SIA "ExpressCredit"

ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2017
AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

Translation from Latvian

TABLE OF CONTENTS

Information on the Group	3 - 4
Statement of management's responsibility	5
Management report	6
Corporate governance statement	7
Profit or loss account	8
Comprehensive income statement	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes	12 – 37
Independent Auditors' report	38 – 41

Information on the Company

Name of the Company	ExpressCredit SIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.91 Financial leasing NACE2 64.92 Other credit granting NACE2 47.79 Retail sale of second-hand goods in stores
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders (from 30.10.2013)	Lombards24.lv, SIA 65.99% Raunas street 44k-1, Riga, Latvia AE Consulting, SIA 31.51% (until 20.12.2017.) 10% (from 20.12.2017.) Posma street 2, Riga, Latvia EC finance, SIA (21.51% from 20.12.2017.), Raunas street 44k-1, Riga, Latvia Private individuals (2.5%)
Ultimate parent company	AS EA investments, reģ. Nr. 40103896106 Raunas street 44k-1, Riga, Latvia
Names and positions of Board members	Agris Evertovskis - Chairman of the Board Kristaps Bergmanis - Member of the Board Didzis Admidins - Member of the Board Ivars Lamberts - Member of the Board (from 11.01.2018)
Names and positions of Council members	Ieva Judinska-Bandeniece – Chairperson of the Council Uldis Judinskis - Deputy Chairman of the Council Ramona Miglane - Member of the Council
Responsible person for accounting	Santa Šoldre - Chief accountant
Financial year	1 January - 31 December 2017
Name and address of the auditor of Parent Company	SIA Potapoviča un Andersone Certified Auditors' Company Licence Nr. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor Kristīne Potapoviča Certificate No. 99

Information on the Subsidiaries

Subsidiary	**SIA ExpressInkasso** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	22.10.2010
Number, place and date of registration of the subsidiary	40103211998; Riga, 27 January 2009
Address of the subsidiary	Raunas Street 44 k-1; Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.1 Financial support services except insurance and pension accrual
Subsidiary	**SIA ViziaFinance** (till 07.03.2018. SIA MoneyMetro) (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217, Riga, 06 December 1991
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services
Subsidiary	**Cash Advance Bulgaria EOOD** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	03.05.2017.
Number, place and date of registration of the subsidiary	204422780, Bulgaria, Sofia, 03 May 2017
Address of the subsidiary	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region
Operations as classified by NACE classification code system of the subsidiary	Crediting services
Subsidiary	**SIA EC Investments** till 14.12.2017. (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	06.11.2015.
Number, place and date of registration of the subsidiary	40103944745; Riga, 6 November, 2015
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.20 Activities of holding companies

Statement of management`s responsibility

The management of SIA „ExpressCredit" group is responsible for the preparation of the financial statements.

Based on the information available to the Board of the parent company of the Group, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2017 and its profit and cash flows for 2017.

The management of the parent company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of the parent company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the parent company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the parent company is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Group's business development and operational performance.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 30 April 2018

Management report

The Group has concluded 2017 operations in line with the budgets set. Compared to 2016, the revenues of the Group have increased by 17%, while profit has increased by 207%.

The Group's turnover has increased in all quarters of 2017 compared to 2016, and the year 2017 has been the best in the Group's history in terms of turnover and profitability.

In November 2017, following a predefined strategy, SIA ExpressCredit started offering its customers distance loan contracts, thus significantly expanding its range of services. Consequently, SIA ExpressCredit customers can now conclude a loan agreement either through branches or through a developed customer portal, which offers, among other things, to manage customer's obligations. Introduction of distance lending gives access to a larger market segment which was not previously utilised by the Group. As at 30 June 2017, the non-bank distance lending portfolio in Latvia was EUR 109.9 million. The management believes that the new service will bring additional benefits to the existing customers, and will attract new customers who value the benefits of new technologies.

In 2017 the Group has continued to strengthen the reputation of the brand name Banknote and which has become one of the most recognizable consumer credit brands in Latvia.

By expanding the range of services offered, the Group has clarified the mission, values and vision of the Banknote brand. The mission, values and vision are as follows:
Mission - Provide simple and convenient financial services to people.
Values -
simplicity – We always stand for simple and clear services; ***accessibility*** - We are available to everyone and everywhere; ***respect*** - We always treat everyone with respect, we are honest and open; ***progress*** - We seek and find ways how to improve our performance.
Vision – To achieve the highest level of evaluation.

At the end of 2017 the Group has upgraded and redesigned the investor website www.expresscredit.lv, where current corporate information will be posted on a regular basis.

The Group continues to streamline its internal processes to ensure the operations according to expected changes in the Law on Anti Money Laundering and Combating the Financing of Terrorism, as well as adaptation of its activities according to General Data Protection Regulation, which will come into force on May 25, 2018. The Group is also constantly improving its customer solvency assessment. Currently 25.8% of new customer loan applications are approved, while for the repeated customers the approval rate achieves - 81.3%.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in year 2017 compared to year 2016:

Position	EUR, million	Change %
Net loan portfolio	15.8	+37.11
Assets	21.3	+33.30
Net profit	2.95	+207.41

Branches

During the period from 1 January 2017 to 31 December, continued to work on the branch network efficiency. As at 31 December 2017 the Group had 90 branches in 39 cities in Latvia (31.12.2016. - 91 branches in 39 cities).

Risk management

The Group is not exposed to significant foreign exchange rate risk because basic transaction currency is euro. Significant amount of funding of the Group consist of fixed coupon rate bonds, so that the Group is not significantly exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk.

Post balance sheet events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2017.

Future prospects

In 2018 the Company plans to strengthen its market leading position by investing in IT development, improving the branch network, investing in brand and product visibility and enhancing customer service quality. It is planned that the Group's loan portfolio will increase, and profit dynamics will be higher than 2017 results.

Distribution of the profit proposed by the Group

The Parent Company's board recommends the profit of 2017 to pay out in dividends, respecting the restrictions applied to debt securities emissions.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 30 April 2018

Corporate governance statement

The corporate governance report of SIA "ExpressCredit" for 2017 has been prepared in accordance with the Riga Stock Exchange Corporate Governance principles issued in 2005 and recommendations as to their implementation.

The corporate governance report has been prepared by the Board and reviewed by the Council of SIA "ExpressCredit".

The corporate governance principles have been tailored to match the needs of SIA "ExpressCredit" as closely as possible, and in 2017 SIA "ExpressCredit" complied with most of the principles. Having regard to the "comply or explain" principle, the report presents the information on the principles which have not been complied with or have been complied with partly by SIA "ExpressCredit" and the circumstances causing non-compliance in 2017.

The report will be submitted to AS NASDAQ OMX Riga (hereinafter – the Stock Exchange) concurrently with the audited financial statements SIA "ExpressCredit" for 2017 for publishing on the website of the Stock Exchange: http://www.baltic.omxnordicexchange.com/, and the website of SIA „ExpressCredit" http://www.expresscredit.lv in the section "For investors" in Latvian and English.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 30 April 2018

Profit or loss account for the year ended 31 December 2017

		Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Net sales	(1)	4 164 444	4 164 444	4 795 253	4 796 333
Cost of sales	(2)	(2 750 464)	(2 750 464)	(3 449 335)	(3 449 335)
Interest income and similar income	(3)	12 878 502	13 863 118	10 298 728	10 627 654
Interest expenses and similar expenses	(4)	(1 818 486)	(1 822 527)	(1 396 899)	(1 396 128)
Gross profit		**12 473 996**	**13 454 571**	**10 247 747**	**10 578 524**
Selling expenses	(5)	(5 161 222)	(5 666 679)	(5 720 376)	(5 923 936)
Administrative expenses	(6)	(2 227 476)	(2 289 942)	(1 989 331)	(2 005 892)
Other operating income	(7)	59 187	44 476	135 651	37 332
Other operating expenses	(8)	(1 750 160)	(1 889 216)	(1 454 053)	(1 482 195)
Profit before taxes		**3 394 325**	**3 653 210**	**1 219 638**	**1 203 833**
Corporate income tax for the reporting year	(9)	(512 833)	(554 662)	(226 027)	(244 763)
Deferred tax	(9)	(145 252)	(145 252)	1 647	1 647
Current year's profit		**2 736 240**	**2 953 296**	**995 258**	**960 717**
Interim dividend		(996 526)	(996 526)	-	-
Current year's profit after Interim Dividend		**1 739 714**	**1 956 770**	**995 258**	**960 717**
Earnings per share		**1.82**	**1.97**	**0.67**	**0.64**
Diluted earnings per share		**1.82**	**1.97**	**0.67**	**0.64**

Comprehensive income statement for 2017

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Current year's profit	**2 736 240**	**2 953 296**	**995 258**	**960 717**
Other comprehensive income	-	-	-	-
Total comprehensive income	**2 736 240**	**2 953 296**	**995 258**	**960 717**

Notes on pages from 12 to 37 are integral part of these financial statements.

