

Fellow Finance Plc
Ratakatu 1 b A 10
FI-00120 Helsinki, Finland
Registered office Helsinki
Business identity code 2568782-2



FELLOW FINANCE

Fellow Finance Plc

BALANCE SHEET BOOK

1 January – 31 December 2016

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The balance sheet book must be retained at least until 31 December 2026.
Vouchers for the financial year must be retained at least until 31 December 2022.

Report of the Board of Directors of Fellow Finance Plc

Fellow Finance Group

Fellow Finance Plc is a public limited liability company established in 2013 that provides crowdfunding services. The Fellow Finance Group consists of the parent company Fellow Finance Plc and its wholly-owned subsidiaries Lainaamo Oy, P2P Sverige Ab and Fellow Finance Sp. z o.o.

Fellow Finance Plc and Lainaamo Oy have been registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. In Germany, Fellow Finance has been issued a credit intermediation licence (Kreditvermittlungslizenz), and at the end of 2016, the company applied for registration in the peer-to-peer loan intermediaries and crowdfunding intermediaries registers in Finland. Fellow Finance Sp. z o.o. commenced peer-to-peer loan business operations in Poland in 2016. P2P Sverige Ab had no business operations during the financial year.

Significant events during the financial year

2016 was a year of growth for Fellow Finance. The company's growth outperformed the peer-to-peer loan market and its competitors in Finland. During the financial year, Fellow Finance mediated loans in the amount of around EUR 50 million. The market share in continental Europe was 4.3% (Liberum Altfi Index), while in Finland, Fellow Finance's share of the crowdfunding market published by the Ministry of Finance was more than 30%. During the financial year, Fellow Finance made significant investments in the development of its peer-to-peer and crowdfunding loan service.

Assessment of financial position and performance

The consolidated turnover grew by 40% on the previous financial year to EUR 5.6 million, and the consolidated operating profit amounted to EUR 918,000. The parent company's turnover grew by 109% on the previous financial year to EUR 3.2 million, and the profit for the financial year amounted to EUR 10,000.

Key financial indicators for the parent company:	2016 (12 months)	2015 (12 months)	2014 (15 months)
Turnover (EUR thousands)	3,177.6	1,519.5	212.0
Operating profit (EUR thousands)	-52.7	-338.5	-398.7
Operating margin	-1.7%	-22.3%	-188.1%
Return on equity	0.4%	-6.9%	-191.8%
Equity ratio	85.7%	93.2%	53.1%
Number of personnel (on average)	15	6	3
Wages and salaries during the period (EUR thousands)	618.5	250.8	105.4
Key financial indicators for the Group:	2016 (12 months)	2015 (12 months)	
Turnover (EUR thousands)	5,592.2	4,005.3	
Operating profit (EUR thousands)	918.0	1,291.3	
Operating margin	16.4%	32.2%	
Return on equity	2.4%	9.2%	
Equity ratio	18.1%	19.4%	
Number of personnel (on average)	15	8	
Wages and salaries during the period (EUR thousands)	618.5	282.8	

Assessment of principal risks and uncertainties

The company's Board of Directors is responsible for the proper arrangement of risk management and internal control. Responsibility for the execution of risk management rests with the CEO. The

objective of the company's risk management is to support the undisturbed execution of its strategy and revenue generation and to ensure that the risks associated with the company's operations are duly identified, assessed and addressed where necessary.

The parent company Fellow Finance Plc is not exposed to any significant financing i.e. credit, market or liquidity risks. As a company providing, developing and maintaining peer-to-peer loan and crowdfunding service, Fellow Finance Plc's most significant identified risks are operational. Operational risks refer to direct or indirect financial loss resulting from insufficient or failed internal processes, information systems, personnel or external factors. Reputation, legal, compliance and data security risks are also included in operational risks.

Operational risks are managed by constantly developing operating practices, information systems and internal processes and by ensuring sufficient instruction and competence of the personnel. Legal risks may relate to the contracts concluded with various cooperation and contract partners. Legal risks are managed by retaining the services of outside experts where necessary. Fellow Finance is dependent on the professional competence of its key individuals and their commitment to the company. Reputation risk and the clients' trust towards the company and the provided service are managed by means of openness and active internal and external communications. The company minimises its information system and data security risks by using advanced systems and secure data processing methods. The key methods in managing the risks associated with operations and in identifying the risks involved are: operating practices in the processes and guidelines, training, reporting and supervision, regular self-assessment and regular review and development of business processes.

