

AS 4finance

**Annual report for the year
ended 31 December 2020**

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Information on the Company

Name of the Company	<i>4finance</i>
Legal status	<i>Join-stock company</i>
Number, place and date of registration	<i>40003991692, Riga, 11 February 2011</i>
Type of main activity	<i>64.92 – other lending services</i> <i>70.10 - operation of head offices</i>
Legal and postal address	<i>Lielirbes street 17a - 8, Riga, LV-1046</i>
Board members and their positions	<i>Oyvind Oanes, chairman of the management board (from 01.08.2018 to 30.09.2020)</i> <i>Paul Goldfinch board member (from 30.08.2017 to 30.12.2020)</i> <i>Aleksey Karpov, board member (from 01.08.2018)</i> <i>Kieran Donnelly, chairman of the management board (from 01.10.2020)</i>
Members of the Supervisory Council and their position	<i>Alexander Kravchenko, chairman of the council</i> <i>Vladimir Kudriashov, member of the council</i> <i>Tatiana Kostenkova, deputy chairman of the council (from 31.07.2018)</i>
Reporting period	<i>01.01.2020. – 31.12.2020.</i>
Previous reporting period	<i>01.01.2019. – 31.12.2019.</i>
Information about the parent company	<i>4finance Holding S.A.</i> <i>8-10, Avenue de la Gare, L-1610, Luxembourg</i> <i>Participation in capital: 100%</i>
Details of subsidiaries	<i>4finance UAB</i> <i>Jonavos str. 254A, LT- 44132, Kaunas, Lithuania</i> <i>Participation in capital: 100%</i> <i>Vivus Finance sp.z.o.o.</i> <i>Building B4, Żwirki i Wigury 16c, 02-092, Warsaw, Poland</i> <i>Participation in capital: 100%</i> <i>4finance ApS</i> <i>Vesterbrogade 1L, 4., DK-1620, Copenhagen, Denmark</i> <i>Participation in capital: 100%</i> <i>Zaplo Finance s.r.o.</i> <i>5. května 1746/22, Nusle, 140 00 Prague 4, Czechia</i> <i>Participation in capital: 100%</i> <i>4finance AB</i> <i>Hammarby Alle 47 120 30 Stockholm, Sweden</i> <i>Participation in capital: 99%</i> <i>4finance S.A.</i> <i>8-10, Avenue de la Gare, L-1610, Luxembourg</i> <i>Participation in capital: 100%</i>

Information on the Company (continued)

Details of subsidiaries
(continued)

4finance Spain Financial Services S.A.U.
Calle Genova, 27 2ª planta 28004, Madrid, Spain
Participation in capital: 100%

Credit Management LLC
Old Tbilisi district., Gudiashvili Square N 4, Tbilisi, Georgia
Participation in capital: 100%

Auditor

BDO ASSURANCE SIA
Kaļķu street 15-3B,
Riga, LV-1050, Latvia
License Nr.182

Management report

Type of activity

AS 4finance (hereinafter the "Company") and its subsidiaries, which offer convenient and simple financial services to customers, have summarized the results for the period from January 1, 2020 to December 31, 2020 and prepared the financial statements for the said period.

Activity in the reporting year

The company actively responded to the Covid-19 virus, providing continuous customer service throughout 2020. Lending declined in the second quarter as customer demand declined in March, the first month of Covid-19 restrictions. The company also raised the solvency assessment criteria. By the beginning of the third quarter, issuance volumes had recovered somewhat, driven by a gradual return to demand. Lending at the end of 2020 increased compared to the first two quarters due to an increase in the maximum loan amount.

During 2020, the implemented operations and larger cost positions were reviewed, focusing on efficiency and ensuring that the cost structure corresponds to the reduced structure of the 4finance Group.

4finance The Group's management decided to support limited dividend payments in 2020 in order to support the capital position of the Company's subsidiaries, which resulted in lower income from participation in the capital of related companies.

The management of the 4finance Group decided to reorient its online business to seven key markets and decided to suspend new lending in Finland and liquidate the company itself. In December 2020, the Company entered into a share sale agreement with 4finance Group S.A. for the sale of its shares in 4finance Oy for EUR 920 000. On 21 January, 2020, the Company entered into a share sale agreement with 4finance Group S.A. for the sale of its shares in 4finance LLC for EUR 3 000 000.

The company complies with all necessary environmental protection regulations and requirements.

Interest income for the twelve months ended 31 December 2020 was EUR 5.4 million, compared to EUR 9.0 million in 2019, a decrease of 39.9%, reflecting the lowest average interest rate.

The net loan portfolio at the end of 2020 was EUR 11.7 million, an increase of 17.6% compared to EUR 10.0 million on 31 December 2019. The increase was mainly driven by credit growth in the fourth quarter.

The Company's pre-tax loss for the year ended 31 December 2020 was EUR 3.6 million, which is a decrease against profit of EUR 55.4 million for the twelve months ended 31 December 2019.

Operating expenses were significantly reduced, with a year-on-year decrease of 28.8% reflecting the ongoing focus on cost discipline, the elimination of individual products / markets and the Group's response to Covid-19. In 2020, customer acquisition expenses were significantly reduced in the second quarter of the year and remained limited until the end of the year. Initiatives to reduce staff costs were implemented in the second and third quarters, with savings visible later in the year.

Net impairment losses amounted to EUR 1.3 million, an increase of 55% compared to the twelve months ended 31 December 2019. The external debt sales market was disrupted in April, but began to recover at the end of the third quarter of 2020.

Further development of the Company

The company, continuing to adhere to a strict credit policy, plans to create an increasingly high-quality loan portfolio and develop the range of services and products provided to customers. Work on improving the simplified corporate structure and efficiency will continue in 2021. As a result of the reorganization process, in 2021 the Company will start offering IT services to other Group companies.

Company's exposure to risks

- (a) Credit risk - The Company's credit risk arises primarily from its loans to customers. All credit transactions performed by the Company are associated with a certain level of credit risk. The credit policy developed by the Company sets out lending guidelines that comply with the Company's business strategy and the principles of effective risk management, as well as ensure the protection of the Company's assets and compliance with legal requirements.

Management report (continued)

- (b) Currency risk - The Company is not exposed to significant currency risk as its revenue is denominated in euros and most of the invoices issued by suppliers and contractors are also denominated in euros. To hedge currency risk, the Company's management regularly monitors the currency structure of assets and liabilities.
- (c) Interest rate risk - The Company's management believes that interest rate risk is not significant as loans and borrowings are at fixed rates.
- (d) Liquidity risk - The Company regularly analyzes the maturities of assets and liabilities to ensure that there are sufficient funds to cover the Company's liabilities. All loans received are long-term. If necessary, the Company borrows funds from the subsidiary.
- (e) Market risk - The Company's operations are subject to market risk. Within the framework of the company's risk management, the main attention is paid to the improvement of the quality of the offer and provided service, promotion of product and brand recognition, analysis of competitors' operations.

