

TWINO

**AS TWINO
CONSOLIDATED
ANNUAL REPORT
FOR 2020**

Table of contents

General information	3
Management report	4
Consolidated financial statements	
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of cash flows	12
Consolidated statement of changes in equity	13
Notes to the consolidated financial statements	14
Independent auditors' report	58

General Information

NAME OF THE COMPANY	AS "TWINO"
LEGAL STATUS OF THE COMPANY	Public limited company (since 04.02.2021, former private limited company (limited liability company))
REGISTRATION NUMBER, PLACE AND DATE	40103919184, Riga, 5 August 2015
REGISTERED OFFICE AND MAILING ADDRESS	Dzirnavu iela 42, Riga, LV-1010
LINE OF BUSINESS	Other credit granting (NACE code 64.92) Other monetary intermediation (NACE code 64.19)
CHIEF EXECUTIVE OFFICER	Anastasija Oļeiņika
MEMBERS OF THE MANAGEMENT BOARD AND POSITIONS HELD BY THEM	Anastasija Oļeiņika, Chairwoman of the Management Board since 18.10.2019 Roberts Bite, Member of the Management Board since 18.10.2019 Nauris Bloks, Member of the Management Board since 04.02.2021 Roberts Lasovskis, Member of the Management Board since 18.10.2019 – 04.02.2021 Miks Lūsītis, Member of the Management Board since 18.10.2019 – 21.09.2020 Nauris Bloks, Member of the Management Board since 18.10.2019 – 14.04.2020
MEMBERS OF THE SUPERVISORY BOARD	Armands Broks, Chairman of the Supervisory Board since 18.10.2019 Mārtiņš Mellēns, Member of the Supervisory Board since 18.10.2019 Oksana Sivokobijska, Deputy Chairman of the Supervisory Board from 20.12.2019 – 03.02.2020
REPORTING PERIOD	01.01.2020 – 31.12.2020
SHAREHOLDER	Armands Broks Equity interest: 100%
AUDITOR	BDO ASSURANCE SIA Kajķu iela 15 – 3B Riga, Latvia LV-1050 Licence No 182 Certified auditor in charge: Irita Cimdare Certificate No 103

Management report

Business profile

AS TWINO (hereinafter referred to as the Company) has prepared consolidated financial statements for the period from 1 January 2020 to 31 December 2020. The Company offers access to investment services with premium returns to its customers when they register and make investments on the peer-to-peer lending platform *twino.eu* (hereinafter referred to as *twino.eu* platform).

The Company is also the parent company of the TWINO Group (hereinafter, the Group) which operates as a competence and fundraising hub offering an opportunity for the investors of *twino.eu* platform to invest in loans issued by companies of the Group as well as make investments in mortgaged real estate properties. Furthermore, the Company provides subsidiaries with key human resources competence in various areas, including risk management, information technologies etc.

Group's operations and financial performance during the reporting period

Financial performance

At the end of the reporting period, the Group's assets mainly consisted of claims against private individuals amounting to EUR 24,438 thousand, of which EUR 18,141 thousand were current loans and EUR 6,297 thousand – non-current loans.

For the reporting period, the total consolidated profit of the Group was EUR 7,412 thousand, of which the amount of EUR 5,260 thousand is attributable to equity holders of the Company. The Company's profit of the period will be retained as deferred and allocated for development of the Company.

In the reporting period, the Group's net interest income grew by 30.2% comparing to 2019 reaching EUR 61,569 thousand, however net fee and commission income reduced by 76.33% mainly due to extension commission income reduction and totaling EUR 6,383 thousand. Group's operating and other expenses was 10.68% lower than in the previous reporting period and amounted to EUR 63,398 thousand, of which personnel expenses were EUR 7,071 thousand, other operating expenses EUR 1,544 thousand, other expenses EUR 12,377 thousand and net impairment losses EUR 40,184 thousand. Group's other operating income in the reporting period was EUR 5,276 thousand.

Twino.eu platform

During the reporting period *twino.eu* platform continued to successfully attract new investors. In January 2020 the number of investors identified by *twino.eu* platform was 19,740. During the reporting period altogether 7,020 investors have registered on the platform of which 3,989 have been identified and have commenced investments. The number of identified investors reached 23,729 at the end of the year, as they acquired the right of claim for the amount of EUR 138 million altogether, the overall volume of the rights of claim sold to the investors of the platform reaching EUR 755 million since the beginning of operations.

Another crucial goal was reached in October of the reporting year – 40,000 registered investors since the launch of operation of the platform, and this parameter reached 41,284 by the end of the year.

In March 2020 a new type of investments was introduced – TWINO Ventures – investments in real estate having a security. During the reporting period loans for more than EUR 1.3 million were financed within the framework of this type of investments.

In May 2020, a refer-a-friend program was launched within the framework of which both the person making the referral and the new member receive a monetary bonus. During 2020 2,399 new investors have been registered on the *twino.eu* platform within the framework of this program.

Management report (cont'd)

Twino.eu platform (cont'd)

In May 2020, the Alternative Financial Services Association of Latvia developed and approved guidelines for the industry of crowdfunding the aim of which was to introduce a sustainable and transparent crowdfunding industry in Latvia. TWINO investment platform was the first market participant which undertook to comply with the guidelines developed by the Association.

In order to enhance the internal control system, in October of the year 2020 the *twino.eu* platform introduced a new solution for verification of identity of investors which is provided by one of the leaders of the industry *Onfido*.

During the reporting period performance of the Company earned a number of prestigious awards, for example, for the fourth consecutive year it caught attention of the prestigious *Banking Check Awards* competition. Banking Check Awards is an award which is based on feedbacks from the customers, and in the year 2020 the *twino.eu* platform received the highest rating in the category "Peer-to-Peer Lending Platforms of the Year 2020".

The Company continued to support the community of its industry by taking part in the leading conference of start-ups and technology companies in the Baltic States – TechChill. During the event the Company's management publicly shared their experience with more than 2,000 participants, thus continuing the enhancement of the image of the Company as the international leading fintech expert, as well as continued to financially support key events of the industry in the Baltic States. The Latvian Start-up Association ranked the Company among the top ten most successful start-ups in Latvia.

Operations of the parent company

In the year 2020 the Company continued to show a stable growth in business performance. The Company focused on operational optimization and improvement of lending products given the circumstances caused by COVID-19 pandemic. In the second and third quarters the Company focused on active monitoring of the quality of the portfolio and improvement, as well as ensuring stability and liquidity of the cash flow for the purpose to mitigate the potential consequences of COVID-19. In the fourth quarter the Company diverted all its attention to the growth of sales volumes on lending markets, as a result annual profit of the Company in 2020 reached EUR 7,412 thousand.

The key events and performance of the Company in 2020:

- Expansion of the Company's competences in compliance and risk management areas, strengthening of the corporate governance system.
- Further improvement of the internal control system on the *twino.eu* platform, thus supporting the combating of money laundering and terrorism and proliferation financing by the financial sector;
 - Upon strengthening of compliance of the *twino.eu* platform with respect to the requirements for prevention of money laundering, a customer identification system was introduced which is provided by an internationally recognized outsourced service provider *Onfido* with a good reputation;
 - In continuation of the efforts started in 2019, a new IT system developed by the TWINO Group – *twino.eu*, *moneza.ru* and *ezaem.ru* – was introduced in the year 2020 which provides a relevant AML/CTPF of customers and prevention of sanction risks and monitoring of the customers' transactions;
 - Fully aware of the significance of ensuring the qualification and expertise of employees in the AML/CTPF area, training of employees was organized;
 - In taking care of a premium range of investments, business relationship was rescinded with investors of the *twino.eu* platform who did not pass the enhanced due diligence procedure or whose parameters do not conform to the strategy of the TWINO Group.

Management report (cont'd)

The key events and performance of the Company in 2020 (cont'd)

- Introduction of the product of funding the mortgaged real estates on the Latvian market;
- Stop of lending operations in Kazakhstan following the change of regulators which along with the restriction of debt recovery introduced by the government during the COVID-19 period rendered continuation of activity risky and potentially resulting in a loss;
- Adjustment to the changes in circumstances on the market resulting from COVID-19 and regulatory changes in Russia, Poland and Latvia, upon revising the lending policy, as well as adapting the borrower-oriented processes for the purpose to allow them to retain creditworthiness also in ambiguous market conditions. The Company's management promptly responded to the respective circumstances, thus being able to retain the level of return on investments (ROI) of the products.
- In March 2020, issuance of loans was discontinued at the subsidiary in Poland Incredit Sp. z o.o, thus simplifying and making the corporate governance structure more efficient. The Company continued to operate successfully through intermediation of Netcredit Sp. z o.o.
- In May 2020, an official application was submitted with the Financial and Capital Market Commission (FCMC) for receipt of the Investment Brokerage Company (IBC). The newly established AS TWINO Investments is applying for the IBC licence.
- In June 2020, the reorganization of AS TWINO was commenced for a purpose to transfer operations of the *twino.eu* platform from the parent company of the TWINO Group to the newly established company AS TWINO Investments. It is planned that the reorganization will be closed shortly before receipt of the IBS licence.
- In April 2020, the Company decreased its share capital to EUR 500,000, by allocating the reduction of the capital to cover accumulated losses incurred in the previous periods.

The Company's management is certain of the stability of the financial situation of the Company and form this report on the principle of going concern.

Financial Risk Management

Due to the specifics of the Company's line of business, the Company is exposed to various financial risks including credit risk, liquidity risk, and currency fluctuation risk. The Company has introduced procedures and processes to assess and mitigate impact of these risks. A detailed description of the financial risk management is available in the note to the Financial Statement, section "Financial Instruments and Financial Risks".

Subsequent events after the reporting period

After the end of the reporting period the *twino.eu* platform showed continued growth:

- By the end of May, the number of investors identified on the platform grew by 2,431, which is an increase by more than 100% in comparison with the same interval during the previous reporting period. The volume of claims bought increased by EUR 71 million, even though the Company reached a crucial benchmark by financing loans in the amount of more than EUR 800 million since the beginning of operations.
- In addition to the foregoing, secondary market functionality was improved on the *twino.eu* platform, which will allow the investors of the platform to sell the loans owned by them to other investors of the platform for a mark-up price or at a discount.

Management report (cont'd)

Subsequent events after the reporting period (cont'd)

- The public website of the Company is updated and has gained a new visual identity which also includes updating of the contents by information about loan originators of the Group.
- In April subsidiary OC Finance SIA launched credit line product in Latvia.
- In May the Company acquired the loan comparison platform of SIA Findup.
- As a result of the sales, in June the subsidiaries Twino LLC (Georgia) and Zing Kazakhstan LLP (Kazakhstan) were excluded from the Group.
- In 2021 the Company continues to work actively towards the licencing of the Company's *twino.eu* platform as the investment broker company and has increased AS TWINO Investments the share capital up to EUR 1,000,000.
- The Company proceeds with developing lending transaction, developing and introducing credit line products on the Latvian market.