Board of Directors, CEO and auditors

The members of the company's Board of Directors were Teemu Nyholm as the Chairman and Jouni Hintikka, Karri Haaparinne, Pontus Oinonen, Pekka Samuelsson and Harri Tilev as standing members. Karri Haaparinne served as the Chairman of the Board of Directors until 15 June 2016.

Serving as the company's auditor is Timo Helle, APA.

Jouni Hintikka served as the company's CEO during the current financial year.

Share capital and shares

The company's share capital is EUR 125,000 and the number of shares is 232,705 shares.

Board of Directors' proposal for the distribution of profit

According to the financial statements of 31 December 2016, the distributable shareholders' equity of the parent company Fellow Finance Plc is EUR 2,250,842.34. The Board of Directors proposes that the profit for the period be carried over to the retained earnings and loss account and that no dividend be paid for the financial year 1 January 2016 – 31 December 2016.

Major post-year developments

Since the end of the financial year, the company has continued with its service development, the objective of which is to increase its operational advantage over competing European crowdfunding services.

Assessment of likely future development

The company expects to continue to outgrow the peer-to-peer loan and crowdfunding markets in 2017 and to strengthen its market position in Finland. The company will continue to make significant investments in the development of its service and in increasing its recognition.

Information on the scope and extent of the research and development activities

The company has no research and development activities.

Consolidated income statement

INCOME STATEMENT	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
TURNOVER	5 592 185,36	4 005 259,01
Other operating income	9 504,00	416 141,76
Materials and services		
External services	-1 930 812,20	-772 101,13
	<u>-1 930 812,20</u>	<u>-772 101,13</u>
Personnel expenses		
Wages and salaries	-618 504,71	-282 842,95
Pension expenses	-120 895,85	-54 220,79
Other non-wage payroll expenses	-28 380,17	-3 839,35
	<u>-767 780,73</u>	<u>-340 903,09</u>
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-313 756,65	-136 879,80
Depreciation on consolidated goodwill	-24 816,24	-14 476,12
	<u>-338 572,89</u>	<u>-151 355,92</u>
Other operating costs	-1 646 557,69	-1 865 729,84
OPERATING PROFIT/LOSS	917 965,85	1 291 310,79
Financial income and expenses		
Other interest and financial income		
From others	34,85	1 473,65
Interest and other financial expenses		
To others	-775 451,76	-843 768,03
	<u>-775 416,91</u>	<u>-842 294,38</u>
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	142 548,94	449 016,41
Income taxes	-68 165,01	-128 974,31
PROFIT/LOSS FOR THE YEAR	74 383,93	320 042,10

Consolidated balance sheet

BALANCE SHEET	31.12.2016	31.12.2015
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development costs	13 909,11	27 818,22
Other capitalised long-term expenditure	522 389,72	698 495,88
Goodwill	84 788,66	109 604,90
	<u>621 087,49</u>	<u>835 919,00</u>
Tangible assets		
Machinery and equipment	72 042,01	29 350,12
TOTAL NON-CURRENT ASSETS	693 129,50	865 269,12
CURRENT ASSETS		
Receivables		
Non-current		
Loan receivables	8 958 470,57	9 835 734,06
Current		
Trade receivables	133 536,81	368 290,68
Loan receivables	3 103 165,77	2 255 905,79
Other receivables	1 810 498,29	453 438,90
Prepayments and accrued income	187 224,67	217 616,71
	<u>5 234 425,54</u>	<u>3 295 252,08</u>
Cash and cash equivalents	5 662,00	4 500,00
Cash in hand and at banks	<u>2 217 325,35</u>	<u>1 576 442,52</u>
	<u>2 222 987,35</u>	<u>1 580 942,52</u>
TOTAL CURRENT ASSETS	16 415 883,46	14 711 928,66
TOTAL ASSETS	17 109 012,96	15 577 197,78

Consolidated balance sheet

BALANCE SHEET	31.12.2016	31.12.2015
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000,00	125 000,00
Invested unrestricted equity reserve	2 977 540,00	2 977 540,00
Retained earnings/loss	-79 654,68	-398 604,96
Profit/loss for the year	74 383,93	320 042,10
TOTAL SHAREHOLDERS' EQUITY	3 097 269,25	3 023 977,14
LIABILITIES		
Non-current		
Loans from financial institutions	4 600 000,00	4 000 000,00
Other liabilities	8 735 000,00	2 550 000,00
	<u>13 335 000,00</u>	<u>6 550 000,00</u>
Current		
Loans from financial institutions	0,00	4 500 000,00
Trade payables	226 259,50	270 900,66
Other liabilities	47 254,52	750 551,78
Accruals and deferred income	403 229,69	481 768,20
	<u>676 743,71</u>	<u>6 003 220,64</u>
TOTAL LIABILITIES	14 011 743,71	12 553 220,64
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	17 109 012,96	15 577 197,78

