

**Joint Stock Company**  
**MONIFY**  
**ANNUAL REPORT 2019**

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## Management report

### Brief description of the Company's activities during the reporting period

JSC Monify (hereinafter referred to as "the Company") is an innovative Latvian financial technology Company providing business and entrepreneurship financing to small and medium-sized enterprises in four countries: Latvia, Lithuania, Estonia and Poland. JSC Monify was established on 27 July 2017. The Company issued its first loans in Latvia in August 2017. Since October 2017, the Company has been providing financing services to entrepreneurs in other Baltic States: Estonia and Lithuania, and since April 2018 – in Poland. At the end of 2019, the largest portion of the Company's portfolio consisted of loans issued in the Latvian market, namely – 43%, the rest of the portfolio consisted of loans issued in Lithuania (22%), Poland (18%) and Estonia (17%).

Due to the fact that the Company issues unsecured loans, but with the personal owner's guarantee, the Company has developed a complex risk assessment procedure based mainly on the analysis of the borrower's bank account turnover. In addition, available credit information databases are used (such as Lursoft and the Credit Information Bureau in Latvia) as well as similar databases in Lithuania, Estonia, Poland. In order to avoid fraud, in addition to verifying customer's bank account identity, a bank transfer in the amount of EUR 1.00 is used as a means of identification, which the customer must transfer to the Company's bank account from his/her own personal bank and Company's account. All transactions between the customer and the Company are transactions made online by signing e-signature contracts in cases as needed.

The Company experienced stable growth during the reporting period. The Company's net turnover reached EUR 1,994,490. Loan interest income and commission income increased by 34.7% year-on-year (compared to previous year) due to a 21.4% increase in the loan portfolio. The volume of the loan portfolio (before its reduction for accruals for bad debts) reached 4.7 mil. euros, During the reporting period, 360 loans were issued to customers (during year 2018, the number was 284).

Despite the increase in net sales and gross profit, the Company closed the reporting period with a loss of EUR 481,785. The amount of losses was mainly influenced by the creation of provisions for doubtful debtors. The receivables' portfolio consists mainly of loans issued in year 2017 and early 2018, before the Company developed and implemented a new credit policy, improving lending parameters and the quality of issued loans.

### Further development of the Company

In 2020, the Company plans to:

- introduce an improved debt recovery policy;
- review the list of outsourced debt collection partners, selecting the most effective ones;
- introduce a self-developed credit issuance and accounting system.

### Events after the last day of the reporting year

Due to the crisis caused by COVID-19, the Company has received from its customers and borrowers 65 applications for deferral of principal payments or debt restructuring, accompanied by motivated and substantiated explanations. In total, Monify approved about 40% of the applications received, granting customers with "credit holidays".

In addition, the restrictions on insolvency applications introduced in Latvia, as well as the pre-trial voluntary auctions (an extension from 10 to 60 days), which complicates the Company's debt collection procedures, and some of the non-COVID customers utilise the current situation to pay less (both in regard to principal amounts and interests).

The Company's management believes that the Company will be able to overcome the emergency situation through the following compensatory measures: The Company took appropriate decisions in crisis situations, temporarily suspending marketing and advertising activities and issuing of new loans, as well as waiving a large part of monthly costs, including reducing office maintenance costs by 50%. In addition, negotiations are underway with the Company's payables regarding extensions and restructuring of liability payments. All the above actions are taken so that the Company can resume full operation after the crisis.

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Arturs Geisari [*Artūrs  
Geisari*]

Chairman of the board

June 3, 2020

## Balance Sheet as per December 31, 2019

Assets	Note number	31.12.2019 EUR	31.12.2018 EUR (corrected)
<b>Non-currents assets</b>			
<b>I. Intangible assets:</b>			
1. Concessions, patents, licenses, trademarks and similar rights		1,154	1,303
2. Other intangible investments		12,411	16,134
3. Advance payments on intangible assets		244,868	156,473
<b>Total intangible assets</b>	<b>3.1.1</b>	<b>258,433</b>	<b>173,910</b>
<b>II. Fixed assets (fixed assets, investment property and biological assets):</b>			
1. Investments in leasehold investments		1,142	7,993
2. Other fixed assets and inventory		19,516	29,289
<b>Total fixed assets</b>	<b>3.1.2</b>	<b>20,658</b>	<b>37,282</b>
<b>III. Non-current financial assets:</b>			
1. Other loans and other long-term receivables	<b>3.1.3</b>	293,453	216,002
<b>Total non-current financial assets</b>		<b>293,453</b>	<b>216,002</b>
<b>Total non-currents assets</b>		<b>572,544</b>	<b>427,194</b>
<b>Current assets</b>			
<b>I. Receivables</b>			
1. Loans and trade receivables	<b>3.2</b>	3,336,943	3,385,865
2. Other receivables	<b>3.3</b>	14,979	14,713
3. Prepaid expenses		629	36,093
<b>Total receivables</b>		<b>3,352,551</b>	<b>3,436,671</b>
<b>II. Cash</b>		337,347	644,532
<b>Total current assets</b>		<b>3,689,898</b>	<b>4,081,203</b>
<b>Total assets</b>		<b>4,262,442</b>	<b>4,508,397</b>

Notes on pages 8 to 24 is an integral part of this financial statement.

