

***SIA “Alfa Finance”  
Report for 2020***

*Riga, 2021*

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### ***Information about the Company***

Name of the company	Alfa Finance
Legal status of the company	Limited Liability Company
Registration number, place and date	50003443401, Riga, 07.05.1999
Address	Antonijas Street 5, Riga, LV-1010
Main types of activity of the company	Activities of holding companies NACE2 64.20 Other financial service activities, except insurance and pension funding n.e.c. NACE2 64.99 Data processing, hosting and related activities NACE2 63.11 Other credit granting (64.92) Other financial service activities, except insurance and pension funding (64.9);
Board	
Member of the Board	Jānis Kuļikovskis, holds office from 04.09.2015, individual representation rights
Member of the Board	Viesturs Kuļikovskis, holds office from 04.09.2015, individual representation rights
Annual report prepared by	Chief accountant Madara Muriņa
Reporting year	1 January – 31 December 2020
Auditor's name and address	SIA (limited liability company) "Sandra Dzerele un Partneris" commercial company of sworn auditors, Licence No. 38 Registered office: Vilandes Street 7-1, Riga, LV-1010 Office address: Antonijas Street 7-2 Riga, LV-1010 Latvia Responsible sworn auditor Baiba Apine Certificate No.214.

## ***SIA "Alfa Finance"***

### ***Management Report to the Annual Activity Report for 2020***

#### **About the company**

SIA "Alfa Finance" (hereinafter referred to as the Company) is a holding company operating in the sector of online short-term consumer lending and financial peer-to-peer loans (p2p). In 2015, the Company started its operations by setting up a consumer lending company in Poland, in 2016 in Georgia and in 2017, the Company established a subsidiary in Latvia, which operates in the business of peer-to-peer borrowing platforms. In 2020, due to the economic consequences of the spread of the COVID-19 coronavirus, the subsidiary of the Company stopped issuing new loans in Poland and its operations in Georgia. In parallel, the Company continues to invest resources to obtain a license from its subsidiary SIA "DoFinance" for operations in the regulated sector of investment companies. In addition, the Company continues to develop risk management and information technology solutions for the needs of the lending company. The main focus of product development is providing service and solutions for the development of a related company's business in Indonesia.

#### **Financial performance results and financial standing**

In 2020, due to the spread of the COVID-19 coronavirus, which significantly changed economic conditions, the turnover of SIA "Alfa Finance" reduced by more than half. SIA "Alfa Finance" closed 2020 with a positive operating result or profit of 26,281 euro, which has decreased by approximately 94% compared to 2019. Such a result is mainly related to the termination of active operations in Poland.

Net turnover in 2020 reduced by 1,744,269 euro or 57% compared to 2019.

Total assets of SIA "Alfa Finance" at the end of 2020 reduced by 1,050,159 euro or 40% compared to the beginning of the year.

However, the Company covers its liabilities towards creditors to the extent possible and liabilities of SIA "Alfa Finance" reduced by approximately 42% in 2020 reaching the amount of 1,477,404 euro at the end of the year, while its equity increased by about 26% and on 31 December 2020 amounted to 125,654 euro.

#### **Significant risks and uncertain conditions**

The most significant risks of the Company are economic, market and credit risks. Management takes decisions responsibly, knowing the risks and trying to minimise them. The development of the Company is planned and implemented keeping in mind the financial situation of the Company. The management of the Company makes plans taking into account the credit liabilities concerned, the deadlines of credit liabilities, in order to be sure that all liabilities can be settled. The cash flow is planned in detail for every week to ensure that all of the Company's required liabilities are covered.

#### **Further development of the Company**

In the first months of 2021, the restrictions related to the spread of coronavirus are still in force in the Republic of Latvia and many other countries, which significantly slows down the economic development in the country and in the world, therefore, the economic development is still uncertain. The Company's management continues to assess the situation. In 2020, the economic restrictions related to the spread of the coronavirus affected operations of the Company significantly. However, the Company's management believes that the Company will be able to overcome the emergency situation without the help of any special compensatory measures.

In 2021, the Company continues to follow a strict cost control policy and continues to optimise and reduce its expenses as much as possible.

In 2021, SIA "Alfa Finance" continues to support and provide services to the companies of its group for the purposes of ensuring a credit portfolio of increasingly higher quality and a continuous increase in lending volumes and peer-to-peer loans (p2p). Active work continues to extend operations of companies of the Company's group into new markets in the Southeast Asia.

**Research and development activities**

The Company has not performed any activities in the field of research and development in the reporting year.

