



NEO  
Finance



NEO FINANCE, AB  
2020 annual report

## **Confirmation of company's responsible persons**

31 March 2021

Vilnius

Hereby we confirm, that by our knowledge financial statements for the year 2020 prepared in accordance with accounting standards are true and fairly present assets, liabilities, financial position, profit or loss. As well we confirm that by our knowledge Annual report for the year 2020 includes a fair view of the development and performance of the business and the position of the Company in relation to the description of main risks and contingencies faced thereby.

**NEO Finance, AB Head of administration**

**Aleksėjus Loskutovas**

**NEO Finance, AB Financial analyst**

**Aivaras Bielskis**



# Content

---

Introduction	5
Basic information about Company	6
Interview with Evaldas Remeikis, Chairman of the Board at NEO Finance, AB	8
Overview of Company's financial and operating results	12
Financial statements for the period that ended on 31 December 2020	24



# Evaldas Remeikis,

---

## Chairman of the Board at NEO Finance, AB

2020 I would consider it a year of coup when more investors decided to invest in the platform, especially accelerated growth of investors from Western Europe. As a result, the money supply on the platform increased, and interest rates began to decline accordingly, which continued to decline despite the fact of pandemic. In 2019 the average interest rate was 16.97% and in 2020 – already only 15.22%. Even the pandemic scared investors a little bit, I would assume that in the spring and summer, many of them realized that investing in individuals loans is safe because people are the last link in the economic pyramid to be affected the last of all and has the most support by country. We see that some investors have started investing larger amounts, deciding to consider P2P lending as a safe outflow during a pandemic while generating a sufficiently high return. This is confirmed by the activity of investors at the end of the year, when the second quarantine was already announced. Thus, the pandemic situation did not affect the return of investors, which is an amazing result for the 2020s. Well, and, of course, a great Christmas gift for platforms, this is the amendment to the Consumer Credit Law adopted by the government, which already allow to invest through P2P lending platforms legal entities too. It is also important to emphasize that 2020 was the first year, when the credit risk for a full year were evaluated with an algorithm based on the artificial intelligence, which was very successful for us. We can be glad that our platform is one of the first financial institutions in the Baltic States to entrust credit risk assessment to artificial intelligence.





## Basic information about Company

Company name	<b>NEO Finance, AB</b>
Legal form	<b>Joint stock company</b>
Registration date	<b>January 21, 2014</b>
Company code	<b>303225546</b>
Address	<b>A. Vivulskio str. 7, Vilnius, Lietuva</b>
Phone number	<b>+370 700 80075</b>
Email	<b>info@neofinance.com</b>
Website	<b>www.paskoluklubas.lt; www.neofinance.com</b>



## Company's main activities

**The main activity is the provision of financial services.**

The company has an Electronic Money Institution license issued by the Bank of Lithuania from January 5, 2017.

**Detailed activities can be divided into 2 main directions:**



Company has been active since the December 2015 and is engaged in  
**PEER-TO-PEER LENDING ACTIVITIES**

issuing consumer loans in Lithuania. In April 2016, Company was the first of peer-to-peer lending platforms to be included in the list of peer-to-peer platforms administered by the Bank of Lithuania;



In September 2018 Company started providing  
**PAYMENT INITIATION SERVICE (PIS)**

Currently Company has customers in all three Baltic countries.

## Company's share capital and shareholders



Company's share capital –

**EUR 1 706 497**

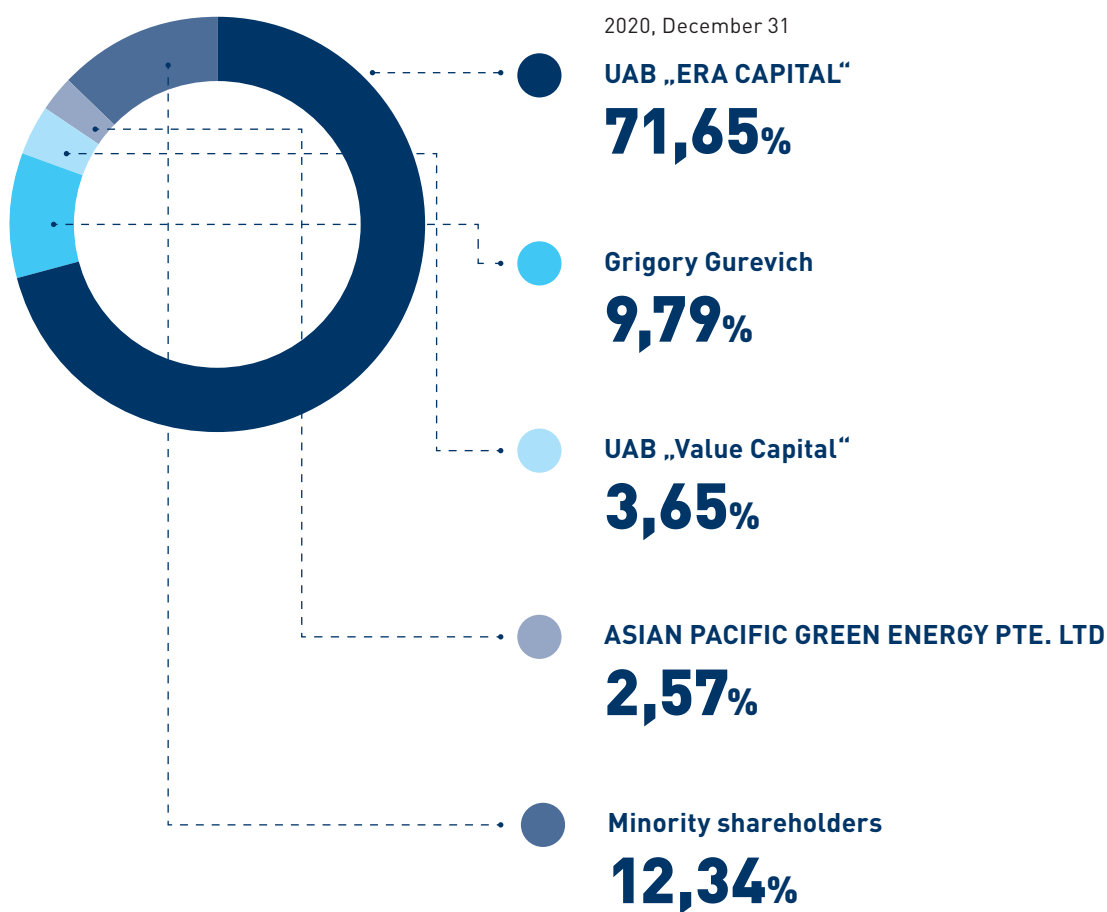
which consists of **3 878 402** ordinary shares with nominal value of EUR **0.44** per share.



**Company does not have and did not acquire its own shares during 2020.**

Subsidiaries have not acquired any shares in the Company. Company and its subsidiaries did not buy or sell their own shares during the reporting period.

## Shareholders





## Interview with Evaldas Remeikis, Chairman of the Board at NEO Finance, AB



**There is a constant growth of new investment tools and platforms. Do you think Peer-to-Peer (P2P) lending (investing in loans) is still attractive? Why?**

In my opinion, loans in the P2P sector will continue to grow. Investors in Lithuania and Europe are still discovering that this is an attractive method of investing. The rate of investments by people in some countries is currently less than 1%, however, the number of investors in the UK already constitutes a very significant share, and in Lithuania there are already more people investing in P2P platforms than in securities on the stock exchange.