Agris Evertovskis	Kristaps Bergmanis	Didzis Ādmīdiņš	Ivars Lamberts	Santa Šoldre
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board	Chief accountant

Riga, 30 April 2018

Balance sheet as at 31 December 2017	**Notes**	**Parent company 31.12.2017. EUR**	**Group 31.12.2017. EUR**	**Parent company 31.12.2016. EUR**	**Group 31.12.2016. EUR**
Assets					
Long term investments					
Fixed assets and intangible assets, goodwill	(10)	455 552	600 794	423 115	581 905
Loans and receivables	(15)	1 768 214	1 912 896	964 108	964 108
Loans to shareholders and management	(12)	746 619	746 619	1 216 601	1 216 601
Participating interest in subsidiaries	(11)	1 395 828	-	885 828	-
Loans to affiliated companies	(16)	551 594	551 594	-	-
Other investments		-	-	-	20
Deferred tax asset	(13)	-	-	145 252	145 252
Total long-term investments:		**4 917 807**	**3 811 903**	**3 634 904**	**2 907 886**
Current assets					
Goods for sale	(14)	682 995	682 995	700 715	700 715
Loans and receivables	(15)	12 700 289	13 930 776	9 619 773	10 591 251
Receivables from affiliated companies	(16)	7 238	4 377	330 821	169 146
Other debtors	(17)	595 236	600 093	248 337	249 958
Deferred expenses	(18)	47 614	67 538	74 666	92 741
Assets held for sale	(11)	-	-	1 000	1 000
Cash and bank	(19)	2 072 996	2 219 747	1 127 231	1 279 410
Total current assets:		**16 106 368**	**17 505 526**	**12 102 543**	**13 084 221**
Total assets		**21 024 175**	**21 317 429**	**15 737 447**	**15 992 107**
Liabilities					
Shareholders' funds:					
Share capital	(20)	1 500 000	1 500 000	1 500 000	1 500 000
Prior years' retained earnings		-	232 708	78 216	345 348
Current year's profit		1 739 714	1 956 770	995 258	960 717
Total shareholders' funds:		**3 239 714**	**3 689 478**	**2 573 474**	**2 806 065**
Creditors:					
Long-term creditors:					
Bonds issued	(21)	7 052 187	7 052 187	5 213 760	5 213 760
Other borrowings	(22)	1 300 697	1 444 391	1 292 032	1 292 032
Total long-term creditors:		**8 352 884**	**8 496 578**	**6 505 792**	**6 505 792**
Short-term creditors:					
Bonds issued	(21)	1 014 743	1 014 743	1 017 773	1 017 773
Other borrowings	(22)	6 421 346	6 834 774	4 847 977	4 847 977
Accounts payable to affiliated companies	(23)	821 545	51 280	7 376	181
Trade creditors and accrued liabilities	(24)	796 604	827 612	713 488	735 137
Taxes and social insurance	(25)	377 339	402 964	71 567	79 182
Total short-term creditors:		**9 431 577**	**9 131 373**	**6 658 181**	**6 680 250**
Total liabilities and shareholders' funds		**21 024 175**	**21 317 429**	**15 737 447**	**15 992 107**

Notes on pages from 12 to 37 are integral part of these financial statements.

Agris Evertovskis Chairman of the Board	Kristaps Bergmanis Member of the Board	Didzis Ādmīdiņš Member of the Board	Ivars Lamberts Member of the Board	Santa Šoldre Chief accountant

Riga, 30 April 2018

Statement of changes in equity of the Parent Company's for the year ended 31 December 2017

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2015	**426 861**	**279 540**	**1 371 815**	**2 078 216**
Dividends paid	-	(700 000)	-	(700 000)
Profit transfer	873 139	498 676	(1 371 815)	-
Enlarged share capital	200 000	-	-	200 000
Profit for the year	-	-	995 258	995 258
As at 31 December 2016	**1 500 000**	**78 216**	**995 258**	**2 573 474**
Dividends paid	-	(1 073 474)	(996 526)	(2 070 000)
Profit transfer	-	995 258	(995 258)	-
Profit for the year	-	-	2 736 240	2 736 240
As at 31 December 2017	**1 500 000**	**-**	**1 739 714**	**3 239 714**

Statement of changes in equity of the Group for the year ended 31 December 2017

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2015	**426 861**	**387 704**	**1 512 464**	**2 327 029**
Dividends paid	-	(700 000)	-	(700 000)
Prior years' retained earnings of subsidiary sold	-	-	18 319	18 319
Profit transfer	873 139	657 644	(1 530 783)	-
Enlarged share capital	200 000	-	-	200 000
Profit for the year	-	-	960 717	960 717
As at 31 December 2016	**1 500 000**	**345 348**	**960 717**	**2 806 065**
Dividends paid	-	(1 073 474)	(996 526)	(2 070 000)
Prior years' retained earnings of subsidiary sold	-	-	117	117
Profit transfer	-	960 834	(960 834)	-
Profit for the year	-	-	2 953 296	2 953 296
As at 31 December 2017	**1 500 000**	**232 708**	**1 956 770**	**3 689 478**

Notes on pages from 12 to 37 are integral part of these financial statements.

Cash flow statement for the year ended 31 December 2017

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Cash flow from operating activities				
Profit before extraordinary items and taxes	**3 394 325**	**3 653 210**	**1 219 638**	**1 203 833**
Adjustments for:				
a) fixed assets and intangible assets depreciation	183 419	208 601	233 036	234 023
b) accruals and provisions (except for provisions for bad debts)	(41 798)	33 809	570 492	640 283
c) write-off of provisions	7 679	7 679	(82 940)	(82 940)
d) cessation results	1 554 187	1 683 212	1 347 105	1 371 747
e) interest income	(12 878 502)	(13 863 118)	(10 298 728)	(10 627 654)
f) interest and similar expense	1 818 486	1 820 203	1 396 899	1 396 128
g)(profit)/ loss on fixed assets disposal	(6 165)	(6 165)	(3 804)	(3 804)
h) other adjustments	-	(2 883)	-	16 318
Loss before adjustments of working capital and short-term liabilities	**(5 968 369)**	**(6 465 452)**	**(5 618 302)**	**(5 852 066)**
Adjustments for:				
a) (increase)/ decrease in consumer loans issued (core business) and other debtors	(5 762 335)	(6 390 514)	(6 502 259)	(7 073 555)
b) stock (increase)/decrease	10 041	10 041	520 635	520 635
c) trade creditors' (decrease)/ increase	85 650	104 378	(771 773)	65 857
Gross cash flow from operating activities	**(11 635 013)**	**(12 741 547)**	**(12 371 699)**	**(12 339 129)**
Corporate income tax payments	(226 428)	(252 239)	(211 168)	(218 776)
Interest income	12 892 377	13 873 822	10 254 557	10 545 467
Interest paid	(1 809 318)	(1 823 265)	(1 383 285)	(1 379 037)
Net cash flow from operating activities	**(778 382)**	**(943 229)**	**(3 711 595)**	**(3 391 475)**
Cash flow from investing activities				
Acquisition of affiliated, associated or other companies shares or parts	(513 000)	-	-	-
Earnings from the disposal of shares in subsidiaries	4 000	4 000	2 000	2 000
Acquisition of fixed assets and intangibles	(156 262)	(167 896)	(144 438)	(174 365)
Proceeds from sales of fixed assets and intangibles	28 459	28 459	8 272	8 272
Loans issued/repaid (other than core business of the Company) (net)	273 573	132 720	292 565	103 707
Net cash flow from investing activities	**(363 230)**	**(2 717)**	**158 399**	**(60 386)**
Cash flow from financing activities				
Proceeds of the capital share investment	-	-	200 000	200 000
Loans received and bonds issued (net)	14 111 335	14 062 738	10 529 796	10 529 796
Redemption/purchase of bonds	(2 851 000)	(2 851 000)	(1 250 000)	(1 250 000)
Loans repaid	(7 031 085)	(7 183 582)	(4 479 374)	(4 482 851)
Finance lease payments	(71 873)	(71 873)	(59 266)	(59 265)
Dividends paid	(2 070 000)	(2 070 000)	(700 000)	(700 000)
Net cash flow from financing activities	**2 087 377**	**1 886 283**	**4 241 156**	**4 237 680**
Net cash flow of the reporting year	**945 765**	**940 337**	**687 960**	**785 819**
Cash and cash equivalents at the beginning of the reporting year	**1 127 231**	**1 279 410**	**439 271**	**493 591**
Cash and cash equivalents at the end of reporting year	**2 072 996**	**2 219 747**	**1 127 231**	**1 279 410**

Notes on pages from 12 to 37 are integral part of these financial statements.

Notes

Accounting policies

(a) Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared based on historic cost method. In cases when reclassification not affecting prior year profit and equity is made, the relevant explanations are provided in the notes to the financial statements.

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

In 2017 amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017) came in force. To implement the requirements of the respective amendments additional disclosures in the financial statements have been prepared.

The following new and amended IFRS and interpretations became effective in 2017, but have no significant impact on the operations of the Group and these financial statements:

Amendments to IAS 12 "Income taxes" – recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

- **Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2018 or later periods or are not yet endorsed by the EU:**

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Applying IFRS 9 "Financial instruments" will not cause significant fluctuations to Company's financial results and recognised financial situation by evaluation of Company's management. Starting from 1 January 2017 the Company recognises general accounting provisions according to its debt portfolio. Company's created provisioning method for either general or individual provisions includes expected credit losses (ECL) approach.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

As the Company's main operations are related to lending services and realization of pledges in stores, and operating income is generated by interest income and sales income of pledges or second-hand goods in stores, the Company's management expects no significant impact to Company's financial results and financial situation adopting the IFRS 15 "Revenue from Contracts with Customers".