**Aggregate of the Company's shares**

The Company has neither redeemed, nor sold own shares in the reporting year

**The Company's branches and representation abroad**

The Company does not have representation offices or branches abroad.

**Events after the end of the reporting year**

In the period from the last day of the reporting year and the day when the management signed the annual financial statement, there have been no significant or extraordinary circumstances that would affect the annual results and the Company's financial position.

Member of the Board Jānis Kuļikovskis

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Member of the Board Viesturs Kuļikovskis

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19 July 2021

### ***Statement of Management's Responsibility***

The Company management is responsible for the preparation of financial statements based on the initial accounting for each reporting period that provide a fair view of the financial condition of the company as at the end of the reporting year, as well as operating results for this period.

The management confirms that appropriate accounting methods were used to prepare these financial statements for the period ended 31 December 2020, their application was consistent, reasonable and cautious decisions have been made. The management confirms that the respective regulatory accounting principles of the Republic of Latvia have been adhered to and the financial statements have been drawn up in accordance with the going-concern assumption.

The management is responsible for appropriate keeping of accounting records, preservation of the company's assets, as well as prevention of fraud and other dishonest practices.  
The management confirms that it has provided the information and explanations required to perform the audit.

Member of the Board Jānis Kuļikovskis \_\_\_\_\_

Member of the Board Viesturs Kuļikovskis \_\_\_\_\_

19 July 2021

**Profit and Loss Statement for 2020 and 2019.**

	Notes	2020 Eur	2019 Eur
Net turnover	20	1 299 325	3 043 594
Costs of goods sold, costs of purchasing of sold goods or provided services	21	(821 586)	(1 984 033)
<b>Gross profit or loss</b>		<b>477 739</b>	<b>1 059 561</b>
Selling expenses	22	-	(68 006)
Administrative expenses	23	(146 560)	(257 041)
Other operating income		52 427	-
Other operating expenses	24	(254 869)	(33 634)
Income from other securities and loans forming long-term investments	25	-	8 067
Other interest income and similar income	26	2 094	10
<i>from affiliates</i>		1 916	10
<i>from other persons</i>		178	-
Interest payments and similar expenses	27	(87 531)	(186 899)
<i>to related companies</i>		(33 641)	(102 179)
<i>to other persons</i>		(53 890)	(84 720)
<b>Profit or loss before corporate income tax</b>		<b>43 300</b>	<b>522 058</b>
Corporate income tax for the reporting year		(17 019)	(46 764)
<b>Profit or loss after the calculation of corporate income tax</b>		<b>26 281</b>	<b>475 294</b>
<b>Profit or loss for the reporting year</b>		<b>26 281</b>	<b>475 294</b>

*Notes on pages 11 to 21 are 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 \_\_\_\_\_

19 July 2021

**Balance Sheets as at 31 December 2020 and 2019**

<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
		<b>Eur</b>	<b>Eur</b>
<b>Long-term investments</b>			
<b><i>I Intangible investment</i></b>			
Concessions, patents, licences, trademarks and similar rights		4 377	8 305
Other intangible investments		304 439	403 723
Advance payments for intangible investments		18 771	18 771
<b><i>Total intangible investments</i></b>	<b>28</b>	<b>327 587</b>	<b>430 799</b>
<b><i>II Fixed assets</i></b>			
Other fixed assets, tools and equipment		4 745	11 323
<b><i>Total fixed assets</i></b>	<b>28</b>	<b>4 745</b>	<b>11 323</b>
<b><i>III Long-term financial investments</i></b>			
Ownership interest in affiliates	29	557 252	810 878
Loans to affiliates	30	-	10 457
<b><i>Total financial investments</i></b>		<b>557 252</b>	<b>821 335</b>
<b><i>Total long-term investments</i></b>		<b>889 584</b>	<b>1 263 457</b>
<b>Current assets</b>			
<b><i>II Receivables</i></b>			
Trade receivables		340 749	995 791
Receivables from affiliates	31	273 928	274 856
Other receivables	32	68 082	87 787
Deferred expenses	33	3 389	13 849
Accrued income	34	21 587	16 070
<b><i>Total receivables</i></b>		<b>707 735</b>	<b>1 388 353</b>
<b><i>IV Cash</i></b>	<b>35</b>	<b>5 739</b>	<b>1 407</b>
<b><i>Total current assets</i></b>		<b>713 474</b>	<b>1 389 760</b>
<b>Total assets</b>		<b>1 603 058</b>	<b>2 653 217</b>

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Member of the Board Jānis Kuļikovskis \_\_\_\_\_

