific employees to exercise a greater proportion of their stock options after the one year period has passed.
- Share options are given as potential shares in Longo Group JSC without consideration in which company the employee work. This is important because Longo Group JSC as an owner of all subsidiaries of Longo Group JSC accumulates the value, rather than just individual subsidiary within the group.

The key terms and conditions related to the grant under this program are as follows: all options are to be settled by the physical delivery of shares.

The exercise price of the share options under typical circumstances is equal to the nominal price of the underlying shares. The contractual maximum term of the share options are till 2026. There are cash settlement alternatives. Given absence of an ongoing sale of subsidiaries or Longo Group JSC or any listing process initiated and any other relevant cash settlement events, cash settlement is considered not to be probable.

The following table illustrates the number and weighted average exercise prices of the employee share option plan:

	2021		2020	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at 1 January	**-**	**-**	**-**	**-**
Granted during the year	286 283	-	-	-
Terminated due to failed conditions	-	-	-	-
Outstanding at 31 December	**286 283**	**-**	**-**	**-**
Exercisable at the end of the period	-	-	-	-

The total value of Share option program is EUR 186 000, at 31 December 2021 EUR 38 007 (2020: 0 EUR), attributable to the granted shares until the Period end, were recognized in Administrative expenses (Note 7) and as Share based payment reserve. Fair value of one share is EUR 0.14 (2020: EUR 0).

There have been no forfeited or expired share options during the year.

The exercise price for options outstanding at the end of the year was 0.0 EUR (2020: n/a). The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 is 2 years (2020: n/a).

22. LOANS AND BORROWINGS

Non-current *Liabilities for issued debt securities*	*Interest rate per annum (%)*	*Maturity*	31.12.2021. EUR	31.12.2020. EUR
Bonds 2.53 million EUR notes issue[1]	6%	30-11-24	2,354,970	-
Bonds 1.91 million EUR notes issue[2]	6%	31-12-26	1,906,301	-
		TOTAL:	**4,261,271**	**-**
Lease liabilities[3]	3%-4%	up to 5 years	1,123,674	1,274,316
		TOTAL:	**1,123,674**	**1,274,316**
Loans from related parties[4]	6%	31-12-24	9,000	6,042,428
		TOTAL:	**9,000**	**6,042,428**
		TOTAL NON CURRENT BORROWINGS:	**5,393,945**	**7,316,744**

[1] On 30 November 2021 Parent Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 3 million.

Group has raised a total of EUR 2 530 000 as at 31 December 2021 (0 EUR at 31 December 2020).

This bond issue is secured by assets of Longo Latvia JSC and Longo LT UAB. The notes are issued at par, have a maturity of three years and carry a fixed coupon of 6% per annum, paid monthly in advance.

[2] On 30 December 2021 Parent Group registered with the Latvian Central Depository a subordinated bond facility through which it can raise up to EUR 3 million.

Group has raised a total of EUR 1 991 000 as at 31 December2021 (0 EUR at 31 December 2020).

The notes are issued at par, have a maturity of five years and carry a fixed coupon of 6% per annum, paid monthly in advance. All subordinated bond facility is acquired by shareholders as a result of conversion of loan facility.

Accordingly, those liabilities are split between current and non-current as at 31 December 2021.

[3] Group has entered into several lease agreements for office premises and car lots as well as several vehicle rent agreements.

[4] Shareholders` loan in a form of credit line, duration up to 5 years.