## Balance Sheet as per December 31, 2019

Liabilities	Note number	31.12.2019 EUR	31.12.2018 EUR (corrected)
<b>Equity</b>			
1. Share or stock capital (equity capital)	<b>4.1</b>	1,000,000	1,000,000
2. Retained earnings or uncovered losses of previous years		(315,913)	(33,807)
3. Profit or loss for the accounting year		(481,785)	(282,106)
<b>Total equity</b>		<b>202,302</b>	<b>684,087</b>
<b>Non-current liabilities:</b>			
1. Borrowings	<b>4.2.1</b>	136,817	51,061
<b>Total non-current liabilities</b>		<b>136,817</b>	<b>51,061</b>
<b>Current liabilities</b>			
1. Borrowings	<b>4.2.1</b>	2,192,982	1,594,110
2. Trade payables		14,281	38,746
3. Payables to related companies	<b>1.17.3.</b>	1,565,546	2,000,040
4. Taxes and state social insurance contributions	<b>4.2.2</b>	91,515	70,460
5. Other liabilities		18,949	17,182
6. Accrued liabilities		40,050	52,711
<b>Total current liabilities</b>		<b>3,923,323</b>	<b>3,773,249</b>
<b>Total liabilities</b>		<b>4,060,141</b>	<b>3,824,310</b>
<b>Total equity and liabilities</b>		<b>4,262,442</b>	<b>4,508,397</b>

Notes on pages 8 to 24 is an integral part of this financial statement.

Arturs Geisari [*Artūrs  
Geisari*]  
 Chairman of the board

Tamara Hakova [*Tamāra  
Hakova*]  
 Chief accountant

June 3, 2020

**Profit or loss statement for year 2019**  
(classified by functions of expenditures)

Name of indicator	Note number	2019 EUR	2018 EUR (corrected)
1. Net turnover:	<b>5. 1</b>	1,994,490	1,480,279
2. Cost of production, cost of goods sold or services rendered	<b>5. 2</b>	(840,298)	(564,466)
<b>3. Gross profit</b>		<b>1,154,192</b>	<b>915,813</b>
4. Sales costs	<b>5. 3</b>	(183,811)	(231,039)
5. Administrative costs	<b>5. 4</b>	(747,835)	(769,285)
6. Other operating incomes	<b>5. 5</b>	174,468	84,577
7. Other operating expenses	<b>5. 6</b>	(816,644)	(271,602)
<b>8. Losses before the corporate income tax</b>		<b>(419,630)</b>	<b>(271,536)</b>
9. Corporate income tax for the reporting period	<b>5. 7</b>	(62,155)	(10,570)
<b>10. Losses in the report year</b>		<b>(481,785)</b>	<b>(282,106)</b>

Notes on pages 8 to 24 is an integral part of this financial statement.

Arturs Geisari [*Artūrs  
Geisari*]  
Chairman of the board

Tamara Hakova [*Tamāra  
Hakova*]  
Chief accountant

June 3, 2020

## Notes to Financial Statements

### I Accounting policy

#### 1. Information provided by the Company

##### 1.1 Company information

JSC Monify (hereinafter referred to as the Company) is a joint stock company registered in the Commercial Register [*Komercreģistrs*] on July 27, 2017 in Riga, with the unified registration number 40203083863. Registered office of the Company is located at Dzirnavu iela 36, Rīga, Latvia. The Chairman of the Board of the Company is Artūrs Geisari [*Arturs Geisari*]. During the reporting year (from 15.11.2019 to 24.03.2020), Vladislavs Jermakovs [*Vladislavs Jermakovs*] held the position of member of the Management Board of the Company. The Chairman of the Company's Board is Nikita Manija [*Nikita Manija*]. The Deputy Chairman of the Company's Board is Natalja Geisari [*Natalja Geisari*]. Member of the Company's board is Bolat Itegulov [*Bolat Itegulov*]. The Company's auditor is the commercial company of sworn auditors SIA "Benitas Kudores audits" and the responsible sworn auditor is Benita Kudore [*Benita Kudore*].

The financial statements of the Company have been prepared for the period from January 1, 2019 to December, 31 2019 and have been prepared by the Company's Chief Accountant Tamara Hakova [*Tamāra Hakova*].

##### 1.2 Average number of employees

	2019	2018
Average number of employees	19	15

##### 1.3 Monetary Unit and foreign exchange revaluation

The figures presented in these financial statements are expressed in euros (EUR). All foreign currency transactions are converted into euros at the euro reference exchange rate published by the European Central Bank early at the date of the transaction. Assets and liabilities denominated in foreign currencies are converted into EUR at the exchange rate set by the European Central Bank at the balance sheet date (end of day). Gains or losses arising from changes in foreign exchange rates are recognized in the income statement in the period in which they arise.