Consolidated cash flow statement (€1,000)

Cash flow from operations

1 Jan – 31 Dec 2016 Jan – 31 Dec 2015

Profit (loss) before extraordinary items	142,5	449,0
Depreciation and amortisation according to plan	338,6	151,4
Financial income and expenses	775,4	843,8
Cash flow before change in working capital	1 256,5	1 444,1
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivab	-1 091,9	162,4
Increase (+)/decrease (-) in short-term non-interest-bearing debts	-128,1	-474,3
Cash flow from business operations before financial items and taxes	36,5	1 132,2
Interest paid and payments made for other financial expenditure	-775,5	-844,2
Interest on business operations	0,0	1,5
Direct taxes paid	-66,5	
Cash flow from business operations (A)	-805,4	289,4
Cash flow from investments		
Investments in tangible and intangible assets	-166,4	-400,2
Proceeds on disposal of tangible and intangibles assets		9,5
Loans extended increase(-)/decrease(+)	30,0	7 417,0
Acquisition of a subsidiary with time-of-acquisition liquid assets deducted		330,5
Cash flow from investments (B)	-136,4	7 356,9
Cash flow from financing activities		
Share issue subject to a charge		1 900,0
Withdrawals of current loans		700,0
Repayments of current loans	-5 200,0	-10 000,0
Withdrawals of non-current loans	6 785,0	2 550,0
Repayments of non-current loans		-1 000,0
Interests paid and payments made for financial expenditure		-288,1
Translation difference	-1,1	
Cash flow from financing activities (C)	1 583,9	-6 138,1
Change in cash and cash equivalents	642,0	1 508,2
Cash and cash equivalents at the beginning of the financial year	1 580,9	72,7
Cash and cash equivalents at the end of the financial year	2 223,0	1 580,9

Notes concerning the preparation of consolidated financial statements

Principles applied in the preparation of the consolidated financial statements

All group and affiliated companies have been consolidated with the Group.
The consolidated financial statements have been prepared using the acquisition cost method.

The depreciation of the company's non-current assets subject to wear and tear is based on a predetermined depreciation plan. The depreciation plan has been defined based on practice and experience.

Intra-group transactions, unrealised margins on internal deliveries, inter-company receivables and liabilities, and the Group's internal distribution of profit have been eliminated.

Amendment of the accounting principles of the consolidated financial statements

The consolidated income statement item 'financing expenses in materials and services' has been moved after operating profit under item 'Interest and other financial expenses' to ensure comparability of the consolidated income statement. A similar change has been made to the comparative information of the preceding financial years.

Comparability of the financial statements

This financial year was the third in the company's history, and the Group was formed following Fellow Finance Plc's acquisition of the entire capital stock of Lainaamo Oy on 27 May 2016.

Notes to the income statement

Principles for planned depreciation and changes thereto

Class of asset	Estimated useful life	Depreciation (%)	Depreciation method
Development costs	4 years	25 %	Straight-line depreciation
Intangible rights	3 to 4 years	25% and 33%	Straight-line depreciation
Other capitalised long-term expenditure	3 to 4 years	25% and 33%	Straight-line depreciation
Machinery and equipment	4 years	25 %	Straight-line depreciation

The acquisition cost of assets with estimated economic useful life of no more than three years and de minimis purchases are recognised as expenses in financial year in which they are incurred.

Breakdown of turnover	31.12.2016	31.12.2015
Interest income on loans	2 001 612,31	1 816 451,79
Other loan fees	3 590 573,05	2 188 807,22
Total	<u>5 592 185,36</u>	<u>4 005 259,01</u>

Notes on personnel	31.12.2016	31.12.2015
Average number of personnel	15	8
Salaries and fees of the Board of Directors and the CEO:	163 398,00	106 265,43

Depreciation, amortisation and impairment	31.12.2016	31.12.2015
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Depreciation and amortisation according to plan

On intangible assets	292 640,43	128 825,40
On tangible assets	21 116,22	8 054,40
On consolidated goodwill	24 816,24	14 476,12
Total	<u>338 572,89</u>	<u>151 355,92</u>

