Business registry code 16235024

Lightyear Europe AS Annual Report 2023

Company information

Lightyear Europe AS

Annual Report 2023

Lightyear is an investment platform providing investment services to retail investors in the UK through Parent Company Lightyear Financial Ltd and in the European Economic Area through its subsidiary Lightyear Europe AS. Lightyear aims to make investing approachable, affordable, and understandable for all. Lightyear was founded by Mihkel Aamer and Martin Sokk in 2020.

Legal and communication address

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10412 Tallinn
Harju county
Estonia

Reporting period start: 01 April 2022
Reporting period end: 31 March 2023

Auditors

Ernst & Young Baltic AS

This annual report consists of a management report, financial statements, an independent auditor's report, and the loss coverage proposal.

Table of Contents

Management report

Overview of activities

Lightyear is an investment platform, built to give everyone in Europe a simple, intuitive, and cost-effective way to access global markets. Founded in October 2020 by Martin Sokk and Mihkel Aamer, Lightyear has offices in London, UK and Tallinn, Estonia.

Lightyear launched in the UK in September 2021, and across 19 Eurozone countries in July 2022. To make global investing truly seamless, users also have access to a multi-currency account, allowing them to hold, convert and invest money in USD, GBP and EUR. Lightyear's instrument pool currently holds 3,000+ stocks and ETFs across the US and Europe. For all US stocks, Lightyears offers fractional shares, meaning customers can get started on their investment journey from $1.

Structure of the Group

In the UK, the Parent Company Lightyear Financial Ltd provides investment services as an appointed representative of RiskSave, authorised and regulated by the Financial Conduct Authority (FRN 775330). Its subsidiary Lightyear Europe AS (the Company) is authorised and regulated as an investment firm by the Estonian Financial Supervision Authority having the right to provide services in all European Economic Area countries based on license nr 4.1-1/31 (issued 03 March 2022). Also part of the Group, Lightyear Financial Ltd Eesti filiaal is a branch office in Estonia working on development of the Lightyear platform.

External environment

The year ended on 31 March 2023 was marked by high inflation, rising interest rates, geopolitical uncertainty, and declining equity markets.

Despite this negative market backdrop, there continues to be worldwide interest in the financial markets. Growing numbers of individuals, especially those newly attracted to investing, turned to the markets with increased awareness.

The current economic environment offers both challenges and opportunities to investors and Lightyear is well positioned to provide them with the best technological tools and data to take advantage of those opportunities.

Overview of the 01 April 2022 – 31 March 2023 reporting period

European launch

Lightyear Europe AS launched the platform to customers residing in the Eurozone in July 2022. At the time of launch, the platform provided customers with commission free access to 3000+ stocks and ETFs across the US and Europe, complete with a multi-currency wallet for holding euros, dollars or pounds and a flat 0.35% conversion fee to exchange currencies. Furthermore, features like stock financials, analyst ratings and lightning updates.

New products and services

Interest

Like most brokers, Lightyear earns interest on the cash it holds on customers behalf in institutional bank accounts that are designed for financial firms to hold their customers' money. Lightyear gets paid interest for holding customers money and at a rate typically not available to retail customers. The Company decided to pay this forward to customers in a transparent way. The amount of interest earned for such uninvested customer money is based on the current per annum (per year) base interest rate — from which Lightyear takes a transparent fixed cut.

Shareholder engagement

Lightyear partnered with Say Technologies to enable customers to cast a vote if a US-listed company in their Lightyear portfolio hosts a vote or annual meeting.

Earnings calls

Our user research has shown that most of our customers find in-depth financial information about a company important when keeping on top of their portfolios and researching for future investment opportunities. That's why we consider it part of our mission to offer customers a wealth of information and data about all instruments in the Lightyear app, as well as more general stock market movements. To that end, Lightyear added the ability to listen to company earnings calls, access slide decks and earnings reports directly within the app.

Business accounts in Estonia

Business accounts have been the most highly requested feature from customers residing in Estonia since first launching in the country. And in response to this overwhelming demand, we launched business accounts to Estonian businesses. Signing up for a business account on Lightyear is convenient, fast, and intuitive. For added convenience, if your business does not have the LEI code required for investing in financial instruments, you can purchase one right inside the app.

Portfolio insights

Lightyear is on a mission to create successful investors and diversification is key when it comes to building your investment portfolio and managing it sustainably for years to come. But often it's really tricky — especially when holding both ETFs and single stocks at once. To fix this, Lightyear launched Portfolio Insights. With Portfolio Insights, users can clearly see which sectors, countries & companies they're most or least exposed to in Lightyear.