Notes (continued)

Accounting policies (continued)

(a) Basis of preparation (continued)

Amendments to IFRS 10 "Consolidated financial statements", IAS 28 "Investments in associates and joint ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed in the EU).

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The implementation of IFRS 16 "Leases" will affect the Company's assests and liabilities by all operational leases contracts and longterm rental agreements. The Company's management evaluates that as at 31 December 2017 it would give a rise to Company's assests and liabilities in amount of 3.072 million EUR.

Amendments to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);

Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018);

Annual improvements to IFRS's 2016. The amendments include changes that affect 3 standards:

- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU),
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU), and
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU).

IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 40 "Investment Property" – Transfers of investment property (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Amendments to IFRS 9 "Financial instruments" – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Annual improvements to IFRS's 2017 (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). **The amendments include changes that affect 4 standards:**

- IFRS 3 - "Business Combinations",
- IFRS 11 - "Joint Arrangements"
- IAS 12 - "Income taxes"
- IAS 23 - "Borrowing costs".

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application, except for increase in assets and liabilities in the event of IFRS 16 implementation.

Notes (continued)
Accounting policies (continued)

(b) Accounting principles applied
The items in the financial statements have been measured based on the following accounting principles:

a) It is assumed that the company will continue as a going concern;
b) The measurement methods applied in the previous reporting year have been used;
c) The measurement of the items has been performed prudently meeting the following criteria:
   - Only profits accruing up to the balance sheet date have been included in the report;
   - All possible contingencies and losses arising in the reporting year or the previous year have been recognised, even if they became known in the period between the balance sheet date and the issuance of the annual report;
   - All impairment and depreciation charges have been calculated and recognised irrespectively of whether the company has operated profitably or not during the reporting year;
d) All income and expenses relating to the accounting year irrespective of the date of the payments made or the dates of receipt or payment of invoices have been recognised. Revenues are matched with expenses in the reporting year.
e) Assets and liabilities are presented at their gross amounts;
f) The opening balances of the reporting period reconcile with the closing balances of the previous reporting period;
g) All items which may materially affect the assessment or decision-making of the users of the financial statements are presented, immaterial items have been aggregated and their breakdown is presented in the Notes;
h) Business transactions are presented based on their economic substance rather than their legal form.

Asset and liability recognition is performed on historical cost basis. All financial assets and liabilities are classified as held to maturity or loans and receivables.

(c) Consolidation principles
The consolidated financial statements have been prepared under the cost method. The companies included in the consolidation are the Group's parent company and the subsidiaries in which the Group's parent company holds, directly or indirectly, more than a half of the voting rights, or the right to control their financial and operating policies is acquired otherwise. Where the Group owns more than a half of the share capital of another company without controlling the company, the respective company is not consolidated. The subsidiaries of the Group are consolidated from the moment the Group has taken over control, and the consolidation is terminated when the control cease to exist. Where the date of the share purchase agreement or the date of the decision of shareholders on making further investments is fundamentally different from the date of on which share ownership changes or the registration date as recorded in the Register) of Enterprises, the date of agreement shall be considered the date of the share purchase or the date of the investment, unless the agreement provides otherwise. The Group's all inter-company transactions and balances and unrealised profit on transactions between group companies are eliminated; unrealised losses are eliminated as well, except for the cases when the expenses are not recoverable. Where necessary, the accounting and measurement methods applied by the Group's subsidiaries have been changed to bring them in compliance with the Group's accounting and measurement methods.
In these statements the minority interest in the share capital of the Group's consolidated subsidiaries and their income statement have been presented separately.

(d) Recognition of revenue and expenses

- ***Net sales***

Net revenue represents the total value of goods sold and services provided during the year net of value added tax.

- ***Interest income and similar income***

The Company presents interest income in the section of the Profit and loss account prior to calculation of gross profit, as this income is related to the basic activities of the Company – charging interest for loans issued in return to pledge held as security or loans issued on other conditions. Interest income is recognised using accruals principle. Interest income is not recognised from the moment the recoverability of principal is considered doubtful. Penalty interest is recognised on a cash basis.

- ***Other income***

Other income is recognised based on accruals principle.

- ***Penalties and similar income***

Of collection exists, is recognised based on cash principle.

- ***Expenses***

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment. Expenses related to financing of loans is recognised in the period of liability origination and included in the profit and loss items „Interest and similar expenses".

(e) Foreign currency translation

(e1) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statement items are denominated in euro (EUR), which is the Company's functional and presentation currency.

(e2) Transactions and balances
All transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of the respective period. At the balance sheet date the rates set by the Bank of Latvia were:

	31.12.2017	31.12.2016
	1 EUR	**1 EUR**
USD	1.19930	1.05410
RUB	69.39200	64.30000

Notes (continued)
Accounting policies (continued)

(f) Financial instruments – key measurement terms

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate and may require the application of management's judgement and estimates.

Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any) are not presented separately and are included in the carrying values of related items on the balance sheet.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(g) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(h) Intangible assets (including goodwill) and fixed assets

All intangible assets and fixed assets are initially measured at cost. Intangible assets and fixed assets are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Buildings	20
Constructions	5
Intangibles	3 – 5
Other fixed assets	3 – 5
Low value inventory (worth over 71 EUR)	3

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually. Fixed asset and intangibles recognition is terminated in case of its liquidation or when no future benefits are expected in connection with the utilisation of the respective asset. Any profit or loss connected with the termination of recognition (calculated as difference between the disposal gains and net book value as at the moment of derecognition), is recognised in the profit or loss account in the period when derecognition occurs. Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repairs and maintenance costs are charged to profit and loss account in the period when the respective costs are incurred.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net fair value of share of equity acquired. The recognised goodwill is reassessed at least on an annual basis to make sure no permanent diminution in value has occurred. In case such diminution in value is identified, the diminution in value is recognised in the income statement of the respective year. In case of piece-meal acquisition goodwill or badwill arising on the number of transactions is summarised and recognised in net value of the sum of transactions

(i) Investments in subsidiaries and associated companies

In the individual financial statements the investments in subsidiaries and associates is recognised at cost which is decreased by permanent diminution in value, if identified during the process of valuation.
Investment in associated companies in consolidated accounts are carried at equity method. Under this method the value of the investment at the balance sheet date comprises the value of the equity of the associated company corresponding to the share of investment and the book value of the positive goodwill arising at the acquisition of the investment.
At the year-end the amount of the reported item is increased or decreased by reference to the Company's share in the profit or loss of the associated company during the year (in the post-acquisition period), or other changes in equity, as well as by the reduction of the goodwill arising at acquisition to its recoverable amount. Unrealised profit on inter-company transactions is excluded. Profit distribution is presented in the year following the reporting year in which the shareholders adopt a decision on profit distribution.

Notes (continued)
Accounting policies (continued)

(j) Impairment of assets

Intangible assets which are not put into operation or which do not have a useful life are not amortised; their value is reviewed annually. The value of the assets subject to depreciation or amortisation is reviewed whenever any events or circumstances support that their carrying value may not be recoverable. Impairment losses are recognised in the amount representing the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use. In order to determine impairment, assets are grouped based on the smallest group of assets that independently generates cash flow (cash generating units).

(k) Segments

A geographical segment provides products or services within a particular economic environment that is subject to other economic environments characterized by different risks and benefits. A business segment is a share of assets and operations, providing products and services that are subject to other business segments of different risks and benefits.

(l) Inventories

Inventories are stated at the lower of cost or market price. Inventories are measured using the weighted FIFO method. The Company assesses at each balance sheet date whether there is objective evidence that inventories are impaired and makes provisions for slow-moving or damaged inventories. Inventories loss is recognised in the period such loss is identified, writing off the relevant inventory values to the period profit and loss account.

(m) Realisation of pledged assets

Collateral is repossessed following the foreclosure on loans that are in default. Pledges taken over are measured at the lower of cost or net realisable value and reported within "Inventories".

(n) Trade and other receivables

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. Loans are carried at amortised cost where cost is defined as the fair value of cash consideration given to originate those loans. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. The Company has granted consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their debts. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms.

From October 2015 SIA "ExpressCredit" has started issuance of pledged loans (except pledges in the form of golden and silver articles) with new lending conditions, that assume 10% commission in case of loan default and subsequent sale of the pledge, i.e., the revenues received by SIA "ExpressCredit" from the sale of the pledge, decreased by the VAT portion. The pledges are made available for sale after 30 days of default, however, they continue to hold the status of the pledge and the loan recipient has the rights to buy out the pledge before the sale. In the financial statements these pledges are classified as loans issued. In case a surplus originates upon a sale of the pledge and the related costs (loan issued, interest and penalties accrued, intermediary and holding commissions), the surplus is recognised as the liability of the company to the loan recipient. The liability expires, if the loan recipient does not claim the amount due within the 10 year term as defined in Article 1895 of the Civil Code. If the loan recipient has not claimed the surplus within the legally defined time limits, SIA "ExpressCredit" recognises the income. Such income is outside VAT legislation and is not VAT taxable.