Upon proceeding with enhancement of the corporate governance, on 4 February 2021 the Company has closed another process of reorganization – conversion of SIA TWINO into AS TWINO, thus creating also a more wholesome sustainable motivation scheme for the Company's management.

Effect of Covid-19 on the Company's operations

The economic crisis caused by the Covid-19 pandemic had an impact on performance of the Company, because daily routine habits of both borrowers and investors of the *twino.eu* platform changed:

- Part of the *twino.eu* platform investors began to turn off their Auto-Invest tools that make an automatic investment of the free financial means into the platform and request disbursement of funds in amounts twice as high during the months of March and April 2020 in comparison with the previous periods.
- The Company promptly developed the strategic crisis management plan stating protection of funds of each and every member of the platform as their top priority during the COVID-19 pandemic. Thus, the Company continued to make disbursements of the funds requested by each member no later than within two business days subject to commitments under mutual agreements and rights of the investors of the platform established under the contract.
- Thanks to the prompt strategic crisis management plan of COVID-19, as well as marketing and communication campaigns setting open communication with the investors of the platform as their priority, in the second half of May 2020 positive trends of cash flow were observed on the *twino.eu* platform. Upon the mood of investors of the *twino.eu* platform – customers – with respect to financial markets and performance of the *twino.eu* platform, the *twino.eu* platform began to regain part of the previously outgoing funds, and in June 2020 already, the *twino.eu* platform showed a positive cash flow, with this trend stretching for the remaining calendar year ensuring monthly contributions of investors to the *twino.eu* platform being higher than the volume of funds to be disbursed.
- The crisis caused by COVID-19 also left an impact on operations of the Company's subsidiaries, because routine financial habits of the borrowers changed, including the habits related to the reduced ability to repay the loans in a timely manner among certain borrowers, the basis of which were the loss or drop of income as well as restrictions imposed by the governmental regulatory authorities with respect to processes for recovery of the loans disbursed.
- To mitigate the credit risk for the Group companies as a preventive measure, decisions were promptly passed to restrict granting of loans to those categories of customers who have lower creditworthiness assessment, which resulted in lower sales volumes of the companies. Upon the overall financial situation and solvency of the customers improving, towards the end of the first wave of COVID-19 the Group Companies changed the restricting parameters for granting of the loan by gradually ensuring a growth in sales volumes in the second half of the year 2020.

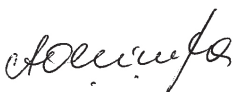
Management report (cont'd)

Future prospects

In the year 2021 the Company will focus on the following:

- Completion of the licencing of the *twino.eu* platform as the investment broker company as well as completion of the reorganization necessary for this process;
- Changes in the role of the Company by spinning off the operations of the platform to TWINO Investments and AS TWINO becoming a holding company and the hub of the group of business competences;
- Expansion of the portfolio of loans on both existing markets and new markets by way of acquisition and growth;
- Further improvement of the Corporate Governance and Operational Compliance Practice in all companies of the Group ensuring an effective resource management in line with the higher demands of the regulated environment;
- Further provision of financial stability and an increase of the liquidity level.
- In August 2021, unsecured consumer loans from a Vietnamese loan originator will be placed on the investment platform of TWINO.
- Launch of credit card product in Polish market by subsidiary Twincard sp. Z.o.o.
- Expansion in Russian market by launching installment loan products.
- New real estate project launch financed by subsidiary in Latvia OC Finance.

On Behalf of the Group's Management:



Anastasija Oļeiņika
Chairwoman of the Management Board

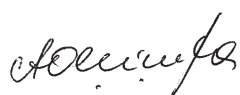
21 July 2021

Consolidated statement of comprehensive income

	Notes	2020, EUR'000	2019, EUR'000
Interest income	2	61,603	47,465
Interest expense	3	(34)	(170)
Net interest income		61,569	47,295
Fee and commission income	4	9,052	31,587
Fee and commission expense	5	(2,669)	(4,625)
Other operating income	6	5,276	4,202
Other operating expenses	7	(1,544)	(13,912)
Non-interest income		10,115	17,252
Personnel expenses	8	(7,071)	(8,149)
Other expenses	9	(12,377)	(16,402)
Other income/(expense)	10	(606)	(122)
Net foreign currency loss		(1,616)	200
Net impairment losses	11	(40,184)	(32,592)
Profit before corporate income tax		9,830	7,482
Corporate income tax and changes in deferred tax	12	(2,418)	(1,730)
Profit for the reporting period		7,412	5,752
Items that will or may be reclassified to profit or loss:			
Other comprehensive income		(3,853)	2,534
Total comprehensive income for the reporting period		3,559	8,286
<i>Profit for the period attributable to:</i>			
Equity holders of the Parent Company		5,260	3,696
Non-controlling interests		2,152	2,056
<i>Total comprehensive income for the reporting period attributable to:</i>			
Equity holders of the Parent Company		3,320	5,493
Non-controlling interests		239	2,792

The accompanying notes on pages 14 to 57 are an integral part of these financial statements.

On Behalf of the Board



Anastasija Oļeiņika
Chairwoman of the Management Board



Imants Baklans
Head of Finance

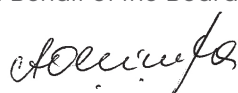
21 July 2021

Consolidated statement of financial position

Assets	Notes	31.12.2020 EUR'000	31.12.2019 EUR'000
CURRENT ASSETS			
Cash and cash equivalents	13	11,382	8,476
Receivables			
Loans to private individuals	14	18,141	24,126
Loans to companies	15	1,439	892
Loans to related parties	16	1,706	2,281
Other assets	17	9,061	17,359
		Total receivables	30,347
		TOTAL CURRENT ASSETS	41,729
NON-CURRENT ASSETS			
Property, plant and equipment			
IT equipment & software		94	185
Other fixtures and fittings, tools and equipment		93	141
Right-of-Use Fixed Assets		598	608
	Total property, plant and equipment	785	934
Intangible assets			
Goodwill		2,720	3,932
Concessions, patents, licenses, trademarks and similar rights		104	456
Other intangible assets		11	3
Advances for intangible assets		50	43
	Total intangible assets	2,885	4,434
Non-current financial assets			
Investments in Equities	20	1	243
Non-current loans to private individuals	14	6,297	6,360
Non-current loans to companies	15	227	185
Non-current loans to related parties	16	538	392
Non-current other assets	17	258	122
Deferred income tax assets	11	441	522
		Total non-current financial assets	7,762
		TOTAL NON-CURRENT ASSETS	11,432
TOTAL ASSETS		53,161	66,326

The accompanying notes on pages 14 to 57 are an integral part of these financial statements.

On Behalf of the Board



Anastasija Oļeņika
Chairwoman of the Management Board



Imants Baklans
Head of Finance

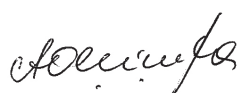
21 July 2021

Consolidated statement of financial position (cont'd)

Equity and liabilities	Notes	31.12.2020 EUR'000	31.12.2019 EUR'000
LIABILITIES			
Current liabilities			
Payables for assignment rights	21	18,872	15,820
Other borrowings	22	-	2
Trade payables		1,511	3,142
Taxes and statutory social insurance contributions payable		697	602
Other liabilities	23	9,966	15,966
Accrued liabilities		639	649
		Total current liabilities	31,685
			36,181
Non-current liabilities			
Payables for assignment rights	21	3,998	8,606
Other borrowings	22	32	42
Other non-current liabilities	23	-	345
Deferred income tax liabilities	11	956	641
		Total non-current liabilities	4,986
			9,634
		TOTAL LIABILITIES	36,671
			45,815
Equity			
Share capital	24	500	7,708
Share premium		240	240
Reorganisation reserve		11,728	11,728
Revaluation reserve		1	1
Foreign currency translation reserve		(1,764)	176
Retained earnings/(Accumulated loss)		1,007	(8,713)
Profit for the reporting period		1,460	3,696
Total equity attributable to equity holders of the Company		13,172	14,836
Non-controlling interests		3,318	5,675
		TOTAL EQUITY	16,490
			20,511
Total equity and liabilities		53,161	66,326

The accompanying notes on pages 14 to 57 are an integral part of these financial statements.

On Behalf of the Board



Anastasija Oļeiņika
Chairwoman of the Management Board



Imants Baklans
Head of Finance

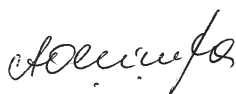
21 July 2021

Consolidated Statement of Cash Flows

	Notes	2020, EUR'000	2019, EUR'000
Cash flows from operating activities			
Profit before corporate income tax		9,830	7,482
Adjustments for:			
depreciation/amortization and impairment	9	677	863
interest income		(558)	(266)
interest expenses		34	170
loss from fluctuations of currency exchange rates		1,616	200
loss on disposal of property, plant and equipment/intangible assets		138	22
Other corrections		(94)	28
Profit before adjustments for the effect of changes in current assets and current liabilities		11,643	8,499
Adjustments for:			
decrease/(increase) in receivables		6,048	(2,731)
(decrease)/increase in trade and other payables		(1,555)	202
change in other assets		7,260	4,623
change in other liabilities		(7,824)	(2,543)
Gross cash flows from operating activities		15,572	8,050
Interest paid		(4)	(77)
Corporate income tax paid		(806)	(2,685)
Net cash flows from operating activities		14,762	5,288
Cash flows from investing activities			
Investments in subsidiaries		(105)	-
Income from sale of shares		105	-
Acquisition of property, equipment and intangible assets	9	(129)	(195)
Income from sale of property, equipment and intangible assets		28	66
Loans issued		(4,853)	(4,053)
Loans repaid		1,200	2,088
Interest received		279	146
Net cash flows from investing activities		(3,475)	(1,948)
Cash flows from financing activities			
Repayment of borrowings		(8)	(2,040)
Dividends paid		(4,087)	(2,393)
Payments of principal on leases		(308)	(298)
Net cash flows from financing activities		(4,403)	(4,731)
Net foreign exchange difference		(3,978)	1,759
Net increase in cash and cash equivalents		2,906	368
Cash and cash equivalents at the beginning of the period		8,476	8,108
Cash and cash equivalents at the end of the period	13	11,382	8,476

The accompanying notes on pages 14 to 57 are an integral part of these financial statements.

