

SIA Alfa Finance
Annual report for the year 2019

Riga, 2020

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General information

Name of the company	Alfa Finance
Legal status of the company	Limited Liability company
Registration number, place and date of registration	50003443401, Riga, 07.05.1999
Registered office	Antonijas street 5, Riga, LV-1010
Board Members	
Member of the board	Jānis Kuļikovskis (from 04 September 2015)
Member of the board	Viesturs Kuļikovskis (from 04 September 2015)
Annual report prepared by	Chief accountant Madara Muriņa
Financial period	1 January – 31 December 2019
Auditors	SIA Sandra Dzerle un Partneris Vilandes street 7-1, Riga, LV-1010, Latvia Licence No 38
	Baiba Apine Latvian Certified Auditor Certificate No 214
	Atbildīgā zvērinātā r Baiba Apine Sertifikāts Nr.214.

Management report

Company profile

SIA “Alfa Finance” (hereinafter - the Company) is a holding company operating in the online short-term consumer lending and financial mutual lending (p2p) sector. In 2015, SIA Alfa Finance Group started its operations by establishing a consumer lending company in Poland, in 2016 - in Georgia, with further expansion of its consumer lending business in Southeast Asia, as well as by offering mutual loan (p2p) platform services in the European Economic Area.

Financial performance and position

In 2019, SIA Alfa Finance has increased the volume of services provided. SIA Alfa Finance closed 2019 with a positive operating result or profit in the amount of 475 294 euros, which has increased by approximately 227% compared to 2018. This result was mainly ensured by intensive business development during the year, attraction of additional financing, as well as scrupulous evaluation and reduction of cost items in the second half of the year.

Net turnover in 2019, compared to 2018, increased by 943 647 euros or approximately 45%, due to successful business development and doubled results compared to 2018 in the countries where services are provided.

At the end of 2019, compared to the beginning of the year, the total assets of SIA Alfa Finance increased by 13 133 euros or 0.50%.

In 2019, the liabilities of SIA Alfa Finance decreased by approximately 15%, reaching 2 553 844 euros at the end of the year, while equity increased by approximately 126% and on 31 December 2019 amounted to 99 373 euros.

Significant risks and uncertainties

The Company's most significant risks are economic, market and credit risk. Management makes responsible decisions, aware of risks and trying to minimize them. Understanding the financial position of the Company, the development of the Company is planned and implemented. The Company's management makes plans, taking into account the respective credit liabilities, with the terms set by the credit liabilities, in order to be sure that all liabilities can be settled. In 2019, financing was attracted for business development, which increases credit risk, but at the same time also promotes the Company's growth. Cash flow is planned in detail on a weekly basis to ensure coverage of all necessary liabilities of the Company.

Further development plan of the company

In 2019, SIA Alfa Finance continues to support and provide services to its group companies, with the aim of ensuring ever higher quality of loan portfolios and continuous growth in both lending volumes and mutual loans (p2p). Active work continues to expand the Company's group companies into new markets in the Southeast Asian region.

Company shares

During the reporting year, the Company did not repurchase or sell its shares.

Company branches and representative offices abroad

The company has no representative office or branch abroad.

Events after the end of the reporting year

In the period between the last day of the reporting year and the date when the management signs the annual report, there have been no significant or extraordinary circumstances that would affect the annual results and the financial position of the company.

After the end of the financial year, in March 2020, restrictions related to the spread of the coronavirus have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world. It is not expected how the situation will develop in the future, and therefore there is uncertainty about economic development. The company's management constantly evaluates the situation. Currently, the Company is experiencing a decrease in net sales due to the economic situation. It has also negatively affected companies in the countries where the Company provides services. The Company's management believes that the Company will be able to overcome the emergency situation through the following compensatory measures. Significantly stricter credit risk policies have been implemented to ensure the quality of the loan portfolio, costs have been reviewed and significantly reduced throughout the group, key business processes have been reviewed and efficiency improvements have been introduced. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events on the Company's future operations may differ from the management's assessment.

Member of the board Jānis Kuļikovskis _____

Member of the board Viesturs Kuļikovskis _____

July 27, 2020

Management's statement of responsibility

The Company's management is responsible for the preparation of the financial statements based on the original accounting for each reporting period, which truly reflects the Company's financial position at the end of the reporting year, as well as the results of operations for that period.