Member of the Board Viesturs Kuļikovskis \_\_\_\_\_

Annual report prepared by  
 Chief accountant Madara Muriņa \_\_\_\_\_

19 July 2021

**Balance Sheets as at 31 December 2020 and 2019**

<b><u>LIABILITIES</u></b>	<b>Notes</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
		<b>Eur</b>	<b>Eur</b>
<b>Equity</b>			
Share capital (regulatory capital)		204 480	204 480
<b><u>Reserves:</u></b>			
other reserves		527	527
<b><u>Retained earnings</u></b>			
Previous years' retained earnings or outstanding losses		(105 634)	(580 928)
Retained earnings or losses of the reporting year		26 281	475 294
<i>Total retained earnings</i>		<u>(79 353)</u>	<u>(105 634)</u>
<b>Total equity</b>		<b><u>125 654</u></b>	<b><u>99 373</u></b>
<b>Accounts payable</b>			
<b><i>I Long-term payables</i></b>			
Other borrowings	36	134 428	156 875
Payables to affiliated companies	37	852 748	1 083 049
<b>Total long-term payables</b>		<b><u>987 176</u></b>	<b><u>1 239 924</u></b>
<b><i>II Short-term payables</i></b>			
Other borrowings	36	246 003	889 500
Trade payables		71 443	230 686
Payables to affiliated companies	37	3 427	8 852
Taxes and mandatory state social insurance contributions		132 722	67 110
Other payables	38	8 558	36 086
Accrued liabilities	39	28 075	81 686
<b>Total short-term payables</b>		<b><u>490 228</u></b>	<b><u>1 313 920</u></b>
<b>Total payables</b>		<b><u>1 477 404</u></b>	<b><u>2 553 844</u></b>
<b>Total equity and liabilities</b>		<b><u>1 603 058</u></b>	<b><u>2 653 217</u></b>

*Notes on pages 11 to 21 are 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 \_\_\_\_\_

19 July 2021

*Statements of Changes in Equity for the Years Ended 31 December 2020 and 2019*

Types of changes	Equity capital	Reserves	Retained earnings	Total
	Eur	Eur	Eur	Eur
<b>Balance at 31.12.2018</b>	<b>204 480</b>	<b>527</b>	<b>(580 928)</b>	<b>(375 921)</b>
Profit of the reporting period	-	-	475 294	<b>475 294</b>
<b>Balance at 31.12.2019</b>	<b>204 480</b>	<b>527</b>	<b>(105 634)</b>	<b>99 373</b>
Profit of the reporting period	-	-	26 281	<b>26 281</b>
<b>Balance at 31.12.2020</b>	<b>204 480</b>	<b>527</b>	<b>(79 353)</b>	<b>125 654</b>

*Notes on pages 11 to 21 are 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 \_\_\_\_\_

19 July 2021

## Notes to the financial statement

### 1) Information Provided by the Company

#### Average number of employees

Number of employees in the reporting year

	<u>2020</u>	<u>2019</u>
	<u>8</u>	<u>14</u>

### Summary of the Most Significant Accounting Policies

#### 2) General Principles

The company's financial statements have been prepared according to the Law On Accounting, the Law On the Annual Financial Statements and Consolidated Financial Statements and Regulations of the Cabinet of Ministers No.775 of 22.12.2015 Regulations on the Application of the Law On the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia.

The Balance sheet, the Profit and loss statement, the Statement of changes in equity are prepared according to the scheme provided in the respective annexes to the Law on the Annual Financial Statements and Consolidated Financial Statements.

The profit and loss statement has been prepared according to the method of function of expenses.

The monetary unit of the Republic of Latvia – Euro (EUR) is used in the financial statement as a monetary unit.