	31.12.2019	31.12.2018
USD	1.12340	1.14500
PLN	4.25680	4.30140

##### 1.4 Information on the accounting policies used, their changes and the assumption that the Company will also be able to operate in the future



#### **1.4.1 Basis of preparation of the financial statements**

The financial statements have been prepared in accordance with the Law on Accounting [*"Par grāmatvedību"*] and the Law on Annual Financial Statements and Consolidated Financial Statements [*"Gada pārskatu un konsolidēto gada pārskatu likums"*] as well as the Cabinet of Ministers [*Ministru kabinets*] Regulations No. 775 "Regulations on the Application of the Law on Annual Financial Statements and Consolidated Annual Financial Statements " [*"Gada pārskatu un konsolidēto gada pārskatu likuma piemērošanas noteikumi"*] and Cabinet of Ministers [*Ministru kabinets*] Regulations No. 399 "Rules on the form of electronic copies of financial statements or consolidated financial statements prepared by companies" [*"Noteikumi par sabiedrību sagatavoto finanšu pārskatu vai konsolidēto finanšu pārskatu elektroniskā noraksta formu"*] and other regulatory enactments governing accounting and annual reports.

The income and loss statement is classified by function of expense.

The Company corresponds to the status of a small company. The law provides relief incentives for small and medium-sized companies in the preparation of financial statements. Small companies are permitted not to prepare a cash flow statement and a statement of movements in equity.

### 1.4.2 Accounting principles applied

Items in the annual statements are measured in accordance with the following accounting principles:

- a) It is assumed that the Company will continue to operate.
- b) the Company shall use the same accounting policies and valuation methods as in the previous financial year, except for the changes explained in detail in the Explanatory Note to the previous year's financial statements;
- c) the financial statements recognize and measure items using the precautionary principle, in particular under the following conditions:
  - the financial statements include only profits made up to the balance sheet date;
  - all foreseeable amounts of risk and losses incurred during the current reporting year, or during the previous years, have been taken into account, even if they became known between the balance sheet date and the date of signing of the financial statements;
  - it calculates and takes into account all amounts of depreciation and depreciation of assets irrespective of whether the reporting year is concluded with profit or loss;
- d) the items in the balance sheet and income statement are shown on an accrual basis. Revenue and expenditure related to the reporting year are reported irrespective of the date of payment or receipt of the invoice;
- e) costs are aligned with revenue during the reporting period;
- f) the opening balance sheet of the reporting year coincides with the closing balance sheet of the previous year, except for the changes explained in detail in the section Explanatory Note on adjustments to the figures of the previous reporting year;
- g) balance sheet asset and liability items are valued separately;
- h) balance sheet and income statement items are valued at acquisition cost or production cost;
- i) asset and liability items in the balance sheet and income and expense items are presented on a gross basis, except to the extent that they are permitted to be presented on a net basis;
- j) the amounts in the balance sheet and in the profit and loss account shall be stated taking into account the content and substance of the economic transactions, not just merely the legal form;
- e) all items that have a material effect on the users' judgement or judgement of the financial statements are identified, the minor items are aggregated and detailed in the notes.

### 1.4.3 Business continuity of the Company

The Company has closed the reporting year with a loss in the amount of EUR 481,785. At the end of the reporting year, the Company's current liabilities exceed the Company's current assets by EUR 233,425. Due to the above, the financing granted by the parent company was used so far (EUR 1,540,040 at the end of 2019, EUR 2,000,040 at the end of 2018). In 2019, the Company managed to expand its funding base by attracting funds from alternative sources (mutual lending platforms). The Company's management believes that these sources of financing will be able to provide a solution to the liquidity problem.

## 1.5 Long-term investment accounting

### 1.5.1 Accounting for intangible investments

All long-term intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using the following management-defined rates:

**Intangible assets:**

Brands and trademarks	10 years
Website development expenses, computer software	5 years

The item "Advance payments on intangible investments" includes payments made by the Company for the establishment of an analytical accounting system for loans issued to customers (ref. to Note 3.1.1). Depreciation is not calculated until the assets concerned have been completed and put into operation.

### **1.5.2 Inventory and accounting of fixed assets (valuation, depreciation method, animal and plant accounting)**

All property, plant and equipment are initially measured at cost or revalued amount, less accumulated depreciation and accumulated impairment losses. As for land, depreciation is not being calculated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using the following management-defined rates:

#### **Fixed Assets:**

Computers, information systems, computer software products 3 years  
and data storage equipment, communication media, copiers and their  
related equipment

Other fixed assets: office furniture, security and fire safety 5 years  
equipment, light fixtures, television sets

Current repairs and maintenance are charged to the income statement in the period in which they are incurred.

Leases of assets under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases and classified as property, plant and equipment.

Costs associated with improvements to a leased property are capitalized and recognized as property, plant and equipment (fixed assets). These assets are depreciated over the lease term period on a straight-line, linear basis.

If the value of an item of property, plant and equipment at the balance sheet date is lower than its carrying amount and the impairment is expected to be permanent, an impairment adjustment is applied to the item, valuing it at the lower of value.

Profits and losses on exclusions/disposals of fixed assets are determined by comparing the carrying amount of the asset with proceeds from exclusion/disposal, from the write-offs of the revaluation reserve of the relevant fixed asset and are included in the income statement in the period in which they are incurred. Revenue and expenses related to the disposal of an asset that has been alienated or liquidated in the profit and loss account shall be stated in the net value.