Geographic expansion

Lightyear Europe AS received authorization to provide investment services on a cross-border basis to residents of the United Kingdom and Northern Ireland in Q4 of 2022. On 1 January 2023 Croatia became the 20th member of the Eurozone and as such its residents automatically became eligible to onboard with Lightyear.

Sources of revenue

Intragroup services

During the reporting period, the Company earned revenues for the provision of management, marketing, and brokerage support services to its parent company Lightyear Financial Ltd.

Fee revenue

The Company earned revenues from currency conversion and fast deposit transfers (customers depositing with card, Apple and Google Pay, after their free allowance limit).

Net interest margin

The Company gets paid interest on client money balances held at credit institutions and pays such interest forward to its customers on their uninvested cash balances held with Lightyear.

Looking ahead into the next reporting period

In April 2023 the Company rolled out the platform to its first non-Eurozone market - Hungary. In the same month, the new Lightyear web application was also introduced to customers.

Furthermore, Lightyear introduced trade execution fees to all new customers from April 2023 and the new pricing started applying to existing customers from May 2023 onward. ETFs continue to be exempted from trade execution fees. Concurrently with the introduction of trading fees, the Company added over 100 UK stocks and ETFs on the London Stock Exchange alongside its existing instrument universe of 3000+ US and European stocks.

Financial Statements

For the year ended 31 March 2023

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of Lightyear Europe AS financial statements for the period ending 31 March 2023 as set out on pages 9-37.

The Management Board confirms that:

1. The accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standards as adopted by the European Union.
2. The Financial statements give a true and fair view of the financial position, the results of the operations and the cash flows of the Company.
3. Lightyear Europe AS is a going concern.

Signature ---------------------

Martin Sokk
Member of the Management Board

Signature --------------------

Uku Lember
Member of the Management Board

Signature --------------------

Heili Veskimeister
Member of the Management Board

July 19 2023

Statement of financial position

(in euros)

ASSETS	Notes	31.03.2023	31.03.2022
Current assets			
Cash	5	3,009,758	1,359,763
Trade receivables	6	40,856	107,158
Prepayments	6	23,338	4,080
Other current assets	7	163,629	0
Total current assets		**3,237,581**	**1,471,001**
Non-current assets			
Property, plant and equipment	9	693,535	13,567
Other non-current assets		18,525	0
Total non-current assets		**712,060**	**13,567**
TOTAL ASSETS		**3,949,641**	**1,484,568**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	10	280,403	71,867
Current portion of lease liability	8	69,077	0
Total current liabilities		**349,480**	**71,867**
Non-current liabilities			
Non-current portion of lease liability	8	347,867	0
Total non-current liabilities		**347,867**	**0**
TOTAL LIABILITIES		**697,347**	**71,867**
SHREHOLDERS' EQUITY			
Share capital	12	150,001	150,000
Share premium	12	4,849,999	1,350,000
Accumulated loss		-1,747,706	-87,299
Total equity		**3,252,294**	**1,412,701**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,949,641**	**1,484,568**

The notes presented on pages 13- 37 form part of these financial statements.

Statement of comprehensive income
(in euros)

	Notes	01.04.2022-31.03.2023	21.05.2021-31.03.2022
Fee and commission income	13	448,940	106,998
Fee and commission expenses		-252,670	-13,635
Other expenses	14	-858,668	-33,391
Employee benefits expense	15	-940,024	-146,755
Depreciation and amortisation	9	-61,586	-516
Finance costs	8	-13,267	0
Finance income		16,868	0
Loss before income tax		**-1,660,407**	**-87,299**
Income tax expense		0	0
Loss for the period		**-1,660,407**	**-87,299**
Other comprehensive income		0	0
Total other comprehensive income		**0**	**0**
Total comprehensive income		**-1,660,407**	**-87,299**

The notes presented on pages 13- 37 form part of these financial statements.

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Statement of changes in equity

(in euros)

	Share capital	Share premium	Accumulated loss	Total equity
Balance at 21 May 2021	**25,000**	**0**	**0**	**25,000**
Loss for the period	0	0	-87,299	-87,299
Other comprehensive income	0	0	0	0
Total other comprehensive income	**0**	**0**	**0**	**0**
Total comprehensive income	**0**	**0**	**-87,299**	**-87,299**
Contributions of equity	125,000	1,350,000	0	1,475,000
Balance at 31 March 2022	**150,000**	**1,350,000**	**-87,299**	**1,412,701**
Loss for the period	0	0	-1,660,407	**-1,660,407**
Other comprehensive income	0	0	0	**0**
Total other comprehensive income	**0**	**0**	**0**	**0**
Total comprehensive income	**0**	**0**	**-1,660,407**	**-1,660,407**
Contributions of equity	1	3,499,999	0	**3,500,000**
Balance at 31 March 2023	**150,001**	**4,849,999**	**-1,747,706**	**3,252,294**

The notes presented on pages 13- 37 form part of these financial statements.