Share capital

The share capital of the Company is EUR 3 165 889 and consists of 2 261 349 shares with a nominal value of EUR 1.40 per share. All shares have been repaid in full. The shares are not listed on the stock exchange.

Events after the balance sheet date

On February 28, 2021, the Company decided to initiate a reorganization through a merger, adding SIA 4finance IT, SIA Ondo, SIA Vivus and SIA 4finance Media to the Company.

On March 24, 2021, the sole shareholder of 4finance AS 4finance Holding S.A. decided to increase the share capital of the company with a cash contribution from EUR 3 165 888.60 to EUR 13 160 000.

On March 29, 2021 sole shareholder of 4Finance AS, 4finance Holding S.A. decided to increase the company's share capital from EUR 13 160 000 to EUR 24 549 000 by issuing new shares. The shares of the new issue will be paid for with the property investment - SIA 4Finance IT, SIA 4Finance Media, SIA Ondo and SIA Vivus property as a joint property. The increase and payment of the share capital will be deemed to have taken place at the time of the reorganization.



Kieran Donnelly
Chairman of the Management Board

5 July 2021

Income Statement

	Notes	2020 EUR	2019 EUR
Net turnover	2	5 428 403	9 028 929
Costs of services provided	3	(3 508 439)	(2 999 839)
Gross profit		1 919 964	6 029 090
Selling expenses	4	(2 709 893)	(4 032 298)
Administrative expenses	5	(6 988 157)	(9 579 828)
Other income	6	13 419 927	15 324 813
Other expenses	7	(15 536 580)	(14 019 511)
Revenue from participation in the capital of related undertakings	8	16 070 324	62 500 565
Reduction in the value of long-term and financial investments	12	(9 441 485)	(1 277 031)
Net foreign currency gain or loss		(287 059)	500 042
Profit or (loss) before tax		(3 552 959)	55 445 842
Corporate income tax for the period	9	(34 217)	(123 328)
Profit or (loss) for the period		(3 587 176)	55 322 514

The notes on pages 12 to 29 are an integral part of these financial statements.

Kieran Donnelly
Chairman of the Management Board

Danute Garanča
Chief accountant

5 July 2021

Balance sheet

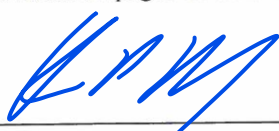
Assets	Note	31.12.2020 EUR	31.12.2019 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights		374 401	351 529
Other intangible assets		90 722	72 936
<i>Intangible assets total</i>	10	465 123	424 465
Fixed assets			
Leasehold improvements		106 830	246 067
Technological equipment and devices		54 976	71 848
Other fixed assets and inventory		20 241	50 604
<i>Fixed assets total</i>	11	182 047	368 519
Long-term financial investments			
Participation in the capital of related undertakings	12	87 186 839	92 427 131
Participation in the capital of associated undertakings	13	-	413
<i>Total long-term financial investments</i>		87 186 839	92 427 544
Total long-term investments		87 834 009	93 220 528
Current assets			
Debtors			
Purchasers and commissioning party debts	14	11 731 333	9 979 047
Related undertaking debts	15	3 016 109	3 744 423
Other debtors	16	190 156	994 154
Deferred expenses	17	418 486	738 506
<i>Total debtors</i>		15 356 084	15 456 130
Cash	18	2 085 619	2 264 410
Total current assets		17 441 703	17 720 540
Total assets		105 275 712	110 941 068

The notes on pages 12 to 29 are an integral part of these financial statements.


Balance sheet

Liabilities	Notes	31.12.2020 EUR	31.12.2019 EUR
Equity			
Share capital	19, 33	3 165 889	3 165 889
Reserves			
Other reserves	20	(177 214)	(177 214)
Retained earnings	21	72 255 505	26 932 991
Profit or (loss) for the reporting year		(3 587 176)	55 322 514
Total equity		71 657 004	85 244 180
Liabilities			
Long-term liabilities			
Other loans	22	22 200 000	14 555 237
Total long-term liabilities		22 200 000	14 555 237
Short-term liabilities			
Prepayments received from customers		196 463	183 783
Accounts payable to suppliers and contractors		141 425	340 702
Taxes and State mandatory social insurance payments	23	295 075	43 801
Other liabilities	24	1 972 455	1 316 210
Accrued liabilities	25	1 113 290	8 600 778
Unpaid dividends		7 700 000	656 377
Total short-term liabilities		11 418 708	11 141 651
Total liabilities		33 618 708	25 696 888
Total Equity and liabilities		105 275 712	110 941 068

The notes on pages 12 to 29 are an integral part of these financial statements.



Kieran Donnelly
Chairman of the Management Board



Danute Garanča
Chief accountant

5 July 2021

Cash Flow Statement

	2020 EUR	2019 EUR
Operating activities		
1. Profit/(loss) before tax	(3 552 959)	55 445 842
Corrections:		
corrections of decrease in value of fixed assets	217 526	260 411
corrections of decrease in value of intangible assets	250 032	333 359
profit or loss from fluctuations of foreign currency rates	287 059	(502 461)
revenue from participation in the capital of related undertakings	(16 070 324)	(62 500 565)
other revenue from interest and similar revenue	(262 157)	(305 137)
corrections of reduction in value of long-term and short-term financial investments	(9 441 485)	1 277 031
corrections of reduction in value of long-term and short-term financial investments	2 185 590	2 145 937
2. Profit or loss before corrections of influence of changes in balances of current assets and short-term creditors	(7 503 748)	(3 845 583)
Corrections:		
(increase) or decrease in balances of debts of debtors	3 522 859	8 789 866
increase or (decrease) in accounts payable to suppliers, contractors and other creditors	(1 044 301)	(3 713 811)
3. Gross cash flow from operating activities	(5 025 190)	1 230 472
4. Expenses for interest payments	(7 966 405)	(1 926 279)
5. Expenses for enterprise income tax payments	(72 296)	(19 000)
Cash flow from operating activities	(13 063 891)	(714 807)
Investing activities		
Acquisition of stocks or shares of related undertakings, associated undertakings, or other undertakings	(11 149 435)	(728 177)
Revenue from alienation of stocks or shares of related undertakings, associated undertakings, or other undertakings.	3 463 000	4 144 340
Acquisition of fixed assets and intangible assets.	(321 745)	(610 244)
Revenue from repayment of loans	-	493 985
Interest received	238 894	125 089
Dividends received	15 965 860	62 997 788
Cash flow from investing activities	8 196 574	66 422 781
Financing activities		
Loans received	11 000 000	-
Expenses for repayment of loans.	(3 355 097)	(5 076 846)
Disbursed dividends	(2 956 377)	(66 100 000)
Cash flows from financing activities	4 688 526	(71 176 846)
Cash flows for the period	(178 791)	(5 468 872)
Cash and cash equivalents at the beginning of the period	2 264 410	7 733 282
Cash and cash equivalents at the end of the period	2 085 619	2 264 410

The notes on pages 12 to 29 are an integral part of these financial statements.