The item "Advances on fixed assets" indicates the amount of advance payments made to the respective suppliers.

### **1.6 Current assets accounting**

#### **1.6.1 Accounting for loans and debtor receivables**

Loans and receivables are stated in the balance sheet at net value, less allowance for doubtful debts. Provisions for doubtful loans and receivables are calculated by analysing the age structure of debt, and based on information about the financial position of a particular debtor or borrower and debt recovery ability. The following provisioning policy has been applied to loans and receivables, which is based on the age structure of the debt:

Debt age (days)	Accrual rate
1-15	0%
16-30	0%
31-90	30%
91-180	60%
181-360	80%
Above 360	100%

For secured loans and loans concluded in the form of a notarial deed, an accrual rate of 30% is applied if the loan is overdue for 90 days or more.

### **1.7 Provisions for accruals**

Provisions are intended to cover liabilities the nature of which is clearly defined and which, at the balance sheet date, is predictable or known, or which will definitely arise, but may change the amount of, or date of, the amount required to settle the obligation.

### **1.8 Accrued liabilities for unused leave and vacation periods**

The estimated amounts of liabilities to employees for accrued unused vacation days are recorded in the balance sheet item "Accrued liabilities". Accrued liabilities for unused vacations are determined by multiplying the average remuneration of each employee by the number of accrued unused vacation days at the end of the reporting year.

### **1.9 Accrued liabilities**

The item of "Accrued liabilities" indicates the amount of the liability for the goods or services received during the accounting year for the suppliers of goods and services, and contractors, for which, at the balance sheet date, no relevant source document or cooperation contract has yet been received for payment for the supply, purchase or contract or for any other reason.

### **1.10 Accounting of payables**

Payables are shown in the balance sheet as long-term payables and short-term payables, depending on the maturity of the debt or the maturity of the liabilities. Long-term payables include those amounts of liabilities that fall due more than 12 months after the end of the respective reporting year. Short-term payables include amounts due within the next 12 months after the end of the reporting year and other liabilities that arise in the ordinary course of business.

### **1.11 Principles of revenue recognition**

Net turnover is interest and commission income earned during the year from the Company's base operating activities. The fee for concluding a loan agreement is considered a part of interest income. Fees for changing the terms of contracts (extension of payment term, restructuring) are considered as revenue from the provision of services.

#### *Revenue from interest*

Interest income is recognized in the income statement on a pro rata temporis basis, taking into account the effective yield on the asset.

#### *Revenue from services rendered*

Revenue from services rendered is recognized in the income statement in the period in which the services are rendered.

### **1.12 Principles of cost recognition**

All expenses incurred as a result of the Company's economic activities are recognized as incurred, regardless of the time of payment.

### **1.13 Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the balance sheet and the profit and loss report sheet, as well as the amounts of any contingent liability. Future events may affect the assumptions on which the respective estimates had been based. The effect of any changes in estimates is recognized in the financial statements when they are being determined.

The main reasons for the inaccuracy of estimates are as follows:

- Useful lives of property, plant and equipment and intangible assets;
- Valuation of loans and receivables.

#### **1.14 Commitments to concluded rent and lease agreements that are relevant to the operation of the Company**

The Company has concluded a lease contract for its office spaces. In accordance with the effective lease agreement, the Company has to pay the following lease payments in future periods (up to February 28, 2022):

From year 2020 to 2022            EUR 28,950

#### **1.15 Information on the finance lease**

During the reporting period, the Company used property, plant and equipment that were acquired under finance leases. The Company, as a lessee, recognizes the leased asset as a long-term investment in the relevant balance sheet item (ref. to Note 3.2.1) and recognizes long-term and short-term payables' liabilities in the same amounts.

#### **1.16 Post-balance sheet date events**

During the period from the last day of the reporting year to the date of signing this financial statement, there have been no events that would result in adjustments or clarifications in the financial statements.

After the end of the financial year, in March 2020, restrictions related to the spread of the coronavirus have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world. It is hard to predict how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company's management constantly evaluates the situation.

Due to the crisis caused by the coronavirus, the Company received applications from its customers requesting deferral of principal payments or restructuring. As a part of the Company's verification of customers' financial condition, printouts of customers' bank accounts, evidence of correspondence with customers' buyers and customers are received, if, for example, customers refuse from previous orders. In total, the Company approved about 40% of the applications received, granting customers with "credit holidays".

In addition, the restrictions on insolvency applications introduced in Latvia, as well as the pre-trial voluntary auctions (an extension from 10 to 60 days), which complicates the Company's debt collection procedures, and some of the customers which have not concluded agreement on "credit holidays" utilise the current situation to pay less (both in regard to principal amounts and interests).

The Company's management believes that the Company will be able to overcome the emergency situation through the following compensatory measures: The Company took appropriate decisions in crisis situations, temporarily suspending Company advertising and issuing of new loans, as well as waiving a large part of monthly costs, including reducing office maintenance costs by 50%. In addition, negotiations are underway with the Company's payables regarding extensions and restructuring of liability payments. All the above actions are taken so that the Company can resume full and complete operation after the crisis. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events on the Company's future operations may differ from the management's assessment.

