TWINO

SIA TWINO CONSOLIDATED ANNUAL REPORT FOR 2019

Table of contents

General Information

NAME OF THE COMPANY	TWINO
LEGAL STATUS OF THE COMPANY	Limited liability company
REGISTRATION NUMBER, PLACE AND DATE	40103919184, Riga, 5 August 2015
REGISTERED OFFICE AND MAILING ADDRESS	41 Mukusalas street, Riga, LV-1004
BUSINESS ACTIVITY	Other credit granting (NACE 64.92)
CHAIRMAN OF THE COUNCIL	Armands Broks
MEMBERS OF THE COUNCIL	Armands Broks, Chairperson of the Council from 18.10.2019 Martins Mellens, Member of the Council from 18.10.2019 Eleonora Zelmene, Member of the Council from 18.10.2019 until 20.12.2019 Oksana Sivokobiļska, Member of the Council from 20.12.2019 until 03.02.2020
MANAGING DIRECTOR	Anastasija Oleinika
MEMBERS OF THE BOARD	Anastasija Oleinika, Member of the Board from 31.01.2019 until 04.04.2019, Chairperson of the Board from 18.10.2019 Miks Lusitis, Member of the Board from 18.10.2019 until 21.09.2020 Roberts Lasovskis, Member of the Board from 18.10.2019 Roberts Bite, Member of the Board from 18.10.2019 Nauris Bloks, Member of the Board from 18.10.2019 until 14.04.2020 Armands Broks, Chairperson of the Board until 18.10.2019 Zane Ziedone, Member of the Board from 23.04.2018 until 31.01.2019
REPORTING PERIOD	01.01.2019 – 31.12.2019
SHAREHOLDER	Armands Broks Equity interest: 100%
AUDITOR	BDO ASSURANCE SIA 15 - 3B Kaļķu street Riga, Latvia LV-1050 Licence No 182 Certified auditor in charge: Modrīte Johansone Certificate No 135

Management report

Business profile

SIA "TWINO" (hereinafter – the Company) and its subsidiaries form a group of companies (hereinafter – the Group), and the Group's management has prepared the consolidated financial statements for the period from 1 January 2019 to 31 December 2019 in accordance with International Financial Reporting Standards (IFRS).

The Group unites and aids development of peer-to-peer lending companies as a single body incorporating the online peer-to-peer lending platform *twino.eu* (hereinafter – the *twino.eu* platform) and subsidiaries in several countries, whose core business is non-bank lending in Russia, Poland, Latvia, Georgia and Kazakhstan. The Group's business model is based on earning profits from the spread between the income from issued loans and return to investors and operational costs. The Company acts as a holding company, a fundraising center and a leading human resource competence center for the Group's companies.

Group's operations and financial performance during the reporting period

Group's operations

In 2019, the Group continued to show stable business performance across its core markets, notwithstanding regulatory changes in Russia, Latvia, and Georgia. Being able to maintain profitability over these changes was a result of timely strategic planning and flexible approach of TWINO management team, focusing on revising potential customer segment, the efficiency of internal operations, as well as credit policy. The Group earned a net profit of EUR 5.8 million in 2019.

The key events and performance of the Company in 2019:

- Expansion of the management and supervisory board competencies, strengthening of the corporate governance system in the HQ.
- Further improvement of the internal control system on *twino.eu* platform as well as in lending subsidiaries, thus supporting the financial sector's fight against money laundering and financing of terrorism and proliferation.
- Introduction of a new product for the Latvian market – small-to-medium enterprise (SME) loans, which is offered also to *twino.eu* platform investors. By end of 2019 claim rights of EUR 602,208 were financed for SME loans in Latvia.
- Regulatory changes limiting interest rates and introducing additional caps in Russia and Latvia, which led to a revision of product offering and strategy, focusing on better quality customers to maintain profitability.
- Regulatory changes in Georgia, which resulted in TWINO winding down its operations in the market, while developing strong IT competence hub.

The management is confident that the Group's financial situation is strong and prepares this annual report on the going concern basis.

Management report (cont'd)

Performance indicators

The *twino.eu* platform is one of the major peer-to-peer lending platforms in continental Europe offering investors buyback and payment guarantees. During the reporting period, the *twino.eu* platform attracted 3,375 new investors that together with the existing client base of 19,683 acquired claims totaling EUR 194 million with an average annual yield above 10%.

In the reporting period, the Group's non-bank lending companies issued loans amounting to EUR 164 million, of which 81% were issued in Russia, 7% - in Latvia, 6% - in Kazakhstan, 4% - in Poland and, 2% - in Georgia. During the reporting period, the Group employed on average 566 employees.

Financial performance

At the end of the reporting period, the Group's assets mainly consisted of claims against private individuals amounting to EUR 30,486 thousand, of which EUR 24,126 thousand were current loans and EUR 6,360 thousand – non-current loans.

For the reporting period, the total consolidated profit of the Group was EUR 5,752 thousand, of which the amount of EUR 3,696 is attributable to equity holders of the Company. This profit will be used to cover the accumulated loss.

In the reporting period, the Group's net interest income was stable and grew by 2.9% comparing to 2018 reaching EUR 38,825 thousand, however net fee and commission income reduced by 22.6% mainly due to extension commission income reduction and totaling EUR 35,275 thousand. Group's operating and other expenses was 6.4% higher than in the previous reporting period and amounted to EUR 71,063 thousand, of which personnel expenses were EUR 8,092 thousand, other operating expenses EUR 25,118 that mainly arose from losses of a loan portfolio sale, other expenses EUR 16,354 thousand and net impairment losses EUR 21,499 thousand. Group's other operating income in the reporting period was EUR 4,202 thousand.

Twino.eu platform

In 2019 *twino.eu* platform continued to successfully attract new participants – in total 7,600 participants registered on the platform 3,375 of whom verified themselves and started investing. As of the year-end, the number of identified platform participants had increased up to 19,683, who during the period acquired the claim rights for an amount of EUR 194 million, thus the total amount of claim rights sold to platform participants reached EUR 616 million since the beginning of operations.

During the reporting period, *twino.eu* platform became only the fourth in continental Europe which have financed loans worth at least EUR 500 million.

In May 2019, a new product was added to *twino.eu* platform – loans issued in Latvia to small and medium enterprises; and claim rights to such loans worth EUR 602,208 were financed during the reporting period.

In December 2019, *twino.eu* platform's currency exposure offering was expanded by adding Kazakhstan's loans in addition to those of Russia. The currency exposure functionality allows platform participants to gain higher yield by taking the currency risk component.

During the reporting period, the Company`s performance was recognized by various prestigious awards, among other, gaining recognition at the major competition of alternative finance and fintech industry – AltFi Awards. In 2019, *twino.eu* platform also won the prestigious BankingCheck award as the top lending platform in Europe.

The Company continued to support the overall industry by taking part in the leading pan-Baltic conference for startups and technology companies – TechChill – for the fourth consecutive year. During the event, the Company`s management shared their professional experience to more than 2,000 attendees, publicly continuing to strengthen the image of the Company as the leading FinTech expert, as well as continued to financially support the leading industry event in the Baltic States. Latvian startup association ranked the Company among the top ten most successful startups in Latvia.

Management report (cont'd)

Twino.eu platform (cont'd)

During the reporting period, the Company continued to strengthen corporative management principles when the Company`s sole shareholder handed over the operational management of the Company to Anastasija Oleinika, former Chief Financial Officer of the Group, who was appointed as the Group's CEO and as the Chairperson of the Company's Board. Moreover, the Board of the Company was expanded to a total of 5 management team members to ensure a broad range of competencies.

Operations of the parent company

In 2019, the Company continued to show stable growth in business performance. The Company continued to focus on loan product improvement and expansion of their range, improvement of the quality of credit portfolio, increase of return on investments and research and improvement of customer's experience. The Company has closed the year 2019 with a profit of EUR 4.43 million.

The key events and performance of the Company in 2019:

- Expansion of competencies of the management board and the supervisory board, strengthening of the corporate governance system.