Current *Liabilities for issued debt securities*	*Interest rate per annum (%)*	*Maturity*	31.12.2021. EUR	31.12.2020. EUR
Bonds 2.53 million EUR notes issue[1]	6%	30-11-24	98,416	-
Bonds 1.91 million EUR notes issue[2]	6%	31-12-26	82,580	-
		TOTAL:	**180,996**	**-**
Lease liabilities[3]	3%-4%	up to 5 years	412,503	369,671
		TOTAL:	**412,503**	**369,671**
Accrued interest on loans from related parties	6.00%	31-01-22	9,175	132,211
		TOTAL:	**9,175**	**132,211**
Other borrowings	10.00%	31-12-21	-	500,000
Accrued interest on other borrowings			-	2,796
		TOTAL:	**-**	**502,796**
		TOTAL CURRENT BORROWINGS:	**602,674**	**1,004,678**

22. LOANS AND BORROWINGS (continued)

Movements of interest bearing liabilities and equity

	Liabilities				Equity	
	Debt securities EUR	Lease liabilities EUR	Loan from related parties EUR	Other loans and borrowings EUR	Share capital/ Share premium EUR	**Total EUR**
Balance at 01 January 2021	**0**	**1,643,987**	**6,174,639**	**502,796**	**7,000,000**	**15,321,422**
Proceeds of issue of Share capital	-	-	-	-	250,001	**250,001**
Decrease in Share capital	-	-	-	-	(250,001)	**(250,001)**
Proceeds from loans and borrowings	-	-	2,697,105	-	-	**2,697,105**
Proceeds from debt securities	2,530,000	-	-	-	-	**2,530,000**
Repayment of borrowings	-	-	(692,356)	(500,000)	-	**(1,192,356)**
Payment of lease liabilities	-	(375,068)	-	-	-	**(375,068)**
New leases	-	-	-	-	-	**-**
Capitalised borrowing costs	(72,020)	-	-	-	-	**(72,020)**
Interest paid	(11,000)	(44,672)	(46,188)	(46,918)	-	**(148,778)**
Total changes from financing cash flows	**2,446,980**	**(419,740)**	**1,958,561**	**(546,918)**	**-**	**3,438,883**
Other changes						
Liability-related						
New leases	-	280,813	-	-	-	**280,813**
Securitised/ Capitalised loans	1,991,000	-	(8,210,926)	-	6,219,926	**(0)**
Income from IFRS 16 COVID-19-Related Rent Concessions	-	(15,621)	-	-	-	**(15,621)**
Capitalised borrowing costs	(9,279)	-	-	-	-	**(9,279)**
Interest expense	13,566	46,737	95,901	44,122	-	**200,326**
Total liability-related other changes	1,995,287	311,930	(8,115,025)	44,122	-	**456,239**
Total equity-related other changes	-	-	-	-	6,219,926	**-**
As at 31 December 2021	**4,442,267**	**1,536,177**	**18,175**	**(0)**	**13,219,926**	**19,216,545**
Balance at 01 January 2020	**0**	**2,051,649**	**3,941,087**	**-**	**5,000,000**	**10,992,736**
Proceeds of issue of Share capital	-	-	-	-	-	**-**
Decrease in Share capital	-	-	-	-	-	**-**
Proceeds from loans and borrowings	-	-	4,252,397	500,000	-	**4,752,397**
Proceeds from debt securities	-	-	-	-	-	**-**
Repayment of borrowings	-	-	(151,055)	-	-	**(151,055)**
Payment of lease liabilities	-	(371,051)	-	-	-	**(371,051)**
New leases	-	-	-	-	-	**-**
Capitalised borrowing costs	-	-	-	-	-	**-**
Interest paid	-	(54,276)	-	-	-	**(54,276)**
Total changes from financing cash flows	**-**	**(425,327)**	**4,101,342**	**500,000**	**-**	**4,176,015**
Other changes						
Liability-related						
New leases	-	46,832	-	-	-	**46,832**
Securitised/ Capitalised loans	-	-	(2,000,000)	-	2,000,000	**-**
Income from IFRS 16 COVID-19-Related Rent Concessions	-	(85,956)	-	-	-	**(85,956)**
Capitalised borrowing costs	-	-	-	-	-	**-**
Interest expense	-	56,789	132,210	2,796	-	**191,795**
Total liability-related other changes	-	17,665	(1,867,790)	2,796	-	**(1,847,329)**
Total equity-related other changes	-	-	-	-	2,000,000	**2,000,000**
As at 31 December 2020	**-**	**1,643,987**	**6,174,639**	**502,796**	**7,000,000**	**15,321,422**