Statement of cash flows

(in euros)

	Notes	01.04.2022-31.03.2023	21.05.2021-31.03.2022
Cash flows from operating activities			
Loss before tax		**-1,660,407**	**-87,299**
Adjustments			
Depreciation and amortisation	9	59,986	516
Finance cost	8	13,267	0
Finance income		-16,868	0
Changes in working capital			
Change in Trade receivables and prepayments	6	28,519	-111,238
Change in Other current assets	7	-163,629	0
Change in Trade and other payables	10	208,536	71,867
Interest received		16,868	0
Total cash flows from operating activities		**-1,513,728**	**-126,154**
Cash flows from investing activities			
Payments for properties, plant and equipment	9	-299,870	-14,083
Total cash flows from investing activities		**-299,870**	**-14,083**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	8	-23,140	0
Cash paid for interest portion of lease liabilities	8	-13,267	0
Proceeds from issues of shares	12	3,500,000	1,475,000
Total cash flows from financing activities		**3,463,594**	**1,475,000**
Total cash flows		**1,649,995**	**1,334,763**
Cash at the beginning of the period	**5**	**1,359,763**	**25,000**
Net increase in cash		**1,649,995**	**1,334,763**
Cash at the end of the period	**5**	**3,009,758**	**1,359,763**

The notes presented on pages 13- 37 form part of these financial statements.

Notes to the financial statements

Note 1. General information

Lightyear Financial Ltd („the Parent Company“) and Lightyear Europe AS (“the Company“), operating under the Lightyear trademark, is an European investment platform offering investment services in the United Kingdom and European Economic Area.

The financial statements of Lightyear Europe AS for the year ended on 31 March 2023 were authorised for issue by the Management board on 19 July 2023 in accordance with the Commercial Code of the Republic of Estonia. According to the Commercial Code of the Republic of Estonia, the annual report prepared by the management shall be approved by the general meeting of the shareholders of the Company.

The Company is classified as an investment firm in the meaning of the Securities Market Act in the Republic of Estonia, however it is not considered an Investment Entity in the scope of IFRS 10.

Note 2. Accounting policies adopted in the preparation of the financial statements

2.1 Basis of preparation

The financial statements for the Company have been prepared on the going concern basis, under the historical cost convention.

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 March 2023.

The financial statements are presented in euros unless stated otherwise.

2.2 Changes in accounting policy and disclosures

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments).** The amendments are effective for annual periods beginning on or after 1 January 2022 with

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earlier application permitted. The amendments had no impact on the financial statements of the Company.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment).** The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. The amendments had no impact on the financial statements of the Company.

2.3 Standards issued but not yet effective and not early adopted

- **IFRS 17: Insurance Contracts** The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. The company does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the company's financial performance, financial position, or cash flows.
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)** The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)** The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)** The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)** The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The amendments have not yet been endorsed by the EU. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.
- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)** The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments have not yet been endorsed by the EU. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments have not yet been endorsed by the EU. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements.** The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments have not yet been endorsed by the EU. Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.
- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules.** Amendments to IAS 12 clarify the application of IAS 12 Income Taxes to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). The amendments have not yet been endorsed by the EU.

Management has assessed the new pronouncement and deemed there to be no material impact to the financial statements and related notes of the Company.

2.4 Functional and presentation currencies

The functional and presentation currency of the Company is the Euro. Foreign currency transactions are recognised using the official exchange rates quoted by the European Central Bank on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are remeasured in euros using the official exchange rates quoted by the European Central Bank on the reporting date. Gains and losses on foreign currency transactions are recognised in the statement of comprehensive income as revenue and expenses in the period.

2.5 Fee and commission income

In the year ended 31 March 2023, Lightyear Europe AS earned the following type of revenues accounted in accordance with IFRS 15 requirements constituted fee and commission income of the Company:

- Provision of intragroup management, marketing, and brokerage support services.
- Transaction fees (currency conversion fee, trade execution and pay-in fees)
- Net interest income fee

The Company is providing management, brokerage, and support services to Lightyear Financial Ltd (UK). Mentioned services are rendered for a specified period of time, stipulated in the agreement. The Company recognizes revenue using the costs incurred to measure the progress of completion of the performance obligation. Invoices are issued monthly based on the actual costs incurred on a cost-plus basis. The normal payment term is 30 days.