The Company assesses at each balance sheet date whether there is objective evidence that loans are impaired. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from collateral discounted at the original effective interest rate. The assessment of the evidence for impairment and the determination of the amount of allowances for impairment or its reversal requires the application of management's judgement and estimates. Management's judgements and estimates consider relevant factors including but not limited to, the identification of non-performing loans (loan repayment schedule compliance), the estimated value of collateral (if taken) as well as other relevant factors affecting loan and recoverability and collateral values. These judgements and estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known. The Management of the Company have made their best estimates of losses based on objective evidence of impairment and believe those estimates presented in the financial statements are reasonable in light of available information.

When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

The provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

Notes (continued)
Accounting policies (continued)

(n) Trade and other receivables (continued)
In accordance with the provisioning policy developed by the Company (for non-secured consumer loans with the term of repayment up to 2 years) provisions are made based on the payment delay analysis at following rates:

Days of delay	Provision made
0	3%
1-15	6%
16-30	18%
31-60	32%
61-90	42%
91-180	47%
181-360	67%
360-720	92%
721+	100%

Provisions for interest income debts is made in accordance with the policies set by the management of the Company. In accordance with the provisioning policy the Company calculates the provision required based on prior experience of loan volumes that turn out to be doubtful and the statistics of recoverability of such debts. The provision for interest accrued is made in accordance with the provisioning policies set by the management making sure that cash flows from interest receivable are excluded from cash flows used as the basis for principal recoverability testing.

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount.

(o) Finance lease
Where the property, plant and equipment are acquired under a finance lease arrangement and the Company/Group takes over the related risks and rewards, the property, plant and equipment items are measured at the value at which they could be purchased for an immediate payment. Leasing interest is charged to the profit and loss in the period in which it arises.

(p) Operating leases

Company is a lessor
The type of lease in which the lessor retains a significant part of the risks and rewards pertaining to ownership, is classified as operating lease. Lease payments and prepayments for a lease (net of any financial incentives received from the lessor) are charged to the profit and loss under a straight-line method over the lease term.

(q) Taxes
The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian tax legislation.
Assets or liabilities of deferred tax is written off into current year's profit and loss according to changes of tax legislation, that has resulted in elimination of deferred tax base.

(r) Provisions for unused annual leave
The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the last 6 months by the number of accrued but unused annual leave days the end of the reporting year. The company separates the vacation provisions paid out till the date of annual report preparation and treats them as CIT deductible in the reporting period.

(s) Borrowings
Initially borrowings are recognised at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost which is determined using the effective interest method. The difference between the proceeds received, net of transaction costs and the redemption value of the borrowing is gradually recognized in the profit and loss account over the term of the borrowing.

(t) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits with a maturity term of up to 90 days.

(u) Payment of dividends
Dividends due to the shareholders are recognized in the financial statements as a liability in the period in which the shareholders approve the disbursement of dividends.

Notes (continued)
Accounting policies (continued)

(v) Financial risk management

(v1) Financial risk factors

The activities of the Company expose it to different financial risks:
(u1.1) foreign currency risk;
(u1.2) credit risk;
(u1.3) operational risk;
(u1.4) market risk;
(u1.5) liquidity risk;
(u1.6) cash flow and interest rate risk.

The Company's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Finance Director is responsible for risk management. The Finance Director identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Company.

(v1.1) Foreign exchange risk

The Company operates mainly in the local market and its exposure to foreign exchange risk is low. With the current income-expense structure additional monitoring procedures for currency risk monitoring are not deemed necessary. No further risk prevention mechanisms are used on the account that the overall currency risk has been assessed as low.

(v1.2) Credit risk

The Company has a credit risk concentration based on its operational specifics – issuance of loans against pledge, as well as issuance of non-secured loans that is connected with an increased risk of asset recoverability. The risk may result in short-term liquidity problems and issues related to timely coverage of short-term liabilities. The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

(v1.3) Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, crimes, etc.) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk. Also self-assessment of the operational risk is carried out as well as systematic approval of new products is provided to ensure the compliance of the products and processes with the risk environment of the activity.

(v1.4) Market risk

The Company is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company's services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

(v1.5) Liquidity risk

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities, however, if required, the management of the Company is certain of financial support to be available from the owners of the Company.

(v1.6) Cash flow interest rate risk

As the Company has borrowings and finance lease obligations, the Company's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Company's interest payment related cash flows depend on the current market rates of interest. The risk of fluctuating interest rates is partly averted by the fact that a number of loans received have fixed interest rates set. Additional risk minimization measures are not taken because the available bank products do not provide an effective control of risks.

(v2) Accounting for derivative financial instruments

The Company does not actively use derivative financial instruments in its operations. Derivative financial instruments are initially recognized at fair value on the date of the contract, and are thereafter measured at fair value at the balance sheet date. Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if fair value is negative. Any gains or losses arising due to the changes in the fair value of the derivative financial instrument are not classified hedges and are recognized directly in the profit and loss.

(v3) Fair value

The carrying value of financial assets and liabilities approximates their fair value. See also note (f).

Notes (continued)
Accounting policies (continued)
(v) Financial risk management (continued)

(v4) Management of the capital structure
In order to ensure the continuation of the Company's activities, while maximizing the return to stakeholders' capital management, optimization of the debt and equity balance is performed. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	Parent company 31.12.2017 EUR	**Group 31.12.2017 EUR**	**Parent company 31.12.2016 EUR**	**Group 31.12.2016 EUR**
Loan and lease liabilities	16 609 960	16 396 636	12 371 542	12 371 542
Cash and bank	(2 072 996)	(2 219 747)	(1 127 231)	(1 279 410)
Net debts	**14 536 964**	**14 176 889**	**11 244 311**	**11 092 132**
Equity	3 239 714	3 689 478	2 573 474	2 806 065
Liabilities / equity ratio	**5.13**	**4.44**	**4.81**	**4.41**
Net liabilities / equity ratio	**4.49**	**3.84**	**4.37**	**3.95**

(w) Significant assumptions and estimates
The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Latvian law requires the management to rely on estimates and assumptions that affect the reported amounts of assets and liabilities and off-balance sheet assets and liabilities at the date of financial statements, as well as the revenues and expenses reporting in the reporting period. Actual results may differ from these estimates.

The following judgements and key assumptions concerning the future are critical, and other causes of inaccuracies in the calculations as at the date of financial statements, with a significant risk of causing a material change in the balance sheet value of assets and liabilities within the next financial year:

- The Company review the useful lives of its fixed assets at the end of each reporting period. The management makes estimates and uses assumptions with respect to the useful lives of fixed assets. These assumptions may change and the calculations may therefore change.
- The Company review the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. Impairment loss is recognised in the amount equalling the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of an asset's fair value less the costs to sell and the value in use. The Company is of the view that considering the anticipated volumes of services no material adjustments due to impairment are required the asset values.
- In measuring inventories the management relies on its expertise, past experience, background information, and potential assumptions and possible future circumstances. In assessing the impairment of the value of inventories consideration is given to the possibility to sell the item of inventories and the net realisable value.
- The Company's management, based on estimates, makes provisions for the impairment of the value of receivables. The Company's management is of the opinion that the provisions for receivables presented in the financial statements accurately reflect the expected cash flows from these receivables and that these estimates have been made based on the best available information.
- The Company is composed with caution savings potential future payment obligations in cases where disputes the validity of such legal obligation, or there are legal disputes about the amount of such liabilities.

(x) Related parties
Related parties include the shareholders, members of the Board of the parent company of the Company, their close family members and companies in which the said persons have control or significant influence. Term "Related parties" agrees to Commission Regulation (EC) 1126/2008 of 3 November 2018 which took in force various IAS according to European Parlament and Council Regulation (EC) 1606/2002 mentioned in Annex of IAS 24 "Related Party Disclosures".

(y) Subsequent events
Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

(z) Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(aa) Earnings per share
Earnings per share (EPS) are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year. Diluted EPS is calculated as net income divided by the sum of average number of shares and other convertible instruments.

Notes (continued)

(1) Net sales

Net revenue by type of revenue

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2015 EUR	Group 2015 EUR
Income from sales of goods	2 091 010	2 091 010	2 162 766	2 163 846
Income from sales of precious metals	1 352 398	1 352 398	1 958 284	1 958 284
Income from sales of vehicles	-	-	19 523	19 523
Other income, loan and mortgage realization and storage commissions	721 036	721 036	654 680	654 680
	4 164 444	**4 164 444**	**4 795 253**	**4 796 333**

Net revenue by geographical markets and type of operation

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Sales of product in Latvia	2 091 010	2 091 010	2 182 289	2 183 369
Sales of precious metals in Latvia	1 334 487	1 334 487	1 958 284	1 958 284
Sales of precious metals in EU	17 911	17 911		
Sales of services in Latvia	721 036	721 036	654 680	654 680
	4 164 444	**4 164 444**	**4 795 253**	**4 796 333**

(2) Cost of sales

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Cost of pledges taken over	2 746 779	2 746 779	3 436 835	3 436 835
Goods and accessories purchased	3 685	3 685	12 500	12 500
	2 750 464	**2 750 464**	**3 449 335**	**3 449 335**

(3) Interest income and similar income

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Interest income on loans issued against pledge	2 986 549	2 986 549	3 092 740	3 092 740
Interest income on pledges realization*	949 523	949 523	834 440	834 440
Interest income on loans to the vehicle pledges	9 127	9 127	70 799	70 799
Interest income on mortgage loans	5 343	5 343	23 327	23 327
Interest income on unsecured loans	8 941 835	9 923 280	6 233 252	6 527 638
Accrued interest income	(13 875)	(10 704)	44 170	78 710
	12 878 502	**13 863 118**	**10 298 728**	**10 627 654**

* Interest income on mortgage realization separated from interest income on loans issued against pledge.