23. TAXES PAYABLE

		31.12.2021. EUR	31.12.2020. EUR
VAT		293,515	113,284
Personal income tax		31,346	29,166
Social security contributions		99,279	111,030
Other taxes		9	127
	TOTAL:	**424,149**	**253,607**

24. OTHER LIABILITIES

		31.12.2021. EUR	31.12.2020. EUR
Provisions for warranties		7,746	-
Advances received from customers		22,892	24,664
Unidentified payments from customers		2,874	-
Employees expenses claims		2,423	1,254
Liabilities against employees for salaries		51,442	6,084
Other liabilities		-	241
	TOTAL:	**87,377**	**32,243**

25. ACCRUED LIABILITIES

		31.12.2021. EUR	31.12.2020. EUR
Accrued liabilities for sevices/goods received		61,958	63,600
Accrued unused vacation		163,517	101,594
Accruals for bonuses		23,593	-
	TOTAL:	**249,068**	**165,194**

26.RELATED PARTY DISCLOSURES

As at 31 December 2021 and 31 December 2020 Longo Group JSC individually controls the Group.

Receivables and payables incurred are not secured with any kind of pledge.

The income, expense items and loans with related parties for years 2021 and 2020 were as follows:

	2021 EUR	2020 EUR
Purchases from related parties	32,000	-
Loans received	2,697,105	4,252,396
Interest expense	106,370	128,875

Key management personnel compensation

		2021 EUR	2020 EUR
Board Members			
Remuneration		241,003	220,049
Social security contribution expenses		56,853	53,010
	TOTAL:	**297,856**	**273,059**

There are no outstanding balances as of 31 December 2021 with members of the Group's Management Board members (none at 31 December 2020). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

27. COMMITMENTS AND CONTINGENCIES

There are restrictions in the prospectus for the senior secured bonds issued (ISIN LV0000860062).

These financial covenants are the following:

(a) To maintain consolidated Interest Coverage Ratio (The ratio of EBITDA to Net Finance Charges for the Relevant Period) of at least 2x (two times), calculated for the Relevant Period at the end of each quarter;

(b) To maintain consolidated Equity Ratio (Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt, according to the most recent Financial Report) to consolidated assets of the Group calculated according to the most recent Financial Report) at least 30% (thirty per cent) calculated for the Relevant Period at the end of each quarter;

(c) To maintain Inventory Coverage Ratio (The ratio of Pledged Inventory plus consolidated Cash and Cash Equivalents of the Group divided by the Secured Financial Indebtedness) for the Collateral Provider of at least 1.5x (one point five times), calculated for the Relevant Period at the end of each quarter.

During the reporting period the Group complied with all externally imposed capital requirements to which it was subjected to.

All of the covenants are fulfilled with following ratios:

(a) 4

(b) 67%

(c) 3.5

As part of the sourcing process, the Group has committed to purchase vehicles with total costs of EUR 171 025 (2020:EUR 65 756). Commitment was realised in January 2022 in full.

28. FINANCIAL RISK MANAGEMENT

The risk management function within the Group is carried out in respect of financial risks and legal risks. Financial risk comprises interest rate risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The legal risk management function is intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Financial risks

The main financial risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group is not exposed to market risk.

Market risk

The Group has no exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks in theory arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility or market rates or prices such as interest rates and foreign exchange rates.

Currency risk

The Group operates in EUR zone and is not exposed to currency risk.

Interest rate risk

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability

to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developmentsaffecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group is maintaining a network of sales entities in different geographies, as well as depositing its cash reserves with different banks and payment systems.