On Behalf of the Board



Anastasija Oļeiņika
Chairwoman of the Management Board



Imants Baklans
Head of Finance

21 July 2021

Consolidated statement of changes in equity

	Share capital	Reorganisation reserve	Share premium	Revaluation reserve	Foreign currency translation reserve	Retained earnings/ (Accumulated loss)	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
01.01.2019.	7,708	11,728	239		221	(14,482)	5,414	5,098	10,512
Paid in share capital	-	-	-	1	-	-	1	-	1
Other comprehensive income	-	-	-	-	1,797	-	1,797	737	2,534
Profit for the period	-	-	-	-	-	3,696	3,696	2,055	5,752
Increase of share capital	-	-	1	-	-	-	1	-	1
Dividends paid	-	-	-	-	-	-	-	(3,053)	(3,053)
31.12.2019.	7,708	11,728	240	1	176	(5,017)	14,836	5,674	20,511
Opening corrections	-	-	-	-	-	(61)*	(61)	-	(61)
01.01.2020	7,708	11,728	240	1	176	(5,078)	14,775	5,674	20,449
Other comprehensive income	-	-	-	-	(1,940)	-	(1,940)	(1,913)	(3,853)
Profit for the period	-	-	-	-	-	5,260	5,260	2,152	7,412
Increase of share capital	-	-	-	-	-	-	-	480	480
Deduction of share capital	(7,208)	-	-	-	-	6,085	(1,123)	-	(1,123)
Dividends paid	-	-	-	-	-	(3,800)	(3,800)	(3,075)	(6,875)
31.12.2020.	500	11,728	240	1	(1,764)	2,467	13,172	3,318	16,490

* Reporting period opening balance has been corrected by 61 thousand EUR related to changes in CIT declaration for 2019 that occurred after release of consolidated statement in 2020.

The accompanying notes on pages 14 to 57 are an integral part of these financial statements.

On Behalf of the Board



Anastasija Oleinika
Chairwoman of the Management Board



Imants Baklans
Head of Finance

21 July 2021

Notes to the consolidated financial statements

1. Information on the Company's operations and significant accounting policies – general principles

Reporting entity

The Company was registered in the Register of Enterprises of the Republic of Latvia on 5 August 2015, in Riga, as limited liability company "TWINO", under unified registration number 40103919184, and on 14 July 2020 the sole shareholder of the Company made a decision about reorganization of the Company by way of transformation. The Company, as the company to be transformed, was transformed into a public limited company under firm name AS TWINO, as the acquiring company, and all rights and obligations of the company to be transformed were transferred to the acquiring company, and the shareholders of the company subject to transformation became shareholders of the acquiring company.

The Company's registered address is 42 Dzirnavu Street, Riga, LV-1010. The Company's Chairwoman of the Management Board is Anastasija Oļeiņika and members of the management board are Roberts Bite and Nauris Bloks. The Company also has a supervisory board comprised of the chairman of the supervisory board Armands Broks and the member of the supervisory board Mārtiņš Mellēns.

Along with the related companies the Company makes up a group. The companies comprising the Group are engaged in unsecured consumer lending in various countries around the world. The Company itself does not grant unsecured consumer loans; its primary function is to ensure continuous sufficiency of funds for the companies of the Group for the growth of business by trading in rights of claim under the unsecured consumer loans on the *twino.eu* platform.

The Company's auditor is the audit firm of certified auditors "BDO ASSURANCE" SIA, and the certified auditor in charge is Irita Cimdare.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards adopted by European union as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs), on a going concern basis.

The statement of comprehensive income has been prepared according to the function of expense method. The statement of cash flows has been prepared under the indirect method. The financial statements are prepared on a historical cost basis.

Reporting period

The consolidated financial statements cover 12 months from 1 January 2020 to 31 December 2020.

Significant accounting policies

The consolidated financial statements have been prepared in accordance with the following principles:

- going concern principle;
- prudence principle:
 - the consolidated financial statements comprise only the profit generated during reporting period;
 - all expected risk amounts and losses incurred during the reporting year have been taken into consideration, even if identified during the period from the last day of the reporting year to the date of preparation of the consolidated financial statements;
 - all impairment and depreciation amounts have been calculated and considered irrespective of whether the financial result was a profit or loss;

Notes to the consolidated financial statements (cont'd)

Significant accounting policies (cont'd)

- income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or the date that the invoice is received or issued. Expenses have been matched with respective income in the reporting period;
- assets and liabilities have been valued separately;
- all items having a material impact on the evaluation or decision making by the users of the consolidated financial statements are presented, immaterial items are added together and their disclosure is provided in the accompanying notes;
- business transactions are recorded according to their substance and economic reality and not merely their legal form.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2020

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective from 1 January 2020. The most significant of these are:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

There is no significant impact on financial statements of the Group.

b) Standards, amendments and interpretations that are published and adopted by the EU, but not yet in force

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

These standards are listed below and are not expected to have a significant impact on the Group's financial statements. The Group intends to implement them on their effective date:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16), effective for annual periods from 1 June 2020;
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective from 1 January 2021;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020, effective from 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective from 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective from 1 January 2022;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2023;
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective from 1 January 2023."

Notes to the consolidated financial statements (cont'd)

Basis of consolidation

a) Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is presumed to exist when the Group 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 begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

b) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains/losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

c) Business combinations

Business combinations are accounted for using the predecessor method when control is transferred to the Group. Under predecessor accounting, no purchase price allocation is performed. The acquired net assets are included in the consolidation at their carrying value. The difference between the consideration transferred and the net assets is recognized in equity.

d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to cash-generating units and is stated at cost less impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is recognized in the consolidated statement of profit or loss.

e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by the central bank of the country of operation or the European Central Bank for euro zone countries at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in a foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the euro using the following exchange rates:

	31 December 2020		31 December 2019
PLN	4.5597	PLN	4.2568
GEL	4.0233	GEL	3.2095
DKK	7.4409	DKK	7.4715
RUB	91.4671	RUB	69.9563
GBP	0.8990	GBP	0.85080
KZT	516.130	KZT	426.850

Notes to the consolidated financial statements (cont'd)

Basis of consolidation (cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the euro, the Group's presentation and functional currency, at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the transaction date. Foreign currency translation differences are recognized in the statement total comprehensive income. Foreign exchange gains or losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized directly in the foreign currency translation reserve.

Related parties

Related parties are individuals and legal entities which are related to the Company in accordance with the rules set out below.

A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

- the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is controlled or jointly controlled by a person identified in (a);
- a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Investments in associates

Associates are entities over which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the associated entity. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates under the equity method of accounting, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Notes to the consolidated financial statements (cont'd)

Financial Instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The most significant financial instruments of the Group are financial assets, such as unsecured consumer loans to private individuals, loans to related and non-related companies and other receivables, and financial liabilities, such as payables for assignment rights to investors of the *twino.eu* platform, borrowings from related and non-related companies, issued debt securities and trade payables stemming directly from its business activity.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized in the Group's financial position when the Group becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Use of derivative financial instruments

To date, no derivative financial instruments have been used for hedging risks.

Financial assets

a) Classification and subsequent measurement

On initial recognition, a financial asset is classified into one of the following measurement categories:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

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

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash balances in banks, Loans to private individuals, Receivables from related parties and Other assets in accordance with IFRS 9 are stated at amortized cost.

Notes to the consolidated financial statements (cont'd)

Financial assets (cont'd)

Business model assessment – The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest – For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and unrestricted balances in banks with original maturity of less or equal to 90 days and are free from contractual encumbrances. Cash and cash equivalents are carried at amortized cost.

c) Loans to customers and other receivables

Loans to customers and other receivables included in other assets in the statement of financial position are non-derivative financial assets measured at amortized cost. Loans to customers and other receivables are initially measured at fair value and subsequently at their amortized cost using the effective interest method.

Notes to the consolidated financial statements (cont'd)

Financial assets (cont'd)

d) Impairment

The Group recognizes loss allowances for expected credit losses (ECLs) on the financial assets that are not measured at FVTPL.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Loss allowances for other receivables are always measured at an amount equal to lifetime ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Group measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. For all financial assets that are not measured at FVTPL the Group estimates full lifetime ECL, because major part of financial assets is with one month maturity and 12-month ECL equals to lifetime ECL.

The Group measures ECL on individual basis for SME portfolio as there are few loans with similar economic characteristics. ECL rate is allocated individually based on calculated proportion of loan amount to discounted net asset value which is obtained by evaluating each debtor latest available financial statements.

Credit-impaired financial assets – A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

The definition of default includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Purchased financial assets – At initial recognition purchased financial assets are measured at fair value plus or minus transactions costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, an entity measures purchased financial asset in amortized cost. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss.

Definition of default – Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

Notes to the consolidated financial statements (cont'd)

Financial assets (cont'd)

Significant increase in credit risk –The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL

The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets that are subject to impairment for significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized.

The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Presentation of allowance for ECL in the statement of financial position – Loss allowances for ECL are presented in the statement of financial position as follows:

for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

e) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. Loan terms are modified in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to other terms.

Notes to the consolidated financial statements (cont'd)

Financial assets (cont'd)

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition.

For financial assets modified as part of the Group's restructuring policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar restructuring action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset.

f) Write-off

Loans are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate enough cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Financial liabilities

Financial liabilities are initially recognized at fair value.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Notes to the consolidated financial statements (cont'd)

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Upon recognition, the Group measures financial assets and liabilities at cost, which, according to the Group's management, corresponds to their fair value at the time of acquisition plus any relevant additional expenses.

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received.

IFRS 13 fair value measurement hierarchy

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined based on the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Intangible assets and property, plant and equipment

Intangible assets are disclosed at cost, less any subsequent accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method in order to write off the historical cost of an asset during its useful life.

The Group recognizes the cost of an item of property, plant and equipment as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of an item of property, plant and equipment comprises the purchase price, transportation costs, installation, and other directly attributable expenses related to acquisition or implementation.

Notes to the consolidated financial statements (cont'd)

Intangible assets and property, plant and equipment (cont'd)

Other items of property, plant and equipment are stated at acquisition cost, less accumulated depreciation and accumulated impairment losses.

	Intangible assets:	Estimated useful life
	Licences	2 to 5 years
	Software	2 to 5 years
	Property, plant and equipment:	
	Furniture	5 years
	Computers and office equipment	3 to 4 years
	Other	3 to 10 years

Revenue and expense recognition

Interest, commission and penalty income and expenses are recognized on an accrual basis, applying the effective interest rate.

Revenue and expenses relating to the reporting period are stated in the consolidated statement of profit or loss, regardless of the receipt or payment date.

Finance costs are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, finance income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Corporate income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the 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.

Notes to the consolidated financial statements (cont'd)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the likelihood that the present obligation will be settled at the end of the reporting period, considering risks and uncertainties relating to this obligation. In cases where the amount of provisions is determined based on cash flows necessary to cover the obligation, the carrying amount of provisions is determined based on the present value of expected cash flows.

Equity and reserves

Equity includes share capital, retained earnings, foreign currency translation reserve and reorganisation reserve. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note.

a) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency.

b) Reorganisation reserve

The reorganisation reserve relates to the reorganisation that took place on 12 October 2016. The Company has recognized this reorganisation as a common control transaction, using net asset values. This reserve arises on consolidation and is not distributable to shareholders.

Financial risks

a) Financial risks related to the Group's financial instruments, financial risk management

The key financial risks related to the Group's financial instruments include:

- Credit risk – a risk that the Group will incur financial losses if a party to the transaction is unable to meet its contractual obligations; credit risk is mainly related to the borrowers – private individuals;
- Market risk, including:
 - Interest rate risk – a risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments;
 - Currency risk – a risk that the Group will incur unexpected losses due to foreign exchange rate fluctuations;
 - Country risk – a risk related to changes in legislation, which can adversely impact the Group's transactions affected by respective changes of national legislation;
- Liquidity risk – a risk that the Group will be unable to settle its current and future cash flow and provide collateral for borrowing needs in order to prevent any jeopardy to the Group's daily operations or overall financial position.