The financial statement gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

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

- it is assumed that the company will continue its activity (a going-concern basis);
- the same accounting policy and evaluation methods are used as were used in the previous reporting year;
- items of financial statements are recognised and measured on a prudent basis, especially adhering to the following rules:
  - a) only the profit earned before the balance sheet date is included in financial statements,
  - b) all the liabilities, as well as anticipated amounts at risk and losses that have occurred during the reporting year or previous years, even if they have become known during the time between the balance sheet date and the day when the annual report is signed by the management, the authorized person or a governing body, are taken into account,
  - c) all impairments of assets and depreciation amounts are calculated and taken into account regardless of whether the reporting year has closed with a profit or a loss;
- amounts in items of the balance sheet and the profit and loss statement are specified based on an accrual basis, namely, income and expenses are specified taking into account the time of their occurrence rather than the time of receipt or spending of money. Income and expenses related to the reporting year are specified regardless of the payment date or the date of receipt of the invoice;
- expenses are reconciled with income in the corresponding reporting periods;
- assets and liabilities items of the balance sheet are evaluated separately;
- any set-off between the assets and liabilities items of the balance sheet or the income and expense items of the profit and loss statement is forbidden,
- if an alienated or liquidated long-term investment object is excluded, the income and costs related to the exclusion of the said object are mutually set off. The net value is indicated in the profit and loss statement — the profit or losses from alienation of the long-term investment object, which is calculated as a difference between the book value of the excluded object and the income and expenses of its alienation or liquidation provided that the gross amounts are shown in the annex to the financial statements;
- the amounts in items of the balance sheet and the profit and loss statement are specified taking into account the economic contents and nature of transactions rather than their legal form only;
- items of the balance sheet and the profit and loss statement are evaluated at acquisition or production cost. Acquisition costs are the purchase price of a commodity or a service (less received discounts), whereto the purchase related additional expenses are added. Production cost is the acquisition costs of raw materials and consumables and other expenses that directly relate to the manufacturing of the respective object. Production cost may also include the parts of costs that are indirectly related to the manufacturing of the object only if these costs refer to the same period.

## Notes to the financial statement

The respective items of the balance sheet, profit and loss statement and statement of changes in own capital indicate significant financial information, which considerably influences the assessment or decision-making by the users of the annual report. Insignificant amounts which do not considerably impact the assessment or decision-making by the users of the annual financial statements in the said components of financial statements are shown in the respective items aggregating similar financial information and the details of these sums are given below in the annex to financial statements.

### 3) Use of Estimates

In the preparation of financial statements the board of the Company has made a number of estimates and assumptions which have an impact on the balance of individual items of the balance sheet and the profit and loss statement included in financial statements as well as the amount of contingent liabilities. Future events can influence the said estimates and assumptions. Any impact of changes in such estimates and assumptions on the Company's performance results is indicated in financial statements at the moment they have been established.

### 4) Income Recognition

The main activity of the Company is activities of holding companies, data processing, hosting and related activities in the sector of online short-term consumer lending and financial peer-to-peer loans (p2p).

Net turnover is the aggregate amount of the value of goods sold and services rendered during a year less granted discounts and value added tax.

Revenues are recognized according to the following principles:

- The sums cashed in on behalf of a third party that are received by the company and that do not increase equity are not included in income.
- Revenues from the sale of goods in Latvia are recognised when the buyer has accepted the goods. Revenues from sales of goods outside Latvia are recognised in accordance with the conditions for the delivery of goods.
- Revenues from the provision of services are recognised according to the degree of execution of transaction.
- The income from fines and late payment penalties is recognised at the moment of their receipt.
- The interest income is recognised on the basis of time apportionment taking into account the actual profitability of the asset.
- The dividends are recognised at the moment when legal right to them arises.
- Author's fee is recognised on an accrual basis in accordance with the respective agreement.

Other income from the economic activity is formed by various other income (e.g. the profit obtained from the alienation of long-term investment objects or foreign currency fluctuations, income from the received insurance indemnities, from the received financial aid or financial support), which is not directly related to the company's basic activity but which results from the economic activity.

### 5) Expense Recognition Principles

Costs in the profit and loss statement are specified on an accrual basis, taking into account the time of their occurrence rather than the time money has been paid. Expenses related to the reporting year are specified regardless of the payment date or the date of receipt of the invoice. Costs are reconciled with income in the respective reporting periods.

### 6) Revaluation of Foreign Currency in Euro

All transactions in foreign currency are converted into euro based on the foreign currency exchange rate, which is used in accounting and which is effective at the beginning of the day on the date of transaction.

At the end of the reporting period all monetary assets in foreign currency are revalued in Euro (EUR) based on the foreign currency exchange rate, which is used in accounting and which is effective at the end of the day of the balance sheet date on 31 December and the respective differences of the currency exchange rates are reflected in the profit and loss statement.

The foreign currency exchange rates at the end of the reporting period over last two years were as follows:

	31.12.2020	31.12.2019
	EUR 1	EUR 1
USD	1.22710	1.12340
PLN	4.55970	4.25680

## Notes to the financial statement

### 7) Intangible Investments

Intangible investments mainly consist of rights of use, licences, patents, concessions and similar rights, as well as other intangible investments obtained against payment. Intangible investments are assessed according to their historical cost value less the accrued depreciation. Depreciation is calculated on a straight-line basis using the annual depreciation rate of 20-50%. In an exceptional case when it is not possible to estimate plausibly the useful life of goodwill or the development cost object, their historical value is written-off gradually breaking down it to years within a period of time that does not exceed 10 years (each such case is explained in the notes to the financial statements indicating the duration of the period of time provided for writing off the historical value of the respective item).