If we examine the business model more deeply, we will see that this model is superior to the bank consumer credit model, especially when

it is regulated as in Lithuania and the UK, so it is certain to gain a significant share of the bank consumer credit market. The key advantages are that the activities of these platforms remain highly focused and do not require any interest to be paid on deposits, which results in zero costs and less maintenance or bureaucracy. Human loans do not pose the same risk as corporate loans that involve a risk of bankruptcy. Therefore, investing in personal loans has very low volatility, while the investors can still enjoy a good risk-return ratio. Although the returns are gradually declining due to lower interest rates, an investor can still earn a double-digit return. Moreover, the declining interest rates are attracting more risk-averse customers to the platforms that allow them to refinance large banks' consumer loans. We should expect to continue seeing a



*Human loans do not pose the same risk as corporate loans that involve a risk of bankruptcy.*





”*We are glad that Lithuania is at the forefront of European countries where mutual lending is regulated.*

growing number of investors until the annual returns reach 4-5%, as investors continue to “migrate” to platforms where the return-to-risk ratio is best, and the NEO Finance platform has really great potential in this regard. This has been achieved by ensuring the security of our investments; for example, NEO Finance, AB has an electronic money license. Regulations also play a very important role the willingness of people to invest in a platform, so we are glad that Lithuania is at the forefront of European countries where mutual lending is regulated.

**From your experience, what opportunities has the pandemic brought out for the P2P sector? Have you recorded growth or decline in new investor registrations in 2020 compared to 2019?**

First of all, it should be noted that the most loyal investors have been able to shop very profitably in the secondary market, while less experienced investors started panicking and selling off their shares.

In terms of the number of investor registrations, the annual result was virtually identical: in 2020, there were 8784 registrations; while in 2019, the number of registrations stood at 8959. However, it should be noted that the cost of attracting investors was significantly lower in 2020, so we were able to attract more investors with the same budget.

Considering the uncertainty surrounding the Covid-19 situation, I would say that the fact that investors still trust the P2P platform is a good result. There was a particularly high increase in the number of investors in the second half of 2020 saw. Without a doubt, this resulted in a

great opportunity for the platform to increase its share of the Lithuanian consumer credit market, which is what we are successfully doing at the present time.

**You originally opened the business in Lithuania but expanded. Now, all EU citizens can invest in loans and earn interest on your platform. So far, what are the top three most active countries investing in loans?**

Of course, Lithuanians are the leaders in this field, followed by the Netherlands, Germany and Belgium. One reason why investors from Holland and Belgian make it into the TOP3 is the attention we have paid to attracting investors from these countries. In addition, we have a subsidiary in the Netherlands that is responsible for attracting new investors.

**The market has seen an increase in P2P lending and crowdfunding platforms over the last few years. What's your take on this trend where the P2P sector is becoming oversaturated?**

Naturally, there is competition in the economy as, in addition to trying to capture a general market share, various niche projects are emerging in specific areas of financing, such as solar power plants. Therefore, the emergence of new platforms results in the emergence of financing niches. Of course, one day the market will become saturated, but the is unlikely to happen in Lithuania in the next few years because the platforms are growing at the expense of the competition by offering more value to borrowers and finding smarter solution. Nonetheless, in a few years, the market will become cramped and we may expect either



*For more than a year, our platform has issued loans based on credit risk assessments performed using Artificial Intelligence (AI) algorithms.*

withdrawals or acquisitions from certain consumer lending players (not P2P players) while the P2P platforms will acquire players smaller than themselves in terms of the lending volume. However, the negative aspects of the increasing number of platforms should also be mentioned. There are always people who are seeking to make a profit at the expense of others. This results in so-called “scams”. We are therefore working hard to educate the market about regulated platforms and we aim to become the most secure P2P platform in Europe. We are actively pursuing this route and I think we have everything it takes.

#### **What type of investors does Peer-to-Peer lending appeal to the most?**

I would single out three main types of investors. First, there are the complete beginners, for whom a P2P platform is the first step in investing. It's a lot of fun for these people, because our investments are relatively complex but, at the same time, the process is very uncomplicated. The participants do not require an understanding of technical analysis; however, the platform itself can be quite challenging for newbies if they want to gain a deep understanding of how things work. New investments can be very attractive, because the investor can earn a reasonable high return without overanalysing things, so they can take their first steps without the fear of losing a share of the amount they have invested due to lack of knowledge.

The second category is professional investors, who use the P2P option to diversify their portfolio. Often, these P2Ps don't hold high asset value, but they will continue to exist as long as the investors are satisfied with the risk-return ratio, and their volume will increase. When the investor is no longer satisfied with the return or finds something

better, they simply discontinue the investment.

Finally, the third category is P2P fanatics. These are people who often have respectable jobs and are not necessarily financiers or economists, but who have some money they would like to employ profitably with as little risk as possible. P2P platforms are the perfect solution. In addition to the low level of risk, we ensure a stable positive return that is often significantly higher than is gained from investments with a similar risk. It should also be noted that young parents often use these platforms to accumulate funds for their children until they reach the age of 18.

#### **P2P platforms continue to lend money despite uncertainty regarding the repayment levels. How does NEO Finance manage the credit risk for borrowers?**

We have now been operating for over 5 years. Throughout this period, we have focused on improving our risk assessment capabilities. For more than a year, our platform has issued loans based on credit risk assessments performed using Artificial Intelligence (AI) algorithms. This means that the AI absorbs all the data from the customer's past and reaches a conclusion by evaluating more than 40 different parameters relating to the borrower. This practice has paid off as our borrower risks have become predictable. Obviously, the AI algorithm cannot predict future economic events, so we expect that our return on investment will decrease during these turbulent times of the pandemic. But so far, we have not seen that decline occurring in 2020. Furthermore, even if the return on investments falls by a few percent, we would still see it as a very good result, because it sounds “too good to be true” in 2020. In the future, we will strive to improve the AI algorithm adding more and more criteria for

---

it to analyse. For example, thanks to the PSD2 directive, we will soon be able to obtain a client's bank statement (with his consent) and process the related statement data. The AI algorithm will then be able to evaluate a larger array of pre-processed data, further clarifying the borrower's risk level.

**Do you consider banks as partners or competitors considering that they racked €12 billion in fines from regulators in 2020 alone?**

P2P platforms are now actively competing for borrowers with banks and balance sheet lenders. We are able to offer attractive terms to the customers of both banks and other lenders, and although we have heard the story that P2P platforms are only useful for customers who do not qualify for bank loans, we can say this is definitely not true :). Those times are long over – in fact, I would say this stage ended in 2017. Since that time, the platforms have grown, became stronger and now have a powerful money supply thanks to the large number of investors. In addition, more and more bank customers are comparing the conditions found on our NEO Finance platform with the traditional options, and bank loan refinancing is growing quite rapidly. For the purpose of comparison, in the 4th quarter of 2020 we refinanced consumer credit loans issued by banks that were worth € 604 thousand; while in the same quarter of 2020 we refinanced loans amounting to € 338 thousand, i.e. 78% more in single a year. This ongoing trend will increase the pressure on banks and they will have to react. A bank manager's traditional reaction cycle to Fintech goes something like this: 1) contempt (they will go bankrupt); 2) it's a small niche player that poses no threat to us; 4) they are only doing well because they don't follow the regulations; and finally, 5) they have outmatched us, as our decisions were made too late. However, I must admit that the banks are increasingly realising the potential of Fintech companies nowadays, and there are many who want to become partners. In the future, the banks will either be forced to invest in our platforms or these platforms will expand to acquire uncompetitive banks. It's only a matter

of time before the banks will be able to acquire stakes in Fintech, and after a few more years, they will be forced to look for survival solutions. I wouldn't attach much importance to fines, as they pose no threat to the banks' survival, but instead divert the management's attention away from lending activities by focusing on compliance, which only benefits the P2P platforms.

**What are the top three main advantages of P2P lending every investor should know?**

A loan involving a natural person is a real investment in that person's ability to earn a good income – the loan must be repaid, but there is no fixed deadline.

The result is a simple tool that does not require a large financial or economic analysis. Instead, the required knowledge and risks are assessed, which often leads to a great return that exceeds the return on other investment instruments.