The Company exchanges currency between customers' wallets at the mid-market rate while applying a fixed percentage-based fee to the currency being exchanged from. Foreign exchange revenue has a single performance obligation namely the exchange of one currency for another between customer's currency wallets. The revenue is recognised at the point of this exchange.

The Company earns fee from the interest on customers’ uninvested cash balances, through withholding of a fixed margin for itself and passes the remainder of interest earned on to the customers based on the outstanding uninvested cash balances on their brokerage account with Lightyear. Similar to the currency exchange fee such revenue is recognized at the point in time. Currency exchange revenue has a single performance obligation namely the transfer of the funds accrued on the clients amount held with custodians to the end customer.

The Company reassesses its revenue recognition principles regularly as new products are introduced, and business models and other factors evolve.

2.6 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office properties over the period of 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are included within the statement of financial position line "Property, plant and equipment". The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of office premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as other expenses on a straight-line basis over the lease term.

2.7 Share-based compensation

As part of its employee share option program, options are granted to employees of the Company directly by the Parent Company. Equity-settled share-based payments are measured at the grant date fair value of the equity instruments granted and are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. The annual expense is based on the Company's estimate of the shares that will eventually vest.

2.8 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL).

The classification is based on two criteria:

- the Company's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Company's financial assets are as follows:

Financial assets	Classification under IFRS 9
Trade receivables	Amortised cost
Cash	Amortised cost
Liquidity buffer	Amortised cost

Excluding trade receivables without a significant financing component, all financial assets are initially recognised in their fair value plus transaction costs for financial assets that are not carried at fair value through profit and loss.

Trade receivables which typically have a 30-day payment period are initially recognised at their transaction value. Balances are written off if the likelihood of collection is small.

In assessing the expected credit losses for trade receivables, the Company applies a simplified method. As such, the Company doesn't monitor changes in credit risk but instead recognises an allowance on each reporting date in the amount of the expected lifetime credit loss.

Cash and cash equivalents, as well as the liquidity buffer are considered by the Company as a low credit risk investment. Credit risk is mitigated as such financial assets subject to credit risk are held with reputable financial institutions, based on the ratings of the independent credit agencies (Moody's, Fitch, S&P). If a bank or other financial institution has no independent credit rating, the Company evaluates its credit quality by analysing its financial position, experience, and other factors.

Subsequent measurement of financial assets

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

Derecognition

A financial asset is derecognised primarily when:

- the rights to receive cash flows from the asset have expired;
- the Company has taken actions not to pursue collection, for example in instances of bankruptcy or individual voluntary arrangement.

Financial liabilities

The Company has classified its financial liabilities as follows:

Financial liabilities	Classification under IFRS 9
Trade payables	Amortised cost

All financial liabilities are recognised initially at fair value and subsequently measured at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

2.9 Cash

Cash in the statement of financial position comprises cash at banks. Cash is recorded at amortised cost less expected credit loss in accordance with IFRS 9.

2.10 Liquidity buffer

Client money is held in segregated accounts and accounted for off-balance sheet. As per regulatory requirements, client money must be held in credit institutions. As the Company uses payment service providers (PSPs) for some currencies and pay-in methods, any cash in transit from PSPs needs to be pre-funded from corporate funds until the cash settles in the credit institutions used for safeguarding client funds. Furthermore, revenues earned by the Company increase the liquidity buffer until they are extracted to corporate bank accounts in a daily process. The pre-funded pay-ins by customers as well as unextracted revenues are accounted for as other current assets in the statement of financial position.

2.11 Taxes

Pursuant to the Income Tax Act in force in Estonia, profits are not subject to tax in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, disbursements not related to business and adjustments of transfer prices.

There are no differences between the carrying amounts and tax bases of the assets of companies registered in Estonia that could result in deferred tax assets and deferred tax liabilities. The contingent income tax liability which would arise on the distribution of retained earnings as dividends is not recognised in the statement of financial position. The maximum income tax liability which would arise on the distribution of retained earnings as dividends is presented in the notes to the financial statements.

The corporate income tax associated with the distribution of dividends is recognised as a liability and an income tax expense in the profit or loss at the time the dividends are declared, regardless of the period for which the dividends are declared or the time of their actual payment.

2.12 Property, plant, and equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant, and equipment, on a straight-line basis over its expected useful life as follows:

Computers and computer systems	Over a period of 3 years
Furniture and equipment	Over a period of 5 years
Leasehold improvements	Over a period of 5 years
Right of Use Asset	Over a period of 5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

The threshold to qualify as property, plant and equipment is a useful life of more than one year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income under other expenses in the period of derecognition.