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

b) Credit risk

Credit risk is a risk that the Group will incur financial losses if the borrower for whose loan the Group has purchased the underlying claim is unable to comply with the obligations that are set out in the agreement. Credit risk is reduced in the following ways:

- There are established lending procedures to ensure a high-quality loan portfolio of the Group's lending companies. The procedures are continuously improved, and they include behavioral indicators and credit bureau data in order to reduce the loan principal if a potential customer has doubtful creditworthiness;
- The Group makes allowances for doubtful loans to account for the impact of expected credit losses on the consolidated statement of profit or loss. Provisions for doubtful loans are calculated based on the experience of the Group's lending companies and compiled statistics on borrowers' default history. The Group applies a provisioning methodology based on the probability of default of a loan portfolio, analyzing the breakdown by default (unpaid, 1-30 days overdue, 31-60 days overdue, 61-90 days overdue, > 90 days overdue) defined in each bucket. A loan overdue for more than 90 days is considered as defaulted.

The table below shows movement of allowances for the impairment of loans between stages.

	Stage 1 EUR'000	Stage 2 EUR'000	Stage 3 EUR'000	Total EUR'000
Allowances for the impairment of loans 31.12.2018	7,364	3,103	7,982	18,449
Issued, purchased or transferred from previous stage	46,732	33,726	36,391	116,849
Written-off, repaid or transferred to next stage	(47,154)	(31,935)	(31,792)	(110,881)
Effect of foreign currency translation	849	432	768	2,049
Allowances for the impairment of loans 31.12.2019	7,791	5,326	13,349	26,466
Issued, purchased or transferred from previous stage	30,145	33,889	43,386	107,420
Written-off, repaid or transferred to next stage	(32,898)	(34,355)	(40,761)	(108,014)
Effect of foreign currency translation	(1,423)	(1,130)	(2,866)	(5,419)
Allowances for the impairment of loans 31.12.2020	3,615	3,730	13,108	20,453

The table below shows gross book value of loan portfolio.

	31.12.2020 EUR'000	31.12.2019 EUR'000
Not overdue	20,438	25,735
Less than 31 days overdue	3,874	5,909
31-90 days overdue	5,795	8,178
More than 90 days overdue	14,784	17,130
Total	44,891	56,952

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

The table below shows the gross and net customer loan portfolio of the Group obtained as result of assignment by debt maturity. The repayment date of loans is assumed to be the final maturity date.

As of 31 December 2019	Loans, EUR'000
Not past due	25,735
Past due	31,217
Gross loan portfolio	56,952
Allowances for the impairment of loans	(26,466)
Net loan portfolio:	30,486
As of 31 December 2020	Loans, EUR'000
Not past due	20,438
Past due	24,453
Gross loan portfolio	44,891
Allowances for the impairment of loans	(20,453)
Net loan portfolio:	24,438

The table below shows split of gross portfolio by score group.

SCORE	31.12.2020 EUR'000	31.12.2019 EUR'000
<200	1,899	470
200-400	24,612	31,360
401-600	6,606	12,557
601-800	449	982
801-1000	34	94
No Score	11,291	11,490
Gross receivables from customers	44,891	56,952
Allowances for the impairment of loans	(20,453)	(26,466)
Net receivables from customers	24,438	30,486

To classify risk for granted loans to private individuals scoring models are used to evaluate credit risk level of each consumer. Score is calculated in range from 0, being the lowest, to 1 000 being the highest.

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

The table below presents an analysis of cash and cash equivalents based on criteria set by rating agencies as a result of their credit assessments.

Rating	Agency	31.12.2020	31.12.2019
		EUR'000	EUR'000
Aa2	Moody's	128	115
Aa3	Moody's	2	550
A2	Moody's	26	56
A3	Moody's	11	-
Baa1	Moody's	1,246	833
Baa3	Moody's	187	6
BBB-	S&P/ Fitch	-	26
Ba1	Moody's	2,792	1,542
Ba3	Moody's	44	60
BB+	S&P/ Fitch	-	109
BB	S&P/ Fitch	13	34
BB-	S&P/ Fitch	1,694	3,024
B-	S&P/ Fitch	2,751	85
n/a	Unrated	2,488	2,036
Total		11,382	8,476

The unrated cash and cash equivalents are rated internally based on an analysis of quantitative and qualitative factors of the institutions where the cash is placed.

c) Market risk

Market risk is a risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices, will affect the Group's income or the value of its portfolios. The Group's market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices. The objective of market risk management is to minimize and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

d) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. In order to minimize any interest rate risk, the Group and the Group's lending companies enter into loan agreements with fixed interest rates. Given the fixed interest rates of the Group's borrowings and loans, as of 31 December 2020 the Group is not exposed to significant interest rate risk.

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

e) Currency risk

Currency risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. It is a risk of fluctuations in the value of financial instruments, since fluctuations in foreign exchange rates affect the value of the Group's assets and liabilities. As regards all the currencies, the difference between the historical minimum and maximum rate of the previous year is accepted by the Group's management.

Foreign exchange rate fluctuations affect the value of the Group's assets and liabilities and financial result. During the reporting period, the Group had revenue, assets, and liabilities in EUR, PLN, GEL, VND, KZT and RUB. Operating expenses and liabilities towards the *twino.eu* platform users were mainly in EUR and non-essential part in GBP. Revenue recognized in KZT accounted for 1% of the total interest, fee and commission income for the reporting period, and revenue recognized in PLN and RUB formed 9% and 85% of the total interest, fee and commission income for the reporting period respectively. During the reporting period, the Group had a currency exchange loss amounting to EUR 1,616 thousand, which mostly relates to the revaluation of balance sheet items in RUB and PLN. Other foreign currencies accounted for a non-essential part of the total turnover in the reporting period. Overall, the Group manages currency risk by trying to balance revenue and costs in the same currency. Currency risk management (hedging) instruments available on financial markets are not used.

An analysis of sensitivity of the Group's net income for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 10% change in PLN, KZT, GEL, RUB, DKK and GBP to EUR exchange rates is presented in table below. 10% change is used for simplified scenario as it is close to difference between average rate and maximum, minimum rate in financial years 2020 and 2019 for most commonly used foreign rates in group – PLN and RUB.

	31.12.2020		31.12.2019	
	Net Income	Equity	Net Income	Equity
	EUR'000	EUR'000	EUR'000	EUR'000
Appreciation of PLN against EUR	(328)	(328)	(162)	(162)
Depreciation of PLN against EUR	328	328	162	162
Appreciation of KZT against EUR	13	13	(199)	(199)
Depreciation of KZT against EUR	(13)	(13)	199	199
Appreciation of GEL against EUR	(1)	(1)	(2)	(2)
Depreciation of GEL against EUR	1	1	2	2
Appreciation of RUB against EUR	(262)	(262)	(136)	(136)
Depreciation of RUB against EUR	262	262	136	136
Appreciation of GBP against EUR	(242)	(242)	(294)	(294)
Depreciation of GBP against EUR	242	242	294	294
Appreciation of DKK against EUR	-	-	(1)	(1)
Depreciation of DKK against EUR	-	-	1	1

The currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency at 10% change. The above analysis does not include any assumptions about correlation between these currencies.

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

f) Country risk

Country risk is being decreased by means of control performed by the Group's company management in each separate country following changes in legislation and by regular assessment of the situation within each individual country.

The table below shows the split of the customer loan portfolio by the country of operation.

As of 31.12.2019

	EUR'000	%
Russia	15,374	50.40%
Latvia	9,289	30.50%
Poland	4,491	14.70%
Georgia	1,262	4.10%
Kazakhstan	70	0.20%
Total	30,486	100%

As of 31.12.2020

	EUR'000	%
Russia	13,337	54.57%
Latvia	9,693	39.66%
Poland	1,355	5.54%
Georgia	32	0.13%
Kazakhstan	21	0.09%
Total	24,438	100%

Currently, Latvian peer-to-peer lending platform regulations and legislation stipulates that the Latvian market for this type of commercial activity will require a license. The Company works actively towards the licencing of the Company's *twino.eu* platform as the investment broker company and it is not expected that the licencing rules will not be feasible for the Company or threaten the Company's commercial operations and going concern in any other way.

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

g) Liquidity risk

One of the cornerstones of the Group's activities is to maintain sufficient level of liquidity. Liquidity risk is, on the one hand, maintaining sufficient liquidity at lending company level to ensure that loans can be provided to borrowers on a continuous basis, and, on the other hand, the ability of the Group to settle payments related to the rights of claim acquired by participants via the *twino.eu* platform at the request of investors.

In order to manage liquidity risk, the Group's management closely follows the maturity structure of assets and liabilities. It is important for the Group to monitor the liquidity position to third parties, in particular to the investors of the *twino.eu* platform, as receivables and payables of related companies are settled by assessing the overall liquidity demands by the Group as a whole and individual Group's companies, based on their operational needs.

Liquidity risk is controlled by the Company's Finance Department. Liquidity management ensures continuous availability of funds to settle any liabilities as they fall due. The Company's liquidity management procedures include:

- producing intra-Group and outward cash flow forecasts;
- managing loan structure and concentration;
- linking maturity of investments made by the *twino.eu* platform investors to maturity of the loan portfolio;
- daily monitoring of balances of cash at bank and the number of requests of the assignment transaction partners in order to withdraw funds from the accounts of the *twino.eu* platform;
- estimating the necessary cash reserve and maintaining the requisite funds as cash balances in bank accounts in view of both base and stress scenarios.

The Finance Department produces the following forecasts:

- cash flows from the loan portfolio, taking into account the estimated sales volumes and loan repayment schedules as well as the possibility of early or overdue settlement or extending the maturity of loans based on historical data;
- refunds and repurchases due to the *twino.eu* platform investors;
- operational cash flows between the Group's related companies and external suppliers and creditors on a daily basis.

The Finance Department manages daily and long-term liquidity based on forecasts and plans. The Group's management is continuously monitoring bank account balances and daily cash withdrawal requests by the *twino.eu* platform investors from the *twino.eu* platform accounts. The cash reserve required to ensure continuous liquidity is estimated and maintained by the Group based on cash withdrawal requests by the *twino.eu* platform investors and taking into account the amount that is raised from the assignment transaction parties each day.

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

The tables below show information about the Group 's liquidity - asset and liability maturity structure based on their contractual maturity for year ended December 31, 2019 and December 31, 2020 respectively.