Kieran Donnelly

Chairman of the Management Board


Danute Garanča


Chief accountant

5 July 2021

Statement of changes in equity

	Share capital EUR	Other reserves EUR	Retained earnings EUR	Profit or losses for the reporting year EUR	Total equity EUR
31.12.2018	3 165 889	(177 214)	66 756 545	26 932 823	96 678 043
Profit or losses for the previous year	-	-	26 932 823	(26 932 823)	-
Dividends	-	-	(66 756 377)	-	(66 756 377)
Profit or losses for the reporting year	-	-	-	55 322 514	55 322 514
31.12.2019	3 165 889	(177 214)	26 932 991	55 322 514	85 244 180
Profit or losses for the previous year	-	-	55 322 514	(55 322 514)	-
Dividends	-	-	(10 000 000)	-	(10 000 000)
Profit or losses for the reporting year	-	-	-	(3 587 176)	(3 587 176)
31.12.2020	3 165 889	(177 214)	72 255 505	(3 587 176)	71 657 004

The notes on pages 12 to 29 are an integral part of these financial statements.


Kieran Donnelly
Chairman of the Management Board


Danute Garanča
Chief accountant

5 July 2021

Notes to the financial statements

(1) Summary of significant accounting policies

Information on the Company's operations

Joint Stock Company 4finance, legal address Lielirbes Street 17a - 8, Riga, LV-1046.

Parent company - 4finance Holding S.A., Luxembourg.

AS 4finance (the Company) and its subsidiaries offer convenient and simple financial services to hundreds of thousands of customers. During the reporting year, the Company operated with subsidiaries in Spain, Poland, Sweden, Finland, Denmark, Lithuania, the Czech Republic and Latvia.

NACE code: (64.92, 2.0 red) – other lending services un (70.10, 2.0 red) - operation of head offices.

Basis of preparation

The financial statements have been prepared in accordance with the Law “On Accounting”, “Law on Annual Accounts and Consolidated Annual Accounts”.

The income statement has been prepared in accordance with the cost of sales method. The cash flow statement has been prepared using the indirect method. The financial statements have been prepared on a historical value basis.

Accounting principles applied

Items in the financial statements are valued in accordance with the following accounting principles:

- a) It is assumed that the Company will continue to operate.
- b) The same valuation methods were used as in the previous year.
- c) The assessment was performed with prudent approach:
 - the report includes only the profit earned up to the balance sheet date;
 - all expected amounts of risk and losses incurred in the reporting year or previous years have been taken into account, even if they became known in the period between the balance sheet date and the date of preparation of the annual report;
 - all impairment and depreciation amounts have been calculated and taken into account, regardless of whether the reporting year is closed with profit or loss.
- d) Revenues and expenses related to the reporting year are taken into account regardless of the date of payment and the date of receipt or issue of the invoice. Costs are reconciled with revenues during the reporting period.
- e) Assets and liabilities are valued separately.
- f) The opening balance sheet of the reporting year coincides with the closing balance sheet of the previous year.
- g) All items that significantly affect the assessment or decision-making of the users of the annual report are indicated, insignificant items are combined and their details are provided in the appendix.
- h) Transactions are presented in the annual report based on their economic content and nature, and not on their legal form.

Related parties

Related parties are legal and natural persons related to the Company, in accordance with the following provisions.

- a) A person or a close member of that person's family is related to the reporting enterprise if:
 - i. that person has control or joint control over the reporting entity;
 - ii. that person has significant influence over the reporting entity; or
 - iii. this person is a member of the senior management of the reporting company or its parent company.
- b) A company is related to a reporting company if it meets the following conditions:

Notes to the financial statements

- i. the company and the reporting company belong to the same group of companies (which means that the parent company, subsidiary and sister companies are related parties to each other);
- ii. one company is an associate or joint venture of another company (or an associate or joint venture of a group company to which the other company belongs);
- iii. the two companies are joint ventures with the same third party;
- iv. one company is a joint venture of a third party and the other company is an associate of the same third party;
- v. the company has a post-employment benefit plan for the employees of the reporting company or the employees of the company related to the reporting company; If the reporting entity itself has such a plan, the related parties are also the sponsoring employers.
- vi. the company is controlled or jointly controlled by a person identified in point (a);
- vii. the person identified in (a) (i) has significant influence over the company or is a member of the senior management of the company (or its parent company).
- viii. the company, or any member of the group to which the company belongs, provides management personnel services to the company or the company's parent company.

Related party transactions are transfers of resources, services or liabilities between the reporting entity and its related party, whether or not for a consideration.

Exemption from the obligation to prepare consolidated accounts

In accordance with the provisions of the Law on Annual Accounts and Consolidated Annual Accounts of the Republic of Latvia, the Company, which is at the same time a subsidiary of another group, and its parent company with 100% participation in the Republic of Latvia or another European Union Member State consolidated financial statements. The consolidated financial statements have been prepared by the Company's parent company 4finance Holding S.A. and it is available at 8-10 Avenue de la Gare, L-1610, Luxembourg, which is the registered office of the parent company.

Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. If the value of an interest at the balance sheet date is lower than the cost of acquisition or valuation in the previous year's balance sheet and the impairment is expected to be permanent, it is measured at the lower of value.

Financial instruments

A financial instrument is an arrangement that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

The Company's most significant financial instruments are financial assets - receivables from borrowers, investments in associates, loans, receivables from related parties and financial liabilities - loans, receivables from suppliers and contractors and other creditors arising directly from its economic activities.

Financial risks related to the Company's financial instruments, financial risk management

The main financial risks associated with the Company's financial instruments are:

- Credit risk - the risk that the Company's debtors will not be able to repay their debts in the specified amount or term;
- Currency risk - the risk that the Company may suffer unforeseen losses due to fluctuations in foreign exchange rates;
The Company is exposed to foreign currency risk from financial assets, borrowings and other monetary assets and liabilities denominated in USD, SEK, PLN, CZK and GBP.
- Interest rate risk - the risk that the Company may incur losses due to unfavorable fluctuations in market rates;
- Liquidity risk - the risk that the Company will not be able to meet its financial obligations on time.

Notes to the financial statements

Management has established appropriate procedures to control the most significant risks.

Credit risk

Credit risk is the risk that the Company will incur financial losses if a customer fails to meet its contractual obligations. The Company's credit risk arises mainly in connection with its loans to customers. All credit transactions performed by the Company are associated with a certain level of credit risk. The credit policy developed by the Company sets out lending guidelines that comply with the Company's business strategy and the principles of effective risk management, as well as ensure the protection of the Company's assets and compliance with legal requirements.

The Company's credit risk policy sets out guidelines for the management of credit and loan books in accordance with its business strategy and effective risk management, protecting assets and complying with local regulations. The credit risk of the loan is managed by the Group's Risk Department. Lending rules and rating cards (signing process) are implemented for all products and the customer risk profile is analyzed before the loan is issued. During the underwriting process, the Company uses a number of attributes, including, but not limited to, customer credit history checks and income level checks. The current signing process has a low level of judgment, as most of it is done automatically based on statistical evidence. It shall be reviewed periodically and, if necessary, rebuilt.