### 8) Fixed Assets

Fixed assets are assessed according to their historical cost value less the accrued depreciation. Depreciation is calculated according to the straight-line method, using the following rates of calculation of depreciation of fixed assets, which are based on the evaluation of the useful service life of fixed assets with regard to breakdown of fixed assets accounted for into categories:

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

Estimated residual values and periods of useful use of assets are reviewed and adjusted, when needed, on the date of each report. The Company capitalises the fixed assets whose value exceeds EUR 500 and the useful life exceeds 1 year. Current repairs and maintenance costs of fixed assets are included in the profit and loss statement of the period in which they are incurred. The accounting value of an item of fixed assets is derecognised on disposal or when no future economic benefits are expected from its use.

### 9) Receivables

Accounts receivable are measured with caution, showing only actual receivables in the balance sheet. Special provisions for doubtful debts are created in cases when the management considers the collectibility of these accounts receivable doubtful upon evaluation of each debtor individually. Bad debts are written off as losses in the reporting year.

### 10) Investments into the Group's Subsidiaries and Associated Companies

Long-term investments, including investments into the group's subsidiaries and associates, are carried at their acquisition value, which is adjusted in case of long-term increase or decrease in their value.

### 11) Accrued Liabilities

The balance sheet item "Accrued liabilities" shows clearly known trade payables for goods and services received during the reporting year, if no corresponding settlement document (invoice) has been received yet on the balance sheet date in compliance with the provisions of supply, purchase or contract agreement or due to other reasons.

The Company forms provisions for unused vacation liabilities toward employees.

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

### 12) Corporate income tax

Corporate income tax, in accordance with the requirements of the Law on Corporate Income Tax, consists of the corporate income tax calculated for the reporting year, which is recognised in the profit and loss statement. Starting from tax year 2018, corporate income tax is calculated for distributed profits (dividends) and conditionally distributed profits using the rate of 20% adjusted by the value subject to corporate income tax and divided by factor 0.8. Corporate income tax is recognised at the moment shareholders of the Company decide on distribution of the profit or costs not directly related to economic activity of the Company are booked and the base subject to corporate income tax is increased at the time of recognition of the costs.

### 13) Cash and Cash Equivalents

Cash and cash equivalents consist of the current bank account balances.

## Notes to the financial statement

### 14) Financial Liabilities, Granted Warranties and Other Contingent Liabilities Not Included in the Balance Sheet

In the process of ensuring its economic activity the Company issues guarantees for two loans of its subsidiary Alfa Finance Sp.z.o.o for EUR 500,000, as well as related company Alfa Fintech PTE. Ltd. for EUR 2,000,00, EUR 400,000 and USD 220,000 to promote the main business of these companies – issuing of loans. The company policy provides that contracts with suppliers and other contractors shall include most of the conditions referred to the guarantees issued to customers. The Company has concluded the following guarantee agreements:

Agreement No.PL-2018-01-18-1	EUR 500,000 (Guarantee)	Maturity 30.06.2021
Agreement No.Skoks-AF Fntch-20180608-01	EUR 2,000,000 (Guarantee)	Maturity 31.12.2022
AF1-9/2017/18-AFLV	EUR 400,000 (Guarantee)	Maturity 31.05.2023
AFntch-EUR-20200123.01	USD 220,000 (Guarantee)	Maturity 01.02.2021

Company has not concluded any lease or rental agreements essential for the Company's operations, including there are no operational lease liabilities. Assets of the Company are not pledged or otherwise encumbered, there are no pension or similar liabilities towards employees or members of the Board.

### 15) Material Post Balance Sheet Events that Do Not Refer to the Reporting Year and therefore are Not Included in the Balance Sheet or the Profit and Loss Statement

Only such post balance sheet events are presented in the financial statements which provide additional information on the Company's financial position at balance sheet date (adjusting events). If post balance sheet events are not adjusting, they are disclosed in the notes to the financial statements only if they are material.

### 16) Affiliates

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

### 17) Related Parties

Company's shareholders, members of the management board, their close family members and companies, in which the said persons have control or significant influence, are considered to be related parties. All transactions with affiliated parties in the reporting year comply with normal market conditions.