**How will the P2P marketplace evolve in the next few years? As a leading industry player, what will be your projection?**

It's very hard to tell what the future holds. We may see an emergence of banks or other institutional investors who have recognised the trend for developing platforms and decide to become partners, to lend their capital through the platform while acquiring a significant stake in the process. Acquisitions may also occur where the platforms purchase other consumer credit providers or obtain their portfolios. However, it is possible that this will not happen, and the platforms will instead start their own geographical development when the Lithuanian market becomes saturated so that continuing to increase their market share becomes more expensive than expanding to another country. New platforms may continue to emerge, in which case the number of mergers may rise. What is clear is that we will soon witness one of the abovementioned scenarios. All the market players want to grow, and P2P platforms are no exception, so only time will reveal which ones will become the most successful.



## Overview of Company's financial and operating results

### Year 2020 overview

**In 2020, the company has remained a stable leader, holding over 53% of the P2P consumer lending market in Lithuania.**

Payment initiation service (PIS) was growing rapidly. In 2020, the company performed over 6,94 M transactions, compared to 3,73 M transactions in 2019.



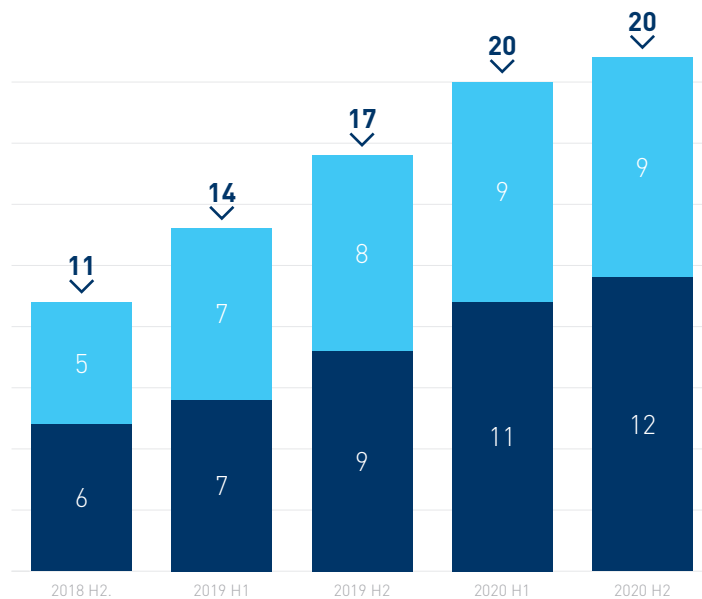
### Most important events in 2020

- In January 2020, the General Meeting of Shareholders was convened due the abolition of the supervisory board.
- In March 2020, an audit was completed. Audited financial reports can be [found here](#). Additionally, business continuity plan together with a stress-test was updated and submitted to Bank of Lithuania. It can be [found here](#).
- In April 2020 the A+ rating, for "NEO Finance" customers were introduced.
- In April 2020 "NEO Finance" signed a deal with EMI "MoQ" to organize return of their customers money after their decision to stop company's operations.
- In May 2020, "NEO Finance" EMI license was supplemented by Account information service.
- In June 2020, "NEO Finance" acquired 100% shares of company "FinoMark", which is developing a new crowdfunding platform.
- In June 2020, "NEO Finance" was awarded during Fintech week 2020 as Company of the Year in Lending, Investment and P2P category.
- In August 2020, the authorized capital of "NEO Finance" was increased by EUR 259K.
- In September 2020, the authorized capital of "FinoMark" was increased by EUR 100K by the decision of "NEO Finance".
- In 2020, "Neopay" expanded its geographical boundaries and launched MIP service in Netherlands, Latvia and Estonia.
- In October 2020, despite the effects of the COVID-19 pandemic situation on business, the issuance of loans was the largest in the history of the "Paskolų klubas" platform - over EUR 2M were granted.
- In October 2020, with the help of the new technology, the first automatic loan was issued without human intervention.
- In December 2020, the authorized capital of "NEO Finance" was increased by EUR 263K.
- In December 2020, initiated more than 1M PIS transactions. The total number of transactions exceeded 10M.
- In December 2020, appeared an opportunity to invest in loans of up to 120 months and up to EUR 25 000.



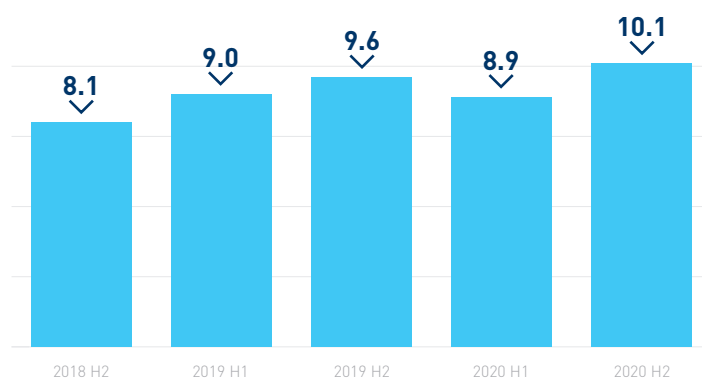
## Main operational KPIs

### Active users, K



During 2020, due to increasing affiliate network and established brand awareness, the number of registered users has grown by 28%. The growth of borrowers was 22%, while that of investors was equal to 48%. The overall growth of users during 2020 equaled to 23.607. At the same time the number of active users grew by 24%. Active investors grew by 30%, active borrowers grew by 18%.

### Granted loans, M EUR



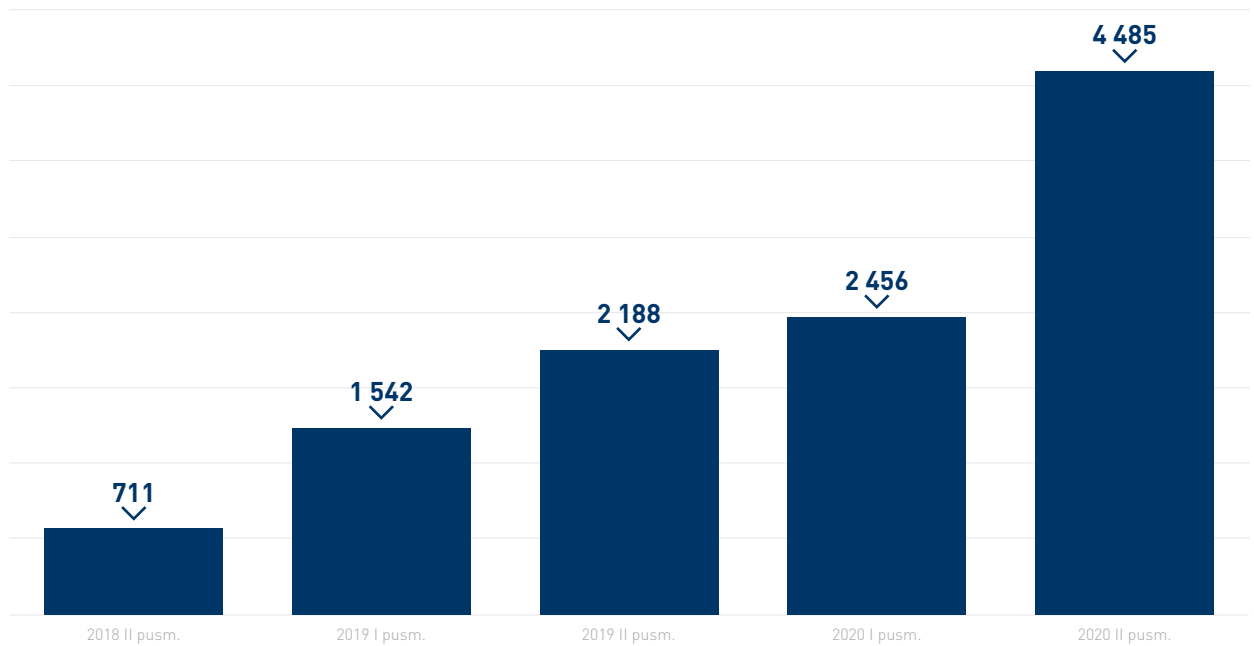
During 2020, the company has mediated in issuing EUR 19.09 M worth of consumer credits, financed by 10 344 investors. In comparison, in 2019, the investors financed EUR 18.5 M worth of loans. This sums up to the annual growth of 4%. This allowed the company to take 53% of the Lithuanian P2P lending market. 3 828 people got consumer credits during 2020.