- Further improvement of the internal control system on *twino.eu* platform, thus supporting the financial sector's fight against money laundering and financing of terrorism and proliferation:

    - A new job position has been created with an appointment of the Head of the Anti-Money Laundering department of the Group, thus boasting a long-term experience in AML/CTPF in the finance sector specifically;

    - An internal audit of AML/CTPF has been performed at the Latvian, Russian and Polish companies of the Group to identify potential Money Laundering and Terrorism and Proliferation Financing risks and to identify tasks to be performed to mitigate the respective risks;

    - Processes of the customer due diligence, including customer risk assessment, have been enhanced to verify the conformity of the customer's profile to the Company`s strategy;

    - Development of a new IT system has been launched to improve the customer and their transaction monitoring, while also preventing engagement in money laundering or financing of terrorism and proliferation at all of the Group's companies;

    - Communication between the Group's companies and the Company`s management regarding AML/CTPF management.

The Company`s management is confident about the stability of the financial situation of the Company and basis this financial statement on a going concern principle.

Financial risk management

Due to specifics of the Company's line of business, the Company is exposed to various financial risks, including credit risk, liquidity risk and a foreign exchange risk. The Company has introduced procedures for assessment and mitigation of exposure to such risks. A detailed description of the financial risk management is provided in section "Financial Instruments and Financial Risks" of the annex to the financial statement.

Management report (cont'd)

Support projects and activities

During the reporting period, the Company took an active part in activities aimed at strengthening the image of the industry and proceeded with educational activities which brought together more than 10 000 industry experts in total.

The Company continued actively to support the start-up community in Latvia as well as financial technology industry in Poland and Russia. During 2019, Group companies took active part in a wide range of industry events, such as the Economic information Bureau Congress in Poland, the Consumer Rights and Quality of Service Conference in Russia and many others.

The Group received several international awards. The Group's Polish entity was presented with a prestigious award in the Responsible in Business category for its contribution to the development of responsible internal processes and transparency. For the second time in a row, the Polish entity was also awarded a Star in Quality of Service (Gwiazda Jakości Obsługi) based on external reviews of customer feedback on the company's services. Meanwhile, the Russian entity received the Consumer Rights and Quality of Service Award for its social responsibility projects in the field of consumer rights and service quality improvement. In addition, the Russian entity received an award for transparency in financial products and services in the Technological Innovation of the Year category.

Subsequent events after the reporting period

After the end of the reporting period, the *twino.eu* platform continued demonstrating sustainable growth rates, i.e. by the end of October, the number of identified customers of the platform grew by 3,225 and the amount of purchased claims was up by EUR 112 million.

Additionally, a new project was launched on *twino.eu* platform – TWINO Ventures. TWINO Ventures is a new investment offer by the Group which ensures investment options in secured loans in real estate industry thus far raising funding of EUR 750,000 within the scope of the first project - Hoffmann Residence in Kuģu iela 13 and nearly EUR 300,000 for the second venture – Lubana Park in Lubanas 155.

A new tool for attracting participants to *twino.eu* platform has been developed – *refer friends* – as a result of which both existing and new platform participants receive a bonus from the Group in a predefined amount for their investments, if the new participant invests a set amount in *twino.eu* platform as a result of the recommendation by the said participant. Since the referral programs launch, already around 1,500 new investors have been attracted to the *twino.eu* platform.

During 2020, the Group's parent company SIA TWINO continues active work on obtaining a license of an investment brokerage company (IBC) for *twino.eu* platform. The Company submitted an official application for a license of the IBC to the Latvian Finance and Capital Market Commission (FCMC) as of 6th of May, 2020.

In 2019, the SIA TWINO made updates to the VAT return for the period from June 2016 to December 2018 and as a result received back VAT overpayment of EUR 1,234 million from the State Revenue Service (SRS).

As a result of regulatory changes in January 2020, the Group made a decision to exit its operations in Kazakhstan, focusing on new potential markets in Asia-Pacific (APAC) region instead.

At the moment of signing the consolidated financial report 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

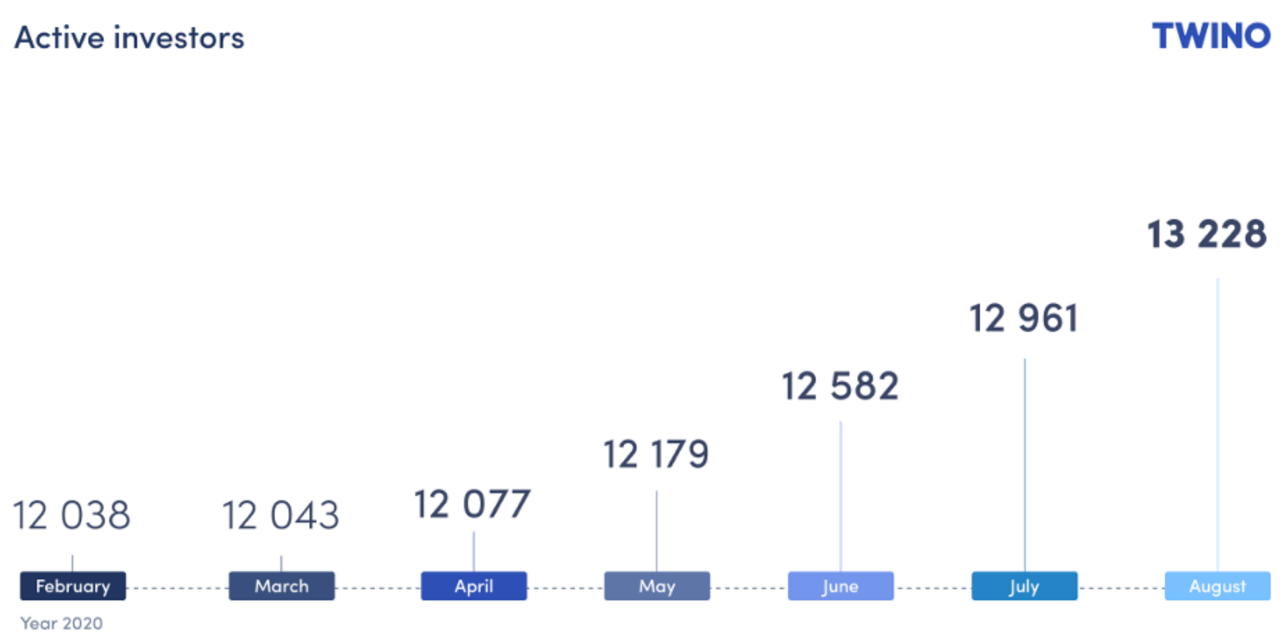
Management report (cont'd)

Effect of Covid-19 on the Company's operations

The P2P lending industry has adapted to the challenges of the COVID-19 pandemic rather quickly, including the Company. Overall, the Company have outlived pandemic time with moderate growth due to several factors:

- Transparent and proactive communication has been the key to maintaining strong retail investors and customers confidence.
- Strong internal product analytics have helped us make smart and timely data-driven decisions.
- Quick adjustments to internal operations caused by pandemic ensured continuity in our operations

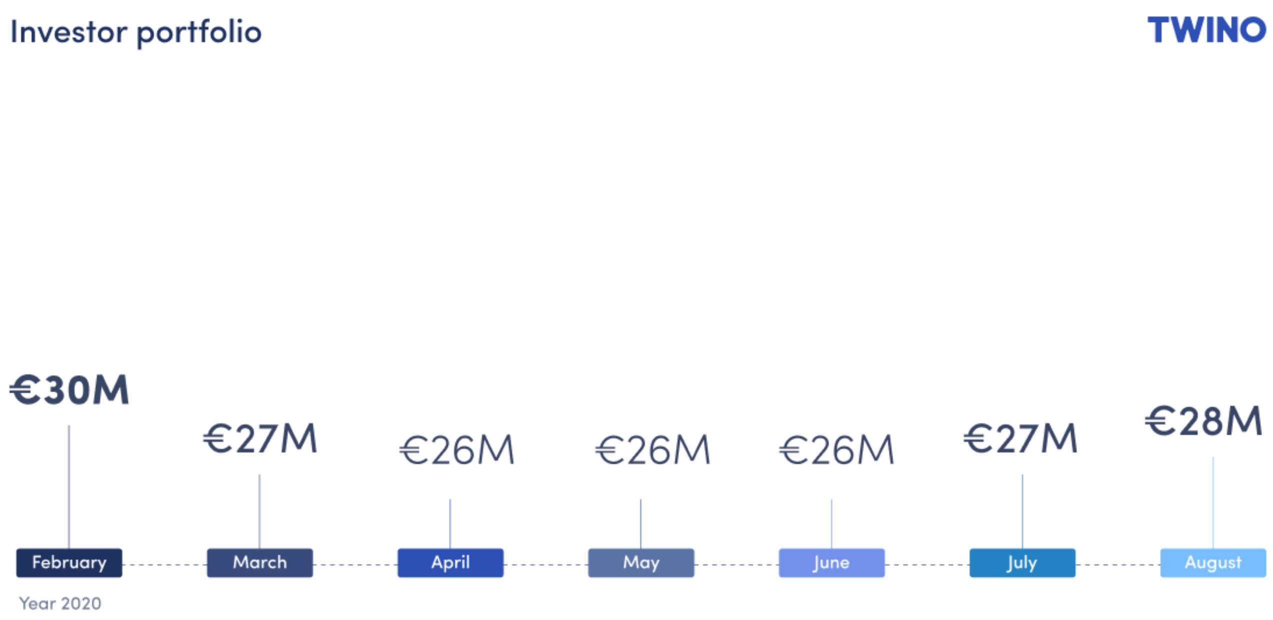
The Company started feeling the impact of the pandemic in March and April. However, the number of active investors (those with funds on their investor profile) during the first month of pandemic remained almost unchanged and started to grow again since May. During the first eight months of 2020, our total investor count has increased by more than 10% comparing to 11,753 at the beginning of the reporting period.