The Company has a debt collection policy that sets out the overall recovery process throughout the life of the loan. Detailed guidelines for specific stages of the collection have also been developed. The Company has implemented debt collection processes based on the above policies and guidelines. All processes comply with local regulations and ensure a smooth collection process. The debt collection department regularly analyzes customer groups.

The Company's management believes that the current procedures and tools are sufficient to effectively manage the credit risk of customer groups. In addition, the structure of the loan portfolio is based on many low-value loans and thus individual customer exposures alone cannot cause material losses to the Company.

Currency risk

To reduce currency risk, the Company's management regularly monitors the currency structure of assets and liabilities.

Interest rate risk

The Company's management believes that the interest rate risk is not significant, as the loans and borrowings are at fixed rates.

Liquidity risk

The Company analyzes the maturities of assets and liabilities to ensure that there are sufficient funds to cover the Company's liabilities. All loans received are long-term. If necessary, the Company borrows funds from subsidiaries.

Due to various risks, the fair value of financial assets and liabilities may change significantly.

Fair value of financial assets and liabilities

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

As at 31 December 2020, there are no significant differences between the fair values and carrying amounts of financial assets and financial liabilities.

Reporting year

The reporting year is 12 months from 1 January 2020 to 31 December 2020.

Currency and foreign currency revaluation

The figures reflected in the financial statements are expressed in the official currency of the Republic of Latvia - euro (EUR).

Notes to the financial statements

Transactions in foreign currencies are translated into euros at the exchange rate set by the European Central Bank on the date of the transaction.

All monetary assets and liabilities are translated into euros at the euro reference rate published by the European Central Bank on the last day of the reporting year. All non-monetary assets and liabilities are measured in euros using the euro reference exchange rate ruling at the date of the transaction.

Gains or losses arising from changes in foreign exchange rates are recognized in the income statement in the period in which they arise.

	31.12.2020	31.12.2019
CZK	26.242	25.408
GBP	0.899	0.851
PLN	4.559	4.257
SEK	10.034	10.447
USD	1.227	1.123

Estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in subsequent periods.

The main reasons for the inaccuracy of the estimates are:

Provisions for doubtful debts of borrowers

Total allowance for impairment losses is assessed in loan portfolio groups. Provisions for impairment losses on loan portfolio groups cover losses on loan portfolios with similar credit risk characteristics if there is objective evidence that these portfolios include impaired financial assets, but it is not yet possible to identify the impaired items. Provisions for impairment losses on loan portfolio groups also cover loan portfolio losses, which include non-performing loans. When assessing the need for impairment losses on loan portfolio groups, management considers factors such as the probability of default, loss given default, portfolio size, concentration of delays and economic factors. In estimating the amount of required provisions, assumptions are made to determine the inherent loss models and the required input parameters based on past experience and current economic conditions. To assess the amount of impairment of loan portfolio groups, the loan portfolio is divided into groups based on the dates of late payments. The key assumptions used in determining impairment losses for loan portfolio groups are as follows:

- Non-performing credit status occurs when a 90-day delay is reached
- Management assumes that the Company will continue to receive funds from non-performing loans with a maximum maturity of 1 month within 21 months after the occurrence of non-performing loan status.
- Management uses estimates to determine the time period for the statistics used to calculate the probability of default based on historical information about the loan portfolio.
- In estimating losses on loans with non-performing loan status, management uses estimates to forecast the outcome of debt sales and expected loan losses.

Evaluation of investments in subsidiaries

The Company regularly reviews the value of investments in subsidiaries by assessing each subsidiary separately. An impairment loss is recognized whenever the carrying amount of an investment in a subsidiary exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Assessment of the recoverability of related party claims

The process of monitoring financial assets and determining impairment is subject to a number of significant risks and uncertainties. These risks and uncertainties include the risk that the Company's assessment of a counterparty's ability to meet all its contractual obligations will change as a result of changes in that

Notes to the financial statements

counterparty's credit rating and the risk that the economic situation may deteriorate more than expected or affect the counterparty.

Receivables are valued on a prudent basis and presented in the balance sheet at net value, less provisions for doubtful loans and receivables.

Provisions for doubtful receivables from related party companies have been established by the management's individual assessment of the recoverability of each receivable.

Determination of amortized cost

Amortized cost is the amount at which a financial instrument was initially recognized less any repayment of principal plus accrued interest and less any write-down for impairment of financial assets.

Revenue recognition

Revenue from loans granted to customers

All significant income, including interest and commission income, is recognized in the income statement on an accrual basis.

Commission income is recognized when the service has been provided and control has been transferred to the customer. Commission revenue that is not subject to recognition in proportion to the allocation of time is recognized when the service is provided.

Revenue is not recognized if there is any doubt about the reimbursement of service costs.

Fines received

Revenue from fines and periodic penalty payments is recognized when received.

Revenue from the provision of services

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

Dividend income

Dividends are recognized when the legal right to receive payment is established.

Long - term and short - term items

Long-term items include amounts that are due to be received, paid or written off later than one year after the end of the respective reporting year. Amounts receivable, payable or written off during the year are presented in current items.

Depreciation and amortization

In the balance sheet, intangible assets and property, plant and equipment are stated at cost less accumulated amortization or depreciation. Depreciation or amortization begins on the first day of the month following its commissioning and ends on the first day of the month following the exclusion of the fixed asset or intangible asset from non-current investments. Depreciation or amortization is calculated on a straight-line basis over the estimated useful lives of the intangible assets or property, plant and equipment, based on the following useful lives determined by management:

Intangible assets:

Trademarks	5 years
Other intangible assets	3 years

Property and equipment:

Computer equipment	3 years
Other property and equipment	5 years
Leasehold improvements	5 years

Notes to the financial statements

The impairment adjustment method is reviewed at least at the end of each reporting year.

Impairment adjustment of property, plant and equipment

If the value of property, plant and equipment at the balance sheet date is lower than their measurement in the balance sheet and the impairment is expected to be permanent, they are valued at the lower of value. The result of the impairment adjustment for property, plant and equipment is recognized in the income statement.

Financial assets

Initially, loans are valued at the value issued to the customer. The Company then measures the loans at amortized cost.

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. The expected credit loss model (ECL) used accelerates the recognition of impairment losses and leads to higher impairment of provisions at the date of initial application. Expected credit losses are calculated as a function of probability of default (PD), exposure to default (EAD) and loss given default (LGD).

The loan portfolio is grouped in stages 1, 2 and 3 based on the applied impairment methodology, as described below:

- Stage 1 – non-delayed loans: the part of the loan portfolio in which there is no significant increase in credit risk (days past due ≤ 30 days), the Company recognizes provisions based on the expected credit losses within twelve months.
- Stage 2 - loans with a significant increase in credit risk (days past due > 30 days but less than 90 days): when a loan shows a significant increase in credit risk since initial recognition, the Company recognizes a life provision for expected credit losses.
- Stage 3 - Financial assets are recognized in stage 3 if there is objective evidence that the loan is impaired (days past due ≥ 90 days). The Company recognizes expected life credit losses on these loans, in addition to accruing interest income on the amortized cost of the loan, less provisions for expected credit losses when it is probable that they will be received.