28. FINANCIAL RISK MANAGEMENT (continued)

The concentration risk on Groups financial assets (based on net exposure) is the following:

	31.12.2021	31.12.2020
Latvia	1 595 920	713 211
The Netherlands	645 751	482 762
Estonia	389 725	62 440
Lithuania	279 868	83 139
Belgium	188 949	165 608
Germany	16 826	9 424
TOTAL:	**3 117 039**	**1 516 584**

Capital risk management

The Group's objective when managing capital (net debt and total equity) is to ensure the continuity of its operations and within foreseeable future achieve optimal returns to shareholders. Management aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group.

The Group fulfils externally imposed equity capital requirements. The Group monitors equity capital on the basis of the capitalization ratio as defined in Bond prospectus. This ratio is calculated as Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt) to consolidated assets of the Group. Ratio as at December 31, 2021 was 67%. Overall management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group. The Group fulfils externally imposed equity capital requirements as stated in **Note 27.**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The table below presents the cash flows payable by the Group and to the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow. Cash flow payable for borrowings includes estimated interest payments assuming principal is paid in full at maturity date.

		Contractual cash flows				
31.12.2021.	Carrying value EUR	On demand	Up to 1 year EUR	2-5 years EUR	More than 5 years EUR	**Total EUR**
Liabilities						
Loans from related parties	(18,175)	-	(9,715)	(11,160)	-	**(20,875)**
Liabilities for issued debt securities	(4,442,267)	-	(271,260)	(5,267,185)	-	**(5,538,445)**
Lease liabilities	(1,536,177)	-	(452,965)	(1,044,752)	(138,624)	**(1,636,341)**
Other liabilities	(412,285)	-	(412,285)	-	-	**(412,285)**
Total undiscounted financial liabilities	(6,408,904)	-	(1,146,225)	(6,323,097)	(138,624)	**(7,607,946)**

		Contractual cash flows				
31.12.2020.	Carrying value EUR	On demand	Up to 1 year EUR	2-5 years EUR	More than 5 years EUR	**Total EUR**
Liabilities						
Loans from related parties	(6,174,639)	-	(313,484)	(6,767,519)	-	**(7,081,003)**
Lease liabilities	(1,643,990)	-	(432,797)	(1,377,705)	(258,637)	**(2,069,139)**
Other borrowings	(502,796)	-	(535,295)	-	-	**(535,295)**
Other liabilities	(460,122)	-	(460,122)	-	-	**(460,122)**
Total undiscounted financial liabilities	(8,781,546)	-	(1,741,698)	(8,145,224)	(258,637)	**(10,145,559)**

As disclosed in **Note 27**, the Group has secured bonds that contains a covenant. A future breach of covenant may require the Group to repay bonds earlier than indicated in above table. The covenant is monitored on a regular basis by the financial department and regularly reported to management to ensure compliance.

28. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Receivables of the Group consist mainly of receivables from finance companies. Credit risk of the Group refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Longo considers all of its material counterparties to be creditworthy as they represent well-established financial institutions. Groups' exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed. Receivables for sold motor vehicles form 226 120 EUR (34 638 EUR in 2020). All of the amount is received at the moment of preparation of the financial statements.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. To spread the credit risk, Longo deposits its cash reserves with different banks. Cash and cash equivalents consist of 2 890 919 EUR (1 481 946 EUR in 2020), they are deposited in total of 7 banks or payment systems.

There are no financial assets that were written off during the reporting period and are still subject to enforcement activity

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The following table shows the carrying amounts and fair value of financial liabilities, including their levels in the fair value hierarchy.

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.