Management report (cont'd)

Effect of Covid-19 on the Company's operations (cont'd)

After a promising start of the year, in March and April investor cash-flow showed a negative trend. But already in May and June, the Company started seeing positive trends in this regard. With new investors coming in, the Companies' investment portfolio has almost returned to pre-COVID-19 levels and are less than 5% away from investment level in the beginning of 2020.



The Companies' funded loan volumes suffered a drop in April and May, with only 6 and 7 million subsidized loans via the Companies Investment platform. June showed an increase with 10 million funded, and the volume of loans financed in July has nearly reached pre-COVID-19 levels.

Management report (cont'd)

Future prospects

In the year 2020, the Company will focus on:

- Continuing licensing process of *twino.eu* platform into an investment brokerage company;
- Preparing and, if necessary, implementing an action plan, focused on improving profitability and liquidity management in the light of potential next waves of COVID-2019;
- Laying the ground for geographical expansion and expansion in the range of lending product offering;
- Offering additional real estate investment opportunities for *twino.eu* platform investors;
- Further improvement of the Corporate Governance and Compliances Practices at all companies of the Group ensuring effective resource management to meet the higher standards of the regulated environment;
- Further ensuring the financial stability and the robustness of the liquidity level management.

On Behalf of the Group's Management:

Anastasija Oļeiņika
Chairperson of the Executive Board

14 December 2020

Consolidated statement of comprehensive income

	Notes	2019, EUR'000	2018, EUR'000
Interest income	2	38,995	38,402
Interest expense	3	(170)	(676)
Net interest income		**38,825**	**37,726**
Fee and commission income	4	39,900	52,062
Fee and commission expense	5	(4,625)	(6,458)
Other operating income	6	4,202	-
Other operating expenses	7	(25,118)	(36,994)
Non-interest income		**14,359**	**8,610**
Personnel expenses	8	(8,092)	(7,191)
Other expenses	9	(16,354)	(17,344)
Other income/(expense)	10	43	(1,964)
Net foreign currency loss		200	(1,594)
Net impairment losses	11	(21,499)	(5,245)
Profit / (loss) before corporate income tax		**7,482**	**12,998**
Corporate income tax and changes in deferred tax	12	(1,730)	(4,258)
Profit / (loss) for the reporting period		**5,752**	**8,740**
Other comprehensive income		2,534	(2,587)
Total comprehensive income/ (expenses) for the reporting period		**8,286**	**6,153**
Profit for the period attributable to:			
Equity holders of the Parent Company		3,696	6,124
Non-controlling interests		2,056	2,616
Total comprehensive income for the reporting period attributable to:			
Equity holders of the Parent Company		5,493	3,537
Non-controlling interests		2,792	2,616

The accompanying notes on pages 16 to 59 are an integral part of these financial statements.

On Behalf of the Board

Anastasija Oleinika
Chairperson of the Board

Imants Baklans
Head of Finance

14 December 2020

Consolidated statement of financial position

Assets	Notes	31.12.2019 EUR'000	31.12.2018 EUR'000
CURRENT ASSETS			
Cash and cash equivalents	13	**8,476**	**8,108**
Receivables			
Loans to private individuals	14	24,126	23,887
Loans to companies		582	3,568
Loans to related parties	15	2,281	2,184
Other assets	16	17,627	17,853
Total receivables		**44,616**	**47,492**
TOTAL CURRENT ASSETS		**53,092**	**55,600**
NON-CURRENT ASSETS			
Property, plant and equipment			
IT equipment & software		238	384
Other fixtures and fittings, tools and equipment		696	130
Total property, plant and equipment	17	**934**	**514**
Intangible assets			
Goodwill		3,932	3,382
Concessions, patents, licenses, trademarks and similar rights		456	588
Other intangible assets		3	9
Advances for intangible assets		43	174
Total intangible assets	18	**4,434**	**4,153**
Non-current financial assets			
Investments in Equities	19	243	241
Non-current loans to private individuals	14	6,360	3,869
Non-current loans to companies		185	-
Non-current loans to related parties	15	392	-
Non-current other assets	16	122	-
Deferred income tax assets	11	522	659
Total non-current financial assets		**7,824**	**4,769**
TOTAL NON-CURRENT ASSETS		**13,192**	**9,436**
TOTAL ASSETS		**66,284**	**65,036**

The accompanying notes on pages 16 to 59 are an integral part of these financial statements.

On Behalf of the Board

Anastasija Oleinika
Chairperson of the Board

Imants Baklans
Head of Finance

14 December 2020

Consolidated statement of financial position (cont'd)

Equity and liabilities	Notes	31.12.2019 EUR'000	31.12.2018 EUR'000
LIABILITIES			
Current liabilities			
Payables for assignment rights	20	15,820	19,831
Other borrowings	21	2	2,064
Trade payables		3,142	2,605
Taxes and statutory social insurance contributions payable		560	1,060
Other liabilities	22	15,966	17,914
Accrued liabilities		649	724
Total current liabilities		**36,139**	**44,198**
Non-current liabilities			
Payables for assignment rights	20	8,606	4,392
Other borrowings	21	42	39
Other non-current liabilities	22	345	-
Deferred income tax liabilities	11	641	944
Total non-current liabilities		**9,634**	**5,375**
TOTAL LIABILITIES		**45,773**	**49,573**
Equity			
Share capital	23	7,708	7,708
Share premium		240	239
Reorganisation reserve		11,728	11,728
Revaluation reserve		1	-
Foreign currency translation reserve		176	(2,366)
Accumulated loss		(8,713)	(14,496)
Profit for the reporting period		3,696	6,124
Total equity attributable to equity holders of the Company		**14,836**	**8,937**
Non-controlling interests		5,675	6,526
TOTAL EQUITY	24	**20,511**	**15,463**
Total equity and liabilities		**66,284**	**65,036**

The accompanying notes on pages 16 to 59 are an integral part of these financial statements.

On Behalf of the Board

Anastasija Oleinika
Chairperson of the Board

Imants Baklans
Head of Finance

14 December 2020

Consolidated statement of cash flows

	Notes	2019, EUR'000	2018, EUR'000
Cash flows from operating activities			
Profit/(loss) before corporate income tax		**7,482**	**12,998**
Adjustments for:			
depreciation/amortization and impairment	9	863	884
interest income		(266)	(96)
interest expenses		170	616
loss from fluctuations of currency exchange rates		200	(1,594)
loss on disposal of property, plant and equipment/intangible assets		22	319
Other corrections		28	-
Profit/(loss) before adjustments for the effect of changes in current assets and current liabilities		**8,499**	**13,127**
Adjustments for:			
decrease/(increase) in receivables		(2,731)	(10,978)
increase in trade and other payables		202	7,904
change in other assets		4,623	-
change in other liabilities		(2,543)	-
Gross cash flows from operating activities		**8,050**	**10,053**
Interest paid		(77)	(493)
Corporate income tax paid		(2,685)	(1,613)
Net cash flows from operating activities		**5,288**	**7,947**
Cash flows from investing activities			
Investments in subsidiaries		-	(1)
Income from sale of shares		-	46
Acquisition of property, equipment and intangible assets	9	(195)	(264)
Income from sale of property, equipment and intangible assets		66	-
Loans issued		(4,053)	(1,077)
Loans repaid		2,088	503
Interest received		146	18
Net cash flows from investing activities		**(1,948)**	**(775)**
Cash flows from financing activities			
Repayment of borrowings		(2,040)	(1,823)
Proceeds from borrowings		-	614
Dividends paid		(2,393)	(1,185)
Payments of principal on leases		(298)	-
Net cash flows from financing activities		**(4,731)**	**(2,394)**
Net foreign exchange difference		**1,759**	**(376)**
Net increase in cash and cash equivalents		**368**	**4,402**
Cash and cash equivalents at the beginning of the period		**8,108**	**3,706**
Cash and cash equivalents at the end of the period	13	**8,476**	**8,108**

The accompanying notes on pages 16 to 59 are an integral part of these financial statements.