As of December 31, 2019	On demand/ less than 1 month EUR'000	From 1 to 3 months EUR'000	From 3 to 6 months EUR'000	From 6 months to 1 year EUR'000	More than 1 year EUR'000	No maturity EUR'000	Total EUR'000
Assets							
Fixed and intangible assets	-	-	-	-	-	5,368	5,368
Deferred income tax asset	-	-	-	-	-	522	522
Other investments	-	-	-	-	-	243	243
Non-financial assets	-	-	-	-	-	6,133	6,133
Loans to private individuals	20,796	798	872	1,660	6,360	-	30,486
Receivables from and loans to related parties	313	-	-	1,968	392	-	2,673
Other receivables	15,948	1,291	655	315	307	-	18,516
Cash and cash equivalents	8,476	-	-	-	-	-	8,476
Financial assets	45,533	2,089	1,527	3,943	7,059	-	60,151
Total assets	45,533	2,089	1,527	3,943	7,059	6,133	66,284
Equity and liabilities							
Deferred income tax liability	-	-	-	-	-	641	641
Payables for assignment rights - other borrowings	10,442	1,155	1,480	2,743	8,606	-	24,426
Loans and borrowings	2	-	-	-	42	-	44
Leasing liability	23	46	70	144	345	-	628
Other liabilities	20,029	3	2	-	-	-	20,034
Total financial abilities	30,496	1,204	1,552	2,887	8,993	641	45,773
Net financial assets/ (liabilities)	15,037	885	(25)	1,056	(1,934)	(641)	14,378

Notes to the consolidated financial statements (cont'd)

Financial risks (cont'd)

As of December 31, 2020	On demand/ less than 1 month EUR'000	From 1 to 3 months EUR'000	From 3 to 6 months EUR'000	From 6 months to 1 year EUR'000	More than 1 year EUR'000	No maturity EUR'000	Total EUR'000
Assets							
Fixed and intangible assets	-	-	-	-	-	3,670	3,670
Deferred income tax asset	-	-	-	-	-	441	441
Other investments	-	-	-	-	-	1	1
Non-financial assets	-	-	-	-	-	4,112	4,112
Loans to private individuals	15,140	1,025	699	1,277	6,297	-	24,438
Loans to companies	352	462	132	493	227	-	1,666
Receivables from and loans to related parties	7	251	251	1,197	538	-	2,244
Other receivables	6,730	1,011	827	720	31	-	9,319
Cash and cash equivalents	11,382	-	-	-	-	-	11,382
Financial assets	33,611	2,749	1,909	3,687	7,093	-	49,049
Total assets	33,611	2,749	1,909	3,687	7,093	4,112	53,161
Equity and liabilities							
Deferred income tax liability	-	-	-	-	-	956	956
Payables for assignment rights – other borrowings	9,401	1,556	2,395	5,520	3,998	-	22,870
Loans and borrowings	-	-	-	-	32	-	32
Leasing liability	29	58	88	182	282	-	639
Other liabilities	12,172	-	-	2	-	-	12,174
Total financial liabilities	21,602	1,614	2,483	5,703	4,313	956	36,671
Net financial assets/ (liabilities)	12,009	1,135	(574)	(2016)	2,780	(956)	12,378

As at the end of the reporting period, the Group's liquidity position can be considered stable. The balance of the Group's cash and cash equivalents at the end of reporting period was EUR 11,382 thousand (as at 31.12.2019 EUR 8,476 thousand). Current assets as at 31.12.2020 (up to 1 year) in total were EUR 41,729 thousand (as at 31.12.2019 – EUR 53,134 thousand) and exceeded current liabilities, which in total were EUR 31,685 thousand (as at 31.12.2019 – EUR 36,181 thousand), by EUR 10,044 thousand (as at 31.12.2019 current liabilities exceeded current assets (up to 1 year) by EUR 16,953 thousand). Net volume of the loan portfolio (including expected bad credit amount) was EUR 24,438 thousand (as at 31.12.2019 EUR 30,486 thousand), which is sufficient to cover payments due for the assignment rights (settling with investors of *twino.eu* platform) at amount of EUR 22,870 thousand (as at 31.12.2019 EUR 24,426 thousand), when they become due. At the end of reporting period non-current liabilities above 1 year did not exceed non-current asset value.

Notes to the consolidated financial statements (cont'd)

Estimates and assumptions

In preparing the consolidated financial statements, the Group's management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

Estimates and assumptions are constantly reviewed. Changes in accounting estimates are recognized in the period in which estimates are reviewed if these changes only affect that period or in the period in which estimates are reviewed and subsequent periods if changes affect current and subsequent periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Loss allowances for expected credit losses

The following are key estimations that the management have used in the process of applying the Group's accounting policies and that have the most significant effect on the loss allowances for expected credit losses:

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

Impairment loss for Goodwill

Goodwill is tested for impairment by comparing historical value of goodwill, revaluated to reporting currency, with historical investment. Goodwill is revaluated using current exchange rates and increased in case of positive changes in acquisition currency and decreased in case of negative foreign currency exchange rate movements.

Reclassification of comparative figures

In order to improve the comprehensibility of the financial statements, in 2020 the Company's management changed the classification of certain Balance sheet and Statement of profit or loss items in these financial statements. To ensure the comparability of the financial statements for 2019 with 2020, the comparative figures of the financial statements for 2019 have been reclassified as follows:

Amounts reclassified from Other assets to Loans to companies Balance sheet items

	Amount as of 31.12.2019 before reclassification	Amount of reclassification	Amount as of 31.12.2019 after reclassification
Loans to companies	EUR'000	EUR'000	EUR'000
Loan principal	725	319	1,045
Accrued interest	72	12	84
Accrued commissions	10	-	10
Deferred revenue from interest	(14)	-	(14)
Deferred revenue from commissions	(9)	-	(9)
Allowances	(17)	(21)	(39)
Total	767	310	1,077

Notes to the consolidated financial statements (cont'd)

Reclassification of comparative figures (cont'd)

	Amount as of 31.12.2019 before reclassification	Amount of reclassification	Amount as of 31.12.2019 after reclassification
Other assets	EUR'000	EUR'000	EUR'000
Receivables for CDS fees	8,386	-	8,386
Receivables for brokerage fee	2,523	-	2,523
Receivables for platform services	2,202	-	2,202
Corporate income tax asset	1,937	-	1,937
Deferred expenses	423	-	423
Receivables for sold assignment rights	60	-	60
Accrued income	1	-	1
Allowances	(248)	21	(227)
Other receivables	2,465	(289)	2,176
Total	17,749	(268)	17,481

	Amount as of 31.12.2019 before reclassification	Amount of reclassification	Amount as of 31.12.2019 after reclassification
Equity and liabilities	EUR'000	EUR'000	EUR'000
Taxes and statutory social insurance contributions payable	560	42	602
Total	560	42	602

Notes to the consolidated financial statements (cont'd)

Reclassification of comparative figures (cont'd)

Amounts reclassified within the Statement of profit or loss items	2019 before reclassification EUR'000	Amount of reclassification EUR'000	2019 after reclassification EUR'000
Interest income			
Interest income on loans to private individuals	38,729	8,477	47,206
Interest income on loans to companies	177	(6)	171
Fee and commission income			
Penalty income	10,011	(8,312)	1,699
Other operating expenses			
Loss from sale of loan portfolios	(25,844)	11,372	(14,472)
Other operating income	703	(166)	537
Personnel expenses			
Other personnel expenses	(220)	(57)	(277)
Operating costs			
Cost compensation expenses	(65)	(106)	(171)
Other expenses	(449)	57	(392)
Other income/(expense)			
Fines and penalties from authorities	83	(165)	(82)
Impairment losses			
Provisions on Loans to private individuals	(21,167)	(11,372)	(32,539)
Provisions on Loans to companies	(18)	217	199
Provisions on Cash and cash equivalents	(8)	4	(4)
Provisions on Other assets	(306)	57	(249)
Total	1,626	-	1,626

Notes to the consolidated financial statements (cont'd)

2. Interest income

	2020	2019
	EUR'000	EUR'000
Interest income on loans to private individuals	61,045	47,206
Interest income on loans to companies	356	170
Interest income on loans to related parties	202	89
Total	61,603	47,465

3. Interest expense

	2020	2019
	EUR'000	EUR'000
Other interest expense	34	170
Total	34	170

4. Fee and commission income

	2020	2019
	EUR'000	EUR'000
Financial intermediary services	3,278	-
Income from the buyback of claims	1,828	2,138
Income from commissions	1,509	20,906
Insurance income	1,310	930
Penalty income	493	1,698
Brokerage fee income	400	5,446
Income from commissions for platform services	234	468
Other fee and commission income	-	1
Total	9,052	31,587

Fee and commission income includes commission and contractual penalty income generated during the reporting period under consumer loan agreements (with private individuals) acquired through assignments, as well as from loans issued under agreements with related and unrelated companies. Commission income also includes commissions from brokerage activities.

Significant decrease in Income from commissions item comparing to previous year due to two main factors:

1. According to Russian legislation it is not allowed to charge clients with separate service fees for loan extensions any more since 2020.
2. Group has closed operations in Kazakhstan in 2020.

Notes to the consolidated financial statements (cont'd)

4. Fee and commission income (cont'd)

Interest income and fee and commission income by geographical regions:	2020 EUR'000	2019 EUR'000
Russia	59,879	61,260
Poland	6,098	8,035
Latvia	4,227	4,333
Kazakhstan	412	4,431
Vietnam	33	-
Georgia	6	993
Total	70,655	79,052

5. Fee and commission expense

	2020 EUR'000	2019 EUR'000
Premium to the <i>twino.eu</i> platform investors*	2,007	1,475
Bank charges	660	2,620
Other fee and commission expense	1	530
Total	2,668	4,625

* The premium to the investors of the *twino.eu* platform results from the difference between the price at which the investors of the *twino.eu* platform acquire loan claims and the value of expected cash flows from the acquired claims. It is recognized in the consolidated statement of profit or loss on an accrual basis.