Notes (continued)

(4) Interest expenses and similar expenses

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Bonds' coupon expense	977 790	977 790	904 891	904 891
Interest expense on lease	4 629	4 629	6 726	6 726
Interest expense on other borrowings	832 074	833 783	485 112	484 341
Net loss on foreign exchange	3 993	6 325	170	170
	1 818 486	**1 822 527**	**1 396 899**	**1 396 128**

(5) Selling expenses

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Salary expenses	2 247 650	2 377 991	2 157 638	2 217 421
Social insurance	527 235	557 989	505 974	520 077
Provisions for unused annual leave and bonuses	(14 891)	(13 046)	12 606	17 908
Rental expense	797 854	840 585	818 199	831 348
Utilities expense	196 606	204 587	210 879	212 793
Non-deductible VAT	210 814	256 453	207 357	220 005
Communication expenses	58 880	60 489	63 887	65 224
Maintenance expenses	37 751	37 893	51 068	53 871
Depreciation of fixed assets	149 949	169 133	193 937	195 264
Security expenses	22 764	23 388	24 222	24 312
Goods and fixed assets write-off	158 036	158 036	209 785	209 785
Advertising	282 589	405 943	397 702	406 395
Business trip expenses	16 968	16 968	6 488	6 488
Provisions for doubtful debtors and illiquid stocks	154 935	234 979	634 848	704 639
Transportation expenses	89 200	89 200	79 446	79 446
Renovation expenses	60 473	66 523	60 597	60 784
Other expenses	164 409	179 568	85 743	98 176
	5 161 222	**5 666 679**	**5 720 376**	**5 923 936**

(6) Administrative expenses

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Salary expenses	1 284 944	1 284 944	1 279 135	1 279 135
Social insurance	302 507	302 507	300 183	300 183
Provisions for unused annual leave and bonuses	17 009	17 009	(56 831)	(56 831)
Office rent	41 366	41 366	49 536	49 536
Office expenses	31 587	31 587	33 480	33 480
Bank commission	312 714	322 613	103 913	106 288
Audit expense	13 500	15100	13 500	15 759
Communication expenses	19 700	19 700	20 214	20 214
State fees and duties, licence expense	24 912	39 137	24 455	26 878
Legal advice	35 720	39 273	37 588	39 834
Information database subscriptions, maintenance	84 117	106 538	128 398	132 644
Membership fees in professional organizations	39 839	41 039	41 296	41 496
Other administrative expenses	19 561	30 729	14 464	17 276
	2 227 476	**2 289 942**	**1 989 331**	**2 005 892**

* During the reporting year the Company has not received any other services from the auditors

Notes (continued)

(7) Other operating income

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Income from the dividends	-	-	92 315	-
Other income	59 187	44 476	43 336	37 332
	59 187	**44 476**	**135 651**	**37 332**

(8) Other operating expenses

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Fines	1 890	1 890	2 688	2 688
Other expenses	38 135	38 166	19 337	19 337
Goods written-off above trade loss norm	25 948	25 948	38 423	38 423
Donations	130 000	140 000	46 500	50 000
Losses from cession	1 554 187	1 683 212	1 347 105	1 371 747
	1 750 160	**1 889 216**	**1 454 053**	**1 482 195**

(9) Corporate income tax for the reporting year

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Deferred corporate income tax charge (see Note 13)	145 252	145 252	(1 647)	(1 647)
Corporate income tax charge for the current year	512 833	554 662	226 027	244 763
	658 085	**699 914**	**224 380**	**243 116**

Corporate income tax differs from the theoretically calculated tax amount:

Profit before taxation	**3 394 325**	**3 653 210**	**1 219 638**	**1 203 833**
Theoretically calculated tax at a tax rate of 15 %	509 149	547 982	182 946	180 575
Expenses not deductible for tax purposes	131 492	144 360	80 959	105 041
Deferred corporate income tax write-off	127 944	123 924	-	-
Donations	(110 500)	(116 352)	(39 525)	(42 500)
	658 085	**699 914**	**224 380**	**243 116**

Notes (continued)

(10) Intangible and fixed assets of the Parent company

	Concessions, patents, trademarks and similar rights	Other intangible assets	Other fixed assets and inventory	Advances	Leasehold improvements	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2016	40 539	10 000	899 521	105 967	339 575	1 395 602
Additions	13 675	20 727	122 388	66 575	14 787	238 152
Disposals	(1 072)	-	(54 750)	-	-	(55 822)
Finished fixed assests from prepaid advances	172 542	-	-	(172 542)	-	-
31.12.2017	**225 684**	**30 727**	**967 159**	**-**	**354 362**	**1 577 932**
Depreciation						
31.12.2016	23 388	556	676 894	-	271 649	972 487
Charge for 2017	9 745	4 897	135 308	-	33 470	183 420
Disposals	(730)	-	(32 797)	-	-	(33 527)
31.12.2017	**32 403**	**5 453**	**779 405**	**-**	**305 119**	**1 122 380**
Net book value 31.12.2017	**193 281**	**25 274**	**187 754**	**-**	**49 243**	**455 552**
Net book value 31.12.2016	**17 151**	**9 444**	**222 627**	**105 967**	**67 926**	**423 115**

As at 31 December 2017 the residual value of the fixed assets acquired under the terms of financial lease was 174 572 *euro* (31.12.2016: 164 557 *euro*). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

Intangible and fixed assets of the Group

	Concessions, patents, trademarks and similar rights	Other intangible assets	Other fixed assets and inventory	Advances	Goodwill	Leasehold improvements	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2016.	40 539	25 034	911 489	105 967	127 616	344 735	1 555 380
Additions	13 675	26 087	126 348	67 084	-	17 101	250 295
Disposals	(1 072)	-	(54 750)	(509)	-	-	(56 331)
Finished fixed assests from prepaid advances	172 542	-	-	(172 542)	-	-	-
31.12.2017.	**225 684**	**51 121**	**983 087**	**-**	**127 616**	**361 836**	**1 749 344**
Depreciation							
31.12.2016	23 388	850	677 415	-	-	271 822	973 475
Charge for 2017	9 745	16 112	143 277	-	-	39 468	208 602
Disposals	(730)	-	(32 797)	-	-	-	(33 527)
31.12.2017.	**32 403**	**16 962**	**787 895**	**-**	**-**	**311 290**	**1 148 550**
Net book value 31.12.2017	**193 281**	**34 159**	**195 192**	**-**	**127 616**	**50 546**	**600 794**
Net book value 31.12.2016	**17 151**	**24 184**	**234 074**	**105 967**	**127 616**	**72 913**	**581 905**

Notes (continued)

(11) Parent Company's investments in subsidiaries

The Parent company is the sole shareholder of subsidiaries SIA "ExpressInkasso" (100%), SIA "ViziaFinance" (100%). In 2017 the Company acquired 100% shares of "Cash Advance Bulgaria" EOOD.
In 2017 the disposal of shareholding in SIA "EC Finance" was effected.

a) participating interest in subsidiaries

Name	Acquisition price of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.
	EUR	EUR	%	%
SIA ExpressInkasso	2 828	2 828	100	100
SIA ViziaFinance	880 000	880 000	100	100
SIA EC Finance from 01.12.2015. till 08.12.2017.	-	3 000	-	100
Cash Advance Bulgaria EOOD from 20.01.2017.	513 000	-	100	-
	1 395 828	**885 828**		

b) information on subsidiaries

Name	Address	Shareholders' funds 31.12.2017. EUR	Shareholders' funds 31.12.2016. EUR	Profit/ (loss) for the period 2017 EUR	Profit/ (loss) for the period 2016 EUR
SIA ExpressInkasso	Raunas street 44k-1, LV-1039 Riga, Latvia	493 160	233 209	259 951	122 218

Basic operations of SIA ExpressInkasso are debt collection services.

SIA ViziaFinance (from 29.07.2016. till 07.03.2018. SIA MoneyMetro, from 30.04.2015. till 29.07.2016. SIA Banknote)	Raunas street 44k-1, LV-1039 Riga, Latvia	708 473	754 712	(46 239)	(64 327)

Basic operation of SIA ViziaFinance is providing consumer lending services.

SIA EC Finance from 01.12.2015. till 08.12.2017.	Raunas street 44k-1, LV-1039 Riga, Latvia	N/A	2 883	N/A	(117)
Cash Advance Bulgaria EOOD from 20.01.2017.	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region	516 343	N/A	3 343	N/A

Basic operations of Cash Advance Bulgaria EOOD are Crediting services.

c) assets held for sale

	EUR
Assets held for sale 31.12.2016.	1 000
Disposed	(1 000)
Assets held for sale 31.12.2017.	-

Notes (continued)

(12) The Group's loans to shareholders and management

	Loans to members EUR
Cost	
31.12.2016.	1 216 601
Loans issued	1 367 051
Loans repaid	(1 858 873)
Loan interest	21 840
31.12.2017.	**746 619**
Net book value as at 31.12.2017	**746 619**
Net book value as at 31.12.2016	**1 216 601**

Interest on borrowing is 2.64% per annum. The loan maturity - 31 December 2019 (including the loan principal amount and accrued interest).. Loans are not secured. Loans are denominated in euro.