### 18) Research and Development Activities and Own Shares

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

### 19) Consolidated annual report, information about the group's parent company and the applied exemption from obligation to prepare the consolidated annual report

The parent company is exempt from the duty to prepare a consolidated annual report in accordance with Section 64(1) of the Law On the Annual Financial Statements and Consolidated Financial Statements, because it, together with its subsidiaries, corresponds to the category "Small group" in Section 6 of the Law On the Annual Financial Statements and Consolidated Financial Statements.

## Notes to the financial statement

### 20)

#### Net turnover

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
For provided services	1 299 325	2 996 724
Other income	-	46 870
	<b>1 299 325</b>	<b>3 043 594</b>

### 21)

#### Costs of goods sold, costs of purchasing of sold goods or provided services

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Costs of acquisition of service	454 586	1 439 402
Personnel costs	243 109	433 794
Depreciation of fixed assets and intangible investments	123 891	110 555
Other manufacturing costs	-	282
	<b>821 586</b>	<b>1 984 033</b>

### 22)

#### Selling expenses

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Personnel costs	-	66 349
Other selling expenses	-	1 657
	<b>-</b>	<b>68 006</b>

### 23)

#### Administrative expenses

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Personnel costs	60 029	126 420
Costs of professional services	19 924	12 993
Incidental costs of cash turnover	4 392	2 786
Training and business travel expenses	9 242	47 613
Costs of representation and personnel sustainability measures	4 109	6 804
Depreciation of fixed assets and intangible investments	9 872	10 402
Office maintenance costs	33 713	41 984
Personnel recruitment	-	3 751
Other administrative expenses	5 279	4 288
	<b>146 560</b>	<b>257 041</b>

**Notes to the financial statement**

24)

**Other operating expenses**

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Paid fines and contractual penalties	593	4 298
Bad debts written off	650	1 134
Net losses from foreign currency fluctuations	-	23 456
Ownership value impairment (see note 29)	253 626	3 579
Other insignificant costs	-	1 167
	<b>254 869</b>	<b>33 634</b>

25)

**Income from other securities and loans forming long-term investments**

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Interest income from long-term loans to other companies	-	8 067
	-	<b>8 067</b>

26)

**Other interest income and similar income**

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Accrued short-term loan interest to other companies	178	-
Accrued short-term loan interest to affiliates	1 916	10
	<b>2 094</b>	<b>10</b>

27)

**Interest payments and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
Accrued loan interest to other companies	53 890	84 720
Interest payments to affiliate companies	33 641	102 179
	<b>87 531</b>	<b>186 899</b>

## Notes to the financial statement

### 28)

Intangible investments and fixed assets	Concessions, patents, licences, trademarks and similar rights	Other intangible investments	Other fixed assets, tools and equipment	Advance payments for intangible investments	Total
	Eur	Eur	Eur	Eur	Eur
<b>Initial value</b>					
31.12.2019	20 720	616 009	33 889	18 771	<b>442 122</b>
Acquired	-	24 607	215	-	<b>24 822</b>
Written-off *	-	-	(3 118)	-	<b>(3 118)</b>
31.12.2020	20 720	640 616	30 986	18 771	<b>711 093</b>
<b>Depreciation</b>					
31.12.2019	12 415	212 286	22 566	-	<b>247 267</b>
Calculated	3 928	123 891	5 944	-	<b>133 763</b>
Written-off *	-	-	(2 269)	-	<b>(2 269)</b>
31.12.2020	16 343	336 177	26 241	-	<b>378 761</b>
<b>Residual book</b>					
31.12.2019	<b>8 305</b>	<b>403 723</b>	<b>11 323</b>	<b>18 771</b>	<b>194 855</b>
<b>Residual book</b>					
31.12.2020	<b>4 377</b>	<b>304 439</b>	<b>4 745</b>	<b>18 771</b>	<b>332 332</b>

\* In the reporting year, the residual value of the written off fixed assets was EUR 849, income from alienation of excluded fixed assets was EUR 849, therefore the net impact is zero.