Other operating costs	31.12.2016	31.12.2015
Travel and other personnel costs	41 242,33	26 265,41
Entertainment and marketing costs	358 920,41	841 511,78
Office facility and furniture costs	266 427,35	238 209,65
Other operating costs	979 967,60	759 743,00
Total	<u><u>1 646 557,69</u></u>	<u><u>1 865 729,84</u></u>
Auditor's fee	31.12.2016	31.12.2015
Audit fees	10 470,25	11 148,22
Material amounts shown under prepayments and accrued income	31.12.2016	31.12.2015
Prepayments and accrued income included in non-wage payroll expenses		2 600,40
Non-matured interest income	123 910,63	191 023,35
Other prepayments and accrued income	63 314,04	23 992,96
Total prepayments and accrued income	<u><u>187 224,67</u></u>	<u><u>217 616,71</u></u>
Change in non-current assets:	31.12.2016	31.12.2015
Consolidated goodwill		
Acquisition cost at year start	124 081,02	0,00
Increases during the year	0,00	124 081,02
Acquisition cost before planned depreciation	<u>124 081,02</u>	<u>124 081,02</u>
Accumulated planned depreciation at year start	-14 476,12	0,00
Planned depreciation during the year	-24 816,24	-14 476,12
Accumulated planned depreciation at year end	<u><u>-39 292,36</u></u>	<u><u>-14 476,12</u></u>
Acquisition cost at year end	124 081,02	124 081,02
Accumulated planned depreciation at year end	-39 292,36	-14 476,12
Reducing balance after planned depreciation	<u><u>84 788,66</u></u>	<u><u>109 604,90</u></u>
Consolidated goodwill reducing balance at year end	84 788,66	109 604,90
Intangible assets:	31.12.2016	31.12.2015
Development costs		
Acquisition cost at year start	35 931,87	0,00
Increases during the year	0,00	35 931,87
Acquisition cost before planned depreciation	<u>35 931,87</u>	<u>35 931,87</u>
Accumulated planned depreciation at year start	-8 113,65	0,00
Planned depreciation during the year	-13 909,11	-8 113,65
Accumulated planned depreciation at year end	<u><u>-22 022,76</u></u>	<u><u>-8 113,65</u></u>
Acquisition cost at year end	35 931,87	35 931,87
Accumulated planned depreciation at year end	-22 022,76	-8 113,65
Reducing balance after planned depreciation	<u><u>13 909,11</u></u>	<u><u>27 818,22</u></u>
Reducing balance at year end	13 909,11	27 818,22

Computer software

Acquisition cost at year start	614 073,98	59 182,77
Increases during the year	102 625,16	564 433,17
Decreases during the year	0,00	-9 541,96
Acquisition cost before planned depreciation	<u>716 699,14</u>	<u>614 073,98</u>

Accumulated planned depreciation at year start	-117 324,99	-14 953,74
Planned depreciation during the year	-205 369,32	-102 371,25
Accumulated planned depreciation at year end	<u>-322 694,31</u>	<u>-117 324,99</u>

Acquisition cost at year end	716 699,14	614 073,98
Accumulated planned depreciation at year end	-322 694,31	-117 324,99
Reducing balance after planned depreciation	<u>394 004,83</u>	<u>496 748,99</u>

Computer software reducing balance at year end **394 004,83** **496 748,99**

Other capitalised long-term expenditure

Acquisition cost at year start	220 087,39	0,00
Increases during the year	0,00	220 087,39
Acquisition cost before planned depreciation	<u>220 087,39</u>	<u>220 087,39</u>

Accumulated planned depreciation at year start	-18 340,50	0,00
Planned depreciation during the year	-73 362,00	-18 340,50
Accumulated planned depreciation at year end	<u>-91 702,50</u>	<u>-18 340,50</u>

Acquisition cost at year end	220 087,39	220 087,39
Accumulated planned depreciation at year end	-91 702,50	-18 340,50
Reducing balance after planned depreciation	<u>128 384,89</u>	<u>201 746,89</u>

Reducing balance of other capitalised long-term expenditure at year end **128 384,89** **201 746,89**

Carrying amount of intangible assets at year end **621 087,49** **835 919,00**

Tangible assets **31.12.2016** **31.12.2015**

Machinery and equipment

Acquisition cost at year start	39 341,72	7 744,90
Increases during the year	63 808,11	31 596,82
Acquisition cost before planned depreciation	<u>103 149,83</u>	<u>39 341,72</u>

Accumulated planned depreciation at year start	-9 991,60	-1 937,20
Planned depreciation during the year	-21 116,22	-8 054,40
Accumulated planned depreciation at year end	<u>-31 107,82</u>	<u>-9 991,60</u>

Acquisition cost at year end	103 149,83	39 341,72
Accumulated planned depreciation at year end	-31 107,82	-9 991,60
Reducing balance after planned depreciation	<u>72 042,01</u>	<u>29 350,12</u>