2.13 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets in accordance with IAS 36 Impairment of Assets at each reporting date.

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The recoverable amount of assets is the fair value of the asset or cash generating unit, less cost of disposal or its value in use (whichever is higher) and its determined separately for each asset, except where an asset does not generate cash inflows that are largely independent of those from other assets. If the carrying amount exceeds the recoverable amount, the asset is described as impaired. The entity must reduce the carrying amount of the asset to its recoverable amount and recognise an impairment loss.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

2.14 Related parties

Related parties are:

- Parent company Lightyear Financial Ltd
- Shareholders with significant influence;
- Close relatives of equity holders with significant influence;
- Key personnel of the management and their close relatives;
- Companies controlled by the persons mentioned above.

The existence of a significant influence is assumed if the person has more than 20% of the voting rights.

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2.15 Off-balance-sheet assets and liabilities

Customers' funds consist of the customers' safeguarded funds that are not invested and customers' securities. Customers' funds are safeguarded in accordance with the Financial Instrument Market Law. As the Company does not bear the credit risks and other financial risks related to customers' funds and customers' securities, but only earns commission for servicing and safeguarding them, such funds are not recognized in the statement of financial position. Customers' funds are disclosed in Note 18 to these financial statements.

Note 3. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Company's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial statements.

Share-based payments

The Company incurs share-based payment expenses primarily from share options granted to employees over the shares of the Parent of the Company. The Company estimates the fair value of stock options granted to employees using the Black Scholes option-pricing model. The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based options. These variables include:

- per share fair value of the underlying ordinary shares;
- exercise price;
- expected term;
- risk-free interest rate;
- expected annual dividend yield; and
- expected stock price volatility over the expected term.

The Company engaged a professional appraiser to determine the common share value of the Parent Company. The appraiser applied appropriate valuation techniques and considered the specific rights attached to different share classes.

As the Parent Company is a privately held early-stage company, there are no appropriate benchmarks for volatility. For that reason, the historical average volatility of the S&P 500 was used. The risk-free interest rate of 3% was used as it had no material impact on the value of the share option. As a result of the assumptions used, no share-based payment expense was recorded in the reporting period. More details around share-based payments are disclosed in Note 16.

Lease extension option

The lease agreement for the office space occupied by the Company provides for an option to extend the lease term for an additional 3 years. The period covered by the extension option was not considered part of the lease term as there is substantial uncertainty around our intent to exercise the option given the headcount growth trajectory of the Company.

Going concern

The management board has assessed the ability of the Company to continue as a going concern and believes that the Company has sufficient funds in order to continue its activities. Furthermore, as the Company represents an integral part of the business to the Lightyear Group, the Parent company is prepared to inject additional funding to ensure appropriate capitalisation of the Company. Therefore, the financial statements are prepared on the basis of the going concern principle.

Note 4. Risk management, calculation of capital requirements and capital adequacy

Lightyear Europe AS has applied a set of risk management rules, the principles, and policies of which have been approved by the management board and supervisory board. To manage possible business risks, the Company applies corresponding processes for identifying, mitigating, and monitoring risks. Risk management comprises consistent activities in which the organisation as a whole has been involved and the purpose of which is to ensure the sustainability of the Company through the availability of sufficient capital should the risks materialise as well as to ensure transparency and high-quality management decisions.

The most significant financial risks for Lightyear Europe AS are the following:

4.1 Financial risk factors

The Company's international operations expose it to various financial risk factors such as credit risk, currency risk, interest rate risk, liquidity risk and capital management risk. The Company's risk management focuses on activities that reduce to a minimum any possible adverse effects on the Company's financial performance.

The following is additional information about the financial risks:

4.1.1 Market risks

4.1.1.1 Currency risk

Foreign currency risk represents the risk to the Company of changes to the currency rate. The primary source of currency risk for the Company is a currency mismatch in customer assets and liabilities arising from customer conversions performed outside of market hours. To mitigate the currency risk from the mismatch, rebalancing of asset and liability currency exposures is performed on a daily basis. As a rule, net exposures resulting from currency mismatches of assets and liabilities are held below the equivalent of 25 thousand euros - as such exchange rate fluctuations as extreme as 5% in either direction would result in immaterial losses or gains for the Company.

4.1.1.2 Interest rate risk

Interest rate risk represents the sensitivity of the Company to changes in interest rates.

Income and operating cash flows are substantially independent of changes in market rates as the Company's interest-bearing assets consist primarily of cash on bank accounts.