(13) Deferred tax asset of the Parent company and the Group

	2017 EUR	2016 EUR
Deferred tax asset at the beginning of the reporting year	145 252	143 605
Increase/(decrease) of deferred tax asset during the reporting year (see Note 9)	(145 252)	1 647
Deferred tax asset at the end of the reporting year	**-**	**145 252**

Deferred tax has been calculated from the following temporary differences between assets and liabilities values for financial and tax purposes:

	31.12.2017. EUR	31.12.2016. EUR
Temporary difference on fixed assets depreciation	-	3 504
Temporary difference on provisions for slow moving and obsolete stock	-	(148 756)
Deferred tax asset	**-**	**(145 252)**

Deffered tax asset is written off to current year's profit and loss according to the changes in deferred tax base effected by changes in tax legislation.

(14) Goods for sale of the Parent company and the Group

	31.12.2017. EUR	31.12.2016. EUR
Goods for sale and pledges taken over	789 507	742 486
Precious metals	132 416	189 478
Provision for obsolete stock and inventory impairment	(238 928)	(231 249)
	682 995	**700 715**

a) ***Age analysis of stock***

	31.12.2017. EUR	31.12.2016. EUR
Outstanding for 0-180 days	447 155	355 372
Outstanding for 181-360 days	157 995	208 003
Outstanding for more than 360 days	316 773	368 589
Total stock	**921 923**	**931 964**

b) **Provision *for obsolete stock***

	2017 EUR	2016 EUR
Provisions for obsolete stock at the beginning of the year	231 249	314 189
Written-off	(189 321)	(337 146)
Additional provisions	197 000	254 206
Provisions for obsolete stock at the end of the year	**238 928**	**231 249**

Notes (continued)

(15) Loans and receivables

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Long-term loans and receivables				
Debtors for loans issued against pledge	61 099	61 099	55 955	55 955
Debtors for loans issued without pledge	1 707 115	1 851 797	908 153	908 153
Long-term loans and receivables, total	**1 768 214**	**1 912 896**	**964 108**	**964 108**
Short-term loans and receivables				
Debtors for loans issued against pledge	1 996 754	1 996 754	1 808 673	1 808 673
Debtors for loans issued against pledge, for realization	789 456	789 456	673 763	673 763
Debtors for loans issued without pledge	10 585 452	11 923 626	7 863 648	8 870 377
Interest accrued	540 846	578 557	554 721	589 261
Provisions for bad and doubtful trade debtors	(1 212 219)	(1 357 617)	(1 281 032)	(1 350 823)
Short-term loans and receivables, total	**12 700 289**	**13 930 776**	**9 619 773**	**10 591 251**
Loans and receivables	**14 468 503**	**15 843 672**	**10 583 881**	**11 555 359**

All loans are issued in euro.

Long term receivables for the loans issued don't exceed 5 years.

During the year several cessation agreements on loan portfolio cessation were concluded between the parent company and its subsidiary. The carrying value of the loan portfolio – EUR 2 095 367, the portfolio value in accordance with the independent valuers' assessment –EUR 628 724.
During the year several cessation agreements on loan portfolio cessation were concluded with third parties. The carrying value of the loan portfolio – EUR 643 656, the cessation revenues –EUR 575 307.

In September 2017 the Parent company signed an agreement with a third party on cessation of any loan portfolio items with the ageing in excess of 90 days. The carrying value of the portfolio items with relevant criteria in 2017 – EUR 484 491, the cessation revenues – EUR 336 272.

Losses from the above noted cessions are partly covered by provisions made for the loans issued in previous accounting period or are included in the current year's profit and loss account, if cession of loans issued in current year is performed.

Part of loan portfolio in the amount of EUR 2 847 309 (31.12.2016: EUR 2 538 391) is secured by the value of the collateral. Fair value of pledges is assessed to amount to EUR 4 755 006, which is 1.67 times higher than the portfolio carrying value, therefore provision for overdue loans is not required. Pledges on overdue loans are realised in accordance wityh the conditions stated in loan agreements.

a) Age analysis of claims against debtors for loans issued:

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Receivables not yet due	13 589 275	14 549 165	7 858 894	8 491 645
Outstanding 1-30 days	795 107	878 658	1 520 508	1 577 284
Outstanding 31-90 days	505 630	564 932	1 077 219	1 103 429
Outstanding 91-180 days	334 088	412 055	869 553	871 591
Outstanding for 181-360 days	130 815	383 567	224 905	415 356
Outstanding for more than 360 days	325 807	412 912	313 834	446 877
Total claims against debtors for loans issued	**15 680 722**	**17 201 289**	**11 864 913**	**12 906 182**

b) Provisions for bad and doubtful trade and other receivables

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Provisions for bad and doubtful receivables at the beginning of the year	**1 281 032**	**1 350 823**	**710 540**	**710 540**
Written-off	(81 506)	(81 506)	(36 001)	(36 001)
Additional provisions	12 693	88 300	606 493	676 284
Provisions for bad and doubtful receivables at the end of the year	**1 212 219**	**1 357 617**	**1 281 032**	**1 350 823**

Notes (continued)

(16) Receivables from affiliated companies

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Long-term loans to affiliated companies				
SIA Kalpaks liability for loan issued and loan interest	407 100	407 100	-	-
SIA Banknote (prev. A.Kredīts) liability for loan issued and loan interest	144 494	144 494	-	-
Long-term loans to affiliated companies, total	**551 594**	**551 594**	**-**	**-**
Short-term receivables from affiliated companies				
Debts for goods and fixed assets sold, prepayment	4 167	1 306	20 949	107
SIA Banknote (prev. A.Kredīts) liability for loan issued , loan interest and services delivered	14	14	150 613	150 613
Liabilities of the Parent company's board for the loan issued and loan interest	3 057	3 057	18 426	18 426
SIA ViziaFinance liability for loan issued, loan interest and debt for the assigned rights of claim	-	-	48 518	-
Subsidiaries debts for dividends	-	-	92 315	-
	7 238	**4 377**	**330 821**	**169 146**
Loans and receivables from affiliated companies, total	**558 832**	**555 971**	**330 821**	**169 146**

Annual interest on loans to related parties – 2.64-15 %. All loans and other claims are denominated in euro.

Age analysis of receivables from affiliated companies

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Receivables not yet due	558 832	555 971	309 552	168 736
Outstanding for 1-180 days	-	-	21 269	410
Outstanding for 181-360 days	-	-	-	-
Outstanding for more than 360 days	-	-	-	-
Total receivables from affiliated companies	**558 832**	**555 971**	**330 821**	**169 146**

(17) Other debtors

	31.12.2017. EUR	31.12.2017. EUR	31.12.2016. EUR	31.12.2016. EUR
Loans to employees and other third parties	1 510	1 510	3 916	3 916
Guarantee deposit	58 045	62 566	63 576	65 197
Other debtors	564 780	565 116	182 929	182 929
Provisions for bad and doubtful other debtors	(29 099)	(29 099)	(2 084)	(2 084)
	595 236	**600 093**	**248 337**	**249 958**

a) Provisions for bad and doubtful other debtors

	2017 EUR	2016 EUR
Provisions for bad and doubtful other debtors at the beginning of the year	2 084	2 084
Written-off	(115 934)	(1 408)
Additional provisions	142 949	1 408
Provisions for bad and doubtful other debtors at the end of the year	**29 099**	**2 084**

b) Parent company other debtors by currency, translated into EUR:

	31.12.2017. EUR	31.12.2017. %	31.12.2016. EUR	31.12.2016. %
EUR	623 022	99.79	228 497	91.17
Provisions EUR	(29 099)	-	(2 084)	-
CZK	-	-	1 104	0.45
USD	1 313	0.21	12 270	4.94
PLN	-	-	8 550	3.44
Total other debtors	**595 236**	100%	**248 337**	100%

Notes (continued)

(17) Other debtors (continued)

Group other debtors by currency, translated into EUR:

	31.12.2017. EUR	31.12.2017. %	31.12.2016. EUR	31.12.2016. %
EUR	627 879	99.79	230 118	91.23
Provisions EUR	(29 099)	-	(2 084)	-
CZK	-	-	1 104	0.44
USD	1 313	0.21	12 270	4.91
PLN	-	-	8 550	3.42
Total other debtors	**600 093**	100%	**249 958**	100%

c) Age analysis of other debtors

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Repayable upon request	126 447	131 304	129 672	131 293
Receivables not yet due	494 911	494 911	87 926	87 926
Outstanding for 1-30 days	206	206	873	873
Outstanding for 31-90 days	381	381	435	435
Outstanding for 91-180 days	365	365	29 151	29 151
Outstanding for 181-360 days	2	2	-	-
Outstanding for more than 360 days	2 023	2 023	2 364	2 364
Provisions	(29 099)	(29 099)	(2 084)	(2 084)
Total other debtors	**595 236**	**600 093**	**248 337**	**249 958**

(18) Deferred expenses

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Insurance	11 482	11 482	4 521	4 521
License for lending services and debt recovery services	18 316	32 541	14 350	28 575
Prepayment for rent and other costs	17 816	23 515	55 795	59 645
Total deferred expenses	**47 614**	**67 538**	**74 666**	**92 741**

(19) Cash and bank

	31.12.2017. EUR	31.12.2017. EUR	31.12.2016. EUR	31.12.2016. EUR
Cash at bank	1 882 267	2 015 751	897 966	999 688
Cash in hand	190 729	203 996	229 265	279 722
	2 072 996	**2 219 747**	**1 127 231**	**1 279 410**

All the Parent company's and the Group's cash is in euro.