## Main operational KPIs

### PIS transactions, K



Payment initiation service is a payment service when, at the request of a payment service user, a payment order is initiated from a payment account opened with an institution of another payment service provider. The payment initiation service is an alternative to the bank link service, as both are used to pay for goods or services online. PIS allows sellers to get payment from customers faster, more conveniently and cheaper. The Law on Payments regulates the provision of PIS in Lithuania. The Law on Payments and other related laws implement the provisions of Directive 2015/2366 of the European Parliament and of the Council on payment services in the internal market in Lithuanian law. "NEO Finance" is a **licensed payment initiation service provider**, which provides this service using the "Neopay" brand trademark. During 2020 "NEO Finance" clients initiated 6,94 M transactions.



## Financial statements for 2020

Company's management on March 24, 2020 has prepared financial statements for the year ended December 31, 2020. The audit of the Company's financial statements for 2020 was performed by the audit company Grant Thornton Baltic UAB, which on March 26, 2020 presented unmodified auditor's conclusion.

### Financials

	2020	2019	Δ, %
<b>Granted loans, EUR</b>	<b>19 084 970</b>	<b>18 624 166</b>	<b>2%</b>
Income, EUR	2 482 981	1 723 506	44%
Cost of sales, EUR	(1 597 082)	(1 531 910)	-4%
Gross profit, EUR	885 899	191 596	362%
Operating costs, EUR	(761 080)	(839 033)	9%
<b>EBITDA, EUR</b>	<b>124 819</b>	<b>(647 437)</b>	
Pre-tax profit, EUR	(69 412)	(880 946)	92%

In 2020, the company continued to increase the volume of loans issued, reaching EUR 19.09 M and, compared to 2019 grew by 2%. Likewise, the income grew to EUR 2.48 M versus EUR 1.72 M in 2019 (44% growth). Company's EBITDA in 2020 was EUR 124.8 K, whereas in 2019 it was EUR -647.4 K. Accordingly, the pre-tax profit in 2020 was EUR -69.4 K, compared to EUR -880.9 K in 2019.



## Company's main risks

---

Company very carefully assesses its risks – every year Business continuity plan is renewed, where all operational risks are indicated and tools to manage them are presented. In addition, in this plan stress test results could be found as well. Company's Business continuity plan could be found in Company's **website** under Business continuity plan.

### Main risks

- **Operational risk** – the risk of incurring losses due to improper or unimplemented internal control decisions of the Company, errors and illegal actions of employees, as well as malfunctions of information system operation or due to the influence of the external events. Main sources of the operational risk: information systems (malfunctions of hardware, software, and telecommunication systems, etc.); human factor (illegal actions of Company employees and nonemployees); working conditions (violation of the safe working conditions, etc.); errors (entry of incorrect data, improper legal documents, etc.).
- **Risk of virtual data loss** – the risk that data, stored in the Company systems, will be lost or affected otherwise, so there would be no possibility of its restoration.
- **Physical hazard risk** – the risk that the property of the Company or third parties to whom the Company has delegated the performance of its functions, will be physically damaged (by damaging, destroying or hijacking), and due to that the functioning of the Company will be impaired.
- **Risk of liquidity** – the risk that the Company will not be able to meet its financial obligations on time. Manifested in a temporary or permanent insolvency of the Company and in extreme cases – commencement of a case of bankruptcy against the Company. According to the Law on Financial Institutions and the Law on Electronic Money and Electronic Money Institutions, the Company's bankruptcy proceedings could be opened only by judicial procedure. The participants, the liquidator, the head of the administration, the creditor(s) and the Bank of Lithuania have the right to file a statement to the court regarding the opening of bankruptcy proceedings to the Company. If a statement regarding the opening of bankruptcy proceedings is submitted to a court by an institution other than the Bank of Lithuania, the court would be obliged to obtain a report of the Bank of Lithuania on the insolvency of the Company before making a decision on the opening of bankruptcy proceedings. In case of opening bankruptcy proceedings, the court would make a decision on the appointment of an insolvency administrator to take over the administration of the Company's systems. Considering that the funds of electronic money holders transferred to the Company are their property and cannot be an object of recovery under the Company's debts, the appointed insolvency administrator shall return the funds to the electronic money holders. The insolvency administrator would also administer mutual lending transactions and their execution, as in the event of bankruptcy proceedings against the Company, the mutual lending transactions would remain legally valid despite the Company's legal capacity status. On the basis of these transactions, the amounts payable by the CCR would belong to the lenders, and the insolvency administrator would not be entitled to any lender's funds that would be repaid by the CCR.

---

## Main risks

- **Risk of management** – the risk that because of the improper management of the Company or separate projects that it implements, damage will be done to the Company or third parties.
- **Risk of reputation** – a risk that something could negatively affect the income and capital of the Company due to the unfavorable opinion about the reputation of the Company, which is formed by the clients, contractual parties, and investors.
- **Loss of license or activity limitation risk** – a risk that the Company will lose the electronic money institution's license granting the right to engage in the activity of an electronic money institution, or will be removed from the lists of public credit lenders and public lending platform operators granting rights to engage in MLPO and consumer credit activities or the Company's right to provide services will be limited on the basis specified above. As a result, the Company will no longer be able to properly administer the concluded CC agreements and Customer payments under these agreements, to temporary issue electronic money or to provide one or more payment services.
- **Risk of strategy** – the risk that occurs due to the external and internal environmental factors that can have a negative effect during the implementation of the Company objectives, on the activity consistency and continuity due to the erroneous assessment or absence thereof.
- **Creditworthiness evaluation risk** – the risk that the Company will evaluate the creditworthiness of the CCR improperly, and because of such evaluation the CCR will not perform the obligations under the concluded CC agreements on time. Therefore, the Company will not receive the planned income from the commissions on time (or will not receive income at all).

## Employees

---



Average number of employees in 2020 was

**30**

## Subsidiaries, branches and representative offices

---

In 2019 subsidiary Neo Finance B.V. was established in the Netherlands, which main task - to develop the services provided by the Company in the Netherlands.

The company has no branches and / or representative offices.

In June 2020, "NEO Finance" acquired 100% shares of company "FinoMark", which is developing a new crowdfunding platform.

## Company's research and development activities

---

Company did not perform research and development activities in 2020.



## Company's management

In compliance with legal requirements and in aspiration to make the governance modern and effective, a three-fold management system has been implemented: the management consists of annual general meeting, board and CEO. Company's Board consists of 4 members: Evaldas Remeikis (chairman), Deividas Tumas, Marius Navickas, Aiva Remeikienė.

### Head of Administration **Aleksėjus Loskutovas**

#### Other managerial positions of Board members and Head of Administration:



#### **Evaldas Remeikis**

##### Chairman of the board

Main occupation:

UAB „ERA CAPITAL“ code 300638657, address Ulonų st. 5, Vilnius, Lithuania), CEO

Other positions:

NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), chairman of the board

UCS Baltic, UAB (code 110825653, address Ulonų st. 5, Vilnius, Lithuania), chairman of the board

Legal Balance, UAB (code 302528679, address Žalgirio st. 90, Vilnius, Lithuania), chairman of the board

BnP Finance, UAB (code 302447985, address Žalgirio st. 90, Vilnius, Lithuania), member of the board

Be kredito, UAB (code 303107786, address J. Kubiliaus st. 6, Vilnius, Lithuania), member of the board

UCS ESTONIA OÜ (code 11226658, address Peterburi tee 46 Tallinn, Estonia), member of the board

UCS, SIA (code 40003753650, address Lokomotīves iela 34, Rīga, Latvia), member of the board



#### **Aleksėjus Loskutovas**

##### Head of Administration

Aleksejus, who has more than 15 years of experience in the financial sector, previously held various managerial positions at a bank, leasing company and credit union. He also gained professional experience in start-up and business consulting.