On Behalf of the Board

Anastasija Oleinika
Chairperson of the Board

Imants Baklans
Head of Finance

14 December 2020

Consolidated statement of changes in equity

	Share capital	Reorganisation reserve	Share premium	Revaluation reserve	Foreign currency translation reserve	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
31.12.2017.	**7,708**	**11,728**	**239**		**221**	**(14,482)**	**5,414**	**5,098**	**10,512**
Adjustment on initial application of IFRS 9, net of tax						(14)	(14)	(3)	(17)
01.01.2018. (restated)	**7,708**	**11,728**	**239**	**-**	**221**	**(14,496)**	**5,400**	**5,095**	**10,495**
Other comprehensive loss	-	-	-		(2,587)	-	(2,587)	-	(2,587)
Profit for the period	-	-	-		-	6,124	6,124	2,616	8,740
Dividends paid	-	-	-		-	-	-	(1,185)	(1,185)
31.12.2018.	**7,708**	**11,728**	**239**		**(2,366)**	**(8,372)**	**8,937**	**6,526**	**15,463**
Opening corrections	-	-	-	-	745-	(341)*	404	(591)**;***	(186)
01.01.2019.	**7,708**	**11,728**	**239**	**-**	**(1,621)**	**(8,713)**	**9,341**	**5,935**	**15,277**
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**

*Reporting period opening balance has been corrected by 800,673 PLN (186,307.01 EUR). 214,913 PLN (50,007.68 EUR) from total correction is related to changes in CIT declaration for 2018 that occurred after release of consolidated statement in 2019. 585,760 PLN (136,299.33 EUR) is related to reduction in revenue due to incorrectly charged income interest to clients, accumulated from previous years.

**EUR 154 906 opening correction in non-controlling interest is related to incorrectly accounted penalty accrual split as at 31 December 2018 between equity holders and non-controlling interest.

***Opening corrections of incorrectly attributed foreign currency translation reserve to non-controlling interest

The accompanying notes on pages 16 to 59 are an integral part of these financial statements.

On Behalf of the Board

Anastasija Oleinika
Chairperson of the Board

Imants Baklans
Head of Finance

14 December 2020

Notes to the consolidated financial statements

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

Reporting entity

SIA "Twino" (the Company) was registered in the Republic of Latvia on 5 August 2015 as the limited liability company "TWINO" with unified registration number 40103919184. The legal address of the Company is at 41 Mukusalas street, Riga, LV-1004. The Company's Chairperson of the Board is Anastasija Oleinika.

The Company together with related companies make up a Group. Companies within the Group are engaged in issuing unsecured consumer loans in different countries. The Company does not issue unsecured consumer loans, its primary function is to ensure continuous sufficiency of funds required for business development by selling claims arising from unsecured consumer loans using the *twino.eu* platform.

The consolidated financial statements for the year ended 31 December 2019 were prepared by Head of Finance Imants Baklans. The Company's auditor is the commercial firm of certified auditors "BDO ASSURANCE" SIA, with Modrīte Johansone as the auditor in charge.

These consolidated financial statements have been authorized for issuance by the Management on 14 December 2020 and comprise the financial information of SIA "Twino" (hereinafter – the Company) and its subsidiaries (together referred to as the "Group"). The shareholder has the right to approve these financial statements, as well as have the right to make changes to these financial statements.

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 2019 to 31 December 2019.

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 to the balance sheet date;
    - 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;

Significant accounting policies (continued)

- 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 2019

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective from 1 January 2019. The most significant of these are:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments (mandatorily effective for periods beginning on or after 1 January 2019)

(i) IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated, and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options; and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

Notes to the consolidated financial statements (cont'd)

Changes in accounting policies (continued)

(ii) Transition to IFRS 16

The Group chose to use a modified retrospective approach in transition to IFRS 16. The Group chose to use exceptions to leases that are short term, and leases of value that is not material.

Group company Incredit Sp. z o.o. is a lessee under an office lease agreement with Proximo I Sp. z o.o. sp. k. where it leases office. Duration of the office lease agreement is until 27 February 2022. IFRS 16 impact on property plant and equipment balance due to increase of right of use assets as at 01.01.2019 was EUR 266 thousand.

Group company Net Credit Sp. z o.o. is a lessee under an office lease agreement with Proximo I Sp. z o.o. sp. k. where it leases office. Duration of the office lease agreement is until 27 February 2022. IFRS 16 impact on property plant and equipment balance due to increase of right of use assets as at 01.01.2019 was EUR 621 thousand.

(iii) IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The Group has assessed that there is no material impact on the financial statements of the group.

(iv) Other standards, amendments to standards, and interpretations

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Company and Group, according to the Groups management assessment:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

- Annual improvements for IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 2019).

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

The standards, that are published but not in force yet by the day the Group submits its financial statements, are provided below. The Group is planning to implement these standards, amendments and interpretations (if applicable) on the day they become effective.

(i) Amendments in references to Conceptual Framework in IFRS Standards

The Amendments were published on 29 March 2018; effective for annual periods beginning on or after 1 January 2020. These amendments will help companies develop accounting policies in cases where no IFRS directly applies to the particular transaction, a new chapter is created for the estimations / measurements, framework for disclosure of information about financial performance, as well as specified definitions and other explanations applicable upon preparation of financial reports.

Notes to the consolidated financial statements (cont'd)

Changes in accounting policies (continued)

(ii) Amendments to IAS 1 and IAS 8 regarding the definition of materiality

The Amendments were published on 31 October 2018; effective for annual periods beginning after 1 January 2020 or later.

(iii) Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"

The amendments were published on 26 September 2019 and are effective for annual periods beginning on or after 1 January 2020.

(iv) Amendments to IFRS 3 "Business Combination"

The Amendments were published on 22 October 2018 and are effective for annual periods beginning on or after 1 January 2020.

It is not assumed that any of these amendments will have significant impact on the financial statements of the Group.

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

(v) IFRS 17 "Insurance Contracts"

The Standard was published on 18 May 2017; effective for annual periods beginning after 1 January 2021 or later. The new IFRS 17 "Insurance Contracts" standard fully replaces the currently effective IFRS 4 "Insurance Contracts". The essence of the new standard is to introduce a unified accounting approach for all companies that are concluding insurance contracts, as opposed to the interpretations possible under IFRS 4. The new standard will apply to all insurance and reinsurance contracts, as well as investment contracts with discretionary participation features if the issuer simultaneously signs also an insurance contract.

(vi) Amendments to IFRS 3 "Business Combination", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as well as annual improvements

The Amendments were published on 14 May 2020 and are effective for annual periods beginning on or after 1 January 2022.

(vii) Amendments to IAS 1 "Presentation of Financial Statements"

The Amendments were published on 23 January 2020; effective for annual periods beginning on or after 1 January 2022 or later. The amendments include classification of short-term and long-term liabilities. Further on one is obligated to disclose the criteria of classification of liabilities.

The Group has assessed the impact of the new standard and the amendments of the standards, but believes that these amendments and new standard will not have significant impact on the financial reports of the Group.

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.

Notes to the consolidated financial statements (cont'd)

Basis of consolidation (continued)

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 2019		31 December 2018	
PLN	4.2568	PLN	4.3014
GEL	3.2095	GEL	3.0701
DKK	7.4715	DKK	7.4673
RUB	69.9563	RUB	79.7153
GBP	0.85080	GBP	0.89453
CZK	25.4080	CZK	25.724
MXN	21.2202	MXN	22.4921
KZT	426.850	KZT	439.370
RON	4.78300	RON	4.6635

Notes to the consolidated financial statements (cont'd)

Basis of consolidation (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the euro, the Group's presentation 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 IAS 39 and IFRS 9 are stated at amortized cost.

Financial assets (continued)

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.

Financial assets (continued)

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.