## 1.17 Information on related party transactions

### 1.17.1 Related party transactions, applicable terms and conditions

Outstanding liabilities at the end of the year are not secured in any way and are settled in cash or by offsetting. No guarantees have been provided or received for any related party receivables. At the end of the reporting year, the Company had no claims against related companies (in year 2018: EUR 52,467).

Related parties are the Company's parent companies, as well as the Company's shareholders who may control the Company or who have significant influence over the Company in making business decisions, senior management of the Company, and close family members of any of the above individuals, or related to companies which control or have significant influence over those persons.

The Company is controlled by SIA "ITG Group" (a company registered in Latvia), which owns 80% of the Company's shares.

Explanation of the transaction, type of related party relationship	Sum. EUR
Interest expenses on the loan received from the parent company:	
2018	319,830
2019	293,732
Interest income on loans issued from other related companies:	
2018	2,467
2019	1,533

### 1.17.2 Loans to affiliated and related companies

	Changes during the reporting period	31.12.2019 EUR	31.12.2018 EUR (corrected)
<b>Current</b>			
Loans	(50,000)	-	50,000
Debt for accrued interest	(2,467)	-	2,467
<b>In total</b>	<b>(52,467)</b>	<b>-</b>	<b>52,467</b>

### 1.17.3 Liabilities to affiliated and related companies

Explanation of the transaction, type of related party relationship	Sum. EUR
Borrowings from parent company:	
31.12.2018	2,000,040
31.12.2019	1,540,040
Debt for accrued interest on a loan from the parent company:	
31.12.2018	-
31.12.2019	25,506

**1.17.4 Other related party transactions**

Related person		Products and services sold to related parties	Products and services purchased from related parties
Companies with significant influence over the company:			
	2018	-	-
	2019	-	13,162
Other subsidiary of the parent company:			
	2018	-	8,884
	2019	-	-
	<b>IN TOTAL 2018:</b>	-	<b>8,884</b>
	<b>IN TOTAL 2019:</b>	-	<b>13,162</b>

## II Explanation of adjustments to previous year's figures

During the reporting year, the following adjustments were made for the correction of prior period errors and changes in accounting policies:

- 1) research costs that were previously recognized in the balance sheet asset item "Development costs" and do not meet the criteria for classification as an intangible asset were expensed in the period in which the respective costs were actually incurred;
- 2) In 2019, a policy for creating provisions for doubtful debts was developed, which was retrospectively applied to the loan portfolio accounting data before the reporting period;
- 3) the financial statements reflect previously unreported costs for the respective periods (in the balance sheet liability item "Accrued liabilities");

As a result of these corrections, changes were made to the results of previous years' accounts. In addition, in order to ensure the comparability of items, the balance sheet and income statement items have been reclassified:

- 1) this has been done by including interest expenses in the item "Cost of production, cost of goods sold or services rendered", which corresponds to the nature of the cost of services provided by the Company;
- 2) by including long-term liabilities with those only liabilities, the repayments of which, in accordance with the agreements in force on the balance sheet date, occurred later than 12 months after the end of the reporting year.

Items in the financial statement	31.12.2017 Prior to corrections EUR	Corrections EUR	31.12.2017 After corrections EUR
<b>Balance Sheet</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
<b>I. Intangible assets:</b>			
Development costs	27,854	(27,854)	-
Concessions, patents, licenses, trademarks and similar rights	10,109	(8,657)	1,452
Other intangible assets	26,201	(15,952)	10,249
Advance payments on intangible assets	-	30,010	30,010
<b>Total intangible assets</b>	<b>64,164</b>	<b>(22,453)</b>	<b>41,711</b>
<b>II. Fixed assets (fixed assets, investment property and biological assets):</b>			
Other fixed assets and inventory	2,663	628	3,291
<b>Total non-current financial assets</b>	<b>2,663</b>	<b>628</b>	<b>3,291</b>
<b>Total non-current assets</b>	<b>66,827</b>	<b>(21,825)</b>	<b>45,002</b>
<b>Current assets</b>			
<b>I. Receivables</b>			
Borrowers	1,412,485	(3,787)	1,408,698
Other receivables	888	(363)	525
Prepaid expenses	250	219	469
Accrued income			
<b>Total receivables</b>	<b>2,410,823</b>	<b>(3,931)</b>	<b>2,406,892</b>
<b>Total current assets</b>	<b>2,982,896</b>	<b>(3,931)</b>	<b>2,978,965</b>
<b>Total assets</b>	<b>3,049,723</b>	<b>(25,756)</b>	<b>3,023,967</b>