Carrying amount of tangible assets at year end **72 042,01** **29 350,12**

De minimis purchases recognised as costs for the financial year **8 995,87** **3 182,20**

Notes concerning the shareholders' equity and liabilities in the balance sheet

Statement of changes in the shareholders' equity		31.12.2016	31.12.2015
Restricted equity			
	Share capital at year start	125 000,00	2 500,00
	Share issue		122 500,00
	Share capital at year end	<u>125 000,00</u>	<u>125 000,00</u>
Total restricted equity			
		125 000,00	125 000,00
Unrestricted equity			
	Paid-up unrestricted equity reserve	2 977 540,00	
	Investment in paid-up unrestricted equity reserve		2 977 540,00
	Retained losses	-79 654,68	-398 604,96
	Profit for the year	74 383,93	320 042,10
Total unrestricted equity			
		<u>2 972 269,25</u>	<u>2 898 977,14</u>
Total shareholders' equity		<u>3 097 269,25</u>	<u>3 023 977,14</u>

Statement of distributable funds in shareholders' equity:

	31.12.2016	31.12.2015
Retained losses	-79 654,68	-398 604,96
Paid-up unrestricted equity reserve	2 977 540,00	2 977 540,00
Profit for the year	74 383,93	320 042,10
Total distributable funds	<u>2 972 269,25</u>	<u>2 898 977,14</u>

Material amounts shown under accruals and deferred income:

	31.12.2016	31.12.2015
Accrual of opening fees	100 581,73	315 005,11
Holiday pay liability inclusive of social security charges	82 435,12	54 111,71
Other personnel costs	62 830,39	5 338,31
Income taxes	66 592,53	64 952,56
Other accruals and deferred income	90 789,92	42 360,51
	<u>403 229,69</u>	<u>481 768,20</u>

Guarantees and contingent liabilities:

Liabilities and guarantees by balance sheet item and type of guarar

	31.12.2016	31.12.2015	
Other receivables	pledged rent deposit	12 107,77	12 046,68

Other financial liabilities not recognised in the balance sheet:

	31.12.2016	31.12.2015	
Lease liabilities	maturing during the year	14 595,34	12 000,00

Off-balance sheet assets managed by the Group

	31.12.2016	31.12.2015
Customer assets on bank accounts (€1,000)	6 411,6	2 873,6
Open loan principal (€1,000)	29 020,9	12 418,9

Parent company income statement

INCOME STATEMENT	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
TURNOVER	3 177 558,16	1 519 482,98
Other operating income	292 801,31	160 990,00
Materials and services		
External services	<u>-648 689,38</u>	<u>-535 070,56</u>
	-648 689,38	-535 070,56
Personnel expenses		
Wages and salaries	-618 504,71	-250 755,85
Pension expenses	-120 660,69	-37 269,48
Other non-wage payroll expenses	<u>-28 700,37</u>	<u>-16 131,26</u>
	-767 865,77	-304 156,59
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-174 486,33	-55 023,23
Other operating costs	-1 932 049,92	-1 124 716,38
OPERATING PROFIT/LOSS	-52 731,93	-338 493,78
Financial income and expenses		
Other interest and financial income		
From Group companies	65 393,25	
From others	32,46	585,37
Interest and other financial expenses		
To others	<u>-2 431,41</u>	<u>-446,66</u>
	62 994,30	138,71
PROFIT/LOSS BEFORE APPROPRIATIONS AND	10 262,37	-338 355,07
Income taxes		
PROFIT/LOSS FOR THE YEAR	10 262,37	-338 355,07

Parent company balance sheet

BALANCE SHEET	31.12.2016	31.12.2015
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other capitalised long-term expenditure	324 880,39	385 142,54
	<u>324 880,39</u>	<u>385 142,54</u>
Tangible assets		
Machinery and equipment	62 262,06	10 052,97
Investments		
Participations in Group companies	763 293,87	711 200,00
TOTAL NON-CURRENT ASSETS	1 150 436,32	1 106 395,51
CURRENT ASSETS		
Receivables		
Current		
Trade receivables	17 801,09	19 418,43
Receivables from Group undertakings	110 465,78	138 000,00
Other receivables	408 284,85	179 443,69
Prepayments and accrued income	15 080,17	23 892,96
	<u>551 631,89</u>	<u>360 755,08</u>
Cash and cash equivalents	5 662,00	4 500,00
Cash in hand and at banks	1 066 019,92	1 066 933,75
	<u>1 071 681,92</u>	<u>1 071 433,75</u>
TOTAL CURRENT ASSETS	1 623 313,81	1 432 188,83
TOTAL ASSETS	2 773 750,13	2 538 584,34