6. Other operating income

	2020 EUR'000	2019 EUR'000
Income from credit default swaps	5,276	4,144
Income from fixed asset lease	-	58
Total	5,276	4,202

Notes to the consolidated financial statements (cont'd)

7. Other operating expenses

	2020	2019
	EUR'000	EUR'000
Loss from sale of loan portfolios	1,553	14,472
Cost compensation (Income)/Expense	(9)	(17)
Loss from write-off of loan portfolio	-	(6)
Other operating income	-	(537)
Total	1,544	13,912

8. Personnel expenses

	2020	2019
	EUR'000	EUR'000
Employee remuneration	5,628	6,435
Payroll taxes on employee remuneration	1,271	1,437
Other personnel expenses	172	277
Total	7,071	8,149

9. Other expenses

	2020	2019
	EUR'000	EUR'000
Marketing and advertising costs	5,641	8,049
IT costs	2,092	1,972
Lease of premises and office maintenance expenses	1,444	1,659
Debt collection costs	867	1,284
Professional service fees	761	1,636
Depreciation	391	524
Amortization	286	338
Transportation and business trip expenses	81	178
Operating license and membership fees	44	50
Representation expenses	37	140
Cost compensation expenses	31	171
Donations	10	10
Other expenses	692	391
Total	12,377	16,402

Notes to the consolidated financial statements (cont'd)

10. Other income/(expense)

	2020	2019
	EUR'000	EUR'000
Recoveries/(Write-offs) of assets	(663)	(19)
Gain/(Loss) from sale of property and equipment	(138)	(22)
Fines and penalties from authorities	(42)	(82)
Gain/(Loss) from purchase/sale of subsidiaries	(7)	-
Other non-recurring income/(expense)	244	1
Total	(606)	(122)

11. Impairment losses

	2020	2019
	EUR'000	EUR'000
Provisions on Loans to private individuals*	39,076	32,540
Provisions on Loans to companies	430	(199)
Provisions on Investments in Equities	232	-
Provisions on Loans to related parties	20	-
Provisions on Cash and cash equivalents	6	5
Provisions on Other assets	420	246
Total	40,184	32,592

12. Current corporate income tax and deferred income tax

a) Corporate income tax recognized in the statement of profit or loss

	2020	2019
	EUR'000	EUR'000
Tax calculated in the tax return	1,963	2,014
Changes in deferred tax	455	(284)
Total	2,418	1,730

Notes to the consolidated financial statements (cont'd)

12. Current corporate income tax and deferred income tax (cont'd)

b) Comparison of the effective corporate income tax rate

The amount of the reported corporate income tax expenses for the year ended 31 December 2020 differs from the amount calculated by applying the statutory tax rate to the Company's profit before tax, as demonstrated in the table below:

	2020	2019
	EUR'000	EUR'000
<i>Profit/ (loss) before corporate income tax</i>	9,830	7,482
Tax at the applicable rate	821	1,122
Impact of non-deductible expenses	(805)	(1,066)
Changes in deferred tax assets	455	(284)
Corporate income tax paid abroad	1,947	1,958
Corporate income tax for the reporting period	2,418	1,730

Corporate income tax rates by geographical regions:

	2020	2019
Latvia	0% or 25%	0% or 25%
Poland	19%	19%
Georgia	15%	15%
Russia	20%	20%
Denmark	22%	22%
Kazakhstan	20%	20%

c) Deferred tax (assets)/liabilities

Deferred tax relates to temporary differences and tax losses carried forward. Movements in temporary differences and tax losses carried forward during the year ended 31 December 2019 and 31 December 2020:

Notes to the consolidated financial statements (cont'd)

12. Current corporate income tax and deferred income tax (cont'd)

Temporary differences

	Deferred tax (assets)/ liabilities as of 01.01.2018 EUR'000	Recognized profit or loss EUR'000	Acquired through business combination EUR'000	Effect of exchange rate fluctuations EUR'000	Balance as of 31.12.2019 EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Loans to private individuals	(353)	6	(14)	(42)	(402)	(402)	-
Loans to related parties	(46)	-	-	(6)	(52)	(52)	-
Property, plant and equipment	23	(2)	-	3	24	-	24
Intangible assets	(2)	-	(11)	(2)	(15)	9	(23)
Other assets	(55)	5	11	(3)	(42)	(42)	-
Payables for assignment rights	114	-	-	16	129	-	129
Other borrowings	(178)	(13)	-	(2)	(193)	(193)	-
Other liabilities	959	(318)	4	8	652	-	652
Tax loss carry-forwards	(177)	38	158	(2)	18	158	(141)
Deferred tax (assets)/liabilities	285	(284)	148	(30)	119	(522)	641

The Group has recognized deferred tax assets of EUR 522 thousand (31 December 2018: EUR 659 thousand) in Russia and Kazakhstan. The Group has recognized deferred tax liabilities of EUR 641 thousand (31 December 2018: EUR 944 thousand) in Poland.

Notes to the consolidated financial statements (cont'd)

12. Current corporate income tax and deferred income tax (cont'd)

	Deferred tax (assets)/ liabilities as of 31.12.2019 EUR'000	Opening corrections EUR'00	Deferred tax (assets)/ liabilities as of 01.01.2020 EUR'00	Recognized profit or loss EUR'000	Acquired through business combination	Effect of exchange rate fluctuations EUR'000	Balance as of 31.12.2020 EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Loans to private individuals	(402)	(1)	(403)	775	-	8	380	120	260
Loans to related parties	(52)		(52)	44	-	8	-	-	-
Property, plant and equipment	24		24	(20)	-	(4)	-	-	-
Intangible assets	(15)		(15)	18	-	2	5	-	5
Other assets	(42)		(42)	6	-	7	(29)	(16)	(13)
Payables for assignment rights	129	1	130	(109)	-	(20)	1	1	-
Other borrowings	(193)		(193)	(32)	-	14	(211)	(211)	-
Other liabilities	652		653	(267)	-	(14)	372	(332)	704
Tax loss carry-forwards	17	(77)	(60)	52	-	5	(3)	(3)	-
Deferred tax (assets)/ liabilities	119	(77)	42	467	-	6	515	(441)	956

The Group has recognized deferred tax assets of EUR 441 thousand (31 December 2019: EUR 522 thousand) in Russian subsidiary Veritas MFC LLC and Polish subsidiary Incredit Sp. z o.o. The Group has recognized deferred tax liabilities of EUR 956 thousand (31 December 2019: EUR 641 thousand) in Russian subsidiary Macro MCC LLC and Polish subsidiary Net Credit Sp. z o.o.

Notes to the consolidated financial statements (cont'd)

13. Cash

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Cash at bank	11,382	8,476
Total	11,382	8,476

14. Loans to private individuals

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Loan principal	33,854	44,964
Accrued interest	10,991	11,388
Accrued commissions	207	812
Other accrued income	117	129
Deferred commission income	(95)	(216)
Deferred interest income	(183)	(125)
Gross receivables from customers	44,891	56,952
Allowances for the impairment of receivables from customers	(20,453)	(26,466)
Net receivables from customers	24,438	30,486
Including:		
current portion	18,141	24,126
non-current portion	6,297	6,360
Total	24,438	30,486

As a result of the Group's assignment transactions, portfolio assets and related credit risks are transferred to the Company. The weighted average effective interest rate on issued customer loans was 57.19% in the reporting period. At the end of the reporting period, the balance of the loan portfolio acquired by investors of the *twino.eu* platform was EUR 28,680 thousand.

Notes to the consolidated financial statements (cont'd)

14. Loans to private individuals (cont'd)

The age structure of customer debts and allowances for doubtful customer debts:

	Book value as of 31.12.2019 EUR'000	Allowances as of 31.12.2019 EUR'000	Net book value as of 31.12.2019 EUR'000
Not overdue	25,735	(7,690)	18,045
Less than 31 days overdue	5,909	(2,925)	2,984
31-90 days overdue	8,178	(4,675)	3,503
More than 90 days overdue	17,130	(11,177)	5,953
Total	56,952	(26,467)	30,486

	Book value as of 31.12.2020 EUR'000	Allowances as of 31.12.2020 EUR'000	Net book value as of 31.12.2020 EUR'000
Not overdue	20,438	(1,976)	18,462
Less than 31 days overdue	3,874	(1,558)	2,316
31-90 days overdue	5,795	(3,681)	2,114
More than 90 days overdue	14,784	(13,238)	1,545
Total	44,891	(20,453)	24,438

15. Loans to companies

	31.12.2020 EUR'000	31.12.2019 EUR'000
Loan principal	1,965	1,045
Accrued interest	186	84
Accrued commissions	24	10
Deferred revenue from interest	(31)	(14)
Deferred revenue from commissions	(20)	(9)
Allowances	(458)	(39)
Total	1,666	1,077
Including:		
Current loans	1,439	892
Non-current loans	227	185
Total	1,666	1,077

Notes to the consolidated financial statements (cont'd)

16. Receivables from related parties

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Current loans to related parties	2,197	2,543
Accrued loan interest due from related parties	65	130
Allowances	(18)	-
Total	2,244	2,673
Including:		
Current loans	1,706	2,281
Non-current loans	538	392
Total	2,244	2,673

Receivables from related parties consist of EUR 1 857 thousand receivable from real estate projects and loans issued to DZ31 SIA EUR 130 thousand (excluding EUR 4 thousand accrued interest) and Kerdos Holding SIA EUR 207 thousand (excluding EUR 36 thousand accrued interest) with fixed annual interest rates of 8% for Kerdos Holding SIA and 3.5% including 12-month Euribor rate for DZ31 SIA. Loans issued to real estate companies consist of loans to Lubanas park SIA EUR 447 thousand (excluding EUR 6 thousand accrued interest) and Kuğu 13 EUR EUR 1 385 thousand (excluding EUR 18 thousand accrued interest) with rate of 13% per annum. Remaining part of the receivables relates to loans issued to management of subsidiary SIA OC Finance.

17. Other assets

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Receivables for CDS fees	4,714	8,386
Receivables for brokerage fee	2,604	2,523
Deferred expenses	436	423
Corporate income tax asset	362	1,937
Receivables for attracted funding	-	2,202
Accrued income	-	1
Receivables for sold assignment rights	(274)	60
Allowances	(803)	(227)
Other receivables	2,280	2,176
Total	9,319	17,481
Including:		
Current other assets	9,061	17,359
Non-current other assets	258	122
Total	9,319	17,481

Notes to the consolidated financial statements (cont'd)

18. Property, plant and equipment

	IT equipment & software EUR'000	Other fixtures and fittings, tools and equip- ment EUR'000	Right-of-Use Fixed Assets EUR'000	Total EUR'000
Acquisition cost				
31.12.2018	1,040	288	0	1,328
Additions	78	54	880	1,012
Disposals	(106)	(56)	-	(162)
Reclassification	21	(21)	-	-
Effect of foreign currency translation	44	-	8	52
31.12.2019	1,077	265	888	2,230
Accumulated depreciation				
31.12.2018	657	157	0	814
Depreciation charge	199	47	278	524
Disposals	(50)	(27)	-	(77)
Reclassification	-	-	-	-
Effect of foreign currency translation	33	-	2	35
31.12.2019	839	177	280	1,296
Net book value as of 31.12.2018	383	131	0	514
Net book value as of 31.12.2019	238	88	608	934
Acquisition cost				
31.12.2019	1,077	265	888	2,230
Reclassification	(128)	128	-	-
01.01.2020	949	393	888	2,230
Additions	103	8	305	416
Disposals	(412)	(58)	-	(470)
Revaluation	-	-	20	20
Effect of foreign currency translation	(110)	(41)	(60)	(211)
31.12.2020	530	302	1,153	1,985
Accumulated depreciation				
31.12.2019	839	177	280	1,296
Reclassification	(75)	75	-	-
01.01.2020	764	252	280	1,296
Depreciation charge	62	29	300	391
Disposals	(299)	(44)	-	(343)
Reclassification	1	(1)	-	-
Effect of foreign currency translation	(92)	(27)	(25)	(144)
31.12.2020	436	209	555	1,200
Net book value as of 31.12.2019	185	141	608	934
Net book value as of 31.12.2020	94	93	598	785

Notes to the consolidated financial statements (cont'd)

18. Property, plant and equipment (cont'd)

Right-Of-Use Fixed Assets are under IFRS 16 treatment calculated leased office premises in Latvia for parent company AS Twino and in Poland for subsidiaries NetCredit Sp. z.o.o and InCredit Sp. z.o.o.