Items in the financial statement	31.12.2017 Prior to corrections EUR	Corrections EUR	31.12.2017 After corrections EUR
<b>Balance Sheet</b>			
<b>Liabilities</b>			
<b>Non-currents investments</b>			
<b>Equity</b>			
Profit or loss for the accounting year	18,096	(51,903)	(33,807)
<b>Total equity</b>	<b>1,018,096</b>	<b>(51,903)</b>	<b>966,193</b>
<b>Non-current liabilities</b>			
Other loans	2,000,000	(2,000,000)	-
<b>Total non-current liabilities</b>	<b>2,000,000</b>	<b>(2,000,000)</b>	<b>-</b>
<b>Current liabilities</b>			
Trade payables	16,557	(4,954)	11,603
Payables to related companies	-	2,013,740	2,013,740
Taxes and state social insurance contributions	8,318	16,127	24,445
Other liabilities	6,752	(309)	6,443
Accrued liabilities	-	1,543	1,543
<b>Total current liabilities</b>	<b>31,627</b>	<b>2,026,147</b>	<b>2,057,774</b>
<b>Total liabilities</b>	<b>2,031,627</b>	<b>26,147</b>	<b>2,057,774</b>
<b>Total equity and liabilities</b>	<b>3,049,723</b>	<b>(25,756)</b>	<b>3,023,967</b>

Items in the financial statement	27.07.2017 to 31.12.2017 Prior to corrections EUR	Correction EUR	27.07.2017 to 31.12.2017 After corrections EUR
<b>Profit or loss statement</b>			
<b>Net turnover:</b>	191,537	(4,159)	187,378
Cost of production, cost of goods sold or services rendered	(86,363)	49,680	(36,683)
<b>Gross profit</b>	<b>105,174</b>	<b>45,521</b>	<b>150,695</b>
Sales costs	(30,713)	315	(30,398)
Administrative costs	(8,193)	(145,058)	(153,251)
Other operating incomes	1,417	384	1,801
Other operating expenses	(14,644)	14,064	(580)
Interest and similar charges for related companies	(34,945)	34,945	-
<b>Profit or loss before corporate income tax</b>	<b>18,096</b>	<b>(49,829)</b>	<b>(31,733)</b>
Corporate income tax for the accounting year	-	(2,074)	(2,074)
<b>Profit or loss for the report year</b>	<b>18,096</b>	<b>(51,903)</b>	<b>(33,807)</b>

Items in the financial statement	31.12.2018 Prior to corrections EUR	Corrections EUR	31.12.2018 After corrections EUR
<b>Balance Sheet</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
<b>I. Intangible assets:</b>			
Development costs	144,534	(144,534)	-
Concessions, patents, licenses, trademarks and similar rights	30,285	(28,982)	1,303
Other intangible assets	165,388	(149,254)	16,134
Advance payments on intangible assets	-	156,473	156,473
<b>Total intangible assets</b>	<b>340,207</b>	<b>(166,297)</b>	<b>173,910</b>
<b>II. Fixed assets (fixed assets, investment property and biological assets):</b>			
Long-term investments in leased fixed assets	15,401	(7,408)	7,993
Other fixed assets and inventory	2,044	27,245	29,289
<b>Total fixed assets</b>	<b>17,445</b>	<b>19,837</b>	<b>37,282</b>
<b>III. Non-current financial assets:</b>			
Other loans and other long-term receivables	-	216,002	216,002
<b>Total non-current financial assets</b>	<b>-</b>	<b>216,002</b>	<b>216,002</b>
<b>Total non-currents assets</b>	<b>357,652</b>	<b>69,542</b>	<b>427,194</b>
<b>Current assets</b>			
<b>I. Receivables</b>			
Loans and trade receivables	3,769,168	(383,303)	3,385,865
Other receivables	76,464	(61,750)	14,713
Prepaid expenses	24,908	11,185	36,093
<b>Total receivables</b>	<b>3,870,540</b>	<b>(433,868)</b>	<b>3,436,671</b>
<b>II. Cash</b>	644,499	33	644,532
<b>Total current assets</b>	<b>4,515,039</b>	<b>(433,835)</b>	<b>4,081,203</b>
<b>Total assets</b>	<b>4,872,691</b>	<b>(364,293)</b>	<b>4,508,397</b>

Items in the financial statement	31.12.2018 Prior to corrections EUR	Corrections EUR	31.12.2018 After corrections EUR
<b>Non-currents investments</b>			
<b>Equity</b>			
Share or stock capital (equity capital)	1,000,000	-	1,000,000
Retained earnings or uncovered losses of previous years	18,096	(51,903)	(33,807)
Profit or loss for the accounting year	182,833	(464,939)	(282,106)
<b>Total equity</b>	<b>1,200,929</b>	<b>(516,842)</b>	<b>684,087</b>
<b>Non-current liabilities</b>			
Borrowings from related companies	2,000,040	(2,000,040)	-
Other loans	1,591,033	(1,539,972)	51,061
<b>Total non-current liabilities</b>	<b>3,591,073</b>	<b>(3,540,012)</b>	<b>51,061</b>
<b>Current liabilities</b>			
Borrowings	-	1,594,110	1,594,110
Trade payables	55,128	(16,382)	38,746
Payables to related companies	-	2,000,040	2,000,040
Taxes and state social insurance contributions	25,561	44,899	70,460
Other liabilities	-	17,183	17,183
Accrued liabilities	-	52,711	52,711
<b>Total current liabilities</b>	<b>80,689</b>	<b>3,692,561</b>	<b>3,773,250</b>
<b>Total liabilities</b>	<b>3,671,762</b>	<b>152,549</b>	<b>3,824,311</b>
<b>Total equity and liabilities</b>	<b>4,872,691</b>	<b>(364,293)</b>	<b>4,508,398</b>