Parent company balance sheet

BALANCE SHEET	31.12.2016	31.12.2015
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000,00	125 000,00
Invested unrestricted equity reserve	2 977 540,00	2 977 540,00
Retained earnings/loss	-736 960,03	-398 604,96
Profit/loss for the year	10 262,37	-338 355,07
TOTAL SHAREHOLDERS' EQUITY	2 375 842,34	2 365 579,97
LIABILITIES		
Current		
Trade payables	157 372,01	66 112,70
Other liabilities	20 078,60	31 275,45
Accruals and deferred income	220 457,18	75 616,22
	<u>397 907,79</u>	<u>173 004,37</u>
TOTAL LIABILITIES	397 907,79	173 004,37
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2 773 750,13	2 538 584,34

Parent company cash flow statement

Cash flow from operations

1 Jan – 31 Dec 2016 1 Jan – 31 Dec 2015

Profit (loss) before appropriations and taxes	10 262,37	-338 355,07
Depreciation and amortisation according to plan	174 486,33	55 023,23
Financial income and expenses	-62 994,30	-138,71
Cash flow before change in working capital	<u>121 754,40</u>	<u>-283 470,55</u>
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	-190 876,81	-287 748,42
Increase (+)/decrease (-) in inventories	0,00	0,00
Increase (+)/decrease (-) in short-term non-interest-bearing debts	<u>224 903,42</u>	<u>81 177,82</u>
Cash flow from business operations before financial items and taxes	155 781,01	-490 041,15
Interest paid and payments made for other financial expenditure	-2 431,41	-446,66
Interest on business operations	<u>65 425,71</u>	<u>585,37</u>
Cash flow from business operations (A)	<u>218 775,31</u>	<u>-489 902,44</u>
Cash flow from investments		
Investments in tangible and intangible assets	-166 433,27	-400 182,01
Investments in other securities	-52 093,87	-11 200,00
Cash flow from investments (B)	<u>-218 527,14</u>	<u>-411 382,01</u>
Cash flow from financing activities		
Share issue subject to a charge		<u>1 900 000,00</u>
Cash flow from financing activities (C)	<u>0,00</u>	<u>1 900 000,00</u>
Change in cash and cash equivalents	248,17	998 715,55
Cash and cash equivalents at the beginning of the financial year	1 071 433,75	72 718,20
Cash and cash equivalents at the end of the financial year	1 071 681,92	1 071 433,75

Notes concerning the preparation of the financial statements

Measurement and recognition principles and methods

The company's non-current assets are valued at their acquisition cost.

The depreciation of the company's non-current assets subject to wear and tear is based on a predetermined depreciation plan. Depreciation is recognised as an expense in the amount of the difference between the acquisition cost and the residual value over the estimated useful life.

Probable credit losses have been deducted from the company's trade receivables. The estimate that no payment is expected any longer to accrue in respect of these receivables is based on prior experience and actual performance.

Notes to the income statement

Principles for planned depreciation and changes thereto

Class of asset	Estimated useful life	Depreciation (%)	Depreciation method
Intangible rights	3 years	33 %	Straight-line depreciation
Other capitalised long-term expenditure	3 years	33 %	Straight-line depreciation
Machinery and equipment	4 years	25 %	Straight-line depreciation

The acquisition cost of assets with estimated economic useful life of no more than three years and de minimis purchases are recognised as expenses in financial year in which they are incurred.

Breakdown of turnover	31.12.2016	31.12.2015
Loan opening fees	1 958 306,73	977 620,15
Other fees	1 219 251,43	541 862,83
Total	<u>3 177 558,16</u>	<u>1 519 482,98</u>

Notes on personnel	31.12.2016	31.12.2015
Average number of personnel	15	6
Salaries and fees of the Board of Directors and the CEO:	163 398,00	106 265,43

Depreciation, amortisation and impairment **31.12.2016** **31.12.2015**

Depreciation and amortisation according to plan

On intangible assets	162 887,31	52 520,50
On tangible assets	11 599,02	2 502,73
Total	<u>174 486,33</u>	<u>55 023,23</u>

Other operating costs **31.12.2016** **31.12.2015**

Travel and other personnel costs	41 242,33	24 543,29
Entertainment and marketing costs	1 495 154,71	841 339,78
Office facility and furniture costs	225 122,34	162 916,44
Other operating costs	170 530,54	95 916,87
Total	<u>1 932 049,92</u>	<u>1 124 716,38</u>