In estimating the ECL loan portfolio, the Company uses statistical models that reflect default trends, debt recovery times and the amount of losses incurred, adjusting them for management's estimates of whether current economic and credit conditions indicate that actual losses may be higher or lower than shown in the historical model. The frequency of defaults, the amount of losses and the expected recovery time are regularly compared with the actual figures to ensure that these inputs are always relevant.

Impairment losses on assets carried at amortized cost are measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Impairment losses are recognized in the income statement and recognized in provisions for assets held to borrowers.

Financial liabilities

Financial liabilities are derecognized when the Company's obligation under the liability is discharged or canceled or expires.

If an existing financial liability is replaced by another liability to the same lender on substantially different terms or if the terms of an existing liability are materially changed, such replacement or change in terms is treated as a derecognition of the original liability and a new liability, and the difference between the carrying amounts is recognized in profit or loss.

Assessment of receivables

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is impaired if there is objective evidence that a loss has occurred after the initial recognition of the asset and that the loss has an impact on the asset's future cash flows that can be estimated reliably.

Notes to the financial statements

In assessing impairment losses in the loan portfolio, the Company uses statistical models that reflect trends in probability of default, timing of debt recovery and the amount of losses incurred, adjusting them for management's estimates of whether current economic and credit conditions indicate that actual losses may be greater, or smaller than shown in the historical model. The frequency of defaults, the amount of losses and the expected recovery time are regularly compared with the actual figures to ensure that these inputs are always relevant.

Impairment losses on assets carried at amortized cost are measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. An impairment loss is recognized in the income statement in the cost of services rendered and recognized in the allowance account for assets receivable from borrowers.

Leasing transactions

Operating lease

Operating lease payments are recognized in the income statement on a straight-line basis over the term of the lease.

Provisions

Provisions are intended to cover certain types of losses, liabilities or expenses that relate to the reporting year or previous years and are foreseeable or certain at the time of preparation of the annual report, but the amount or date of occurrence and settlement of specific liabilities is not clear.

Corporate income tax

The new Corporate Income Tax Law has been in force in the Republic of Latvia since 1 January 2018, which provides for a conceptually new tax payment regime. The tax rate is 20%, the tax period is a month instead of a year and the taxable base includes:

- distributed profits (calculated dividends, dividend - like costs, contingent dividends), and
- benefits from conditionally distributed profits (non-operating expenses, doubtful receivables, increased interest payments, loans to a related party, reduction of income or excess of expenses arising from transactions at prices different from market prices, the calculation methods of which are determined by the Cabinet), which a non - resident grants to its employees or members of the board (council), regardless of whether the beneficiary is a resident or a non - resident, if they are attributed to the activities of the permanent establishment in Latvia, liquidation quota).

The use of accumulated tax losses carried forward is limited: these losses can be used to reduce the amount of dividend tax calculated in the reporting year by a maximum of 50%. The amount of unused losses can be carried forward and used in the above way only until 2022.

Notes to the financial statements

(2) Net turnover

Interest income consists of income earned during the reporting year from the Company's core business – loan issuing.

	2020 EUR	2019 EUR
Operating interest income	3 241 397	5 426 775
Other revenue from customers *	2 187 006	3 602 154
	5 428 403	9 028 929

*Other income includes income from fines, income from debt collection, fees for issuing certificates, fees for accelerated issuance of money, as well as registration fees for issuing loans.

(3) Costs of services provided

	2020 EUR	2019 EUR
Interest expense	2 185 590	2 145 937
Impairment losses and written - off debts	1 322 849	853 902
	3 508 439	2 999 839

(4) Selling expenses

	2020 EUR	2019 EUR
IT expenses	815 013	1 152 896
Customer acquisition expenses	749 132	1 346 433
Personnel expenses	715 189	879 021
Marketing and advertising expenses	124 781	140 663
Application inspection expenses	103 004	144 929
Rent	65 890	75 053
Bank services	37 853	79 198
Communication expenses	8 237	11 282
Depreciation and amortization of fixed and intangible assets	7 557	15 324
Other expenses	83 237	187 499
	2 709 893	4 032 298

(5) Administrative expenses

	2020 EUR	2019 EUR
Personnel expenses	4 391 521	5 840 331
Management and consulting services	1 102 959	1 244 184
IT expenses	610 576	654 699
Rent and utilities	282 328	303 631
Legal services, consulting	170 022	370 000
Non-business related expenses	97 887	344 802
Depreciation and amortization of fixed and intangible assets	91 928	92 521
Recruitment and training expenses	35 170	230 146
Office expenses	18 302	89 392
Business travel expenses	16 741	123 220
Other expenses	170 723	286 902
	6 988 157	9 579 828

Notes to the financial statements**(6) Other income**

	2020	2019
	EUR	EUR
Revenue from the provision of services to related parties*	10 512 940	13 148 007
Profit from alienation of shares of related undertakings	2 300 000	1 393 904
Interest received	262 157	180 083
Profit from sale of loan portfolio	81 082	591 373
Other income	263 748	11 446
	13 419 927	15 324 813

*Revenue includes management and consulting services provided by the Company to related companies, as well as revenue from the sale of fixed assets, leases, etc. transactions with related companies.

(7) Other expenses

	2020	2019
	EUR	EUR
Costs related to the provision of services to related companies*	9 998 890	11 380 235
Loss from alienation of shares of related undertakings	5 312 580	1 455 810
Donations	76 113	54 240
Provisions for doubtful debts	67 349	963 776
Other expenses	81 648	165 450
	15 536 580	14 019 511

* Costs include management and consulting services provided by the Company to affiliates. The related revenue is disclosed in Note 6.

(8) Revenue from participation in the capital of related undertakings

	2020	2019
	EUR	EUR
Revenue from participation in the capital of related undertakings	16 070 324	62 500 565
	16 070 324	62 500 565

The Company's income based on the shareholders' decisions from participation in the capital of related undertakings in 2020 is EUR 16 070 324 (2019: EUR 62 500 565).