Financial assets (continued)

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. A loan terms is 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.

Financial assets (continued)

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 forborne 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 and debt securities 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 measurement principles

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 (continued)

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.

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 (continued)

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 01.01.2018	**5,425**	**1,678**	**7,394**	**14,497**
Issued, purchased or transferred from previous stage	43,460	17,349	16,397	77,206
Written-off, repaid or transferred to next stage	(40,860)	(15,619)	(15,234)	(71,713)
Effect of foreign currency translation	(661)	(305)	(575)	(1,541)
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**

The table below shows gross book value of loan portfolio.

	31.12.2019 EUR'000	31.12.2018 EUR'000
Not overdue	25,735	23,745
Less than 31 days overdue	5,909	6,695
31-90 days overdue	8,178	5,012
More than 90 days overdue	17,130	10,753
Total	**56,952**	**46,205**

Notes to the consolidated financial statements (cont'd)

Financial risks (continued)

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 2018	Loans, EUR'000
Not past due	23,798
Past due	22,407
Gross loan portfolio	**46,205**
Allowances for the impairment of loans	(18,449)
Net loan portfolio:	**27,756**

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**

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

SCORE	31.12.2019 EUR'000	31.12.2018 EUR'000
<200	470	40
200–400	31,360	21,288
401–600	12,557	12,014
601–800	982	1,368
801–1000	94	125
No Score	11,490	11,370
Gross receivables from customers	**56,952**	**46,205**
Allowances for the impairment of loans	(26,466)	(18,449)
Net receivables from customers	**30,486**	**27,756**

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 (continued)

The table below presents an analysis of cash and cash equivalents at 31 December 2019 based on criteria set by rating agencies as a result of their credit assessments.

Rating	Agency	31.12.2019 EUR'000	31.12.2018 EUR'000
Aa2	Moody's	115	1,079
Aa3	Moody's	550	30
A2	Moody's	56	80
A3	Moody's	–	36
Baa1	Moody's	833	486
Baa3	Moody's	6	–
BBB+	S&P/ Fitch	–	51
BBB-	S&P/ Fitch	26	–
Ba1	Moody's	1,542	594
Ba2	Moody's	–	46
Ba3	Moody's	60	110
BB+	S&P/ Fitch	109	–
BB	S&P/ Fitch	34	39
BB-	S&P/ Fitch	3,024	1,875
B-	S&P/ Fitch	85	–
B1	Moody's	–	22
B2	Moody's	–	27
B3	Moody's	–	88
n/a	Unrated	2,036	3,545
Total		**8,476**	**8,108**

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 2018 the Group is not exposed to significant interest rate risk.

Financial risks (continued)

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. The Group's management has assumed that the exchange rate in countries whose economics is pegged to EUR (Denmark) according to their legislation could fluctuate up to 8%, but, as regards the other currencies, the difference between the historical minimum and maximum rate of the previous year is accepted.

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, KZT, RUB, and DKK. 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 6% of the total interest, fee and commission income for the reporting period, and revenue recognized in PLN and RUB formed 10% and 77% of the total interest, fee and commission income for the reporting period respectively. During the reporting period, the Group had a currency exchange profit amounting to EUR 200 thousand, which mostly relates to the revaluation of balance sheet items in KZT, 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 2019 and 31 December 2018 and a simplified scenario of a 10% change in PLN, KZT, GEL, RUB, DKK and GBP to EUR exchange rates is as follows:

	31.12.2019		31.12.2018	
	Net Income EUR'000	Equity EUR'000	Net Income EUR'000	Equity EUR'000
Appreciation of PLN against EUR	(162)	(162)	1,360	1,360
Depreciation of PLN against EUR	162	162	(1,360)	(1,360)
Appreciation of KZT against EUR	(199)	(199)	102	102
Depreciation of KZT against EUR	199	199	(102)	(102)
Appreciation of GEL against EUR	(2)	(2)	257	257
Depreciation of GEL against EUR	2	2	(257)	(257)
Appreciation of RUB against EUR	(136)	(136)	1,358	1,358
Depreciation of RUB against EUR	136	136	(1,358)	(1,358)
Appreciation of GBP against EUR	(294)	(294)	(270)	(270)
Depreciation of GBP against EUR	294	294	270	270
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 (continued)

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 31.12.2018

	EUR'000	%
Russia	13,053	47.0%
Latvia	6,301	22.7%
Poland	4,121	14.8%
Georgia	2,407	8.7%
Kazakhstan	1,874	6.8%
Total	**27,756**	**100%**

As of 31.12.2019

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

Currently, Latvian peer-to-peer lending platform regulations and legislation are at the development stage. The current draft legislation stipulates that the Latvian market for this type of commercial activity will require a license in the future. The Company as a member of the Alternative Financial Services Association of Latvia is involved in the development of legislation, and the potential contents of the legislation and suggestions are being communicated with the Latvian Ministry of Finance. It is not expected that the new licensing rules will not be feasible for the Company or threaten the Company's commercial operations and going concern in any other way.

Financial risks (continued)

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.

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, 2018 and December 31, 2019 respectively.

Notes to the consolidated financial statements (cont'd)

Financial risks (continued)

As of December 31, 2018	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	–	–	–	–	–	4,668	**4,668**
Deferred income tax asset	–	–	–	–	–	659	**659**
Other investments	–	–	–	–	–	241	**241**
Loans to private individuals	20,372	1,168	1,047	1300	3,869	–	**27,756**
Receivables from and loans to related parties	320	–	–	1,864	–	–	**2,184**
Other receivables	15,423	1,669	1,718	2,610	–	–	**21,420**
Cash and cash equivalents	8,108	–	–	–	–	–	**8,108**
Total	**44,223**	**2,837**	**2,765**	**5,774**	**3,869**	**5,568**	**65,036**
Equity and liabilities							
Total equity	–	–	–	–	–	15,463	**15,463**
Deferred income tax liability	–	–	–	–	–	944	**944**
Payables for assignment rights – other borrowings	15,309	1,477	1,499	1,546	4,392	–	**24,223**
Loans and borrowings	1,015	–	445	604	39	–	**2,103**
Other liabilities	22,297	1	–	5	–	–	**22,303**
Total	**38,621**	**1,478**	**1,944**	**2,155**	**4,431**	**16,407**	**65,036**

Financial risks (continued)

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
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
Total	**45,533**	**2,089**	**1,527**	**3,943**	**7,059**	**6,133**	**66,284**
Equity and liabilities							
Total equity	–	–	–	–	–	20,511	20,511
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	**30,496**	**1,204**	**1,552**	**2,887**	**8,993**	**21,152**	**66,284**

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 8,476 thousand (as at 31.12.2018 EUR 8,108 thousand). Current assets as at 31.12.2019 (up to 1 year) in total were EUR 53,092 thousand (as at 31.12.2018 – EUR 55,599 thousand) and exceeded current liabilities, which in total were EUR 36,139 thousand (as at 31.12.2018 – EUR 44,198 thousand), by EUR 16,953 thousand (as at 31.12.2018 current liabilities exceeded current assets (up to 1 year) by EUR 11,401 thousand). Net volume of the loan portfolio (including expected bad credit amount) was EUR 30,486 thousand (as at 31.12.2018 EUR 27,756 thousand), which is sufficient to cover payments due for the assignment rights (settling with investors of *twino.eu* platform) at amount of EUR 24,426 thousand (as at 31.12.2018 EUR 24,223 thousand), when they become due. At the end of reporting period non-current liabilities above 1 year exceeded non-current asset value. The plan is to settle difference in the future through the realization of long-term investments and from the payments of dividends from subsidiaries of the Company.

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.

Reclassification of comparative figures

In order to improve the comprehensibility of the financial statements, in 2019 the Company's management changed the classification of certain items of the balance sheet in these financial statements. To ensure the comparability of the financial statements for 2018 with 2019, the comparative figures of the financial statements for 2018 have been reclassified as follows:

Amounts reclassified within the Loans to private individuals items	Amount as of 31.12.2018 before reclassification EUR'000	Amount of reclassification EUR'000	Amount as of 31.12.2018 after reclassification EUR'000
Accrued interest	6,150	681	6,831
Accrued commissions	(82)	979	897
Accrued penalty	468	(468)	–
Other accrued income	31	85	116
Deferred interest income	–	(1,097)	(1,097)
Deferred commission income	(523)	(180)	(703)
Total	**6,044**	**–**	**6,044**

Reclassification of comparative figures (continued)

Amounts reclassified within the Other assets' items	Amount as of 31.12.2018 before reclassification EUR'000	Amount of reclassification EUR'000	Amount as of 31.12.2018 after reclassification EUR'000
Loan principal	4,328	(1,925)	2,403
Accrued interest	–	1,165	1,165
Receivables for sold assignment rights	1	760	761
Total	**4,329**	–	**4,329**

In financial statements for 2019 Loan principal and Accrued interest amounts are classified separately from Other assets under Loans to companies. Receivables for sold assignment rights in amount of 760 thousand was inaccurately classified under Loan principal in 2018. Therefore this amount is correctly disclosed in current Financial statement.