Items in the financial statement	2018 Prior to corrections EUR	Correction EUR	2018 After corrections EUR
<b>Profit or loss statement</b>			
<b>Net turnover:</b>	1,452,133	28,146	1,480,279
Cost of production, cost of goods sold or services rendered	(191,630)	(372,836)	(564,466)
<b>Gross profit or loss</b>	<b>1,260,503</b>	<b>(344,690)</b>	<b>915,813</b>
Sales costs	(214,533)	(16,506)	(231,039)
Administrative costs	(349,538)	(419,747)	(769,285)
Other operating incomes	-	84,577	84,577
Other operating expenses	(170,841)	(100,761)	(271,602)
Interest and similar charges	(342,758)	342,758	-
<i>a) to affiliated/related companies</i>	<i>(259,885)</i>	<i>259,885</i>	-
<i>b) to third parties</i>	<i>(82,873)</i>	<i>82,873</i>	-
<b>Profit or loss before corporate income tax</b>	<b>182,833</b>	<b>(454,369)</b>	<b>(271,536)</b>
Corporate income tax for the reporting year	-	(10,570)	(10,570)
<b>Profit or loss for the reporting year</b>	<b>182,833</b>	<b>(464,939)</b>	<b>(282,106)</b>

### III Explanation of balance sheet items/ ASSETS items

#### 3.1 Explanation of non-current assets items

##### 3.1.1 Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Advance payments on intangible assets	In total
	EUR	EUR	EUR	EUR
<b>Cost of acquisition or cost of production:</b>				
<b>at the beginning of the reporting year (corrected)</b>	<b>1,452</b>	<b>18,616</b>	<b>156,473</b>	<b>176,541</b>
<b>At end of the reporting year</b>	<b>1,452</b>	<b>18,616</b>	<b>244,868</b>	<b>264,936</b>
Value increases, including improvements			88,395	
<b>Accrued impairment adjustments:</b>				
<b>at the beginning of the reporting year (corrected)</b>	<b>149</b>	<b>2,482</b>	-	<b>2,631</b>
<b>At end of the reporting year</b>	<b>298</b>	<b>6,205</b>	-	<b>6,503</b>
Revaluation adjustments for the reporting year	149	3,723	-	<b>3,872</b>
<b>Balance value:</b>				
<b>at the beginning of the reporting year (corrected)</b>	<b>1,303</b>	<b>16,134</b>	<b>156,473</b>	<b>173,910</b>
<b>At end of the reporting year</b>	<b>1,154</b>	<b>12,411</b>	<b>244,868</b>	<b>258,433</b>

Advance payments for intangible assets reflect payments made by the Company for the establishment of an analytical accounting/reporting system for loans. At the end of the reporting period, the system was not yet complete and, in principle, the accounting of loans continued to take place outside the loan accounting system.

### 3.1.2 Fixed assets

	Non-current assets in leased fixed assets	Other fixed assets and inventory	In total
	EUR	EUR	EUR
<b>Cost of acquisition or cost of production:</b>			
<b>at the beginning of the reporting year (corrected)</b>	<b>12,836</b>	<b>37,117</b>	<b>49,953</b>
<b>At end of the reporting year</b>	<b>12,836</b>	<b>37,322</b>	<b>50,158</b>
Value increases, including improvements	-	2,175	2,175
Disposal or liquidation in the reporting year	-	(1,970)	(1,970)
<b>Accrued impairment adjustments:</b>			
<b>at the beginning of the reporting year (corrected)</b>	<b>4,843</b>	<b>7,828</b>	<b>12,671</b>
<b>At end of the reporting year</b>	<b>11,694</b>	<b>17,806</b>	<b>29,500</b>
Revaluation adjustments for the reporting year (depreciation)	6,851	10,556	17,407
Changes in the aggregate amount of accumulated impairment adjustments related to the disposal, liquidation or transfer of an item	-	(578)	(578)
<b>Balance value:</b>			
<b>at the beginning of the reporting year (corrected)</b>	<b>7,993</b>	<b>29,289</b>	<b>37,282</b>
<b>At end of the reporting year</b>	<b>1,142</b>	<b>19,516</b>	<b>20,658</b>

Fixed assets in the balance sheet value of EUR 470 at the end of the reporting year (31.12.2018: EUR 902) have been purchased under finance leases.

Long-term investment in fixed assets consists of investment in the cost of redeveloping office space and is expected to be written off to expenses over the term of the premises lease period.