In autumn 2020, AS Twino started renting the new office premises with approximately 450 sq.m. in Dzirnau Street 42, Riga, Latvia. The new office is expected to be rented for 4 years and in 2021 is used as the main hub for Parent Company and Latvian subsidiaries. The old office agreement for premises in Mukusalas street 41, Riga, Latvia was ended in the middle of December 2020.

19. Intangible assets

	Goodwill	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Advances for intangible assets	Total
Acquisition cost	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31.12.2018	3,382	1,297	77	176	4,932
Additions	-	4	-	66	70
Disposals	-	(3)	-	(26)	(29)
Transfer	-	193	-	(193)	-
Effect of foreign currency translation	550	13	-	21	584
31.12.2019	3,932	1,503	77	45	5,557
Accumulated amortization					
31.12.2018	-	711	67	-	778
Amortization charge	-	331	8	-	339
Disposals	-	-	-	-	-
Effect of foreign currency translation	-	7	-	-	7
31.12.2019	-	1,049	75	-	1,124
Net book value as of					
31.12.2018	3,382	586	10	176	4,154
31.12.2019	3,932	454	2	45	4,433

Notes to the consolidated financial statements (cont'd)

19. Intangible assets (cont'd)

Acquisition cost	Goodwill EUR'000	Concessions, patents, licenses, trademarks and similar rights EUR'000	Other intangible assets EUR'000	Advances for intangible assets EUR'000	Total EUR'000
31.12.2019	3,932	1,503	77	45	5,557
Reclassification	-	(1,119)	1,114	5	-
01.01.2020	3,932	384	1,191	50	5,557
Additions	-	-	-	38	38
Disposals	-	(40)	(88)	(16)	(144)
Transfer	-	8	-	(8)	-
Effect of foreign currency translation	(1,212)	(68)	-	(14)	(1,294)
31.12.2020	2,720	284	1,103	50	4,157
Accumulated amortization					
31.12.2019	-	1,049	75	-	1,124
Reclassification	-	(871)	871	-	-
01.01.2020	-	178	946	-	1,124
Amortization charge	-	49	237	-	286
Disposals	-	(16)	(91)	-	(107)
Effect of foreign currency translation	-	(31)	-	-	(31)
31.12.2020	-	180	1,092	-	1,272
Net book value as of					
31.12.2019	3,932	454	2	45	4,433
Net book value as of 31.12.2020	2,720	104	11	50	2,885

TWINO tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting period, the recoverable amount which is also value in use was determined based on net asset value calculations. At the end reporting period 2019 net goodwill consisted of EUR 3,887 thousand and EUR 45 thousand attributable to Veritas OOO MFK and Incredit Sp. z o.o. correspondingly. At the end of reporting period 2020 net goodwill consisted of EUR 2,675 thousand and EUR 45 thousand attributable to Veritas OOO MFK and Incredit Sp. z o.o. respectively. In 2019 and 2020 reporting periods goodwill impairment was not identified.

Notes to the consolidated financial statements (cont'd)

20. Investments in Equities

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Investments in companies	227	243
Impairment allowance	(226)	-
Total	1	243

Investments of Payday Loans Sp. Z o.o. SKA consist of an equity interest (95%) amounting to EUR 227 thousand (PLN 1,030 thousand) in Parway Sp.z.o.o S.K.A, a non-listed Polish company.

21. Payables for assignment rights

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Current liabilities	18,872	16,731
Non-current liabilities	3,998	7,695
Total	22,870	24,426

This caption reflects settlements with Latvian and foreign individuals for assignment of claim rights on consumer loans. As of 31 December 2020, the weighted average effective interest rate for balances of these rights was 8.69%.

22. Other borrowings

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Loans from companies	32	2
Loans from private individuals	-	42
Total	32	44
Including:		
Current portion	-	2
Non-current portion	32	42
Total	32	44

Notes to the consolidated financial statements (cont'd)

23. Other liabilities

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Payables for consumer loans acquired through CDS	5,190	11,199
Contingent liabilities*	1,466	1,917
Attracted funding	1,227	-
Leasing liability	639	628
Payables for acquisition of third-party loan claims	383	667
Payables for acquisition of consumer loan claims	14	59
Payable for acquisition of related party claims	10	555
Dividends payable	-	660
Other liabilities	1,037	626
Total	9,966	16,311
Including:		
Current other liabilities	9,966	15,966
Other non-current liabilities	-	345
Total	9,966	16,311

* Provisions for contingent liabilities created in OOO MFK Veritas, where Russian tax authorities might raise doubts about transactions between OOO MFK Veritas and AS Twino.

24. Share capital

The registered and paid-in share capital of the Company was EUR 500,000 on 31 December 2020, and consisted of 500,000 shares with a par value of EUR 1. As of 14 April 2020, the decision of the Register of Enterprises came into effect resulting in the authorised and paid-in share capital of the Company being reduced from EUR 7,707,800 to EUR 500,000. The decrease of the share capital in the amount of EUR 7,207,800 was allocated to fully cover the accumulated losses of the parent Company in the amount of EUR 6,084,958, to fully cover the balance of the loan facility agreement concluded on 30 November 2017 in the amount of EUR 382,169 which arises from the Company's loans issued to shareholders, and in order to partially discharge the balance of the loan facility agreement concluded on 28 January 2019 in the amount of EUR 740,673 which arises from the Company's loans issued to shareholders.

25. Equity

Over the reporting period, the Group's business generated a profit of EUR 7,412 thousand, of which the amount of EUR 5,260 thousand is attributable to the equity holder of the Parent Company (31 December 2019: EUR 3,696 thousand). The Group's equity is positive and amounts to EUR 16,490 thousand (31 December 2019: EUR 20,511 thousand), of which the amount of EUR 13,172 thousand is attributable to the equity holder of the Parent Company (31 December 2019: EUR 14,836 thousand).

The equity includes a positive reorganisation reserve of EUR 11,728 thousand, which was established in 2016 as the difference between net assets taken over as a result of the reorganisation and the Company's share in the capital of companies taken over during the reorganisation. The foreign currency translation reserve is EUR negative 1,764 thousand, which comprises foreign currency exchange differences arising from the translation of the financial statements of foreign operations into the presentation currency. The Group's Board believes that there are no circumstances that could cast doubts on the Group's ability to continue as a going concern.

Notes to the consolidated financial statements (cont'd)

26. Average number of employees

	2020	2019
Average number of employees	346	372
Average number of employees, by category		
Board Members	14	9
Other	332	363
Total	346	372

27. Investments in subsidiaries

As of 31 December 2020, the Company had the following investments in subsidiaries:

Subsidiary	Country	Book value of the	Book value of the
		Company's investment in the subsidiary as of 31.12.2020	Company's investment in the subsidiary as of 31.12.2019
		EUR'000	EUR'000
OC Finance SIA	Latvia	427	427
TWINO LLC	Georgia	-	101
Moneza LLC	Georgia	-	-
Hub Twino LLC	Georgia	-	-
Incredit Sp. z o.o.	Poland	47	47
Net Credit Sp. z o.o.	Poland	46	46
TWINCARD Sp. z o.o.	Poland	47	-
NetCredit Aps	Denmark	-	28
Veritas OOO MFK	Russia	11,079	11,442
Makro OOO MKK*	Russia	2,463	2,463
Grand Invest Kapital OOO MKK	Russia	14	-
Finabay Mexico S.A. de C.V.,	Mexico	-	-
Zing Kazakhstan LLP	Kazakhstan	1	1
OPTIMUS LLP	Kazakhstan	49	-
Total		14,173	14,556

Notes to the consolidated financial statements (cont'd)

27. Investments in subsidiaries (cont'd)

Subsidiary	Equity of the subsidiary as of 31.12.2020 EUR'000	Total assets of the subsidiary as of 31.12.2020 EUR'000	Subsidiary's result for the reporting period for 2020 EUR'000	Company's equity share in the subsidiary as of 31.12.2020 %
OC Finance SIA	(719)	9,868	(751)	100%
TWINO LLC	(5,651)	107	(1,090)	100%
Moneza LLC	35	175	(16)	100%
Hub Twino LLC	34	56	23	100%
Incredit Sp. z o.o.	1,963	12,397	2,541	100%
Net Credit Sp. z o.o.	10,222	12,176	(1,840)	100%
TWINCARD Sp. z o.o.	(100)	31	(136)	100%
Veritas OOO MFK*	8,475	11,269	4,323	50%
Makro OOO MKK	4,920	10073	3,739	99%
Grand Invest Kapital OOO MKK	17	17	(11)	95%
Finabay Mexico S.A. de C.V.,	(1,311)	5	(23)	99%
Zing Kazakhstan LLP	(2,146)	113	(430)	100%
OPTIMUS LLP	49	49	(10)	100%
Total	15,788	56,336	6,319	

* Considering that during the period from 1 December 2017 to 31 December 2020 the holders of 30% and 20% minority interests in Veritas OOO MFK transferred to the Company control over management, operating and financial decisions and authorized Company's representatives to make decisions on the routine management of Veritas OOO MFK, this entity is consolidated as a controlled subsidiary.

Notes to the consolidated financial statements (cont'd)

28. Group's companies

As of 31 December 2020, the Group consisted of the following companies:

Subsidiaries and related companies	Status	Address	Country
Zing Kazakhstan LLP, reg. No 1167746297762	Subsidiary	78 Masanchi Str., 050012, Almaty	Kazakhstan
OPTIMUS LLP, reg. No 191140029912	Subsidiary	78 Masanchi Str., 050012, Almaty	Kazakhstan
TWINO LLC, reg. No 401993606	Subsidiary	118 Tsereteli ave, Pavilion 10, 0119 Tbilisi	Georgia
Moneza LLC, reg. No 405305860	Subsidiary	34 Al. Kazbegi ave., plot N17, Apt. 1, Tbilisi, Saburtalo District, Tbilisi	Georgia
IT Hub Twino LLC, reg. No 402148528	Subsidiary	M.Chiaureli lane N7, 0159 Tbilisi	Georgia
OC Finance SIA, reg. No 40103203191	Subsidiary	41 Mukusalas street, Riga LV-1004	Latvia
Incredit Sp. z o.o., reg. No 0000604092	Subsidiary	27 aleja Jana Pawla II, 00-876 Warsaw	Poland
Net Credit Sp. z o.o., reg. No 0000401570	Subsidiary	68 Prosta Str., 00-838 Warsaw	Poland
TWINCARD Sp. z o.o., reg. No 0000803716	Subsidiary	68 Prosta Str., 00-838 Warsaw	Poland
Macro MCC LLC, reg. No 1167746181790	Subsidiary	10 Letnikovskaya St., room I, office 15, 115114 Moscow	Russia
Grand Invest Kapital MCC LLC, reg. No 5187746012020	Subsidiary	3 Malaya Sukharevskaya Ploshchad, 129090 Moscow	Russia
Finabay Mexico S.A. de C.V., reg. No FME151012AWZ	Subsidiary	Calle Montecito No 38, piso 8, oficina 28, colonia Nápoles, C.P.03810, Mexico City	Mexico
Veritas MFC LLC, reg. No 1127746672130	Subsidiary	10 Letnikovskaya St., room I, office 15, 115114 Moscow	Russia
Kuģu 13 SIA, reg. No 40103744480	Related company	41 Mukusalas street, Riga LV-1004	Latvia
TWINO Finance SIA, reg. No 50203107171	Related company	46 Mukusalas street, Riga LV-1004	Latvia
TWINO Holding SIA, reg. No 40203110574	Related company	46 Mukusalas street, Riga LV-1004	Latvia
Kerdos Holding SIA, reg. No 40203070835	Related company	46 Mukusalas street, Riga LV-1004	Latvia
DZ31 SIA, reg. No 40203167234	Related company	Dzirnavu street 31-1A, Riga LV-1010	Latvia
Upgrade MFC LLC, reg. No 1145749003542	Related company	36 Saltykova-Shchedrina St., 302028 Orla	Russia
Aktiv Mani Grupp MCC LLC, reg. No 1197746024057	Related company	3 Malaya Sukharevskaya Ploshchad, 129090 Moscow	Russia
Find Up SIA, registration No 41203061988	Related company	42 Dzirnavu street, Riga LV-1010	Latvia
Twino investment Holding SIA, registration No 40203295313	Related company	42 Dzirnavu street, Riga LV-1010	Latvia
Twino investment Latvia SIA, registration No 40203318298	Related company	42 Dzirnavu street, Riga LV-1010	Latvia
Nudl SIA, registration No 40203294587	Related company	42 Dzirnavu street, Riga LV-1010	Latvia
TWINO Investments AS, registration No 44103143823	Related company	42 Dzirnavu street, Riga LV-1010	Latvia
Lubana park SIA, registration No 40203122889	Related company	42 Dzirnavu street, Riga LV-1010	Latvia
VILIA.INVESTMENTS SIA, registration No 40203231581	Related company	42 Dzirnavu street, Riga LV-1010	Latvia

Notes to the consolidated financial statements (cont'd)

29. Related party disclosures

Company's related party transactions:

	2020	2019
Income	EUR'000	EUR'000
Income from commissions for platform services	458	197
Interest income from loans issued to related companies	92	96
Income from general administrative expenses	11	4
Total	561	297

	2020	2019
Expenses	EUR'000	EUR'000
Board members remuneration	340	170
State social insurance contributions for Boar members	94	41
Provisions on Loans to related parties	20	-
Interest expenses from received related company loans	4	58
Compensation for use of attracted platform investments	-	529
Total	458	798

	31.12.2020	31.12.2019
Assets	EUR'000	EUR'000
Loans to related companies	2,231	577
Loans to shareholders and management	13	1,964
Investments in associates	1	243
Other current receivables from shareholders and management	-	231
Other receivables	110	2,105
Total	2,355	5,120

	31.12.2020	31.12.2019
Liabilities	EUR'000	EUR'000
Loans and borrowings	32	42
Other liabilities	1,219	1,034
Total	1,251	1,076

30. Off-balance sheet liabilities and pledged assets

The Company has off-balance-sheet liabilities at the end of reporting period. The Company has entered into the Guarantee Agreement with its subsidiary SIA OC Finance, providing a guarantee of repayment of a debt that SIA OC Finance has issued to the related company SIA Kuģu 13. On the date of the preparation of this report the outstanding sum of the loan along with the accrued interest constitute EUR 1,404,298.

Notes to the consolidated financial statements (cont'd)

31. Argument with the State Revenue Service in Latvia about the rights to deduct input VAT

Over the period from 2016 – 2018 the Company had an insignificant amount of taxable transactions and, thus, it did not deduct any input VAT, as well as did not calculate the proportion of taxable and non-taxable transactions to deduct the input VAT in proportion. Instead the input VAT was fully paid to the budget. In the beginning of 2019, the Company obtained an opinion by an independent expert about its VAT accounting, where it was identified that the Company was not using its rights to deduct input VAT in proportion based on Section 92, Paragraph 2, Clause 1 of the VAT Law. The particular Section of the VAT Law allows to treat interest and commission income received from third country residents as taxable income for the purposes of input VAT deduction. The Company made adjustments to its VAT declarations for the period from June 2016 to December 2018, as a result of which it had a VAT overpayment of EUR 1.234 million.

The State Revenue Service (SRS) initiated two VAT audit processes covering the period from June 2016 up to February 2019, with a particular attention to the analysis of the Company's operational model. Initially, the opinion of the SRS audit was negative for the Company. It denied the Company's rights to deduct input VAT in proportion based on the Section 92, Paragraph 2, Clause 1 of the VAT Law. The Company challenged this opinion, and it was reviewed for the second time by the SRS together with experts from the Ministry of Finance, Consumer Rights Protection Centre, the Financial and Capital Market Commission this time. On 25th of August 2020 the SRS General Director cancelled the previous negative audit opinion and approved the refund of the overpaid VAT amount to the Company. On the date of signing of the Financial Statement the Company has received full VAT overpayment refund from the budget in amount of EUR 1,226 thousand.

32. Events after the reporting date

In the continuation of enhancement of corporate governance, on February 4 2021, the Group finalized another reorganization process – the transformation of the Company SIA TWINO into AS TWINO.

During the month of May 2021, Group acquired a loan comparison platform *Findup*. In June 2021, the subsidiaries in Georgia and Kazakhstan – Twino LLC and Zing Kazakhstan LLP were sold and thus removed from the Group.

During the third quarter of year 2021, the Group plans to finish the reorganization process, as a result of which, the intangible asset, the *twino.eu* platform, as well as contracts with platform investors and the funds not invested by investors will be transferred from AS TWINO to related company AS TWINO Investments along with contracts with platform investors and the non-invested funds of platform investors. AS TWINO Investments is currently in the process of obtaining a licence to become an investment broker company. During the period after the finalization of the reorganization, AS TWINO will not receive income from business partners for intermediary services anymore, and several items of administrative cost will also decrease. In the course of time, obligations against platform investors will be discharged, and, upon expiry of the established transitional period, which is planned early in 2022, the Company will not offer investment opportunities to platform investors, and this part of the undertaking will be taken over by the investment broker company AS TWINO Investments. After the conclusion of the reorganization, the Parent Company will still continue to be the centre of competencies for the TWINO Group and the holding company.

At the moment of signing the consolidated financial report former subsidiary in Kazakhstan Zing TOO is undergoing a tax audit where CIT tax inspection is being carried out for the period between mid 2017 and mid 2020. At the moment of signing financial statements no significant inconsistencies have been identified by tax audit and there is no known grounds for management to recognize any contingent liabilities.

Notes to the consolidated financial statements (cont'd)

33. Going concern

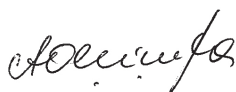
Compared to 2019 results, the Group has continued to maintain its performance supporting the going concern assumption. The Group's current assets exceed its current liabilities by EUR 10,340 thousand, which however is a decrease by 39% comparing to the year end of 2019, when the Group's current assets exceeded current liabilities by EUR 16,953 thousand. At the end of the year 2020, the Group's liquidity ratio was 1.33 (2019: 1.47); therefore, liquidity risk is controlled. The Group earned a net profit of EUR 7,416 thousand during the reporting period of which EUR 5,263 thousand is attributable to the equity holders of the Group comparing to Groups net profit of EUR 5,752 thousand and EUR 3,696 thousand attributable to the equity holders of the Group as of 31st December 2019. As of 31st December 2020, the Group's equity was positive and amounted to EUR 16,493 thousand, of which EUR 13,175 thousand is attributable to the equity holders of the Group (2019: EUR 20,511 thousand, of which EUR 14,828 thousand was attributable to the equity holders of the Group). The Group's management believes that the going concern assumption is appropriate in the preparation of these financial statements.

34. COVID 19 impact on the Company's operations

During the months of March and April 2020 the Company experienced a considerable decrease in use of the "auto-invest" function, which caused a significant increase in non-invested funds and an increase of requests for withdrawal of funds by the investors of the *twino.eu* platform, which resulted in a decrease of reinvested portfolios in volume. During the months of March and April 2020, the total of funds disbursed to the investors from the platform exceeded the total of deposited funds by EUR 4.2 million; however, it is crucial to note that the Company executed the disbursement of funds deposited by each investor of the platform within two business days complying with the mutual contractual obligations. In May 2020, the cash flow of deposits made by the investors significantly improved, and in the second half of the month positive trends of the cash flow could be observed, whereas in June 2020 the cash flow of full calendar month was positive and reached EUR 0.3 million. The total positive cash flow of July and August 2020 exceeded EUR 1.2 million, whereas the total of the second half of the year 2020 resulted in positive EUR 3.5 million. At the time of preparation of the statement, the positive trends are continuing in 2021 as well ensuring a positive cash flow in the first 5 months in the amount of EUR 2.1 million.

The pandemic caused by COVID-19 affected in the operational activity of the subsidiaries of the Company as well. Worsening of the overall economic situation resulted in an effect on the ability of borrowers to promptly repay the loans, because borrowers had experienced loss or decrease of income. In addition to the negative economic factors, restrictions were established in countries with respect to the processes of recovery of loans granted which has had an impact on the current cash flow of the Group. In order to mitigate the potentially increasing credit risk, within the Group issuance of loans to categories of borrowers having a lower credit rating. During the period between March 2020 and July 2020, in comparison with the average volume of issued loans in January and February 2020, the volumes of loans granted decreased by 35%, which, upon comparison with the year 2019, reduced the net turnover of the Group. The Company closed the year 2020 reaching 72% of the volumes of disbursement against the average volumes showed in January and February 2020.

On Behalf of the Board



Anastasija Oļeiņika
Chairwoman of the Management Board



Imants Baklans
Head of Finance

21 July 2021

Independent Auditor's Report

To the shareholder of TWINO AS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TWINO AS ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 57 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of comprehensive income for the year ended 31 December 2020,
- the consolidated statement of changes in equity for the year ended 31 December 2020,
- the consolidated statement of cash flows for the year ended 31 December 2020, 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 TWINO AS and its subsidiaries as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2020 in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

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

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

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

Emphasis of matter

We draw attention to the note 34 of the consolidated financial statements, which describes uncertainty in the economic environment created by outbreak of the novel coronavirus. The magnitude of uncertainty encumbers Company's management capacity to forecast the Company's and the Group's development in near term. Our opinion is not modified in respect of this matter.

Reporting on Other Information

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

- General information, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on page 4 to 8 of the accompanying consolidated Annual Report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

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 International Financial Reporting Standards 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.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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.

BDO ASSURANCE SIA
License Nr.182

Irita Cimdare
Sworn auditor
Certificate No 103
Member of the Board



Riga, Latvia
21 July 2021