Management confirms that during the preparation of these financial statements for the period ended 31 December 2019, appropriate accounting policies have been used in order to make consistent and prudent decisions. The management confirms that the relevant accounting principles governing the Republic of Latvia were followed and the financial statements have been prepared in accordance with the going concern principle.

Management is responsible for keeping proper accounting records, for safeguarding the Company's assets and for preventing fraud and other irregularities.
Management confirms that it has provided the information and explanations necessary for the audit.

Member of the board Jānis Kuļikovskis _____

Member of the board Viesturs Kuļikovskis _____

July 27, 2020

Statement of comprehensive income

	Notes	2019 Eur	2018 Eur
Revenue	21	3 043 594	2 099 947
Cost of sales	22	(1 984 033)	(1 469 625)
Gross profit		1 059 561	630 322
Selling expenses	23	(68 006)	(68 078)
Administration expenses	24	(257 041)	(265 706)
Other income		-	1 096
Other expenses	25	(33 634)	(1 032)
Income from other securities and loans that have formed long - term financial investments	26	8 067	10 557
Interest and similar income		10	-
Interest and similar expenses	27	(186 899)	(130 612)
Profit before tax		522 058	176 547
Corporate income tax		(46 764)	(31 244)
Profit after tax		475 294	145 303
Profit for the year		475 294	145 303

The accompanying notes form an integral part of these financial statements.

Member of the board Jānis Kuļikovskis _____

Member of the board Viesturs Kuļikovskis _____

Annual report created by
Chief accountant Madara Muriņa _____

July 27, 2020

Statement of financial position

ASSETS	Notes	31.12.2019	31.12.2018
		Eur	Eur
Non-current assets			
<i>Intangible assets</i>			
Concessions, patents, licenses, trademarks and similar rights		8 305	12 040
Other intangible assets		403 723	339 693
Advance payments for intangible assets		18 771	-
Total intangible assets	28	430 799	351 733
<i>Fixed assets</i>	28	11 323	13 037
<i>Long-term financial investments</i>			
Investment in subsidiary	29	810 878	814 457
Loans to related parties	30	10 457	10 457
Other loans and long-term receivables		-	124 813
Total long-term financial investments		821 335	949 727
Total non-current assets		1 263 457	1 314 497
Current assets			
Trade receivables		995 791	418 468
Loans to related parties	31	274 856	54 260
Other debtors	32	87 787	45 231
Deferred expenses	33	13 849	26 432
Accrued income	34	16 070	773 902
Cash at banks	35	1 407	7 294
Total current assets		1 389 760	1 325 587
TOTAL ASSETS		2 653 217	2 640 084

The accompanying notes form an integral part of these financial statements.

Member of the board Jānis Kuļikovskis _____

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Annual report prepared by
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July 27, 2020

LIABILITIES	Notes	31.12.2019	31.12.2018
		Eur	Eur
Equity			
Share capital		204 480	204 480
Retained losses		(105 634)	(580 928)
Total equity		99 373	(375 921)
Liabilities			
Non-current liabilities			
Other creditors	36	156 875	799 598
Loans from related parties	37	1 083 049	1 300 163
Total non-current liabilities		1 239 924	2 099 761
Current liabilities			
Other liabilities	38	889 500	650 000
Trade payables		230 686	96 953
Loans from related parties	39	8 852	8 852
Taxes and State mandatory social insurance payments		67 110	42 495
Other creditors	40	36 086	26 420
Accrued liabilities	41	81 686	91 524
Total current liabilities		1 313 920	916 244
Total liabilities		2 553 844	3 016 005
Total equity and liabilities		2 653 217	2 640 084

The accompanying notes form an integral part of these financial statements.

Member of the board Jānis Kuļikovskis _____

Member of the board Viesturs Kuļikovskis _____

Annual report prepared by
Chief accountant Madara Muriņa _____

July 27, 2020

Statement of changes in equity

	Share capital Eur	Reserve Eur	Retained losses Eur	Total Eur
Balance as at 31 December 2017	204 480	527	(470 683)	(265 676)
Profit for the period	-	-	145 303	145 303
Balance as at 31 December 2018	204 480	527	(325 380)	(120 373)
Correction of the previous year's balance sheet*	-	-	(255 548)	(255 548)
Amended as as ar 31 December 2018	204 480	527	(580 928)	(375 921)
Profit for the period	-	-	475 294	475 294
Balance as at 31 December 2019	204 480	527	(105 634)	99 373

The accompanying notes form an integral part of these financial statements.