Auditor's fee **31.12.2016** **31.12.2015**

Audit fees	5 489,17	8 519,42
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Notes concerning the assets in the balance sheet

Itemisation of investments **Holding (%)** **Capitalised value**

In Group companies

Lainaamo Oy	100 %	711 200,00
P2P Sverige Ab	100 %	5 399,92
Fellow Finance Sp. z o.o.	100 %	46 693,95
Total investment shares		<u>763 293,87</u>

Material amounts shown under other receivables

Material amounts shown under prepayments and accrued income **31.12.2016** **31.12.2015**

Other prepayments and accrued income	15 080,17	23 892,96
Total prepayments and accrued income	<u>15 080,17</u>	<u>23 892,96</u>

Receivables from Group undertakings: **31.12.2016** **31.12.2015**

Trade receivables	35 465,78	138 000,00
Loan receivables	75 000,00	0,00
	<u>110 465,78</u>	<u>138 000,00</u>

Change in non-current assets:

Changes in investments: **31.12.2016** **31.12.2015**

Shares in Group companies

Acquisition cost at year start	711 200,00	
Increases during the year	52 093,87	711 200,00
Acquisition cost at year end	<u>763 293,87</u>	<u>711 200,00</u>

Intangible assets:	31.12.2016	31.12.2015
Computer software		
Acquisition cost at year start	232 529,39	59 182,77
Increases during the year	<u>102 625,16</u>	<u>173 346,62</u>
Acquisition cost before planned depreciation	335 154,55	232 529,39
Accumulated planned depreciation at year start	-49 133,74	-14 953,74
Planned depreciation during the year	<u>-89 525,31</u>	<u>-34 180,00</u>
Accumulated planned depreciation at year end	-138 659,05	-49 133,74
Acquisition cost at year end	335 154,55	232 529,39
Accumulated planned depreciation at year end	<u>-138 659,05</u>	<u>-49 133,74</u>
Reducing balance after planned depreciation	196 495,50	183 395,65
Reducing balance at year end	196 495,50	183 395,65
Other capitalised long-term expenditure		
Acquisition cost at year start	220 087,39	0,00
Increases during the year	<u>0,00</u>	<u>220 087,39</u>
Acquisition cost before planned depreciation	220 087,39	220 087,39
Accumulated planned depreciation at year start	-18 340,50	0,00
Planned depreciation during the year	<u>-73 362,00</u>	<u>-18 340,50</u>
Accumulated planned depreciation at year end	-91 702,50	-18 340,50
Acquisition cost at year end	220 087,39	220 087,39
Accumulated planned depreciation at year end	<u>-91 702,50</u>	<u>-18 340,50</u>
Reducing balance after planned depreciation	128 384,89	201 746,89
Reducing balance of other capitalised long-term expenditure at year end	128 384,89	201 746,89
Carrying amount of intangible assets at year end	<u>324 880,39</u>	<u>385 142,54</u>

Tangible assets	31.12.2016	31.12.2015
Machinery and equipment		
Acquisition cost at year start	14 492,90	7 744,90
Increases during the year	63 808,11	6 748,00
Acquisition cost before planned depreciation	<u>78 301,01</u>	<u>14 492,90</u>
Accumulated planned depreciation at year start	-4 439,93	-1 937,20
Planned depreciation during the year	-11 599,02	-2 502,73
Accumulated planned depreciation at year end	<u>-16 038,95</u>	<u>-4 439,93</u>
Acquisition cost at year end	78 301,01	14 492,90
Accumulated planned depreciation at year end	-16 038,95	-4 439,93
Reducing balance after planned depreciation	<u>62 262,06</u>	<u>10 052,97</u>
Carrying amount of tangible assets at year end	62 262,06	10 052,97
De minimis purchases recognised as costs for the financial year	8 995,87	3 182,20
Notes concerning the shareholders' equity and liabilities in the balance sheet		
Statement of changes in the shareholders' equity	31.12.2016	31.12.2015
Restricted equity		
Share capital at year start	122 500,00	2 500,00
Share issue	0,00	122 500,00
Share capital at year end	<u>122 500,00</u>	<u>125 000,00</u>
Total restricted equity	122 500,00	125 000,00
Unrestricted equity		
Paid-up unrestricted equity reserve	2 977 540,00	0,00
Investment in paid-up unrestricted equity reserve	0,00	2 977 540,00
Retained losses at year start	-736 960,03	-398 604,96
Profit/loss for the year	10 262,37	-338 355,07
Total unrestricted equity	<u>2 250 842,34</u>	<u>2 240 579,97</u>
Total shareholders' equity	<u>2 373 342,34</u>	<u>2 365 579,97</u>