Amounts reclassified within the Property, plant and equipment items	Amount as of 31.12.2018 before reclassification EUR'000	Amount of reclassification EUR'000	Amount as of 31.12.2018 after reclassification EUR'000
IT equipment & software	396	(12)	384
Other fixtures and fittings, tools and equipment	118	12	130
Total	**514**	–	**514**

Amounts reclassified within the Intangible assets' items	Amount as of 31.12.2018 before reclassification EUR'000	Amount of reclassification EUR'000	Amount as of 31.12.2018 after reclassification EUR'000
Concessions, patents, licenses, trademarks and similar rights	46	543	588
Other intangible assets	552	(543)	9
Total	**598**	–	**598**

Notes to the consolidated financial statements (cont'd)

2. Interest income

	2019 EUR'000	2018 EUR'000
Interest income on loans to private individuals	38,729	38,001
Interest income on loans to companies	177	28
Interest income on loans to related parties	89	373
Total	**38,995**	**38,402**

3. Interest expense

	2019 EUR'000	2018 EUR'000
Interest expenses on bonds (issued debt securities)	–	427
Other interest expense	170	249
Total	**170**	**676**

4. Fee and commission income

	2019 EUR'000	2018 EUR'000
Income from commissions	20,906	36,480
Penalty income	10,011	3,824
Brokerage fee income	5,446	5,970
Income from the buyback of claims	2,138	5,368
Insurance income	930	8
Income from commissions for platform services	468	391
Other fee and commission income	1	21
Total	**39,900**	**52,062**

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.

4. Fee and commission income (continued)

Interest income and fee and commission income by geographical regions:	2019 EUR'000	2018 EUR'000
Russia	61,103	63,073
Poland	8,035	12,346
Kazakhstan	4,431	5,955
Latvia	4,333	2,470
Georgia	993	6,551
Denmark	–	69
Mexico	–	1
Total	**78,895**	**90,464**

5. Fee and commission expense

	2019 EUR'000	2018 EUR'000
Bank charges	2,620	4,266
Premium to the *twino.eu* platform investors*	1,475	2,192
Other fee and commission expense	530	–
Total	**4,625**	**6,458**

* 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

	2019 EUR'000	2018 EUR'000
Income from credit default swaps	4,144	–
Income from fixed asset lease	58	–
Total	**4,202**	**–**

Notes to the consolidated financial statements (cont'd)

7. Other operating expenses

	2019 EUR'000	2018 EUR'000
Loss from sale of loan portfolios	25,844	36,852
Cost compensation (Income)/Expense	(17)	93
Loss from write-off of loan portfolio	(6)	29
Other operating income	(703)	20
Total	**25,118**	**36,994**

8. Personnel expenses

	2019 EUR'000	2018 EUR'000
Employee remuneration	6,435	5,582
Payroll taxes on employee and Board remuneration	1,437	1,220
Board remuneration	–	53
Other personnel expenses	220	336
Total	**8,092**	**7,191**

9. Other expenses

	2019 EUR'000	2018 EUR'000
Marketing and advertising costs	8,049	8,512
IT costs	1,972	2,171
Lease of premises and office maintenance expenses	1,659	1,756
Professional service fees	1,636	1,754
Debt collection costs	1,284	1,222
Depreciation	524	386
Amortization	338	477
Transportation and business trip expenses	178	281
Representation expenses	140	232
Cost compensation expenses	65	424
Operating license and membership fees	50	87
Donations	10	5
Other expenses	449	37
Total	**16,354**	**17,344**

Notes to the consolidated financial statements (cont'd)

10. Other income/(expense)

	2019 EUR'000	2018 EUR'000
Fines and penalties from authorities	(83)	(137)
Gain/(Loss) from sale of property and equipment	22	39
Recoveries/(Write-offs) of assets	19	(509)
Provisions for contingent liabilities	–	1,811
Gain/(Loss) from purchase/sale of subsidiaries	–	760
Other non-recurring income/(expense)	(1)	–
Total	**(43)**	**1,964**

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

11. Impairment loses

	2019 EUR'000	2018 EUR'000
Provisions on Loans to private individuals*	21,167	5,094
Provisions on Loans to companies	18	–
Provisions on Cash and cash equivalents	8	47
Provisions on Investments in Equities	–	9
Provisions on Other assets	306	95
Total	**21,499**	**5,245**

*Provisions on loans to private individuals have increased significantly mainly due to changes in business model for subsidiaries located in Russia. At the beginning of reporting period assignments between Russian subsidiaries and Twino were cancelled thereby starting from January all loans remained in balance sheet of loan originators. Prior to this change loan originators purchased back loans in discounted value when certain delays past due were reached. Loss on Twino side from sale of portfolio in discounted value were recognized as loss from sale of portfolio. Such transactions have not been eliminated during consolidation as loan originator continues to account for purchased loans at discounted value.

12. Current corporate income tax and deferred income tax

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

	2019 EUR'000	2018 EUR'000
Tax calculated in the tax return	2,014	3,865
Changes in deferred tax	(284)	393
Total	**1,730**	**4,258**

12. Current corporate income tax and deferred income tax (continued)

b) Comparison of the effective corporate income tax rate

The amount of the reported corporate income tax expenses for the year ended 31 December 2019 differs from the amount calculated by applying the statutory tax rate to the Company's profit before tax, as demonstrated in the table below:

	2019 EUR'000	2018 EUR'000
Profit/ (loss) before corporate income tax	7,672	12,998
Tax at the applicable rate	1,122	970
Impact of non-deductible expenses	(1,066)	(836)
Changes in deferred tax assets	(284)	393
Corporate income tax paid abroad	1,958	3,731
Corporate income tax for the reporting period	**1,730**	**4,258**

Corporate income tax rates by geographical regions:

	2019	2018
Latvia	0% or 25%	0% or 25%
Poland	19%	19%
Georgia	15%	15%
Russia	20%	20%
Mexico	30%	30%
Czech Republic	19%	19%
Denmark	22%	22%
Romania	16%	16%
Spain	25%	25%
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 2018 and 31 December 2019:

12. Current corporate income tax and deferred income tax (continued)

Temporary differences

	Deferred tax (assets)/ liabilities as of 01.01.2017 EUR'000	Recognized profit or loss EUR'000	Effect of exchange rate fluctuations EUR'000	Balance as of 31.12.2018 EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
Loans to private individuals	(537)	144	40	(353)	(353)	–
Loans to related parties	–	(49)	3	(46)	(46)	–
Property, plant and equipment	26	–	(3)	23	23	–
Intangible assets	–	(2)	–	(2)	9	(11)
Other assets	(391)	325	11	(55)	(55)	–
Payables for assignment rights	–	122	(8)	114	114	–
Other borrowings	(6)	(174)	2	(178)	(178)	–
Other liabilities	821	163	(25)	959	4	955
Tax loss carry-forwards	(54)	(136)	13	(177)	(177)	–
Deferred tax (assets) / liabilities	**(141)**	**393**	**33**	**285**	**(659)**	**944**

	Deferred tax (assets)/ liabilities as of 31.12.2018 EUR'000	Recognized profit or loss EUR'000	Acquired through business combination	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.

13. Cash

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Cash at bank	8,476	8,108
Total	**8,476**	**8,108**

14. Loans to private individuals

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Loan principal	44,964	40,161
Accrued interest	11,388	6,831
Accrued commissions	812	897
Other accrued income	129	116
Deferred interest income	(125)	(1,097)
Deferred commission income	(216)	(703)
Gross receivables from customers	**56,952**	**46,205**
Allowances for the impairment of receivables from customers	(26,466)	(18,449)
Net receivables from customers	**30,486**	**27,756**
Including:		
non-current portion	6,360	3,869
current portion	24,126	23,887
Total	**30,486**	**27,756**

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 312.69% 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 27,006 thousand.