He joined NEO Finance in 2018 to work on the development of the payment initiation service Neopay. After two years of actively leading the development of the service A. Loskutovas approved as the head of administration of NEO Finance in 2021 February 19.

Aleksejus says that the new responsibilities are a huge responsibility and also one more professional challenge. However, it is certain that together with professional and motivated team, they will continue to effectively improve the products provided by the company and strive for even more ambitious business development.





**Deividas Tumas**

**Member of the board**

Main occupation: Value Capital, UAB (code 303170249, address Raugyklos st. 21-19, Vilnius, Lithuania), CEO

Other positions:

NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board



**Marius Navickas**

**Member of the board**

Other positions:

NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board

Legal Balance, UAB (code 302528679, address Žalgirio st. 90, Vilnius, Lithuania), member of the board



**Aiva Remeikienė**

**Member of the board**

Other positions:

NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board

UCS Baltic, UAB (code 110825653, address Ulonų st. 5, Vilnius, Lithuania), member of the board



## Post Balance Sheet Events

---

In March 2021, the Company received a total of 75 thousand euros loan from company UAB “Era Capital”.

On February 19, 2021, Aleksėjus Loskutovas took over the position of Head of Administration and replaced Aiva Remeikienė, who had held the position of Head of Administration until then.

Due to risk of COVID-19 virus Lithuanian government implemented mandatory mass quarantine which continues on the date that the reports are signed. The Company’s operations are not directly affected and the Company continues its activities.

**NEO Finance, AB Head of Administration**

**Aleksėjus Loskutovas**

---

**NEO Finance, AB Financial analyst**

**Aivaras Bielskis**

---

Vilnius

March 31, 2021





## CONDENSED BALANCE SHEET

ASSETS		Note no.	Reporting period	Previous reporting period
<b>A.</b>	<b>FIXED ASSETS</b>		<b>2,787,952</b>	<b>2,826,595</b>
1.	Intangible assets	1	564,530	319,177
2.	Tangible assets	2	42,328	12,676
3.	Financial assets	3	1,805,444	2,078,560
4.	Other fixed assets	15	375,650	416,182
<b>B.</b>	<b>CURRENT ASSETS</b>		<b>8,050,728</b>	<b>4,297,701</b>
1.	Reserves		29,779	26,159
2.	Accounts receivable within one year	4	783,692	338,009
3.	Short-term investments			
4.	Cash and cash equivalents	5	7,237,257	3,933,533
<b>C.</b>	<b>EXPENSES OF FUTURE PERIODS AND ACCRUED INCOME</b>		<b>939</b>	<b>5,220</b>
<b>ASSETS TOTAL:</b>			<b>10,839,619</b>	<b>7,129,516</b>
EQUITY AND LIABILITIES		Note no.	Reporting period	Previous reporting period
<b>D.</b>	<b>EQUITY</b>		<b>1,489,497</b>	<b>1,089,576</b>
1.	Capital	6	1,706,497	1,615,023
2.	Share premium		1,286,748	856,405
3.	Revaluation reserve			
4.	Reserves			
5.	Retained earnings/loss	7	1,503,748]	1,381,852]
<b>E.</b>	<b>GRANTS AND SUBSIDIES</b>			
<b>F.</b>	<b>PROVISIONS</b>	<b>8</b>	<b>244,820</b>	<b>248,670%</b>
<b>G.</b>	<b>ACCOUNTS PAYABLE AND OTHER LIABILITIES</b>		<b>9,086,688</b>	<b>5,785,232</b>
1.	Accounts payable after one year and other long-term liabilities	9	912,405	1,620,971
2.	Accounts payable within one year and other short-term liabilities	9, 10	8,174,283	4,164,261
<b>H.</b>	<b>EXPENSES ACCRUED AND EXPENSES OF FUTURE PERIODS</b>		<b>18,614</b>	<b>6,038</b>
<b>TOTAL EQUITY AND LIABILITIES:</b>			<b>10,839,619</b>	<b>7,129,516</b>

Date of Financial Statements  
24 March 2021



## PROFIT AND LOSS STATEMENT

No.	Items	Note no.	Reporting period	Previous reporting period
1.	SALES REVENUE	11	2,482,981	1,723,506
2.	COST OF SALES	12	(1,597,082)	(1,531,910)
3.	BIOLOGICAL ASSETS FAIR VALUE CHANGE			
<b>4.</b>	<b>GROSS PROFIT/LOSS</b>		<b>885,899</b>	<b>191,596</b>
5.	Sales expenses			
6.	General and administrative expenses	12	(922,928)	(1,001,886)
7.	Other operative expenses		(8,083)	(5,407)
8.	Income from investments in shares of the parent company, subsidiaries and affiliated undertakings			
9.	Income from other long-term investment and loans			
10.	Other income from interest and other income	13	12,380	
11.	Impairment of financial assets and short-term investments	13	(32,000)	(65,000)
12.	Interest and similar expenses	13	(4,680)	(249)
<b>13.</b>	<b>PROFIT/LOSS BEFORE TAX</b>		<b>(69,412)</b>	<b>(880,946)</b>
14.	Income tax	14	(52,484)	39,753
<b>15.</b>	<b>NET PROFIT/LOSS</b>		<b>(121,896)</b>	<b>(841,193)</b>

Date of Financial Statements  
**24 March 2021**





# FINANCIAL STATEMENTS

for the period that ended on 31 December 2020





# EXPLANATORY NOTE

of 31 December 2020

## I. GENERAL INFORMATION

NEO Finance, AB (hereinafter referred to as the “Company”) was registered at the State Enterprise Centre of Registers on 21 January 2014. Company address: Vivulskio g. 7, Vilnius, business identifier code: 303225546.

The authorized capital of the Company is 1,706,497 EUR, which is made up of 3,878,402 EUR of ordinary registered shares with a nominal value of 0.44 EUR. Shareholders of the Company as of 31 December 2020: 71.65% – UAB “ERA CAPITAL”, 9.79% – Russian citizen GRIGORY GUREVICH, 3.65% – UAB “Value Capital”, 2.57% ASIAN PACIFIC GREEN ENERGY PTE. LTD, 12.34% – minority shareholders.

The main activities of the Company: provision of financial services. (Company is licensed as an electronic money institution starting from January 5th ,2017. The license is provided by Bank of Lithuania).

The company owns 100 % shares of the company Neo Finance B.V (business identifier code: 859887984, company address: Vlamingsstraat 4, 2712BZ Zoetermeer, The Netherlands).

The Company has no branches and/or representative offices.

In 2020, there were 30 employees at the Company, and in 2019 – 20.

## II. ACCOUNTING POLICY

### **(a) Basis of accounting**

The financial statements of the Company have been prepared in accordance with the legal acts regulating financial accounting and preparation of financial statements in the Republic of Lithuania, as well as the provisions of the Business Accounting Standards.

In accounting and when preparing financial statements, the Company follows the general accounting principles: of the Company, business continuity, periodicity, stability, monetary measure, accrual, comparison, prudence, neutrality, and content importance.

The financial statements have been prepared based on the assumption that the Company has no intention or need to liquidate itself or to significantly reduce its operating scope.

### **(b) Intangible assets**

Intangible non-current assets: identifiable non-material non-cash assets, which are expected to bring direct and/or indirect economic benefit to the Company during more than one year of use, and whose acquisition (production) cost is not less than EUR 100.

In accounting, intangible assets are recorded at the acquisition (production) cost. The acquisition cost of intangible assets is made up of the sum of money paid or to be paid for purchase of the assets, including customs duties and other non-recoverable taxes. The acquisition cost of assets also includes other direct costs of preparing the assets for the intended use. Costs of renewal and improvement of intangible assets incurred after the acquisition or creation of the assets are recognized as expenses

during the reporting period in which they are incurred.