(9) Corporate income tax for the reporting period

	2020	2019
	EUR	EUR
Calculated tax according to the declaration	34 217	123 328
	34 217	123 328

Notes to the financial statements

(10) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR	Other intangible assets EUR	Total EUR
Initial value			
31.12.2019	848 703	96 633	945 336
Additions	233 581	57 109	290 690
Disposals	(24 935)	(26 239)	(51 174)
31.12.2020	1 057 349	127 503	1 184 852
Accrued amortization			
31.12.2019	497 174	23 697	520 871
Amortization	192 582	13 084	205 666
Amortization of disposals	(6 808)	-	(6 808)
31.12.2020	682 948	36 781	719 729
Book value 31.12.2019	351 529	72 936	424 465
Book value 31.12.2020	374 401	90 722	465 123

	Concessions, patents, licenses, trademarks and similar rights EUR	Other intangible assets EUR	Total EUR
Initial value			
31.12.2018	604 896	90 815	695 711
Additions	339 169	205 894	545 063
Disposals	(95 362)	(200 076)	(295 438)
31.12.2019	848 703	96 633	945 336
Accrued amortization			
31.12.2018	466 661	16 290	482 951
Amortization	125 875	7 407	133 282
Amortization of disposals	(95 362)	-	(95 362)
31.12.2019	497 174	23 697	520 871
Book value 31.12.2018	138 235	74 525	212 760
Book value 31.12.2019	351 529	72 936	424 465

(11) Fixed asset

	Leasehold improvements EUR	Property and equipment EUR	Other fixed assets and inventory EUR	Total EUR
Initial value				
31.12.2019	505 305	782 616	393 629	1 681 550
Additions	-	28 879	2 176	31 055
Disposals	(211 949)	(103 762)	(57 332)	(373 043)
31.12.2020	293 356	707 733	338 473	1 339 562
Accrued depreciation				
31.12.2019	259 238	710 768	343 025	1 313 031
Depreciation	49 212	41 627	30 890	121 729
Depreciation of disposals	(121 924)	(99 638)	(55 683)	(277 245)
31.12.2020	186 526	652 757	318 232	1 157 515
Book value 31.12.2019	246 067	71 848	50 604	368 519
Book value 31.12.2020	106 830	54 976	20 241	182 047

Notes to the financial statements

	Leasehold improvements	Property and equipment	Other fixed assets and inventory	Total
	EUR	EUR	EUR	EUR
Initial value				
31.12.2018	640 920	820 326	388 218	1 849 464
Additions	-	48 682	16 499	65 181
Disposals	(135 615)	(86 392)	(11 088)	(233 095)
31.12.2019	505 305	782 616	393 629	1 681 550
Accrued depreciation				
31.12.2018	252 639	721 473	311 603	1 285 715
Depreciation	64 715	70 460	37 181	172 356
Depreciation of disposals	(58 116)	(81 165)	(5 759)	(145 040)
31.12.2019	259 238	710 768	343 025	1 313 031
Book value 31.12.2018	388 281	98 853	76 615	563 749
Book value 31.12.2019	246 067	71 848	50 604	368 519

(12) Participation in the capital of related undertakings

	EUR
Book value 31.12.2019	92 427 131
Investment in a subsidiary	4 199 422
Impairment of investments	(9 439 714)
Book value 31.12.2020	87 186 839

Investments in subsidiaries 31.12.2020:

Company name	Number of parts owned 31.12.2020 %	Purchase value EUR	Investment book value 31.12.2020 EUR	Subsidiary equity value 31.12.2020 EUR	Profit / (loss) of the subsidiary in the reporting year EUR
4finance UAB*	100	3 457 635	400 000	1 258 849	(334 062)
4finance AB*	100	6 369 921	-	186 635	(3 917 480)
4finance ApS*	100	1 384 238	1 384 238	9 781 654	9 174 215
4finance S.A.	100	100 000 221	71 255 221	39 459 677	(2 223 050)
Zaplo Finance s.r.o.*	100	2 962 291	2 962 291	3 998 418	2 291 159
Vivus Finance Sp.z.o.o.	99,97	10 305 089	10 305 089	(4 323 571)	94 542
4Finance Spain Financial Services S.A.U.*	100	880 000	880 000	(1 406 247)	(6 017 098)
			87 186 839		

Notes to the financial statements

Investments in subsidiaries 31.12.2019:

Company name	Number of parts owned 31.12.2020 %	Purchase value EUR	Investment book value 31.12.2020 EUR	Subsidiary equity value 31.12.2020 EUR	Profit / (loss) of the subsidiary in the reporting year EUR
4finance OY	100	532 500	532 500	23 780	(657 725)
4finance UAB	100	3 457 635	2 007 635	2 008 352	415 442
4finance AB*	99	937 999	-	(946 725)	(2 328 275)
4finance ApS	100	1 384 238	1 384 238	10 628 882	14 308 701
4finance S.A.	100	100 000 221	74 000 221	41 682 727	11 815 613
Zaplo Finance s.r.o.	100	2 962 291	2 962 291	5 817 631	3 348 485
Vivus Finance Sp.z.o.o.*	100	9 960 247	9 960 247	29 180 188	12 728 521
4Finance Spain Financial Services S.A.U.*	100	880 000	880 000	7 598 736	6 438 130
4finance LLC*	100	700 000	700 000	5 424 063	1 302 652
Credit Management LLC*	100	-	-	2 395 087	(250 750)
Zaplo Sp.z.o.o.*	30	344 842	-	(33 881 831)	(21 891 690)
			92 427 131		

* Unaudited data, relevant companies are audited by other auditors.

In December 2020, the company entered into a share sale agreement with 4finance Group S.A. for the sale of all its shares in 4finance Oy.

On January 10, 2018, a share purchase agreement was entered into, by which 4finance AS will become the sole shareholder of 4finance AB until January 31, 2020. On January 18, 2019, the second of the three planned shares was acquired and on February 19, 2020, the remaining shares of the company were acquired.

The acquisition value of the Company's investment in the subsidiary 4finance S.A., whose equity balance was EUR 39 459 thousand as at 31 December 2020, is EUR 100 000 thousand. The Company's investment in the subsidiary was assessed for impairment.

Subsidiary 4finance S.A. is operating in the field of financing. Its core business is to raise funds on the capital markets and redistribute them to 4finance Group S.A. group companies by applying an appropriate loan interest rate. The amount to be recovered from the subsidiary was calculated based on its value in use, determined by discounting the future cash flows expected to continue from the subsidiary. Projected future cash flows were discounted to the cost of equity, which was set at 12.95%.

The five-year cash flows of the subsidiary were included in the discounted cash flow model and without planned long-term annual growth. Cash flows were mainly based on projected interest income on loans issued, as well as on interest expense on bonds issued and on the assumption that loans are expected to be repaid to cover bond obligations as the bonds mature. Based on the impairment assessment, the recoverable amount was determined to be higher than the net carrying amount of the investment.

On 13 June, 2019, the Company entered into a share purchase agreement with 4finance Holding S.A. on the Polish company Zaplo Sp.z.o.o. Purchase of 30 000 shares for EUR 345 thousand. In September 2020, Zaplo Sp.z.o.o. and Vivus Finance Sp.z.o.o. a reorganization took place, as a result of which the companies merged, retaining the legal name Vivus Finance Sp.z.o.o.

On January 21, 2020, a share sale agreement was entered into with 4finance Group S.A. for the sale of all 4finance LLC shares owned by the company.

Notes to the financial statements**(13) Other investments**

	31.12.2020 EUR	31.12.2019 EUR
Other investments	-	413
	<u>-</u>	<u>413</u>

The Company has invested in the share capital of related companies, the investment value of which is less than 20%, the total amount of the investment is EUR 1 770. The impairment of the investment is calculated in full from the value of the investment.