Statement of distributable funds in shareholders' equity:

	31.12.2016	31.12.2015
Retained earnings	-736 960,03	-398 604,96
Paid-up unrestricted equity reserve	2 977 540,00	2 977 540,00
Profit for the year	10 262,37	-338 355,07
Total distributable funds	<u>2 250 842,34</u>	<u>2 240 579,97</u>

Material amounts shown under accruals and deferred income:

	31.12.2016	31.12.2015
Holiday pay liability inclusive of social security charges	82 435,12	44 561,71
Other personnel costs	62 830,39	5 338,31
Other accruals and deferred income	75 191,67	25 716,20
	<u>220 457,18</u>	<u>75 616,22</u>

Guarantees and contingent liabilities:

Liabilities and guarantees by balance sheet item and type of guarantee:

Other receivables	pledged rent deposit	12 107,77	12 046,68
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Other financial liabilities not recognised in the balance sheet:

Lease liabilities		31.12.2016	31.12.2015
	maturing during the year	14 638,75	12 000,00
	Leasing liability	14 595,34	

Holdings in other companies:

Company name	Registered office
Lainaamo Oy	Helsinki, Finland
P2P Sverige Ab	Stockholm, Sweden
Fellow Finance Sp. z o.o.	Warsaw, Poland

Share capital of the company:

	31.12.2016	31.12.2015
No. of shares	232,705	232,705
Total	232,705	232,705

Each share carries one vote at a General Meeting of Shareholders.

Off-balance sheet assets managed by the company

	31.12.2016	31.12.2015
Customer assets on bank accounts (€1,000)	7 618,8	2 897,5
Open loan principal (€1,000)	35 703,1	13 483,7

List of accounting books, voucher types and methods of filing

Accounting books

General ledger
Journal
Income statement and balance sheet
Balance sheet book, bound

Subledger systems

Microsoft CRM Account and loan system
Smart accounts receivable system

Voucher types used

Bank vouchers voucher type PT
Purchase invoices; voucher type OL and OS
Memo vouchers voucher type JK, MU and PUMP

Storage of vouchers

All accounting material is stored in hardcopy format in the manner prescribed by law in the company's own premises.

Signatures to the financial statements

Helsinki, 31 July 2018

Jouni Hintikka
CEO

Teemu Nyholm
Chairman of the Board

Jorma Alanne
Standing member of the Board

Pontus Oinonen
Standing member of the Board

Riikka Rajaviita
Standing member of the Board

Harri Tilev
Standing member of the Board

Auditor's note

A report on the audit of the financial statements has been submitted today.

Helsinki, _____ 2018

Timo Helle, APA

AUDITOR'S REPORT

To the Annual General Meeting of Fellow Finance Plc

Report on the Audit of the Financial Statements**Opinion**

I have audited the financial statements of Fellow Finance Plc (business identity code 2568782-2) for the period of 1 January – 31 December 2016. The financial statements comprise the consolidated and the parent company's balance sheet, the income statement and notes to the financial statements.

In my opinion, the financial statements give a true and fair view of the financial performance and financial position of the group and the parent company in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Basis for the opinion

I conducted my audit in accordance with Finnish good auditing practice. My responsibilities under good auditing practice are further described in the section entitled *The auditor's responsibilities when auditing financial statements*. I am independent of the parent company and group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Note concerning emphasising a specific matter – amendment of the financial statements

I have issued an auditor's report on the financial statements signed on 16 February 2017 on 17 February 2017. A decision was subsequently made to amend the financial statements as specified in the notes concerning the preparation of consolidated financial statements under section "Amendment of the accounting principles of the consolidated financial statements" concerning the presentation of financing costs. The amended financial statements were signed on 31 July 2018.

Responsibilities of the Board of Directors and the CEO regarding financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements. The Board of Directors and the CEO are also responsible for such internal control as they determine 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, the Board of Directors and the CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities when auditing financial statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice 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 good auditing practice, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the Board of Directors' and the CEO'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 parent company's or the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent company or the group 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 so that the financial statements give a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

Other reporting requirements

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the information included in the report of the Board of Directors. My opinion on the financial statements does not cover the other information.

In connection with my audit of the financial statements, my responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, my responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In my opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work I have performed, I conclude that there is a material misstatement in the information included in the report of the Board of Directors, I am required to report that fact. I have nothing to report in this regard.

Helsinki, 3 August 2018

Timo Helle
APA