In the balance sheet, intangible assets are shown at their residual value, i.e. the acquisition/production cost minus the accrued depreciation and impairment.

Amortisation of intangible assets is calculated on a direct proportion (linear) basis over the entire useful life of the assets:

Software 3 years

Other intangible assets 4 years

### **(c) Tangible fixed assets**

Tangible fixed assets of the Company are assets that provide direct and/or indirect economic benefit when used for more than one year and whose acquisition/production cost is not less than EUR 100, while the risks related to tangible assets are transferred to the Company.

In accounting, tangible fixed assets are recorded at the acquisition/production cost, which includes the sum of money paid or to be paid for purchase of the assets, the cost of delivery, paid non-recoverable taxes, costs for design, installation and other costs associated with the acquisition and preparation of these assets. The acquisition cost of tangible fixed assets does not include the non-refundable value added tax. It is recognized as operating expenses for the period, during which the assets were acquired.

The costs of reconstruction and repair of tangible fixed assets is recognized as expenses during the reporting period, when they were incurred.

Tangible fixed assets provided in the financial statements are estimated at the actual acquisition/production cost of the assets, minus the accrued depreciation and impairment.

The Company uses a directly proportional (linear) method of calculating the depreciation of tangible fixed assets. For different groups of tangible fixed assets, different depreciation norms are approved:

Groups of assets	Average useful life (in years)
Machinery and equipment	4 - 6
Vehicles	6 - 10
Other equipment, tools and devices	3 - 6
Other tangible assets	4

Depreciation of tangible fixed assets is calculated from the first day of the month following the month in which the assets were first used. Asset depreciation is not calculated from the first day of the month following its write-down, disposal or another type of transfer. The depreciated value of the assets is calculated by deducting from the acquisition/production cost of the assets the liquidation value, which equals EUR 1 for all items of tangible fixed assets.

Financial lease is a lease when, under the terms of the lease, all risks and benefits related to the ownership of the assets are basically transferred to the Company. The accounting of leased assets does not differ from the accounting of own assets. Interest and other borrowing-related costs are recognized as financial expenses during the period, in which they were incurred.

Profit and loss arising from the disposal of the tangible fixed assets are calculated by comparing the income received with the book value of the assets. The result of the transaction is recognized in item of revenue and expenditure of another activity in the profit and loss statement.

The depreciated assets not used at the Company are written off. In the balance sheet, the tangible fixed assets that are no longer used for the company's operations and that are held for sale, are included in the reserve item.

At the end of each reporting year, the Company performs an inventory of its tangible fixed assets. The residual value of each individual asset is revised in order to determine its depreciation. If depreciation is observed, the recoverable amount of that asset is calculated. The recoverable amount is calculated as the higher of the two values: the net realizable value or the value in use of the asset. Loss due to asset impairment is accounted for, when the book value of the asset unit exceeds the recoverable amount. Impairment losses are accounted for in the profit and loss statement.

#### **(d) Financial assets**

Financial assets include cash and cash equivalents, receivables, loans granted and investments available for sale.

Financial assets are accounted for, when the Company receives or has the right to receive cash or other financial assets under an existing contract. Receivables are measured at acquisition cost minus the impairment losses. Cash and cash equivalents are measured at acquisition cost. Loans granted are initially accounted for at acquisition cost, and subsequently measured at amortised cost.

Investments available for sale are investments that the Company has acquired with a purpose of selling or in order to receive profit from short-term fluctuations in investment prices. Investments available for sale are measured at acquisition cost at the time of acquisition, and subsequently at fair value when preparing the financial statements.

If it is probable that the Company will not be able to recover its receivables, an impairment loss is recognised, which is calculated as the difference between the asset value and the current value of future cash flows discounted at the effective interest rate.

#### **(e) Receivables**

Receivables are recognised as such at the acquisition cost. Subsequently, short-term receivables are accounted for having assessed their impairment. A debt, whose due date has expired more than four months before the recovery procedure takes place, is considered doubtful. Impairment losses of doubtful debts accrued during the reporting period are recognised as operating costs. When redeeming previously recognised doubtful debts, the costs incurred during the reporting period are reduced.

A transaction on transfer of receivables/debts (factoring without a right of recourse) is considered as a sale of debts, and debts are written off immediately. If the debt transfer transaction does not involve the transfer risk, and the buyer may cancel the transaction, the transaction is registered as a loan secured by a collateral.

#### **(f) Cash and cash equivalents**

Cash consists of money in bank accounts. Cash equivalents are liquid investments that are readily convertible to known amounts of cash. The term of such investments generally does not exceed three months, and the risk of changes in value is very insignificant.

#### **(g) Expenses of future periods**

Expenses of future periods arise, when, during the reporting period and prior reporting periods, the Company has paid for the services of a continuous nature to be provided during the future periods, for



which the amounts paid will be recognised as expenses in the subsequent reporting periods, when incurred.

#### **(h) Equity and reserves**

The Company's equity consists of paid-up part of the share capital, share premium, legal reserve, revaluation reserve and retained earnings/loss.

Ordinary registered shares are accounted for at their nominal value. The sum received for shares sold, higher than the nominal value of these shares, is accounted for as share premium. The costs associated with issue of new shares reduce the share premium. Profit and loss statement shall not include profit or loss received from sale, issue or cancellation of own shares.

According to the Law on Companies of the Republic of Lithuania, the legal reserve must make up 1/10 of the value of the authorised capital. Until the established size of the legal reserve is reached, the Company's deductions shall be at least 1/20 of the net profit. The part of the legal reserve exceeding the established size may be redistributed by dividing the Company's profit. The legal reserve, used to cover the losses of the Company, must be redrafted.

The item of retained earnings/loss shall include the earnings earned during the reporting period and earlier periods, but not yet retained, or uncovered loss.

Profit distribution in the Company's accounting is recorded, when the owners take a decision to distribute the profit, i.e. on the day of the shareholders' meeting, regardless of when it was earned.

#### **(i) Financial liabilities**

Financial liabilities are recorded in the accounting, when the Company assumes the obligation to pay in cash or to settle financial liabilities using other financial assets. Accounts payable for goods and services are measured at acquisition cost, i.e. at the value of the assets or services received. At the beginning, the loans are accounted for at the acquisition cost, and, subsequently, at amortised cost. Accrued interest is accounted for in the item of other payables.

Financial liabilities include accounts payable for goods and services received, loans and financial lease liabilities, as well as bonds.

Short-term liabilities are liabilities that must be settled within one year from the day when the balance sheet was drafted.

#### **(-) Provision Accounting Policy**

Provisions in the Company are formed for liabilities under reimbursable suretyship agreements. Reimbursable suretyship agreements are such agreements, whereby the guarantor is required to pay a specific loss incurred by the guarantee, resulting from the debtor's delayed and unpaid liabilities set out in the default conditions of the description of debt instruments. Such financial guarantees are provided to creditors.

On the day of granting the suretyship, the amount of expected loss due to the debtor's delayed and unpaid liabilities set out in the default conditions of the description of debt instruments is included in the accounting. The estimation of expected losses is based on the accrued historical information on similar transactions, the amount of losses incurred, and also taking into account the management's estimates.

### **(- ) Doubtful Debt Recognition Policy**

Doubtful debts are a part of the investment, whose consumer credit agreements with consumers have been terminated. Consumer credit agreements are terminated under the grounds set out in Article 19 of the Law on Consumer Credit of the Republic of Lithuania. The value of such investments is determined at the lowest of these values: the price paid at the time of the loan purchase; or 60% of the value of the investment. The difference between the value of the investment and the price paid at the time of purchase, or 60% of the investment value, is recognised as an impairment loss.

### **(j) Sales revenue**

Interest income and expenditure for all interest-bearing instruments are accounted for on the accrual basis.