Notes to the consolidated financial statements (cont'd)

14. Loans to private individuals (continued)

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

	Book value as of 31.12.2018 EUR'000	Allowances as of 31.12.2018 EUR'000	Net book value as of 31.12.2018 EUR'000
Not overdue	23,745	(2,715)	21,030
Less than 31 days overdue	6,695	(3,166)	3,529
31-90 days overdue	5,012	(3,454)	1,558
More than 90 days overdue	10,753	(9,114)	1,639
Total	**46,205**	**(18,449)**	**27,756**

	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**

15. Receivables from related parties

	31.12.2019 EUR'000	31.12.2018 EUR'000
Current loans to related parties	2,543	2,089
Accrued loan interest due from related parties	130	95
Total	**2,673**	**2,184**
Including:		
Current loans	2,281	2,184
Non-current loans	392	-
Total	**2,673**	**2,184**

Loans issued to shareholder in form of credit lines consists of EUR 1 938 thousand (excluding EUR 96 thousand accrued interest) as at 31 December 2019. Annual Interest rates for first credit line with outstanding balance EUR 401 (excluding EUR 63 thousand accrued interest) is 3.75% including 12-month Euribor rate. Interest rate for second credit line with outstanding balance EUR 1 536 (excluding EUR 33 thousand accrued interest) is 3.00% including 12-month Euribor rate. Maximums combined credit line limit is EUR 2 879 thousand and credit line due date is 31 December 2020. At the end of reporting period 2019 other part of loan balance to related parties consisted of loan to DZ31 Finance SIA and Kerdos Holding SIA EUR 126 thousand (excluding EUR 3 thousand accrued interest) and EUR 239 thousand (excluding EUR 8 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. Remaining part of loans to related parties balance is Net Credit Sp. z o.o. loan issued to shareholder with annual fixed interest rate of 5%.

16. Other assets

	31.12.2019 EUR'000	01.01.2018 EUR'000
Receivables for CDS fees	8,386	8,203
Receivables for brokerage fee	2,523	2,359
Receivables for platform services	2,202	2,716
Corporate income tax asset	1,937	1,798
Deferred expenses	423	344
Receivables for sold assignment rights	60	762
Accrued income	1	25
Allowances	(248)	(483)
Other receivables	2,465	2,129
Total	**17,749**	**17,853**
Including:		
Current other assets	17,627	17,853
Non-current other assets	122	–
Total	**17,749**	**17,853**

Notes to the consolidated financial statements (cont'd)

17. Property, plant and equipment

Acquisition cost	IT equipment & software EUR'000	Other fixtures and fittings, tools and equipment EUR'000	Total EUR'000
31.12.2017	**1,144**	**300**	**1,444**
Additions	58	66	124
Disposals	(111)	(68)	(179)
Reclassification	21	(21)	–
Effect of foreign currency translation	(58)	(3)	(61)
31.12.2018	**1,040**	**288**	**1,328**
Accumulated depreciation			
31.12.2017	**425**	**117**	**542**
Depreciation charge	328	58	386
Disposals	(54)	(25)	(79)
Reclassification	(10)	10	–
Effect of foreign currency translation	(33)	(2)	(35)
31.12.2018	**656**	**158**	**814**
Net book value as of 31.12.2017	**719**	**183**	**902**
Net book value as of 31.12.2018	**384**	**130**	**514**

Acquisition cost	IT equipment & software EUR'000	Other fixtures and fittings, tools and equipment EUR'000	Total EUR'000
31.12.2018	**1,040**	**288**	**1,328**
Additions	78	934	1,012
Disposals	(106)	(56)	(162)
Reclassification	21	(21)	–
Effect of foreign currency translation	44	8	52
31.12.2019	**1,077**	**1,153**	**2,230**
Accumulated depreciation			
31.12.2018	**657**	**157**	**814**
Depreciation charge	199	325	524
Disposals	(50)	(27)	(77)
Reclassification			
Effect of foreign currency translation	33	2	35
31.12.2019	**839**	**457**	**1,296**
Net book value as of 31.12.2018	**384**	**130**	**514**
Net book value as of 31.12.2019	**238**	**696**	**934**

18. Intangible assets

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
31.12.2017	**4,193**	**1,592**	**77**	**18**	**5,802**
Additions	–	14	–	173	187
Disposals	(229)	(282)	–	–	(511)
Reclassification	–	–	–	18	–
Effect of foreign currency translation	(582)	(27)	–	(13)	(622)
31.12.2018	**3,382**	**1,297**	**77**	**176**	**4,932**
Accumulated amortization					
31.12.2017	**–**	**525**	**53**	**–**	**578**
Amortization charge	–	463	14	–	477
Disposals	–	(263)	–	–	(263)
Effect of foreign currency translation	–	(14)	–	–	(14)
31.12.2018	**–**	**711**	**67**	**–**	**778**
Net book value as of 31.12.2017	**4,193**	**1,067**	**24**	**18**	**5,302**
Net book value as of 31.12.2018	**3,382**	**586**	**10**	**176**	**4,154**

18. Intangible assets (continued)

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
31.12.2018	**3,382**	**1,297**	**77**	**176**	**4,932**
Additions	–	4	–	66	70
Disposals	–	(3)	–	(26)	(29)
Reclassification	–	–	–	–	–
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**
Net book value as of 31.12.2019	**3,932**	**454**	**2**	**45**	**4,433**

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 reporting period, the recoverable amount was determined based on net asset value calculations. At the end reporting period 2018 net goodwill consisted of EUR 3,337 thousand and EUR 45 thousand attributable to Veritas OOO MFK and Incredit Sp. z o.o. correspondingly. At the end of 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. respectively. In 2018 and 2019 reporting periods goodwill impairment was not identified.

19. Investments in Equities

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Investments in companies	243	241

Investments of Payday Loans Sp. Z o.o. SKA consist of an equity interest (95%) amounting to EUR 243 thousand (PLN 1,030 thousand) in Parway Sp.z.o.o S.K.A, a non-listed Polish company.

20. Payables for assignment rights

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Current liabilities	16,731	19,831
Non-current liabilities	7,695	4,392
Total	**24,426**	**24,223**

This caption reflects settlements with Latvian and foreign individuals for assignment of claim rights on consumer loans. As of 31 December 2019, the weighted average effective interest rate for balances of these rights was 10.9%.

21. Other borrowings

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Loans from companies	2	1,459
Issued debt securities	–	605
Loans from private individuals	42	39
Total	**44**	**2,103**
Including:		
non-current portion	42	39
current portion	2	2,064
Total	**44**	**2,103**

22. Other liabilities

	31.12.2019 EUR'000	31.12.2018 EUR'000
Payables for consumer loans acquired through CDS	11,199	11,495
Contingent liabilities*	1,917	1,682
Payables for acquisition of third-party loan claims	667	3,715
Dividends payable	660	-
Leasing liability	628	-
Payable for acquisition of related party claims	555	-
Payables for acquisition of consumer loan claims	59	882
Other liabilities	626	140
Total	**16,311**	**17,914**
Including:		
Other non-current liabilities	345	-
Current other liabilities	15,966	17,914
Total	**16,311**	**17,914**

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

23. Share capital

As of 31 December 2019, the registered and paid share capital of the Group amounted to EUR 7,708 thousand (31 December 2018: EUR 7,708 thousand) and consisted of 7,708 thousand shares with a nominal value of EUR 1.00 per share.

24. Equity

Over the reporting period, the Group's business generated a profit of EUR 5,752 thousand, of which the amount of EUR 3,696 thousand is attributable to the equity holder of the Parent Company (31 December 2018: EUR 6,124 thousand). The Group's equity is positive and amounts to EUR 20,511 thousand, of which the amount of EUR 14,836 thousand is attributable to the equity holder of the Parent Company (31 December 2018: equity of EUR 15,463 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 168 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.