### 29)

Ownership interest in affiliates	Alfa Finance Sp.z o.o. *	ALFA Finance Georgia LLC **	DoFinance SIA	Total
	EUR	EUR	EUR	EUR
<b>Initial value</b>				
31.12.2019	760 878	3 579	50 000	814 457
31.12.2020	760 878	-	50 000	810 878
<b>Asset impairments</b>				
31.12.2019	-	(3 579)	-	(3 579)
Asset impairments	(253 626)	-	-	(253 626)
31.12.2020	(253 626)	-	-	(253 626)
<b>Residual book value as at 31.12.2019</b>	<b>760 878</b>	<b>-</b>	<b>50 000</b>	<b>810 878</b>
<b>Balance book value as at 31.12.2020</b>	<b>507 252</b>	<b>-</b>	<b>50 000</b>	<b>557 252</b>

\* At the end of the reporting year, having evaluated financial data of the subsidiary Alfa Finance Sp.o.o. and having evaluated the market situation in Poland, the Company decided to stop active business in Poland. Work with existing customers and recovery of money are now ongoing. Having evaluated the asset of the property to be recovered, at the end of the reporting year the Company impaired the investment value by 1/3 to the value of the asset to be recovered.

## Notes to the financial statement

\*\* The subsidiary Alfa Finance Georgia LLC was alienated on 21 May 2020 and it no longer is a subsidiary. The initial investment value is EUR 3,579, since in 2019 it was known that the company is expected to be disposed of and a provision of EUR 3,579 was created, but ownership was still in force in 2019.

### 30)

#### Loans to affiliates

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Principal amount and accrued interest *	-	10 457	<b>10 457</b>	10 457	10 810	<b>21 267</b>
Claim rights resulting from investment agreements **	-	131 430	<b>131 430</b>	-	-	-
	-	<b>141 887</b>	<b>141 887</b>	<b>10 457</b>	<b>10 810</b>	<b>21 267</b>

\*\* In 2015, the Company issued to Alfa Finance Sp.z.o. a loan with an annual interest rate of 10% and maturity 31.12.2021. The loan was repaid prematurely and calculated interest of EUR 10,457 is still due, maturity – 31 December 2021. The loan was issued without any security.

In 2019, the Company issued a loan to its subsidiary: SIA "Dofinance" amounting to EUR 10,500, the loan interest rate is 3% per year, they should be repaid by 19 December 2020 and were issued without any security. SIA "Dofinance" will repay the loan in full in 2020.

In 2019, the Company issued a loan to Alfa Finance Georgia LLC amounting to EUR 300 with an annual interest rate of 3%, they should be repaid by 19 December 2020 and were issued without a security. In 2020, additional EUR 350 were issued to Alfa Finance Georgia LLC. After the stocktaking of receivables of the reporting year 2020 the debt was evaluated as bad and it was decided to write it off (see note 32).

\*\* As at the end of the reporting year the Company has claim rights towards its subsidiary, which are registered as a loan. The claim rights occurred as a result of assignment, where in 2020 the Company initially concluded six investment agreements with Hopetech PTE, with interest rates from 7% to 13% depending on the investment programme. The entire amount was assigned, the assignors have repaid the entire principal amount and % based on the assignment agreement through the platform of the subsidiary SIA "Dofinance". Within the scope of assignment agreements, SIA "Dofinance", as an intermediary, should repay the money within 5 working days. As at 31.12.2020, the outstanding loan principal amount of SIA "Dofinance" is EUR 129,549 and calculated % amounts to EUR 1,881. The accounts were settled in 2021.

### 31)

#### Receivables from affiliates

	31.12.2020 Eur	31.12.2019 Eur
For provided services	132 041	639 110
Provisions for doubtful debts	-	(375 064)
Short-term loans (see note 30)	141 887	10 810
	<b>273 928</b>	<b>274 856</b>

## Notes to the financial statement

32)

### Other receivables

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Tax overpayments	3 732	11 255
Overpaid payables	37 122	31 838
Advance payments paid	1 250	1 277
Short-term loans *	25 970	35 762
Security deposit	8	7 655
	<b>68 082</b>	<b>87 787</b>

\* In 2016, the Company issued a loan to PT Credo Data Indonesia amounting to USD 120,000 with an annual interest rate of 10% and maturity – 31 December 2020. In 2020, the entire remaining principal loan amount without interest was repaid. In 2020, an additional agreement to the agreement was concluded, the maturity under the agreement was extended until 31 December 2021. The loan was issued without any security.