(20) Share capital

The Parent Company's share capital is EUR 1 500 000 which consists of 1 500 000 ordinary shares, each of them with a nominal value of EUR 1.

Notes (continued)

(21) Bonds issued

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Bonds issued	7 063 000	7 063 000	5 224 000	5 224 000
Bonds commission	(10 813)	(10 813)	(10 240)	(10 240)
Total long-term part of bonds issued	**7 052 187**	**7 052 187**	**5 213 760**	**5 213 760**
Bonds issued	1 000 000	1 000 000	1 000 000	1 000 000
Bonds commission	(2 806)	(2 806)	(13 203)	(13 203)
Interest accrued	17 549	17 549	30 976	30 976
Total short-term part of bonds issued	**1 014 743**	**1 014 743**	**1 017 773**	**1 017 773**
Bonds issued, total	**8 063 000**	**8 063 000**	**6 224 000**	**6 224 000**
Interest accrued, total	17 549	17 549	30 976	30 976
Bonds commission, total	(13 619)	(13 619)	(23 443)	(23 443)
Bonds issued net	**8 066 930**	**8 066 930**	**6 231 533**	**6 231 533**

As at the date of signing of the annual report the Parent company of the Group has registered secured bonds (ISIN LV0000801280) with the Latvia Central Depository on the following terms – number of financial instruments 5 000 with the nominal value of 150 *euro*, with the total nominal value of 750 000 *euro* (31.12.2017. - number of financial instruments 5 000 with the nominal value of 200 *euro*, with the total nominal value of 1 000 000 *euro)*. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount is repaid once in a quarter in the amount of 50 *euro* per bond. The maturity of the bonds – 25 November 2018. On 28 March 2014 the public quotation of the bonds with NASDAQ OMX Riga Baltic Securities list was started.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000801322) with the Latvia Central Depository on the following terms – number of financial instruments 3 500 with the nominal value of 1000 *euro*, with the total nominal value of 3 500 000 *euro*, 26 000 euro - nominal value of bonds acquired by the Group. Coupon rate - 15%, coupon is paid once a month on the 25th date. The principal amount is to be repaid once in a quarter in the amount of 125 *euro* per bond starting 25 March 2019. The maturity of the bonds – 25 December 2020. On 14 April 2014 the public quotation of the bonds with NASDAQ OMX Riga Baltic Securities list was started.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000802213) with the Latvia Central Depository on the following terms –number of securities issued: 5 000, number of securities situated on 31.12.2017.: 4 097, Nominal value 1 000 *euro* per each with the total nominal value of 4 097 000 *euro,* 524 000 euro of them are nominal value of self purchased bonds. As at the date of signing of the annual report: the bonds placement represent 5 000 bonds with a nominal value 1 000 *euro* per each, and the total nominal value of 5 000 000 *euro*. 504 000 euro - nominal value bonds acquired by the Group. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid on 25.10.2021. Issued bonds are not in public trade. Bonds are issued starting from 19.10.2016.

The bonds (ISIN LV0000801280) are secured by the commercial pledge of the total assets and shares of the Group, as well as future components of these assets. The bonds are also secured by the financial pledge of the cash assets and financial instruments (if existent) of the Group held at AS "Reģionālā investīciju banka". The bond holders have the rights to recover their assets proportionately to their share of investment in case of pledge realisation if the parent company has breached the conditions of coupon payment or principal repayment.

The following pledge agreements with the total pledge value of EUR 6 million are concluded. The pledge agreements have been concluded with the following persons/entities:

- Lombards24.lv, SIA, reg.No. 40103718685, pledge on SIA "ExpressCredit" shares, pledged number of shares - 989 913;
- AE Consulting, SIA, reg. No. 40003870736, pledge on SIA "ExpressCredit" shares, pledged number of shares - 150 000;
- EC Finance, SIA, reg. No. 40103950614, pledge on SIA "ExpressCredit" shares, pledged number of shares – 322 587;
- Kristaps Bergmanis, pledge on SIA "ExpressCredit" shares, pledged number of shares-: 15 000.00;
- Didzis Ādmīdiņš, pledge on SIA "ExpressCredit" shares, pledged number of shares -22 500.

Each pledge guarantees the claim in the total claim amount:

- with the Parent company on 100% shares of SIA "EkspressInkasso";
- with a subsidiary SIA "EkspressInkasso" on aggregate movable property and future components of these assets;
- with the Parent company on aggregate movable property and future components of these assets. Leased vehicles are excluded from the pledge listing.

Term:	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR	Gross future minimum payments 31.12.2016 EUR	NPV of future minimum payments 31.12.2016 EUR	Interest expenses 31.12.2016 EUR
up to one year	2 220 597	1 000 000	1 220 597	1 839 693	1 000 000	839 693
2 – 5 years	9 432 651	7 063 000	2 369 651	6 858 484	5 224 000	1 634 484
	11 653 248	**8 063 000**	**3 590 248**	**8 698 177**	**6 224 000**	**2 474 177**

Notes (continued)

(22) Other borrowings

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Long-term finance lease	120 472	120 472	113 074	113 074
Other long-term loans	1 180 225	1 323 919	1 178 958	1 178 958
Total other long-term loans	**1 300 697**	**1 444 391**	**1 292 032**	**1 292 032**
Short-term finance lease	54 100	54 100	51 483	51 483
Other short-term loans	6 367 246	6 780 674	4 796 494	4 796 494
Total other short-term loans	**6 421 346**	**6 834 774**	**4 847 977**	**4 847 977**
Total other loans	**7 722 043**	**8 279 165**	**6 140 009**	**6 140 009**

The Parent company has acquired fixed assets on finance lease with interest set at 3 M Euribor + 5% and 6M Euribor + 3-4.5%.

The Parent company has received loans from private individuals and legal entities. The interest range on loans received - 11% to 15 % p.a. No security on lons received provided.

Summary of future minimum lease payments of the Parent Company:

Term:	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR	Gross future minimum payments 31.12.2016 EUR	NPV of future minimum payments 31.12.2016 EUR	Interest expenses 31.12.2016 EUR
up to one year	7 223 100	6 421 346	801 754	5 490 134	4 847 977	642 157
2 – 7 years	1 576 576	1 300 697	275 879	1 487 705	1 292 032	195 673
	8 799 676	**7 722 043**	**1 077 633**	**6 977 839**	**6 140 009**	**837 830**

Summary of future minimum lease payments of the Group:

Term:	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR	Gross future minimum payments 31.12.2016 EUR	NPV of future minimum payments 31.12.2016 EUR	Interest expenses 31.12.2016 EUR
up to one year	7 660 175	6 834 774	825 401	5 490 134	4 847 977	642 157
2 – 7 years	1 795 954	1 444 391	351 563	1 487 705	1 292 032	195 673
	9 456 129	**8 279 165**	**1 176 964**	**6 977 839**	**6 140 009**	**837 830**

(23) Accounts payable to affiliated companies

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Liabilities for loan and interest accrued to Cash Advance Bulgaria EOOD	462 230	-	-	-
Loan from SIA ViziaFinance	90 104	-	-	-
Liabilities for Parent company's board for the loan issued and loan interest	50 112	50 112	-	-
Accrued liabilities for facilities management and utilities to SIA Banknote	558	558	-	-
Debt for the services provided by the SIA AE Consulting	-	181	-	181
Interest accrued on Lombards24.lv loan	429	429		
Loan from SIA ExpressInkasso	218 112	-	-	-
Debt for received payments of the assigned rights of claim to SIA ExpressInaksso	-	-	7 376	-
Total liabilities to related parties	**821 545**	**51 280**	**7 376**	**181**

The Group has received a loan from affiliated companies and individuals with a fixed interest rate of 2.64 to 4% per annum.