25. Average number of employees

	2019	2018
Average number of employees	566	543

Average number of employees, by category	2019	2018
Board Members	9	12
Other	557	531
Total	**566**	**543**

26. Investments in subsidiaries

As of 31 December 2019, the Company had the following investments in subsidiaries:

Subsidiary	Country	Book value of the Company's investment in the subsidiary as of 31.12.2018 EUR'000	Book value of the Company's investment in the subsidiary as of 31.12.2019 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	28
Veritas OOO MFK	Russia	11,442	10,600
Makro OOO MKK*	Russia	2,463	2,463
Grand Invest Kapital OOO MKK	Russia	–	1
Finabay Mexico S.A. de C.V.,	Mexico	–	–
Total		**14,556**	**13,732**

26. Investments in subsidiaries (continued)

Subsidiary	Equity of the subsidiary as of 31.12.2019 EUR'000	Subsidiary's book value as of 31.12.2019 EUR'000	Subsidiary's result for the reporting period for 2019 EUR'000	Company's equity share in the subsidiary as of 31.12.2019 %
OC Finance SIA	32	1,959	(124)	100%
TWINO LLC	(5,729)	288	539	100%
Moneza LLC	61	214	62	100%
Hub Twino LLC	18	24	18	100%
Incredit Sp. z o.o.	1,014	16,150	933	100%
Net Credit Sp. z o.o.	13,797	16,743	(4,872)	100%
TWINCARD Sp. z o.o.	35	47	(12)	100%
NetCredit Aps	255	264	(13)	100%
Veritas OOO MFK	11,894	15,907	5,999	50%
Makro OOO MKK*	2,874	163	1,691	99%
Grand Invest Kapital OOO MKK	(5)	11	(5)	95%
Finabay Mexico S.A. de C.V.,	(1,313)	5	–	99%
MONEZA LLP	(105)	3,264	(58)	100%
Zing Kazakhstan LLP	(2,116)	3,804	(483)	100%
OPTIMUS LLP	70	70	–	100%
Total	**20,782**	**58,913**	**3,675**	

* In 2019, the Company reorganized Makro OOO MCC by adding Startup OOO MCC to it

** Considering that during the period from 1 December 2017 to 31 December 2019 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.

*** In 2018, the Company increased its investment in Startup OOO MKK (previously Moneza OOO MKK) by EUR 2,461 thousand.

27. Group's companies

As of 31 December 2019, 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
MONEZA LLP, reg. No 170240008382	Subsidiary	78 Masanchi Str., 050012, Almaty	Kazakhstan
OPTIMUS LLP, reg. No 191140029912	Subsidiary	78 Masanchi Str., 050012, Almaty	Kazakhstan
NetCredit ApS, reg. No 36421509	Subsidiary	18 Kronprinsessgade Str., DK-1306 Copenhagen	Denmark
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
Payday Loans Sp. z o.o. SKA, reg. No 0000424914	Related company	ul. Prosta 68, 00-838 Warsaw	Poland
E-Zaem MFC LLC, reg. No 1127746672130	Related company	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

28. Related party disclosures

Company's related party transactions:

Income	2019 EUR'000	2018 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**

Expenses	2019 EUR'000	2018 EUR'000
Compensation for use of attracted platform investments	529	–
Interest expenses from received related company loans	58	2
Total	**587**	**2**

Assets	31.12.2019 EUR'000	31.12.2018 EUR'000
Loans to shareholders and management	1,964	1,889
Loans to related companies	577	295
Other current receivables from shareholders and management	231	–
Investments in associates	243	241
Other receivables	2,105	2,725
Total	**5,120**	**5,150**

Liabilities	31.12.2019 EUR'000	31.12.2018 EUR'000
Loans and borrowings	42	39
Other liabilities	1,034	–
Total	**1,076**	**39**

29. Off-balance sheet liabilities and pledged assets

As of 31 December 2019, the Group had no off-balance sheet liabilities or pledged assets.

30. Legislation

As part of an audit carried out by the Central Bank of the Russian Federation, on December 10, 2018, Veritas OOO MFK, which has a significant contribution to the Group's consolidated result (EUR 8,702 thousand of assets and EUR 36,084 thousand of turnover), was informed about certain mismatches between the Company's internal control systems and the requirements of the law of the Russian Federation No.115-ФЗ regarding anti-money laundering and terrorist financing. By the end of 2018, the management of the Group eliminated the identified mismatches, as well as made the necessary improvements to customer identification systems and submitted a report to the Central Bank of the Russian Federation regarding the aforementioned. As at the date of approval of this report, the Central Bank of the Russian Federation has neither provided any confirmation that the identified mismatches have been eliminated, nor has it provided any other information or requirements to implement any further changes in this respect. As a result, the Company has not received any indications towards potential sanctions or penalties regarding the previously identified mismatches or restrictions with respect to further operations of the Company. No fines or penalties were imposed as a result of the audit. The management of the Group believes that the above circumstances do not have a material impact on these financial statements.

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 January 2020, the Company established a subsidiary Vamo Inc. In the Philippines. In February 2020, the Company completed the liquidation process of its subsidiary NetCredit Aps. in Denmark. In May 2020, the reorganization of the Company's subsidiaries in Poland was completed, as a result the company Payday Loans Sp. z o.o. S.K.A. was merged into NET CREDIT Sp. z o.o. In April 2020, the Company redeemed 7,207,800 shares reducing the share capital to EUR 500,000. The funds from the reduced share capital in the amount of EUR 6,084,958 were used to cover the SIA Twino losses of previous periods, while the remaining funds of the reduced share capital in the amount of EUR 1,122,842 were used to partially settle the credit lines issued to the Company's Shareholder.

At the moment of signing the consolidated financial report 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 2018 results, the Group has improved its performance supporting the going concern assumption. The Group's current assets exceed its current liabilities by EUR 16,608 thousand, which is an increase by 46% comparing to the year end of 2018, when the Group's current assets exceeded current liabilities by EUR 11,402 thousand. At the end of the year 2019, the Group's liquidity ratio was 1.46 (a year earlier it was- 1.26); therefore, liquidity risk is controlled. The Group earned a net profit of EUR 5,752 thousand during the reporting period of which EUR 3,696 thousand is attributable to the equity holders of the Group comparing to Groups net profit of EUR 8,740 thousand and EUR 6,124 thousand attributable to the equity holders of the Group as of 31st December 2018. As of 31st December 2019, the Group's equity was positive and amounted to EUR 20,511 thousand, of which EUR 14,828 thousand is attributable to the equity holders of the Group (2018: EUR 15,463 thousand, of which EUR 8,937 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

In March the Company experienced a substantial cash withdraw by platform participants of the investment platform *twino.eu* as well as significant decrease in the usage of "auto-invest" function. That considerably reduced the reinvested portfolio amount stimulating the demand for money withdrawal. In March and April, the amount of money paid to the platform participants exceeded the received cash funds by EUR 4.2 mln. It is essential to note that Company managed to pay each demanded cash amount during two working days taking into account the terms and conditions of the mutual agreement. In May cash flow considerably improved and the withdrawals exceeded the inflows by EUR 0.2 mln. In June, the cash flow became positive and reached net amount EUR 0.3 mln. In July and August, the total net cash flow was positive and exceeded EUR 1.2 mln. On the Financial Statements preparation date, the positive trend of cash flow continues. The pandemic caused by Covid-19 also affected the operational activities of the Company's subsidiaries. The deterioration of the overall economic situation affected the borrowers' ability to repay their loans in timely manner due to the loss or decline of borrowers' incomes. In addition to the negative economic situation, the countries imposed restrictions on the recovery processes of issued loans, which also affected the short-term cash flow of the Twino group companies. In order to mitigate the potentially increasing credit risk, lending to the individuals with lower credit ratings was preventively reduced in the Twino group companies. In the period from March to June 2020, compared to January and February 2019, the amount of issued loans decreased by 32%. Therefore the total net turnover of the Twino group companies in 2020 will be lower comparing to 2019. The company anticipates that the lending amounts of the Twino group companies will return to 90% in the 4th quarter of 2020 comparing to the lending amounts at the beginning of 2020.

On Behalf of the Board

Anastasija Oleinika
Chairperson of the Board

Imants Baklans
Head of Finance

14 December 2020

Tel: +371 66777800
Fakss: +371 67222236
www.bdo.lv

Kaļķu street 15-3B
Rīga, LV-1050
Latvia

Independent Auditor's Report

To the shareholder of TWINO SIA

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TWINO SIA ("the Company") and its subsidiaries ("the Group") set out on pages 10 to 52 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2019,
- the consolidated statement of comprehensive income for the year ended 31 December 2019,
- the consolidated statement of changes in equity for the year ended 31 December 2019,
- the consolidated statement of cash flows for the year ended 31 December 2019, 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 SIA and its subsidiaries as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2019 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) (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and 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 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 9 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

Modrīte Johansone
Sworn auditor
Certificate No 135
Member of the Board

Riga, Latvia
14 December 2020