(14) Purchasers and commissioning party debts

	31.12.2020 EUR	31.12.2019 EUR
Short-term loans due from customers	12 593 914	10 576 257
Allowance for impairment of short-term loans due from customers	(862 581)	(597 210)
	<u>11 731 333</u>	<u>9 979 047</u>

Age structure of borrowers' debts and provisions for doubtful borrowers' debts:

	Gross receivables 31.12.2020 EUR	Allowance for impairment 31.12.2020 EUR	Net receivables 31.12.2020 EUR	Gross receivables 31.12.2019 EUR	Allowance for impairment 31.12.2019 EUR	Net receivables 31.12.2019 EUR
Not past due	10 943 699	(24 418)	10 919 281	8 769 290	(49 968)	8 719 322
Past due 1-30 days	526 761	(39 968)	486 793	566 260	(83 633)	482 627
Past due 30-60 days	125 333	(54 428)	70 905	190 932	(72 257)	118 675
Past due 61-90 days	109 633	(56 559)	53 074	169 209	(65 025)	104 184
Past due 91-360 days	888 488	(687 208)	201 280	880 566	(326 327)	554 239
Total	12 593 914	(862 581)	11 731 333	10 576 257	(597 210)	9 979 047

(15) Related undertaking debts

	31.12.2020 EUR	31.12.2019 EUR
4finance Next EOOD	583 527	-
4finance Holding S.A.	426 821	(44 401)
Vivus SIA	297 977	369 319
4finance ApS	240 938	197 461
Ondo SIA	202 345	255 595
Intersale Services Limited	202 279	-
4finance Spain Financial Services S.A.U.	189 806	321 608
Vivus Finance Sp.z o.o.	165 943	227 041
4finance AB	142 012	105 350
Credit Services UAB	105 890	149 742
4finance S.A.	104 340	169 312
Zaplo Finance s.r.o.	66 678	94 838
4finance IT SIA	63 422	128 795
4finance UAB	54 783	68 213
Goodcredit UCO CJSC	51 740	53 124
Friendly Finances Spain S.L.	37 933	26 906
4finance Media SIA	26 412	31 200
Vexcash AG	22 901	16 809
Other	30 362	1 573 511
	<u>3 016 109</u>	<u>3 744 423</u>

Notes to the financial statements

Debts of related parties include debts for management services provided, postal services, legal services, computer software service and maintenance services and other services that relate to the Company's related parties and other companies, but which have been initially paid by the Company.

(16) Other debtors

	31.12.2020	31.12.2019
	EUR	EUR
Tax overpayment (see Note 23)	126 606	514 938
Security deposits	48 228	55 079
Costs covered on behalf of related companies	293	6 000
Debt held by minority shareholders for the purchase of shares	299	287
Sale of shares in subsidiaries	-	175 226
Other receivables	14 730	242 624
	190 156	994 154

(17) Deferred expenses

	31.12.2020	31.12.2019
	EUR	EUR
IT expenses	219 682	367 010
Advance payments to suppliers	83 960	194 365
Other deferred expenses	114 844	177 131
	418 486	738 506

(18) Cash

The Company's cash balance in the operating and administrative accounts as at 31 December 2020 is EUR – 2 085 thousand (31 December 2019: EUR 2 264 thousand).

		31.12.2020	31.12.2019
		Currency	EUR
Account	EUR	-	2 056 910
Account	USD	34 840	28 392
Other currencies			317
		2 085 619	2 264 410

(19) Share capital

As at 31 December 2020 and 2019, the share capital of the Company is EUR 3 165 889 and consists of 2 261 349 shares with a par value of EUR 1.40 per share. At the balance sheet date, all shares have been paid.

(20) Other reserves

On January 5, 2015, a tripartite agreement was concluded between 4finance AS, 4finance IT SIA and 4finance Holding S.A. for the transfer of the IT structural unit of the organizational unit of 4finance AS as a property investment to the share capital of 4finance IT SIA. As a result of this transaction, property, plant and equipment and intangible assets used by the IT unit were transferred as property, plant and equipment, service and maintenance contracts and service contracts, inventories for sale, deferred expenses, contracts with 59 employees and related provisions for unused holidays. The net carrying amount of assets and liabilities transferred as a result of the investment was EUR 177 thousand. Pursuant to the tripartite agreement, the Company did not acquire any participation in the share capital of 4finance IT SIA.

Notes to the financial statements**(21) Retained earnings**

In 2020, the sole shareholder of 4finance AS was 4finance Holding S.A. decided on the partial payment of retained earnings for 2018 in dividends in the amount of EUR 10 000 000.

(22) Other loans

	31.12.2020	31.12.2019
Long term	EUR	EUR
4finance S.A.	22 200 000	14 555 097
Leasing	-	140
	22 200 000	14 555 237

On August 14, 2014, the Company entered into a credit line agreement with 4finance S.A. with a maximum credit line limit of EUR 200 000 000. On 13 July 2018, an agreement was concluded to extend the repayment term of the credit line until 13 August 2022. The annual interest rate on the issued loan amount is 13.75%.

(23) Taxes and compulsory national social security contributions

Type of tax	31.12.2020	31.12.2019
	EUR	EUR
Corporate income tax (see Note 16)	(49 059)	(10 979)
Value added tax	(77 548)	41 848
Social security contributions	351 729	(193 797)
Personal income tax	118 680	(310 162)
Other taxes and duties	(175 333)	1 953
	168 469	(471 137)
Including:		
Overpayment of taxes	(126 606)	(514 938)
Tax debt	295 075	43 801

Overpayment of taxes is presented in the balance sheet item Other receivables. At the end of 2020, the overpayment of corporate income tax was EUR 49 059 and the overpayment of value added tax was EUR 77 547.

(24) Other liabilities

	31.12.2020	31.12.2019
	EUR	EUR
4finance IT SIA	1 224 124	727 489
4F Sales, Inc.	319 232	84 850
Salaries payable	386 790	386 204
Provision for legal proceedings	-	88 000
Other liabilities	42 309	29 667
	1 972 455	1 316 210

The company receives from related companies management and consulting services, customer acquisition services, IT services, etc.