* Previous yearr corrections have been made retrospectively in the 2019 financial statements by adjusting the relevant items in the financial statements as if the error had not occurred in previous reporting periods (see Note 17).

Member of the board Jānis Kuļikovskis _____

Member of the board Viesturs Kuļikovskis _____

Annual report preated by
Chief accountant Madara Muriņa _____

July 27, 2020

Notes to the financial statements

Summary of significant accounting policies

1) General principles

The Company's financial statements have been prepared in accordance with the laws of the Republic of Latvia "On Accounting", "Law on Annual Accounts and Consolidated Annual Reports", and the Cabinet of Ministers Regulations No. 775 "Regulations on the Application of the Law on Annual Reports and Consolidated Annual Accounts".

The balance sheet and the profit and loss calculation has been prepared on the basis of the scheme set out in the relevant annexes to the Law on Annual Accounts and Consolidated Annual Accounts.

The income statement has been prepared in accordance with the cost function method.

The monetary unit used in the financial statements is the currency of the Republic of Latvia, the euro (Eur).

The financial statements give a true and fair view of the company's assets, liabilities, financial position and profit or loss.

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

- assumes that the company will continue to operate (going concern principle);
- uses the same accounting policies and valuation methods as in the previous reporting year;
- items are recognized and measured in the financial statements on a prudent basis, in particular subject to the following conditions:
 - a) the financial statements shall include only profits made up to the balance sheet date;
 - b) take into account all liabilities and expected risk amounts and losses incurred during the reporting year or previous years, even if they became known between the balance sheet date and the date when the annual report is signed by the management, authorized person or administrative body;
 - c) calculate and take into account all amounts of impairment and depreciation of assets, regardless of whether the financial year is closed with profit or loss;
- In the balance sheet and income statement items, amounts are reported on an accrual basis, ie income and expenses are reported on the basis of the time in which they are incurred and not on the time the cash is received or issued. Revenues and expenses related to the reporting year shall be indicated regardless of the date of receipt of the payment or invoice;
- costs are reconciled with revenues in the respective reporting periods;
- balance sheet asset and liability items are valued separately;
- any offsetting between assets and liabilities in the balance sheet or items of income and expense in the income statement is prohibited;
- if an expropriated or liquidated long-term investment object is excluded, the income and expenses related to the exclusion of the said object are set off against each other. The profit or loss account shall indicate the net value - profit or loss from the disposal of a long-term investment object, which is calculated as the difference between the book value of the excluded object and its disposal or liquidation income and expenses, provided that gross amounts are indicated in the notes;
- in the balance sheet and income statement items, amounts are disclosed by reference to the substance and nature of the transactions, and not merely the legal form;

Notes to the financial statements

- Items in the balance sheet and income statement are measured at cost or production cost. Purchase costs are the purchase price of a good or service (less discounts received) plus additional costs associated with the purchase. Production costs are the costs of purchasing raw materials, basic materials and consumables and other expenses that are directly related to the production of the respective object. Production costs may also include parts of costs that are indirectly related to the production of the facility, provided that these costs are attributable to the same period.

The specific items of the balance sheet and income statement contain significant financial information that materially affects the assessment or decision-making of users of the annual report. Minor amounts that do not materially affect the assessment or decision-making of users of the annual report are disclosed in the relevant items of the financial statements in the relevant items combining similar financial information, details of which are provided below in the notes to the financial statements.

2) Use of estimates

In preparing the financial statements, the Company's Management Board has made a number of estimates and assumptions that affect the reported amounts of balance sheet and income statement items included in the financial statements, as well as the amount of contingent liabilities. Future events may affect these estimates and assumptions. Any effect of changes in such estimates and assumptions on the company's results of operations is disclosed in the financial statements at the time of their determination.

3) Recognition of the revenue

The main activity of the company is providing platform services, in which the investor is offered the opportunity to invest in clear, simple financial products, the investor making his own decision on the investment risk of his own funds and the corresponding return.

Net turnover is the total value of products sold and services provided during the year less discounts granted and value added tax.

Revenue is recognized based on the following principles:

- Amounts collected on behalf of a third party that are received by the company and do not result in an increase in equity are not included in revenue.
- Revenue from the sale of goods in Latvia is recognized when the buyer has accepted the goods. Revenue from the sale of goods outside Latvia is recognized in accordance with the terms of delivery of the goods.
- Revenue from providing the services is recognized according to the stage of completion of the transaction.
- Revenue from fines and periodic penalty payments is recognized upon receipt.
- Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset.
- Dividends are recognized when the legal right to receive payment is established.
- Royalties are recognized on an accrual basis in accordance with the relevant agreement.