		Carrying amount		**Fair value**			
31 December 2021 In thousands of euro	Note		Total	Level 1 EUR	Level 2 EUR	Level 3 EUR	**Total EUR**
Financial liabilities not measured at fair value							
Secured bond issue	23	2,453	2,453	-	-	2,530	2,530
Total assets at fair value		**2,453**	**2,453**	**-**	**-**	**2,530**	**2,530**

		Carrying amount		**Fair value**			
31 December 2020 In thousands of euro	Note		Total	Level 1 EUR	Level 2 EUR	Level 3 EUR	**Total EUR**
Financial liabilities not measured at fair value							
Other borrowings	23	500	500	-	-	522	522
Loans from related parties	23	6,042	6,042	-	-	5,968	5,968
Total assets at fair value		**6,542**	**6,542**	**-**	**-**	**6,490**	**6,490**

In this table, the Group has disclosed the fair value of each significant class of financial liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the liabilities to the different categories of the financial instruments as defined in IFRS 9.

The Group has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

30. SEGMENT INFORMATION

Management has defined the Group's reportable segments based on the reporting regularly presented to the CEO of the Group.

This reporting forms the basis for the CEO's strategic and operative decisions to allocate resources and for assessing performance. The primary measure of performance is operating profit (EBIT). The CEO also receives information about segments' revenue, gross profit and operating profit on a monthly basis.

Reportable segments comprise the following geographical areas: Latvia, Lithuania and Estonia. Other activities consist of head office and Group functions, including centralized procurement, marketing, finance and Group management.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

2021	Latvia EUR	Estonia EUR	Lithuania EUR	Group sales EUR	Group sourcing and administrative functions EUR	Eliminations EUR	IFRS 16 EUR	Group EUR
Revenue				36,598,851	29,365,659	(35,675,673)		**30,288,837**
internal	2,517,256	1,947,969	1,844,789	6,310,014	29,365,659	(35,675,673)	-	**0**
external	9,619,159	6,495,843	14,173,834	30,288,836	-	-	-	**30,288,836**
sales of cars	9,597,684	6,468,603	14,140,354	30,206,641	-	-	-	**30,206,641**
sale of services	21,475	27,240	33,480	82,196	-	-	-	**82,196**
COS	(11,954,992)	(8,268,016)	(15,461,939)	(35,684,947)	(30,215,168)	39,298,523	-	**(26,601,592)**
Gross profit	181,423	175,796	556,685	913,904	(849,509)	3,622,850	-	**3,687,245**
EBITDA	(31,051)	(10,438)	179,228	137,739	210,796	37,896	435,361	**821,792**
Depreciation and amortization	(28,888)	(12,121)	(10,811)	(51,820)	(118,905)	-	(406,972)	**(577,697)**
Operating profit	(61,880)	(22,760)	166,516	81,876	91,873	70,346	-	**244,095**
Finance costs	(22,812)	(34,601)	(50,242)	(107,656)	(52,406)	-	(46,737)	**(206,800)**
Profit before income tax	(84,692)	(57,362)	116,274	(25,780)	39,467	70,346	(46,737)	**37,295**
Income tax (expense) / income	(38)	(61)	(19,302)	(19,401)	115,438	-	-	**96,037**
Assets	2,996,548	2,947,405	3,839,548	9,783,502	21,489,729	(17,422,817)	1,478,512	15,328,926
Liabilities	(2,432,959)	(2,672,279)	(3,432,014)	(8,537,252)	(8,221,034)	11,172,742	(1,496,861)	(7,082,405)