4.1.2 Credit risk

Credit risk arises from cash and trade receivables. As of 31 March 2023, its trade receivables had arisen from provision of support services to the Parent Company. The Company uses selected financial institutions for large cash deposits, and these have credit scores of Baa1, which is the rating provided by Moody's that management considers acceptable and low credit risk. Of the total cash balances held at 31 March 2023, 96.2% were held at credit institutions with a credit score of Baa1 with the remainder deposited at unrated financial institutions. The Company has not experienced any losses related to the credit risk during the reporting periods.

The maximum exposure to credit risk as at the reporting date was:

Financial assets		
(in euros)	**31.03.2023**	**31.03.2022**
Cash (Note 5)	3,009,758	1,359,763
Trade receivables (Note 6)	40,856	107,158
Total financial assets	**3,050,614**	**1,466,921**

The Company applies IFRS 9 for recognising lifetime expected credit losses for all trade receivables as these items do not have a financing component.

The expected credit loss from trade receivables was 0 euros as of 31 March 2023 and as of 31 March 2022. See Note 6.

While cash is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as of 31 March 2023.

4.1.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due owing to insufficient financial resources. The Company manages liquidity risk by maintaining adequate cash reserves and continually monitoring forecasts and actual cash flows.

The table below summarises the maturity profile undiscounted cash-flows of the Company's financial liabilities on 31 March 2023:

31.03.2023 *(in euros)*	**Total**	**Up to 30 days**	**1-3 months**	**3-12 months**	**1-3 years**	**up to 5 years**
Trade payables (Note 10)	78,582	78,582	0	0	0	0
Lease liabilities	497,655	8,105	16,209	74,158	211,961	187,222
Total	**576,237**	**86,687**	**16,209**	**74,158**	**211,961**	**187,222**

4.2 Own funds and capital management

The objective of capital management is to ensure the availability of sufficient capital to cover the risks assumed and therethrough ensure the sustainability of economic activities.

The Company monitors capitalisation on two levels:

- The minimal regulatory capital requirement
- Buffers and additional capital to cover risks identified through the internal capital and risk assessment process.

The own funds of Lightyear Europe AS consist exclusively of Common Equity Tier 1 instruments (the strongest as it absorbs losses immediately as they occur) such as paid in capital and share premium.

Tier 1 own funds *(in euros)*	**31.03.2023**	**31.03.2022**
Paid in share capital	150,001	150,000
Share premium	4,849,999	1,350,000
Accumulated losses	-1,747,706	-87,299
Total Tier 1 own funds	**3,252,294**	**1,412,701**
Total own funds	**3,252,294**	**1,412,701**

In line with Regulation (EU) 2019/2033 (IFR) of the European Parliament and of the Council an investment firm must have own funds in excess of the highest of the following three amounts: (1) Fixed overhead requirement, (2) Permanent minimum capital requirement or (3) K-factor requirement (Own Funds Requirements based on the extent to which they are exposed to certain risk-related activities). The permanent minimum requirement determined the total own funds requirement for Lightyear Europe AS at the end of the reporting period.

Minimum regulatory capital requirement		
(in euros)	**31.03.2023**	**31.03.2022**
Fixed overhead requirement	116,300	116,300
Permanent minimum capital requirement	150,000	150,000
K-factor requirement	9,910	0
Minimum regulatory capital requirement	**150,000**	**150,000**

Capital adequacy represents the ratio of own funds held by the Company and its regulatory minimum capital requirement. The % requirements applicable for various classes of own funds apply to all investment firms.

Capital adequacy	**31.03.2023**	**31.03.2022**	**Regulatory minimum**
Common Equity Tier 1 (CET1) capital adequacy %	2,168%	942%	56%
Tier 1 capital adequacy %	2,168%	942%	75%
Capital adequacy %	2,168%	942%	100%

Lightyear Europe AS has a capital adequacy ratio of 2168% at the end of the reporting period and as such was compliant with regulatory capital requirements. In addition to the own funds requirements arising from IFR, the Company is subject to the requirements of the Commercial Code of the Republic of Estonia where §301 states that shareholder's equity should never fall below 50% of share capital or the statutory minimum capital of €25 thousand. During the year ended, the Company was compliant with the capital requirements arising from the Commercial Code.