Other operating income is miscellaneous income (for example, gains on the disposal of long-term investments or foreign exchange fluctuations, income from insurance claims received, financial assistance received or financial support) that is not directly related to the company's core business, but arising out of or in connection with an economic activity.

4) Recognition of expenses

Costs are recognized in the income statement on an accrual basis, taking into account the timing of their occurrence rather than the time of disbursement. Expenses related to the report shall be indicated regardless of the date of receipt of the payment or invoice. Costs are reconciled with revenues in the respective reporting periods.

Notes to the financial statements

5) Foreign currency revaluation in euros

All foreign currency transactions are converted into euros at the foreign exchange rate at the date of the transaction.

All monetary assets denominated in foreign currencies at the end of the reporting period are converted into euros (Eur) at the foreign exchange rate at the balance sheet date of 31 December and the related exchange differences are recognized in the income statement.

Foreign exchange rates at the end of the reporting period during the last two years were as follows:

	31.12.2019	31.12.2018
	1 Eur	1 Eur
USD	1,12340	1,14500
PLN	4,25680	4,30140

6) Intangible assets

Intangible assets mainly consist of usage rights, licenses, patents, concessions and similar rights acquired for consideration. Intangible assets are measured at cost less accumulated amortization. Depreciation is calculated on a straight-line basis using a depreciation rate of 33.33% per annum. Exceptionally, if the useful life of a goodwill or development cost item cannot be estimated reliably, its initial value is amortized on a straight-line basis over a period not exceeding 10 years (each such case is explained in the notes to the financial statements, indicating the length of time write off the original value of the item in question).

7) Fixed assets

Property, plant and equipment are measured at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis using the following management-determined depreciation rates based on the estimated useful lives of the fixed assets in relation to the classification of the fixed assets into financial categories:

Category in accounting	Depreciation rate %	Item in the financial statements
Technical equipment	20-33	Other fixed assets
Furniture and office equipment	20	Other fixed assets
Computers and equipment	33	Other fixed assets

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The company capitalizes fixed assets with a value exceeding Eur 500 and a useful life exceeding 1 year. The costs of repairs and maintenance of property, plant and equipment are charged to the income statement in the period in which they are incurred. The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when no future economic benefits are expected from its use.

8) Debtors

Receivables have been valued in accordance with the precautionary principle, showing only actual receivables in the balance sheet.

Special provisions for doubtful debts are established in cases when, in the opinion of the management, the recovery of these receivables is doubtful, assessing each receivable separately. Bad debts are written off as losses for the reporting year.

9) Investments in subsidiaries and associates of the group, other investments

Long-term investments, including investments in subsidiaries and associates of the Group, are stated at cost, which is adjusted in the event of a prolonged increase or decrease in value.

Notes to the financial statements

10) Accrued liabilities

The balance sheet item “Accrued liabilities” indicates clearly known amounts of liabilities to suppliers of goods and services received during the reporting year for which, due to delivery, purchase or contract conditions or other reasons, a relevant justification document (invoice) has not been received at the balance sheet date.

The Company establishes provisions for liabilities to employees for unused leave.

Accrued unused vacation costs are estimated by multiplying the average daily earnings of employees for the last six months of the reporting year by the number of accrued unused vacation days at the end of the reporting year.

11) Corporate income tax

Corporate income tax, in accordance with the requirements of the Law on Corporate Income Tax, consists of corporate income tax calculated for the reporting year, which is recognized in the income statement. Starting from the tax year 2018, corporate income tax is calculated on distributed profit (dividends) and conditionally distributed profit by applying a rate of 20%, adjusted by the taxable value of corporate income tax divided by a coefficient of 0.8. Corporate income tax is recognized when the Company's shareholders decide on the distribution of profits or when costs that are not directly related to the company's business are recorded and increases the taxable income tax base at the time of recognition of costs.

12) Cash and cash equivalents

Cash and cash equivalents consist of current bank account balances.