Intermediary fee income and other types of income are accounted for at the time, when the transaction is performed, i.e. based on the cash basis.

Other operating income include profits from the disposal of used fixed assets, as well as other income that is not related to the typical activities of the Company, but that are received from third parties, with the exception of financial operating income and extraordinary profit.

Financial income is the positive result of change in the exchange rate, interest received, fines and penalties paid by buyers, dividends received, reversal of impairment of investment value.

### **(k) Expenses**

In the accounting, expenses are recognised based on the accrual and comparison principles during the reporting period, when related income is earned, irrespective of the time the money is spent. Expenses that are not related to earnings during the reporting period, but are intended to generate earnings in future periods, are accounted for and recorded in the financial statements as assets.

Cost of sales refers to the expenses incurred by the Company during the reporting period for services rendered during the reporting period. This item only includes the part of the costs related to the services sold during the reporting period.

General and administrative expenses reflect the expenses incurred during the reporting period that are related to the typical activity of the Company and that enable generation of earnings during the reporting period, but independent of the volume of sales of production output, goods and services. These costs are recognized, recorded in the accounting and presented in the financial statements for the same reporting period when they are incurred.

Other operating expenses include loss of sales of used fixed assets, as well as other expenses that are not related to the typical activity of the Company, but are incurred when earning other income.

Financial operating expenses are the negative result of the change in the exchange rate, the fines and interest paid, interest and liability charges related to financial debts, as well as the impairment of investments.

### **(l) Income tax and deferred income tax**

The calculation of the income tax is based on the requirements of the Law on Corporate Income Tax of the Republic of Lithuania. In 2017, the tax rate applied to the Company was 15%.

Deferred income tax is accounted for using the liability method and is derived from the temporary differences between the book value of the assets or liabilities in the balance sheet and the tax base

of those assets or liabilities included in the Company's financial statements. Deferred income tax is calculated on the basis of tax rates (and laws) that were approved or actually valid on the day of balance sheet drafting, and are expected to be effective when the deferred tax assets are realised or when the deferred tax liability is covered.

#### **(m) Foreign currencies**

All currency items in the balance sheet are presented in euro applying the exchange rate valid on the day of the balance sheet drafting. The assets purchased in foreign currencies accounted for at the acquisition cost, in the balance sheet, are measured in euro applying the exchange rate valid on the day of acquisition. Transactions in foreign currencies are measured in euros, at the exchange rate valid on the transaction day. The differences that arise when the amounts recorded in the currency items are paid at a different exchange rate are recognised as profit or loss of the reporting period.

#### **(n) Accounting Estimates in Preparing Financial Statements**

When preparing financial statements, the management shall make certain assumptions and estimates that affect the reported sums of assets, liabilities, income and expenses, as well as disclosure of uncertainties.

Future events may change the assumptions used in evaluations. The result of such changes in evaluations shall be accounted for in the financial statements as soon as it arises.

#### **(o) Error Correction and Reclassification**

The Company deems that an essential error is such error that accounts for more than 5% of the net profit of the reporting period.

If the information presented during the accounting year is otherwise classified, then the comparative year is also reclassified in order to render the figures comparable.

#### **(p) Contingent Liabilities and Assets**

Contingent liabilities are future liabilities that may arise from past events and which can be confirmed or denied by uncontrolled uncertain future events of the Company or existing liabilities arising from past events. They are not reflected on the balance sheet because the amount of such liabilities cannot be reliably determined and/or it is unlikely that these liabilities shall be met. Information about them is provided in the explanatory note.

Contingent Assets refer to assets that, due to uncontrolled events of the Company, may in the future be part of the Company and bring economic benefits to the Company. Information about the expected assets is provided in the explanatory note.

#### **(q) Post Balance Sheet Events**

Post Balance Sheet Events are those events that occur between the balance sheet drafting date and the date, when the financial statements are prepared, signed by the Head of the Company and submitted for approval.

Post balance sheet events that provide additional information about the Company's position on the day when the balance sheet is drafted (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are described in the notes, if significant.

### III. NOTES

#### 1. Intangible fixed assets

Indexes	Software	In total
<b>Acquisition cost</b>		
<b>31 December 2018</b>	566 866	566 866
Acquired	164 378	164 378
Written-off		---
Reclassifications		---
<b>31 December 2019</b>	<b>731 244</b>	<b>731 244</b>
Acquired	415 510	415 510
Written-off		---
Reclassifications		---
<b>31 December 2020</b>	<b>1 146 754</b>	<b>1 146 754</b>
<b>Amortisation accrued</b>		
<b>31 December 2018</b>	<b>251 864</b>	<b>251 864</b>
Estimated over the period	160 203	160 203
Written-off		---
Reclassifications		---
<b>31 December 2019</b>	<b>412 067</b>	<b>412 067</b>
Estimated over the period	170 157	170 157
Written-off		---
Reclassifications		---
<b>31 December 2020</b>	<b>582 224</b>	<b>582 224</b>
<b>Balansiné vertè</b>		
<b>31 December 2019</b>	<b>315 002</b>	<b>315 002</b>
<b>31 December 2019</b>	<b>319 177</b>	<b>319 177</b>
<b>31 December 2020</b>	<b>564 530</b>	<b>564 530</b>

No signs of impairment of intangible fixed assets have been determined.

## 2. Tangible fixed assets

Indexes	Other equipment, devices and tools	In total
<b>Acquisition cost</b>		
<b>31 December 2018</b>	31 398	31 398
Acquired	8 404	8 404
Written-off		---
Reclassifications		---
<b>31 December 2019</b>	<b>39 802</b>	<b>39 802</b>
Acquired	41 809	41 809
Written-off	[1 439]	[1 439]
Reclassifications		---
<b>31 December 2020</b>	<b>80 172</b>	<b>80 172</b>
<b>Revaluation / depreciation</b>		
<b>31 December 2018</b>		---
Revaluated (+) depreciated (-)		---
Depreciated over the period		---
<b>31 December 2019</b>	---	---
Revaluated (+) depreciated (-)		---
Depreciated over the period		---
<b>31 December 2020</b>	---	---
<b>Depreciation accrued</b>		
<b>31 December 2018</b>	<b>19 241</b>	<b>19 241</b>
Priskaityta už laikotarpį	7 885	7 885
Nurašyta (-)		---
Perklasifikavimai		---
<b>31 December 2019</b>	<b>27 126</b>	<b>27 126</b>
Estimated over the period	10 753	10 753
Written-off (-)	(35)	[35]
From item to another item		---
<b>31 December 2020</b>	<b>37 844</b>	<b>37 844</b>
<b>Book value</b>		
<b>31 December 2018</b>	<b>12 157</b>	<b>12 157</b>
<b>31 December 2019</b>	<b>12 676</b>	<b>12 676</b>
<b>31 December 2020</b>	<b>42 328</b>	<b>42 328</b>

No signs of impairment of tangible fixed assets have been determined.

### 3. Financial assets

	2020-12-31	2019-12-31
Investments in subsidiaries	163 500	
Investment activities debtors	1 740 153	2 282 563
Impairment (-)	(98 209)	(204 003)
<b>TOTAL:</b>	<b>1 805 444</b>	<b>2 078 560</b>

During the financial year the Company acquired a subsidiary (Finomark, UAB, K. 305538582).