Notes to the financial statements**(25) Accrued liabilities**

	31.12.2020	31.12.2019
	EUR	EUR
Provisions for unused vacations	394 837	189 312
Accrued interest for other loans	285 656	6 066 471
Provisions for annual bonuses	206 557	1 792 145
Customer acquisition expenses	62 178	55 543
Legal expenses, tax consultations	39 110	365 839
IT and communication expenses	34 032	76 421
Other accrued expenses	90 920	55 047
	1 113 290	8 600 778

(26) Related party transactions

Transaction type	Related party	2020	2019
		EUR	EUR
Services provided	Vivus Finance Sp. z o.o.	1 350 129	1 077 459
	4Finance Spain Financial Services S.A.U.	1 283 550	1 350 204
	Vivus SIA	1 189 771	1 679 321
	Ondo SIA	1 098 695	1 133 131
	4finance ApS	883 671	939 700
	4finance S.A.	707 357	800 709
	4finance Next EOOD	577 411	125 403
	4finance AB	546 600	694 628
	4finance IT SIA	453 454	608 138
	Zaplo Finance s.r.o.	433 992	505 560
	4F Sales, Inc.	411 496	783 193
	Credit Service UAB	362 642	308 543
	4finance Oy	348 991	720 539
	Intersale Services Limited	298 367	1 239
	4finance UAB	264 266	298 008
	4finance EOOD	149 975	253 202
	Goodcredit UCO CJSC	147 632	398 353
	4spar AB	119 412	77 493
	4finance Media SIA	115 258	102 011
	4finance LLC	109 888	203 491
	Finansu Administravimas UAB	91 456	71 952
	Credit Management LLC	81 805	77 101
	Zaplo Sp.z.o.o.	-	1 023 255
	Zaplo IFN SA	-	58 247
	Other	185 694	196 727
Goods sold*	Citi	7 434	3 414
Borrowing repaid	Credit Management LLC	-	493 985
Loans repaid	4finance S.A.	3 355 097	5 076 846
Loans received	4finance S.A.	11 000 000	-
Interest on loan	4finance S.A.	2 185 590	5 761 860
Interest in borrowing	Credit Management LLC	262 157	2 145 937
Services received**	4finance IT SIA	4 142 737	5 418 511
	4F Sales, Inc.	740 762	1 424 763
	4finance Group S.A.	347 628	-

Notes to the financial statements

	TBI Credit IFN S.A.	156 023	399 315
	4finance ApS	143 072	-
	Friendly Finance OU	94 658	33 128
	Zaplo S.A.	-	128 891
	Citi	3 098	39 463
Goods bought	4finance IT SIA	74	8 013
Sale of investments	4finance Group S.A.	(3 012 580)	-
	4finance Holding S.A.	-	1 393 904
	TBI Bank EAD	-	(1 455 810)

* The company sells office and household supplies, IT equipment to related companies

** The company receives IT services, management and consulting services, customer acquisition services, etc. from related companies. services.

(27) Number of employees

	2020	2019
Average number of employees		
Board members	4	2
Other employees	165	264
	169	266

The reduction in the number of employees on an annual basis reflects the focus of the Company's management on efficiency, wind-down of certain products / markets within the Group and the response to Covid-19.

(28) Personnel expenses

	2020	2019
	EUR	EUR
Remuneration for work	8 999 138	10 525 647
State social insurance contributions	2 025 265	2 450 410
Other personnel expenses	(960 784)	22 276
	10 063 619	12 998 333

Other personnel costs consist of reversals of accruals of annual bonuses, provisions for severance pay, life insurance costs. As a result of the Covid-19 pandemic, other personnel costs in 2020 were lower than the costs accrued in 2019, resulting in a reverse accrual in 2020.

(29) Remuneration to the management

During the reporting period, the remuneration received by the members of the management for the performance of functions together with the mandatory state social insurance contributions is as follows:

	2020	2019
	EUR	EUR
Board members	744 459	1 024 653
	744 459	1 024 653

Notes to the financial statements

(30) Issued guarantees

On April 28, 2017, 4finance AS together with other guarantors has guaranteed the fulfillment of obligations to persons who own debt securities issued by 4finance S.A. issued USD 285 325 million on April 28, 2017, with a coupon rate of 10.75% per annum and maturity of the principal amount of the debt on May 1, 2022.

On 23 May 2016, 4finance AS together with other guarantors has guaranteed the fulfillment of obligations to persons who own debt securities issued by 4finance S.A. issued on 23 May 2016 in the amount of EUR 150 million with a coupon rate of 11.25% per annum and maturity of the principal amount of the debt on February 23, 2022.

(31) Information on the remuneration of the auditors

The Company's administration expenses include a fee to the Auditors for the audit of financial statements in the amount of EUR 21 000 (2019: EUR 17 545).

(32) Information on operating lease and rental agreements, which are important for the Company's operations

The Company has entered into operating lease agreements for the lease of premises and cars. In accordance with the existing lease agreements, the Company must make the following lease payments in future periods:

	31.12.2020	31.12.2019
	EUR	EUR
Less than one year	374 325	594 600
Between one and five years	1 494 017	2 160 951
More than five years	1 454 487	-


(33) Events after the balance sheet date

On 28 February 2021, the Company decided to initiate a reorganization through a merger, adding SIA 4finance IT, SIA Ondo, SIA Vivus and SIA 4finance Media to the Company.

On March 24, 2021, the sole shareholder of 4finance AS 4finance Holding S.A. decided to increase the share capital of the company with a cash contribution from EUR 3 165 888.60 to EUR 13 160 000.

On March 29, 2021 sole shareholder of 4Finance AS, 4finance Holding S.A. decided to increase the company's share capital from EUR 13 160 000 to EUR 24 549 000 by issuing new shares. The shares of the new issue will be paid for with the property investment - SIA 4Finance IT, SIA 4Finance Media, SIA Ondo and SIA Vivus property as a joint property. The increase and payment of the share capital will be deemed to have taken place at the time of the reorganization.


Kieran Donnelly
Chairman of the Management Board


Danute Garanča
Chief accountant

5 July 2021

Independent Auditor's Report

To the shareholder of AS "4finance"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS "4finance" (the Company) set out on pages 7 to 29 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2020,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- 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 AS "4finance" as at 31 December 2020, and of its financial performance and cash flows 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.

Emphasis of Matter

We draw attention to the note 33 of the financial statements which describes the initiation of reorganization process by merging Companies being acquired - SIA "4finance IT", SIA "Ondo", SIA "Vivus" and SIA "4finance Media" - to AS "4finance" as Acquiring company. Accounts of the merging companies will be transferred to AS "4finance" once the reorganization is legally registered. According to the Reorganization agreement, accounts to be transferred will include balances as at 1st of January, 2021 and all accounting entries from 1st of January, 2021 till the date of the legal merger. At the date of issuance of this Auditor's report, the legal reorganization process has not been completed. Our opinion is not modified in respect of this matter.

Other Matter

The Company's financial statements for 2019 were audited by another auditor, who issued an unmodified opinion on the 1st of June, 2020.

Reporting on Other Information

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

- Company Information as set out on page 3 to 4 of the accompanying Annual Report,
- the Management Report, as set out on page 5 to 6 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

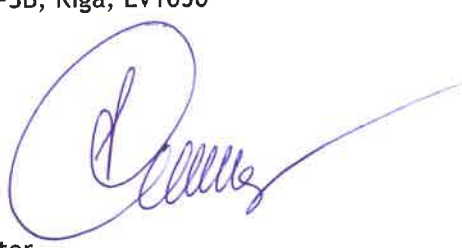
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

BDO ASSURANCE SIA
Kalku street 15-3B, Riga, LV1050
License No 182



Irita Cimdare
Certified auditor
Certificate No 103
Member of the Board

Riga, Latvia
5 July, 2021