Note 5. Cash

(in euros)	**31.03.2023**	**31.03.2022**
Cash in bank accounts	3,009,758	1,359,763
Total cash	**3,009,758**	**1,359,763**

Note 6. Trade receivables and prepayments

Trade receivables		
(in euros)	**31.03.2023**	**31.03.2022**
Trade receivables		
Trade receivables (gross)	40,856	107,158
Allowance for doubtful receivables	0	0
Trade receivables (net)	40,856	107,158
Total trade receivables	**40,856**	**107,158**

Prepayments		
(in euros)	**31.03.2023**	**31.03.2022**
Prepayments	13,476	3,714
Prepayment of VAT	9,862	366
Total prepayments	**23,338**	**4,080**

Note 7. Other current assets

(in euros)	**31.03.2023**	**31.03.2022**
Liquidity buffer	78,698	0
Collateral deposits	55,329	0
Accrued interest receivable	29,603	0
Total other current assets	**163,629**	**0**

Note 8. Leases

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Office properties
Balance at 21 May 2021	**0**
Additions	0
Depreciation expense	0
Balance at 31 March 2022	**0**
Additions	384,600
Adjustments*	55,483
Depreciation expense	-31,176
Balance at 31 March 2023	**353,424**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2023
Balance at 01 April 2022	**0**
Additions	384,600
Accretion of interest	13,267
Payments	-36,407
Adjustments*	55,483
Balance at 31 March 2023	**416,943**
Current	69,077
Non-current	347,867

*The value of the assets and liabilities under the lease has been adjusted in line with the increase in the lease price from 1 January 2023.

The following are the amounts recognised in profit or loss:

	2023
Depreciation expense of right-of-use assets	31,176
Interest expense on lease liabilities	13,267
Expense relating to short-term leases	18,999

Note 9. Property, plant, and equipment

21.05.2021 *(in euros)*	Office properties (Note 8)	Leasehold Improvements	Furniture	Computers and other equipment	Total
Cost	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0
Carrying amount	**0**			**0**	**0**
Additions	0	0	0	14,083	14,083
Depreciation	0	0	0	-516	-516
31.03.2022					
Cost	0	0	0	14,083	14,083
Accumulated depreciation	0	0	0	-516	-516
Carrying amount	**0**	**0**	**0**	**13,567**	**13,567**
Additions	384,600	125,226	139,275	35,368	684,470
Adjustments*	55,483	0	0	0	55,483
Depreciation	-31,176	-9,469	-10,531	-8,809	-59,986
31.03.2023					
Cost	440,083	125,226	139,275	49,451	754,036
Accumulated depreciation	-31,176	-9,469	-10,531	-9,325	-60,502
Carrying amount	**408,907**	**115,757**	**128,744**	**40,126**	**693,534**

*The value of the assets and liabilities under the lease liability has been adjusted in line with the increase in the lease price from 1 January 2023.

Note 10. Trade and other payables

(in euros)	**31.03.2023**	**31.03.2022**
Trade payables	78,582	6,757
Employee payables	56,940	24,420
Taxes payables (excl corporate income tax)		
Personal income tax	14,813	4,622
Social and other employer taxes	30,199	8,959
Vacation reserve and taxes	56,964	8,755
Other accruals	42,906	18,354
Total trade and other payables	**280,403**	**71,867**
Including financial liabilities	78,582	6,757
Including non-financial liabilities	201,821	65,110

Note 11. Fair value of financial assets and liabilities

The Company estimates that the fair values of assets and liabilities reported at amortised cost in the statement of financial position do not materially differ from the carrying amounts reported in the financial statements due to their short maturities.

Note 12. Share capital and share premium

(in euros)	**31.03.2023**	**31.03.2022**
Share capital	150,001	150,000
Number of shares (pcs)	150,001	150,000

In August 2022, the share capital was increased by issuing new shares. The share capital was increased by 1 euro and the share premium by 3 499 999 euros, totalling to 3 500 000 euros, the amount was fully settled in cash.
Share premium is the difference between the issue price and the par value of the share. A premium may be used to cover a loss of the Company if such loss cannot be covered by retained profit from previous periods and to increase share capital by a bonus issue.

Note 13. Fee and commission income

Revenue recognised in the statement of comprehensive income is analysed as follows:

Fee and commission income by operating activities *(in euros)*	**01.04.2022-31.03.2023**	**21.05.2021-31.03.2022**
Fee and commission income	31,949	0
Net interest income	7,882	0
Intercompany service revenue	409,109	106,998
Total	**448,940**	**106,998**

Fee and commission income by geographical location *(in euros)*	**01.04.2022-31.03.2023**	**21.05.2021-31.03.2022**
European Economic Area	39,831	0
United Kingdom	409,109	106,998
Total	**448,940**	**106,998**

Timing of fee and commission income recognition *(in euros)*	**01.04.2022-31.03.2023**	**21.05.2021-31.03.2022**
Services transferred at a point in time	39,831	0
Services transferred over time	409,109	106,998
Total	**448,940**	**106,998**