13) Off-balance sheet financial liabilities, guarantees provided and other contingent liabilities

In the process of ensuring its economic activity, the Company provides guarantees for two loans of the subsidiary in the amounts of EUR 800,000 and EUR 500,000, as well as to the related company for the amount of Eur 2 000 000 in order to promote the development of the core business of these companies - issuance of loans. The Company's policy is to include in contracts with suppliers and other contractors most of the conditions that apply to guarantees issued to customers. The company has concluded guarantee agreements:

The Company has no lease or rental agreements that are material to the Company's operations, including no operating lease obligations. The Company's assets are not pledged or otherwise encumbered, nor are there any pension liabilities or similar liabilities to employees or members of the Management Board.

14) Significant events after the balance sheet date that do not relate to the reporting year and are therefore not included in the balance sheet or income statement

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

15) Related companies

Related companies are companies that, in relation to the company, are a subsidiary of the group or the parent company of the group, or other subsidiaries of this group, or a subsidiary of a subsidiary of this group.

Notes to the financial statements

16) Comparative information

In accordance with the requirements of the law, the names of certain income statement and balance sheet items have been changed, as well as the items have been reclassified by reclassifying the comparative indicators of the previous period in accordance with the principles used in the reporting year, thus the financial indicators of the reporting period are mutually comparable:

	Item values after reclassification	Overpayments to creditors	Carrying amount of buyers and customers	Service purchase costs	Accrued interest	Net losses from exchange rate fluctuations	Loans received	Intangible assets	Item values before reclassification
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Other debtors	45 231	25 206	(417 334)	-	-	-	-	-	437 359
Trade payables	96 953	25 206	-	-	-	-	-	-	71 747
Trade receivables	418 468	-	417 334	-	-	-	-	-	1 134
Payables to related companies – short-term liabilities	8 852	-	-	-	(8 082)	-	-	-	16 934
Accrued liabilities	91 524	-	-	-	(57 615)	-	-	-	149 139
Payables to related companies – long-term liabilities	1 300 163	-	-	-	65 697	-	1 234 466	-	-
Other liabilities- long-term	799 598	-	-	-	-	-	(1 234 466)	-	2 034 064
Concessions, patents, licenses, trademarks and similar rights	12 040	-	-	-	-	-	-	(339 693)	351 733
Other intangible assets	339 693	-	-	-	-	-	-	339 693	-
Cost of sales	1 469 625	-	-	731 424	-	-	-	-	738 201
Selling expenses	68 078	-	-	(598 866)	-	-	-	-	666 944
Administration expenses	265 706	-	-	(132 558)	-	-	-	-	398 264
Net profit from exchange rate fluctuation	(1 096)	-	-	-	-	11 460	-	-	(12 556)
Net losses from exchange rate fluctuations	1 032	-	-	-	-	(11 460)	-	-	12 492
Impact of reclassification on 31.12.2018. balance sheet (assets and liabilities)		25 206	-	-	-	-	-	-	
Impact of reclassification on profit for the year 2018		-	-	-	-	-	-	-	

Notes to the financial statements

17) Identified errors and amendments in previous year financial statements

In 2017, the Company incorrectly applied the accounting policy and costs 255,548 Eur, which are related to the expansion of economic activities, are erroneously presented in the balance sheet item “Advance payments for intangible investments”. In 2019, the Company made an adjustment by reducing the value of the balance sheet item “Advance payments for intangible investments” by EUR 255,548, applying it to the 2017 expenses. The material error in the amount of EUR 255,548 was corrected retrospectively in 2019, adjusting the relevant financial statement items as if the error had not been made in previous reporting periods. The correction of the error affected the balance sheet item “Advance payments for intangible assets” and retained earnings for the periods before 2018.

Balance sheet Assets/Liabilities	31.12.2018 After Amendments	Effect of retrospective adjustment on			31.12.2018 Before amendments
		Year 2018	Periods prior to year 2018	Net effect	
	Eur	Eur	Eur	Eur	Eur
Advance payments for intangible assets	-	-	(255 548)	(255 548)	255 548
Retained earnings					
Previous year retained earnings	-	-	(255 548)	-	-
Retained earnings for the period	-	-	-	-	-
Effect of net error correction on retained earnings as at 31 December 2018				(255 548)	

18) Related parties

Related parties include members of the Company, members of the Management Board, their close family members and companies in which these persons have control or significant influence. All related party transactions in the reporting year correspond to normal market conditions.

19) Research and development activities and own shares

The Company has no research and development activities and has not repurchased its shares during the reporting year.