2020	Latvia EUR	Estonia EUR	Lithuania EUR	Group sales EUR	Group sourcing and administrative functions EUR	Eliminations EUR	IFRS 16 EUR	Group EUR
Revenue	5,410,500	3,787,421	7,321,296	16,519,217	17,087,886	(18,594,507)		**15,012,596**
internal	286,929	463,084	849,504	1,599,517	16,994,990	(18,594,507)	-	**(0)**
external	5,123,571	3,324,337	6,471,792	14,919,700	92,896	-	-	**15,012,596**
sales of cars	5,123,071	3,314,119	6,471,291	14,908,481	87,270	-	-	**14,995,751**
sale of services	500	10,218	500	11,219	5,626	-	-	**16,845**
COS	(5,205,132)	(3,630,635)	(7,129,935)	(15,965,702)	(15,118,928)	17,438,246	-	**(13,646,384)**
Gross profit	205,368	156,786	191,361	553,515	1,968,958	(1,156,261)	-	**1,366,212**
EBITDA	(329,249)	(247,010)	(384,629)	(960,887)	(288,549)	(168,519)	511,284	**(906,671)**
Depreciation and amortization	(28,392)	(9,081)	(7,579)	(45,052)	(117,619)	-	(493,811)	**(656,482)**
Operating profit	(357,641)	(256,091)	(392,208)	(1,005,939)	(406,168)	(151,046)	-	**(1,563,153)**
Finance costs	(34,102)	(23,111)	(64,143)	(121,356)	(90,057)	(30,566)	(56,789)	**(298,768)**
Profit before income tax	(391,743)	(279,201)	(456,351)	(1,127,295)	(496,225)	(181,612)	(56,789)	**(1,861,921)**
Income tax (expense) / income	(358)	(202)	66,835	66,275	(79)	-	-	**66,196**
Assets	3,157,416	2,189,230	3,937,897	9,284,543	17,604,610	(17,426,726)	1,604,674	11,067,101
Liabilities	(2,505,223)	(1,856,682)	(3,623,696)	(7,985,601)	(10,239,801)	10,653,674	(1,643,990)	(9,215,718)

31. EVENTS AFTER REPORTING PERIOD

Longo Group JSC bonds have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga as of March 31, 2022 (Note 22).

In January 2022 the Group has received from shareholder loan in amount of EUR 500 000 as part of the credit line facilities, see Note 22.

In line with the growth strategy of the Group, a first branch retail location was opened in the RYO shopping mall in Panevėžys and a new sales subsidiary was established in Poland. Furthermore, the Group entered into a lease for significantly larger premises in the Netherlands to expand the Group's sourcing operations.

Management expects that the military invasion of Ukraine by Russia and the potential social and economic impact in Baltics, Netherlands, Germany and Belgium will not result in assumptions and estimates used in these Financial statements requiring revisions which may lead to adjustments to the carrying value of assets and liabilities within the next financial year. The Group business doesn`t depend on imports or exports to/from Russia, Belarus or Ukraine, nor on third parties that may be impacted by the events. Currently the Group`s sales are increasing compared to previous year respective period and no decrease in demand is observed. At this stage management is monitoring the situation closely to be able to reliably estimate the impact on business as events are unfolding day-by-day.

Signed on behalf of the Group on 14 April 2022 by:

Edgars Cērps	Jacob Willem Hoogenboom	Jevgenijs Sokolovs
Chairman of the Board	*Member of the Board*	*Chief accountant*

This document has been signed with a secure electronic signature and it has a time-stamp

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Independent Auditors' Report

To the shareholders of JSC Longo Group

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JSC Longo Group ("the Company") and its subsidiaries ("the Group") set out on pages 7 to 47 of the accompanying consolidated Annual Report, which comprise:

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

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

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

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

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

Other Matter

The consolidated financial statements of the Company as at and for the year ended 31 December 2020 prepared in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia were audited by another auditor who expressed an unmodified opinion on those statements on 18 October 2021.

As part of our audit of the financial statements as at and for the year ended 31 December 2021, we audited the transitory adjustments to IFRS described in Note 2 a) and b) that were applied to restate the comparative information presented as at and for the year ended 31 December 2020. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2020, other than with respect to the adjustments described in Note 2 a) and b) to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2 a) and b) are appropriate and have been properly applied.

Reporting on Other Information

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

- Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- The Management Report, as set out on pages 4 to 5 of the accompanying consolidated Annual Report,

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

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

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Partner pp. KPMG Baltics SIA
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
14 April 2022

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