Note 14. Other expenses

(in euros)	**01.04.2022-31.03.2023**	**21.05.2021-31.03.2022**
Rent	-18,999	-3,975
Miscellaneous office expenses	-34,707	-2,783
Travel expenses	-63,181	-11,772
Legal expenses	-89,878	-5,487
IT Service expense	-20,860	-5,076
Marketing expenses	-471,794	-1,499
Other expenses	-159,250	-2,799
Total	**-858,668**	**-33,391**

Note 15. Employee benefits expense

(in euros)	**01.04.2022-31.03.2023**	**21.05.2021-31.03.2022**
Wages and salaries	-702,850	-111,996
Social security costs	-237,174	-34,759
Total employee expenses	**-940,024**	**-146,755**
Persons employed under employment contract	19	9

Note 16. Share based payments

The Parent Company has an equity settled share option scheme which includes the employees of Lightyear Europe AS. The Parent Company grants share options directly to the employees of the Company which gives them the opportunity to exchange the share options into the Parent Company's shares at a specified strike price. The strike price is set on the date of the option grant. Assuming that the employees continue their employment with Lightyear for 4 years from the date of the grant, there are no additional vesting conditions. Vesting commences at the grant date. Provided that the employees stay employed by Lightyear, 25% of the options vest on the first anniversary of the grant. The remaining 75% of share options vest in monthly instalments over the next 36 months. The Company does not have a legal or constructive obligation to repurchase the options or settle them in cash. The Parent Company does not have a history nor intention of settling the options in cash, the options are settled with the employees by the Parent Company.

As a rule, participants can exercise their vested options at any time until the expiry of the options which is 10 years from the grant date.

The fair value of the options is determined on the grant date using the Black-Scholes model. The weighted average fair value of granted options was 0 euros.

The total expense from share-based payments recognised in the statement of comprehensive income through 31 March 2023 was 0 euros.

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Note 17. Related party disclosures

During the period the Company entered into the following transactions with related parties:

Transactions *(in euros)*	**01.04.2022-31.03.2023**	**21.05.2021-31.03.2022**
Revenue from management and brokerage support services	409,109	106,998
Incl. to the Parent Company	*409,109*	*106,998*
License fee and marketing expenses	233,182	0
Incl. from the Parent Company	*233,182*	*0*

Balances *(in euros)*	**31.03.2023**	**31.03.2022**
Trade receivables	29,126	106,998
Incl. from the Parent Company	*29,126*	*106,998*
Trade payables	40,200	0
Incl. to the Parent Company	*40,200*	*0*

The table above shows a summary of related party transactions and balances.

Management does not have a separate share option program, but some members of management participate in the stock option program for employees on similar terms. For the year ended 31 March 2023 management was paid 205 424 euros in salaries and wages which consisted exclusively of short-term employee benefits. The supervisory board members did not receive any benefits.

Note 18. Off-balance-sheet assets and liabilities

Off-balance sheet assets include customers' funds in a segregated bank accounts and customers' securities. The assets of customers are held separately from those of the company and are accounted for off-balance sheet.

Off-balance sheet assets (in euros)	31.03.2023	31.03.2022
Customer securities	22,764,521	0
Customer cash	9,843,664	0
Total	**32,608,185**	**0**

Off-balance sheet liabilities (in euros)	31.03.2023	31.03.2022
Liabilities to customers	32,608,185	0
Total	**32,608,185**	**0**

Note 19. Subsequent events

To better align the sources of revenue to its cost base, the Company introduced trade execution fees in April 2023. Concurrently, the Company expanded its geographical reach by making the platform available in Hungary. These events have no impact on the financial position or comprehensive income reported for the year ended on 31 March 2023.

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Lightyear Europe AS

Opinion

We have audited the financial statements of Lightyear Europe AS, which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lightyear Europe AS as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Other information

Management is responsible for the other information. Other information consists of management report, but does not consist of the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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, 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.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- the Management Report is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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

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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 responsibilities 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to frauc 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 thá 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 estima 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 w 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 repor 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 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.

Tallinn, 19 July 2023

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58mingi

Loss coverage proposal

(in euros)

	31.03.2023	31.03.2022
Retained earnings from previous periods	-87,299	0
Loss for the period	-1,660,407	-87,299
Total	**-1,747,706**	**-87,299**
Carry forward	-1,747,706	-87,299
Retained earnings after carrying forward	-1,747,706	-87,299

Lightyear

Allocation of income according to EMTAK classificators

EMTAK activity	01.04.2022-31.03.2023	21.05.2021-31.03.2022
64991 Other financial service activities, except insurance and pension funding n.e.c.	448,940	106,998
Total	**448,940**	**106,998**

Lightyear