20) Consolidated annual report, information on the parent company of the group and exemption applied regarding consolidated annual report

The parent company is exempted from the obligation to prepare consolidated annual reports in accordance with Section 64 (1) of the Annual Accounts and Consolidated Annual Accounts Law, as it, together with subsidiaries, complies with Section 6 of the Annual Accounts and Consolidated Annual Accounts Law.

Notes to the financial statements

21)

Revenue	2019	2018
	Eur	Eur
For services provided	2 996 724	2 099 947
Other income	46 870	-
	3 043 594	2 099 947

22)

Cost of sales	2019	2018
	Eur	Eur
Purchase of services	1 439 402	1 201 780
Salary expenses	433 794	185 049
Depreciation of fixed assets	110 555	77 069
Other cost of sales	282	5 727
	1 984 033	1 469 625

23)

Selling expenses	2019	2018
	Eur	Eur
Salary expenses	66 349	64 705
Other selling expenses	1 657	3 373
	68 006	68 078

24)

Administration expenses	2019	2018
	Eur	Eur
Salary expenses	126 420	107 071
Professional services expenses	12 993	34 613
Bank fees	2 786	6 948
Training and business trip expenses	47 613	44 257
Representation expenses	6 804	10 994
Depreciation of property, plant and equipment and intangible assets	10 402	9 585
Office related expenses	41 984	51 186
Human resource expenses	3 751	809
Other administration expenses	4 288	243
	257 041	265 706

Notes to the financial statements

25)

Other expenses

	2019	2018
	Eur	Eur
Paid penalties	4 298	80
Bad debt written off	1 134	-
Net losses from exchange rate fluctuations	23 456	86
Impairment of investment in subsidiary (see Note 29)	3 579	-
Non-business related expenses	-	866
Other expenses	1 167	-
	33 634	1 032

26)

Income from other securities and loans that have formed long - term financial investments

Interest income on long-term loans to other companies

	2019	2018
	Eur	Eur
Interest income on long-term loans to other companies	8 067	10 557
	8 067	10 557

27)

Interest and similar expenses

Loan interest amount to other companies

Interest payments to related companies

	2019	2018
	Eur	Eur
Loan interest amount to other companies	84 720	57 483
Interest payments to related companies	102 179	73 129
	186 899	130 612

28)

Intangible assets and property, plant and equipment

Concession patents, licenses, trademarks and similar rights

Other intangible assets

Other fixed assets and inventory

Advance payments for intangible assets

Total

	Eur	Eur	Eur	Eur	Eur
Initial value					
31.12.2018	20 135	444 801	26 143	-	491 079
Additions	585	171 208	7 746	18 771	198 310
31.12.2019	20 720	616 009	33 889	18 771	689 389
Depreciation					
31.12.2018	8 095	105 108	13 106	-	126 309
Calculated	4 320	107 178	9 460	-	120 958
31.12.2019	12 415	212 286	22 566	-	247 267
Remaining value as of 31 December 2018	12 040	339 693	13 037	-	364 770
Remaining value as of 31 December 2019	8 305	403 723	11 323	18 771	442 122

Notes to the financial statements

29)

Investment in subsidiary	Alfa Finance Sp.z o.o. Eur	ALFA Finance Georgia LLC Eur	DoFinance SIA Eur	Total Eur
Initial value				
31.12.2018	760 878	3 579	50 000	814 457
31.12.2019	760 878	3 579	50 000	814 457
Impairment of asset				
31.12.2018				-
Impairment	-	3 579	-	3 579
31.12.2019	-	3 579	-	3 579
Remaining balance as at 31 December 2018	760 878	3 579	50 000	814 457
Remaining balance as at 31 December 2019	760 878	-	50 000	810 878

30)

Loans to related parties

	31.12.2019			31.12.2018		
	Long-term part Eur	Short-term part Eur	Total Eur	Long-term part Eur	Short-term part Eur	Total Eur
Principal and accrued interest	10 457	10 810	21 267	10 457	-	10 457
	10 457	10 810	21 267	10 457	-	10 457

31)

Loans to related parties

	31.12.2019 Eur	31.12.2018 Eur
Services provided	639 110	429 324
Provisions for doubtful debts	(375 064)	(375 064)
Short-term loans (see Note 30)	10 810	-
	274 856	54 260

Notes to the financial statements

32)