### 3.1.3 Other loans and other long-term receivables

Type of claim	Changes during the reporting period	31.12.2019 EUR	31.12.2018 EUR (corrected)
Other loans (Trade receivables, non-current part)	249,374	465,376	216,002
Provisions for doubtful debts	(171,923)	(171,923)	-
<b>In total</b>	<b>77,451</b>	<b>293,453</b>	<b>216,002</b>

### 3.2 Debts of buyers and customers

	31.12.2019 EUR	31.12.2018 EUR (corrected)
Carrying amount of trade receivables	4,229,609	3,648,020
Provisions for doubtful debts	(892,666)	(262,155)
<b>In total</b>	<b>3,336,943</b>	<b>3,385,865</b>

### 3.3 Other receivables

	<b>31.12.2019 EUR</b>	<b>31.12.2018 EUR (corrected)</b>
Settlements for security deposits	14,300	8,348
Settlements with suppliers for advance payments	76	6,346
Other receivables	603	19
<b>In total</b>	<b>14,979</b>	<b>14,713</b>

## IV Explanation of balance sheet items/LIABILITIES items

### 4.1 Information on shares and units

Company's equity (share) capital at the time of establishment was EUR 2,800. In year 2017, the participants increased the share capital to EUR 1,000,000 by making additional contributions. The paid-up share capital as of December 31, 2019 is EUR 1,000,000 and consists of 1,000,000 shares, the nominal value of each share is EUR 1.00.

### 4.2 Liabilities

#### 4.2.1 Other borrowings

Loan type	Due date	31.12.2019 EUR	31.12.2018 EUR (corrected)
<b>Other loans (<u>non-current liabilities</u>):</b>			
Amounts received from mutual loan platforms, non-current part	2021	136,817	51,061
<b>Other loans (<u>current liabilities</u>):</b>			
Amounts received from mutual loan platforms, non-current part	2020	2,192,982	1,594,110

The Company has entered into a number of agreements with mutual lending platforms for the sale of claims to investors in the platform. Funding from the platforms does not provide collateral, but provides a buy-back guarantee in case of delay of receivables, as well as the Company is obliged to provide regular operational information on its operations and financial results. The repayment term of the financing depends on the repayment term of the sold claim rights.

#### 4.2.2 Taxes and state social insurance contributions

Tax type	31.12.2019 EUR	31.12.2018 EUR (corrected)
Corporate income tax	61,650	6,976
Social insurance contributions	13,413	7,544
Personal income tax	8,173	30,320
Value-added tax	8,276	25,541
State business risks fee	3	79
<b>In total</b>	<b>91,515</b>	<b>70,460</b>

## V Explanation of profit or loss

### 5.1 Net turnover

	<b>2019 EUR</b>	<b>2018 EUR (corrected)</b>
Revenue from interest	1,733,231	1,374,920
Income from commission payments	261,259	105,359
<b>In total:</b>	<b>1,994,490</b>	<b>1,480,279</b>

### 5.2 Cost of production, cost of goods sold or services rendered

	<b>2019 EUR</b>	<b>2018 EUR (corrected)</b>
Interest expenses	568,661	384,974
Mutual lending platform commissions	93,215	72,723
Debt recovery costs	78,596	6,328
Customer credit history and scoring costs	49,343	28,284
Customer acquisition costs	32,646	66,280
Costs of sending SMS messages to the customers	564	562
Notary deed costs	-	3,477
Other customer support costs	17,273	1,838
<b>In total</b>	<b>840,298</b>	<b>564,466</b>

### 5.3 Cost of sales

	<b>2019 EUR</b>	<b>2018 EUR (corrected)</b>
Advertising costs	183,811	231,039
<b>In total</b>	<b>183,811</b>	<b>231,039</b>

### 5.4 Administrative expenses

	<b>2019 EUR</b>	<b>2018 EUR (corrected)</b>
Staff remuneration	528,140	341,020
Legal and other professional services	91,820	308,773
Other personnel costs	22,903	29,751
Office rent and utility payments	33,833	28,112
IT costs	21,898	18,792
Depreciation of intangible assets and property, plant and equipment	21,280	15,629
Bank commissions	9,497	3,370
Office maintenance costs	7,106	7,193
Communication costs	3,599	4,641
Business trip costs	3,318	3,965
Other administrative costs	4,441	8,039
<b>In total</b>	<b>747,835</b>	<b>769,285</b>



### 5.5 Other operating income

	2019 EUR	2018 EUR (corrected)
Interest on late payments and penalties received	173,898	81,768
Other income	570	2,809
<b>In total</b>	<b>174,468</b>	<b>84,577</b>

### 5.6 Other operating expenses

	2019 EUR	2018 EUR (corrected)
Costs for establishing provisions for doubtful receivables	802,434	262,396
Interest on late payments and penalties paid	9,680	5,518
Exchange losses, net	4,293	3,326
Losses from write-off and sale of fixed assets, net (ref. to Note 5.4)	237	362
<b>In total</b>	<b>816,644</b>	<b>271,602</b>

### 5.7 Corporate income tax

The tax calculated for the reporting period has been calculated in compliance with the requirements of the Law on Corporate Income Tax [*"Uzņēmumu ienākuma nodokļa likums"*] and applying a tax rate of 20% to the taxable base.

### 5.8 Information on profit or loss from disposal of long-term investment objects

Group of non-current assets objects	Balance sheet value at the time of exclusion/write-off	Proceeds from disposal	Losses from alienation of the object
Computers, information systems, computer software products and data storage equipment, communication media, copiers and their related equipment	1,392	1,155	(237)
<b>In total</b>	<b>1,392</b>	<b>1,155</b>	<b>(237)</b>

Arturs Geisari [*Artūrs Geisari*]  
 Chairman of the board

Tamara Hakova [*Tamāra Hakova*]  
 Chief accountant

June 3, 2020