### 4. Accounts receivable within one year

	2020-12-31	2019-12-31
Buyers' debts	58 837	27 429
Investment activities debtors	747 138	341 073
Other receivables	12 392	---
Impairment (-)	(34 675)	(30 493)
<b>TOTAL:</b>	<b>783 692</b>	<b>338 009</b>

### 5. Cash

	2020-12-31	2019-12-31
<b>Clients cash</b>	<b>6 738 659</b>	<b>3 534 227</b>
Money in commercial bank accounts	78 446	104 564
Money at the Bank of Lithuania	6 594 083	3 384 463
Money in transition	66 130	45 200
<b>Company cash</b>	<b>498 598</b>	<b>399 306</b>
Money in commercial bank accounts	452 268	396 736
Money at the Bank of Lithuania	46 330	2 570
<b>TOTAL:</b>	<b>7 237 257</b>	<b>3 933 533</b>

## 6. Structure of the authorized capital

Indexed	Number of shares	Amount
Structure of the share capital at the end of the financial year		
1. According to the types of shares		
1.1. Ordinary shares	3 878 402	1 706 497
1.2. Preference shares		
1.3. Employees' shares		
1.4. Special shares		
1.5. Other shares		
<b>TOTAL:</b>	<b>3 878 402</b>	<b>1 706 497</b>
2. State or municipal capital		
3. Own shares owned by the company		
4. Shares owned by subsidiaries		

As of 31 December 2020, all shares have been paid.

## 7. Profit distribution project

Items	Year	Sum
Retained result – profit/loss	2019-12-31	(1 381 852)
Net result for the financial year – profit/loss		(121 896)
Retained result – profit/loss	2020-12-31	(1 503 748)
Shareholders' contributions to cover losses		
Transfers from reserves		
Distributed profit		(1 503 748)
Profit distribution:		
to legal reserves		
to other reserves		
dividends		
other		
Undistributed result – profit/loss		(1 503 748)

## 8. Provisions

The Company forms reimbursable suretyship provisions ("Guarantee Fund" service) intended to cover the liabilities under the reimbursable suretyship agreements. At the end of the financial year, provisions made up EUR 244,820. At the end of the last financial year, provisions made up EUR 248,670.



## 9. Financial debts

	2020-12-31	2019-12-31
<b>Long-term debts (from 2 to 5 years)</b>	<b>912 405</b>	<b>1 620 971</b>
Loans received from affiliated undertakings	806 954	520 971
Bonds		1 100 000
social security liabilities after one year	105 451	
<b>Short-term debts</b>	<b>1 109 722</b>	<b>453 235</b>
Loans received from affiliated undertakings	---	445 000
Interest on loans received from affiliated undertakings	9 722	8 235
Bonds	1 100 000	
<b>TOTAL:</b>	<b>2 022 127</b>	<b>2 074 206</b>

Financial assets worth EUR 1,430,000 are pledged as collateral for the bonds.

## 10. Accounts payable within one year

	2020-12-31	2019-12-31
Advances received	606	403
Trade payables	162 871	104 026
Payroll liabilities	41 115	25 061
Vacation pay liabilities	33 221	26 563
Social security liabilities	23 871	10 527
Personal income tax liabilities	27 463	8 919
Income tax liabilities	16 090	
Customer money held at NEO Finance accounts	6 714 806	3 489 227
Customer money held at NEO Finance accounts – cash in transit		45 000
Owners' contributions to authorised capital		
Other tax liabilities	40 851	
Other payables	3 666	1 300
<b>TOTAL:</b>	<b>7 064 560</b>	<b>3 711 026</b>

## 11. Income

	2020	2019
<b>Sales revenue</b>	<b>2 482 981</b>	<b>1 723 506</b>
Revenue related to the issuance and processing of electronic money	476 241	178 283
Investment income	270 301	258 553
Revenue related to peer-to-peer lending	1 736 439	1 286 670

Most of the revenue related to peer-to-peer lending are distributed throughout the loan period, and these revenues are received only when the borrower actually makes the monthly installment. As of 31 December 2020, receivable intermediary fee generated by loans, issued till 31 December 2020 amounted to 5,945,158 EUR. As of 31 December 2019, receivable intermediary fee generated by loans, issued till 31 December 2019 amounted to 4,576,812 EUR.

## 12. Expenses

	2020	2019
<b>Cost of Sales</b>	<b>1 597 082</b>	<b>1 531 910</b>
Cost of services rendered	1 597 082	1 531 910
<b>General and administrative expenses</b>	<b>922 928</b>	<b>1 001 886</b>
Salaries and social security	374 104	362 171
Guarantee Fund accrual costs	3 850	89 555
Audit expenses	12 900	7 022
Depreciation	169 931	168 088
Other expenses	362 143	375 050

## 13. Financial and investment activities

	2020	2019
<b>Income</b>	<b>12 380</b>	
Positive effect of exchange rates		
Other income from financial investment activities	12 380	
<b>Expenses</b>	<b>36 680</b>	<b>65 249</b>
Interest		
Impairment of shares in subsidiaries	32 000	65 000
Negative effect of exchange rates	180	99
Delay fee	4 500	150
<b>TOTAL:</b>	<b>(24 300)</b>	<b>(65 249)</b>

## 14. Income tax expenses

	2020	2019
Profit before taxes	(69 413)	(880 946)
Income tax rate	15%	15%
Amount of increase in profit before tax	532 295	705 942
Amount of reduction in profit before tax	105 326	12 379
Deductions for promotion		
Deducted operating loss amount (with inherited loss)	250 289	
Amount of taxable profit reduction on investment		
Declared income tax payable to the budget	16 090	---
Change in taxable temporary differences between tax and financial statements	(242 626)	265 020
Deferred income tax expenses/income	36 394	(39 753)
Adjusted amount of profit tax returns of the previous year		
Income tax expenses/income	52 484	(39 753)
Effective income tax rate	---	---

## 15. Other fixed assets

	2020 m.	2019 m.
Deferred income tax assets	375 650	412 044
Other fixed assets		4 138
<b>Total</b>	<b>375 650</b>	<b>416 182</b>

## 16. Relations with executives and other related persons

In 2020, the Head of Administration was paid a salary of EUR 40,712 (in 2019: EUR 37,504). The Head of Administration has not received any other income, loan guarantees nor benefits.

## 17. Related parties

	Accounts payable		Accounts receivable	
Related parties	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Shareholders with a significant number of votes		200 938		
Parent company	1 091	243 472		
Subsidiaries				
Other affiliated persons	758 712	541 222	2 972	186
<b>Total</b>	<b>759 803</b>	<b>985 632</b>	<b>2 972</b>	<b>186</b>

Related parties	Income received		Purchases	
	2020	2019	2020	2019
Shareholders with a significant number of votes				12 500
Parent company			31 100	43 168
Subsidiaries				
Other affiliated persons	4 470	5 712	172 400	185 921
<b>Total</b>	<b>4 470</b>	<b>5 712</b>	<b>203 500</b>	<b>241 589</b>

## 18. Change in accounting policy

No changes to accounting policy made during 2020.

## 19. Rights and liabilities of the Company that are not specified in the balance sheet

Liabilities of the Company under the reimbursable suretyship agreement, as of 31 December 2020, amounted to EUR 3,080,478. The Company signs reimbursable suretyship agreements with the lenders who choose the "Guarantee Fund" service. On the basis of these agreements, the Company guarantees the lenders for proper performance of the obligations arising from consumer credit agreements.

The Company does not participate in legal proceedings, whose outcome could have a significant effect on the Company's financial position and/or financial results.

## 20. Contingent Liabilities

At the end of the reporting year, the Company had no contingent liabilities.

## 21. Post Balance Sheet Events

In March 2021, the Company received a total of 75 thousand euros loan from company UAB "Era Capital".

On February 19, 2021, Aleksėjus Loskutovas took over the position of Head of Administration and replaced Aiva Remeikienė, who had held the position of Head of Administration until then.

Due to risk of COVID-19 virus Lithuanian government implemented mandatory mass quarantine which continues on the date that the reports are signed. The Company's operations are not directly affected and the Company continues its activities.

## 22. Off-balance sheet liabilities

By 31 December 2020, the Company, having acted as an operator of a Peer-to-Peer Lending Platform, and a consumer credit provided, has disbursed consumer credit funds for a total amount of EUR 63,495,120.

As of 31 December 2020, the remaining outstanding part of credit amounted to EUR 34,210,707.

Date of Financial Statements  
**24 March 2021**