Other debtors	31.12.2019	31.12.2018
	Eur	Eur
Advance payments to individuals	-	186
Tax overpayment	11 255	8 855
Overpayments made to creditors	31 838	25 206
Advance payments for goods	1 277	3 412
Short-term loans	35 762	-
Security deposit	7 655	7 572
	87 787	45 231

33)

Deferred expenses	31.12.2019	31.12.2018
	Eur	Eur
IT related expenses	9 868	17 588
Health insurance	465	2 254
Rent expenses	1 620	1 620
Accounting software	1 266	1 246
Marketing expenses	-	1 912
Other deferred expenses	630	1 812
	13 849	26 432

34)

Accrued income	31.12.2019	31.12.2018
	Eur	Eur
Invoices issued after balance sheet date for the reporting year	16 070	773 902
	16 070	773 902

35)

Cash	31.12.2019	31.12.2018
	Eur	Eur
Cash at banks	1 407	7 294
	1 407	7 294

Notes to the financial statements

36)

Other liabilities

	31.12.2019			31.12.2018		
	Long-term part	Short-term part	Total	Long-term part	Short-term part	Total
	Eur	Eur	Eur	Eur	Eur	Eur
Loans from related parties	77 983	89 500	167 483	656 066	-	656 066
Loans from related individual person	78 892	-	78 892	143 532	-	143 532
Loans from other companies	-	800 000	800 000	-	600 000	600 000
Loan from other individual person	-	-	-	-	50 000	50 000
	156 875	889 500	1 046 375	799 598	650 000	1 449 598

Loans are not secured by pledges or guarantees.

37)

Loans from related parties

	31.12.2019			31.12.2018		
	Long-term part	Short-term part	Total	Long-term part	Short-term part	Total
	Eur	Eur	Eur	Eur	Eur	Eur
Loan and interest from related party	398 970	5 425	404 395	388 122	5 425	393 547
Loan and interest from related party	684 078	3 427	687 505	912 040	3 427	915 467
	1 083 048	8 852	1 091 900	1 300 163	8 852	1 309 015

Borrowings from related parties are not secured by collateral or guarantees.

38)

Other creditors

	31.12.2019	31.12.2018
	Eur	Eur
Salaries	28 577	19 227
Expense reimbursements	7 508	7 192
	36 086	26 420

Notes to the financial statements

39)

Accrued liabilities	31.12.2019	31.12.2018
	Eur	Eur
Accrued liabilities to suppliers and contractors	33 882	46 345
Accrued vacation expenses	28 384	8 217
Accrued interest on loans received	19 420	36 962
	81 686	91 524

40)

Going concern assumption

After the end of the financial year, in March 2020, restrictions related to the spread of the coronavirus have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world. It is not expected how the situation will develop in the future, and therefore there is uncertainty about economic development. The company's management constantly evaluates the situation. Currently, the Company is experiencing a decrease in net sales, as the economic situation has also had a severe impact on companies in the countries where the Company provides services. Even before the accession of COVID-19, a number of new lending products were launched, which are currently in test mode, and the current results suggest the perspective of these new directions. Negotiations were also started with several potential investors on various joint business projects, as well as on attracting financing. A positive outcome in any of these negotiations would lead to a significant increase in business volumes and a strengthening of the market position. The Company's management believes that the Company will be able to overcome the emergency situation through the following compensatory measures. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events on the Company's future operations may differ from the management's assessment.

Member of the board Jānis Kuļikovskis _____

Member of the board Viesturs Kuļikovskis _____

Annual report prepared by
Chief accountant Madara Muriņa _____

July 27, 2020

Independent Auditor's Report
To the shareholders of Alfa Finance
(The Translation of the Report provided in the Latvian language)

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Alfa Finance (“the Company”) set out on pages 7 to 22 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2019,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Company as at 31 December 2019, and of its financial performance for the year then ended in accordance with the ‘Law On the Annual Reports and Consolidated Annual Reports’ of the Republic of Latvia.

Basis for Opinion

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

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

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

Reporting on Other Information

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

- information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4-5 of the accompanying Annual Report.

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

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

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

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

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the ‘Law On the Annual Reports and Consolidated Annual Reports’ of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

On behalf of

Sandra Dzerale un Partneris SIA
Certified Auditors Company
License Nr.38.

Māris Biernis
Responsible Certified Auditor
Member of the Board
Certificate No.148
Riga, Latvia
July 27, 2020

Baiba Apine
Responsible Certified Auditor
Certificate No.214 .
Riga, Latvia

The Translation is approved and confirmed