33)

### Deferred expenses

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
IT provision	1 860	9 868
Health insurance	366	465
Cost of renting premises	729	1 620
Provision of accounting software	35	1 266
Other deferred expenses	399	630
	<b>3 389</b>	<b>13 849</b>

34)

### Accrued income

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Invoices prepared after the balance sheet date for services received in the reporting year	21 587	16 070
	<b>21 587</b>	<b>16 070</b>

35)

### Cash

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Cash at bank	5 739	1 407
	<b>5 739</b>	<b>1 407</b>

## Notes to the financial statement

### 36)

#### Other borrowings

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Borrowings from related companies*	71 335	-	71 335	77 983	89 500	167 483
Borrowings from related natural persons **	63 093	-	63 093	78 892	-	78 892
Loans from other legal persons ***	-	246 003	246 003	-	800 000	800 000
	<b>134 428</b>	<b>246 003</b>	<b>380 431</b>	<b>156 875</b>	<b>889 500</b>	<b>1 046 375</b>

\* In 2019, the Company received a loan from AFK Lending Philippines Inc of EUR 77,983 with annual interest rate of 5%. The changes were caused by currency fluctuations. The loan should be repaid by 31 December 2025. In 2019, the Company received a loan from SIA "L.J.Linen" of EUR 89,500 with annual interest rate of 3%. The loan should be repaid by 4 June 2020. The liabilities were repaid in the reporting year.

\*\* From 2004 to 2019 the Company received loans from related natural persons with an interest rate of 0% and the remaining portion of the loan as at 31.12.2020 is EUR 63,093. The maturity of all the loans is 31 December 2025. The principal amount of EUR 15,799 was repaid to the natural persons in the reporting year.

\*\*\* In 2017, the Company received a loan from SIA "Private Equity Group" of EUR 400,000 with annual interest rate of 11%. The loan should be repaid by 31 December 2020. The liabilities were repaid in the reporting year.

In 2018, the Company received a loan from SIA "Lord Raven" of EUR 200,000 with annual interest rate of 12%. The amount to the repaid in the reporting year is EUR 153,997. The amount still outstanding is EUR 46,003. The loan should be repaid upon request within 60 (sixty) calendar days.

In 2019, the Company received a loan from SIA "Lord Raven" of EUR 200,000 with annual interest rate of 13%. The loan should be repaid upon request within 60 (sixty) calendar days.

The loans are not secured with any pledges or guarantees.

### 37)

#### Payables to affiliated companies

	31.12.2020			31.12.2019		
	Long-term portion EUR	Short-term portion EUR	Total EUR	Long-term portion EUR	Short-term portion EUR	Total EUR
Loan and interest from JK Holding *	740 964	-	740 964	398 970	5 425	404 395
Loan and interest from Alfa Finace Sp.o.o **	111 784	3 427	115 211	684 079	3 427	687 506
	<b>852 748</b>	<b>3 427</b>	<b>856 175</b>	<b>1 083 049</b>	<b>8 852</b>	<b>1 091 901</b>

## Notes to the financial statement

\* In 2017, the Company concluded agreements and received two loans from SIA "JK Holding" of EUR 355,787 with annual interest rates of 3% and the maturity of both agreements is 31 December 2025. The amount repaid in the reporting year is EUR 24,340. The remaining amount is EUR 331,447.

In 2020, two loans of EUR 88,600 from SIA "L.J.Linen" and EUR 235,000 from Alfa Finace Sp.o.o were taken over as a result of assignment, their maturity is 31 December 2025.

The accrued interest for all the loans as at 31.12.2020 is EUR 85,917, which should be covered together with the principal amount:

\*\* In 2018, the Company concluded agreements and received a loan from Alfa Finance Sp.o.o. with annual interest rate of 5% and the maturity of both agreements is 31 December 2025. The principal amount of the loan has been fully covered in the reporting year as a result of the assignment, the calculated interest is still due. The accrued interest for the loans as at 31.12.2020 is EUR 111,784.

In 2017, the Company received a loan from Alfa Finance Sp.z.o. with an annual interest rate of 5% and maturity 31.12.2018. The loans have been repaid and the remaining interest is EUR 3,427.

Loans from the affiliates not secured with pledges or guarantees.

### 38)

#### Other payables

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>Eur</b>	<b>Eur</b>
Salaries	6 603	28 577
Settlements with personnel	1 955	7 508
	<b>8 558</b>	<b>36 086</b>

### 39)

#### Accrued liabilities

	<b>31.12.2020</b>	<b>43 830.00</b>
	<b>Eur</b>	<b>Eur</b>
Accrued liabilities to suppliers and contractors	10 825	33 882
Accrued vacation costs	5 019	28 384
Accrued liabilities for accrued loan interest	12 231	19 420
	<b>28 075</b>	<b>81 686</b>

Member of the Board Jānis Kuļikovskis \_\_\_\_\_

Member of the Board Viesturs Kuļikovskis \_\_\_\_\_

Annual report prepared by  
Chief accountant Madara Muriņa \_\_\_\_\_

19 July 2021