Notes (continued)

(24) Trade creditors and accrued liabilities

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Debts to suppliers	162 064	173 309	166 090	173 985
Salaries	175 869	183 333	153 442	160 042
Vacation liabilities	241 557	248 704	239 440	244 742
Amounts due to borrowers	153 946	153 946	96 738	96 738
Other accrued liabilities	63 168	68 320	57 778	59 630
	796 604	**827 612**	**713 488**	**735 137**

a) Parent company's trade creditors by currency, translated into EUR:

	31.12.2017. EUR	31.12.2017. %	31.12.2016. EUR	31.12.2016. %
EUR	796 604	100	593 977	83.25
GBP	-	-	112 496	15.77
CZK	-	-	4 109	0.57
USD	-	-	2 906	0.41
Total trade creditors and accrued liabilities	**796 604**	**100%**	**713 488**	**100%**

Group's trade creditors by currency, translated into EUR:

	31.12.2017. EUR	31.12.2017. %	31.12.2016. EUR	31.12.2016. %
EUR	827 612	100	615 610	83.74
GBP	-	-	112 512	15.30
CZK	-	-	4 109	0.56
USD	-	-	2 906	0.40
Total trade creditors and accrued liabilities	**827 612**	**100%**	**735 137**	**100%**

b) Ageing analysis of trade creditors:

	31.12.2017. EUR	31.12.2017. EUR	31.12.2016. EUR	31.12.2016. EUR
Receivables not due	771 246	799 570	705 600	734 625
Outstanding for 1-30 days	24 331	25 930	7 888	512
Outstanding more than 30 days	1 027	2 112	-	-
Total trade creditors and accrued liabilities	**796 604**	**827 612**	**713 488**	**735 137**

Notes (continued)

(25) Taxes and social insurance payments

Parent company's taxes and social insurance

	VAT	Corporate income tax	Real estate tax*	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities 31.12.2016.	**10 878**	**(80 628)**	**-**	**79**	**90 614**	**47 300**	**3 324**	**71 567**
Charge for 2017	168 495	512 833	135	1 163	1 199 222	697 198	14 829	**2 593 875**
Paid in 2017	(164 930)	(226 428)	(135)	(1 200)	(1 189 400)	(691 150)	(14 860)	**(2 288 103)**
Liabilities/ (overpaid) 31.12.2017.	**14 443**	**205 777**	**-**	**42**	**100 436**	**53 348**	**3 293**	**377 339**

Group's taxes and social insurance

	VAT	Corporate income tax	Real estate tax*	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities 31.12.2016.	**10 952**	**(78 504)**	**-**	**79**	**94 199**	**49 132**	**3 324**	**79 182**
Charge for 2017	171 870	554 662	135	1 220	1 243 665	720 460	14 829	**2 706 841**
Paid in 2017	(166 922)	(252 239)	(135)	(1 258)	(1 233 439)	(714 206)	(14 860)	**(2 383 059)**
Liabilities / (overpaid) 31.12.2017.	**15 900**	**223 919**	**-**	**41**	**104 425**	**55 386**	**3 293**	**402 964**

* Real estate tax payments are performed also for the leased premises in Riga, Gogoļa Street.

(26) Average number of employees

	2017	2016
Average number of employees during the reporting year of the Parent company	**264**	**288**
Average number of employees during the reporting year of the Group	**277**	**294**

(27) Management remuneration

	31.12.2017.	31.12.2016.
	EUR	EUR
Board members' remuneration:		
· salary expenses	114 984	82 655
· social insurance	27 125	19 499
	142 109	**102 154**

Council members do not receive any remuneration for their work as council members.
During the year loans in the amount of EUR 98 000 were issued to the board members. Loans and accrued interest in the amount of EUR 118 690 were repaid during the reporting period. The interest on loans is charged as 2.64% p.a. As at 31.12.2017 all loans issued to the board members are repaid.
No other bonuses or incentive plans for the board members implemented.

Notes (continued)

(28) Information by segments and turnover

Based on the nature of the services the Parent Company's operations can be divided as follows.

EUR	Sale of pledges taken over		Secured loans		Non-secured loans		Other activities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets	874 706	966 279	4 045 749	3 367 571	13 373 087	8 874 669	2 730 633	2 528 928	21 024 175	15 737 447
Liabilities of the segment	65 120	52 950	3 742 063	3 153 806	11 723 548	7 831 524	2 253 730	2 125 694	17 784 461	13 163 974
Income	692 944	691 238	4 671 578	4 675 986	8 866 201	6 136 910	61 759	140 512	14 292 482	11 644 646
Net performance of the segment	14 227	(136 240)	1 368 962	726 060	1 359 281	399 383	(6 230)	6 055	2 736 240	995 258
Net financial income (expenses)	(998)	(57)	(348 082)	(325 133)	(1 436 244)	(1 030 393)	(33 162)	(41 316)	(1 818 486)	(1 396 899)
Profit/(loss) before taxes	17 641	(166 954)	1 697 458	889 748	1 685 456	489 424	(6 230)	7 420	3 394 325	1 219 638
Corporate income tax	(3 414)	30 715	(328 497)	(163 690)	(326 174)	(90 041)	-	(1 365)	(658 085)	(224 380)
Other information										
Fixed assets and intangible assets (NBV)	151 851	141 038	151 851	141 038	151 850	141 039	-	-	455 552	423 115
Depreciation and amortisation during the reporting period (except leasehold improvement write-offs)	(49 983)	(64 646)	(49 983)	(64 646)	(49 983)	(64 645)	-	-	(149 949)	(193 937)
Loans issued	-	-	2 817 540	2 538 391	11 650 963	8 045 490	1 305 451	1 547 422	15 773 954	12 131 303
Loans received	-	-	3 335 174	2 820 497	11 024 305	7 432 949	2 251 039	2 118 095	16 610 518	12 371 542

Based on the nature of the services the Group's operations can be divided as follows.

EUR	Sale of pledges taken over		Secured loans		Non-secured loans		Other activities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets	874 706	966 279	4 045 749	3 367 571	15 065 030	10 176 812	1 331 944	1 481 445	21 317 429	15 992 107
Liabilities of the segment	65 120	51 374	3 587 404	3 097 552	11 826 082	8 809 503	2 149 345	1 227 613	17 627 951	13 186 043
Income	692 944	692 318	4 671 578	4 675 986	9 850 817	6 465 836	61 759	140 512	15 277 098	11 974 652
Net performance of the segment	14 227	(126 892)	1 368 962	754 290	1 591 048	405 210	(20 941)	(71 890)	2 953 296	960 717
Net financial income (expenses)	(998)	(57)	(348 082)	(298 582)	(1 440 285)	(1 060 490)	(33 162)	(36 999)	(1 822 527)	(1 396 128)
Profit/(loss) before taxes	17 641	(159 002)	1 697 458	945 167	1 959 052	507 750	(20 941)	(90 083)	3 653 210	1 203 833
Corporate income tax	(3 414)	32 111	(328 497)	(190 878)	(368 003)	(102 541)	-	18 192	(699 914)	(243 116)
Other information										
Fixed assets and intangible assets (NBV)	151 851	141 038	151 851	141 038	297 092	299 829	-	-	600 794	581 905
Depreciation and amortisation during the reporting period (except leasehold improvement write-offs)	(49 983)	(64 646)	(49 983)	(64 646)	(69 167)	(65 972)	-	-	(169 133)	(195 264)
Loans issued	-	-	2 817 540	2 538 391	13 026 132	9 016 968	1 302 590	1 385 747	17 146 262	12 941 106
Loans received	-	-	3 180 515	2 772 695	11 070 207	8 379 096	2 146 653	1 219 750	16 397 375	12 371 542

Notes (continued)

(29) Additional disclosure on loans issued and received movement in accordance with cashflow information disclosure initiative

(29a) Loans received – movement during the year

	Company 2 017 EUR	Group 2 017 EUR	Company 2 016 EUR	Group 2 016 EUR
Bonds issued	6 231 533	6 231 533	6 505 919	6 505 919
Other loans	6 140 009	6 140 009	1 051 587	1 051 587
Total loans received and bonds issued at the beginning of the year	**12 371 542**	**12 371 542**	**7 557 506**	**7 557 506**
Loans received	14 111 335	14 062 738	10 529 796	10 529 796
Loans repaid	(9 882 085)	(10 034 582)	(5 729 374)	(5 732 851)
Interest charged	1 818 486	1 820 203	1 396 899	1 396 128
Interest paid	(1 809 318)	(1 823 265)	(1 383 285)	(1 379 037)
Total loans received and bonds issued at the end of the year	**16 609 960**	**16 396 636**	**12 371 542**	**12 371 542**
inclusive				
Bonds issued	8 066 930	8 066 930	6 231 533	6 231 533
Other loans	7 722 043	8 279 165	6 140 009	6 140 009
Related parties' loans	820 987	50 541	-	-

(29a) Loans issued – movement during the year

	Company 2 017 EUR	Group 2 017 EUR	Company 2 016 EUR	Group 2 016 EUR
Loans and receivables	10 583 881	11 555 359	6 672 015	7 001 024
Loans to shareholders and management	1 216 601	1 216 601	875 267	875 267
Loans to related parties	217 557	217 557	429 044	99 379
Total loans issued the beginning of the year	**12 018 039**	**12 989 517**	**7 976 326**	**7 975 670**
Loans issued within operating activities	43 862 071	46 294 845	35 811 621	37 265 483
Loans repaid	(39 154 574)	(41 219 993)	(30 795 203)	(31 468 555)
Other loans issued	2 097 591	1 779 591	4 734 378	4 923 686
Other loans repaid	(2 371 164)	(1 912 311)	(5 026 943)	(5 027 393)
Interest charge	12 878 502	13 863 118	10 298 728	10 627 654
Interest payments received	(12 892 377)	(13 873 822)	(10 254 557)	(10 545 467)
Accrued interest	540 846	578 557	554 721	589 261
Bad debt provisions	(1 212 219)	(1 357 617)	(1 281 032)	(1 350 823)
Total loans issued the end of the year	**15 766 716**	**17 141 885**	**12 018 039**	**12 989 517**
inclusive				
Loans and receivables	14 468 503	15 843 672	10 583 881	11 555 359
Loans to shareholders and management	746 619	746 619	1 216 601	1 216 601
Loans to related parties	551 594	551 594	217 557	217 557

(30) Rent and lease agreements

The Company has concluded 89 rental agreements effective as at the date of signing of the annual report. The term of the agreements varies from 1 to 20 years. The following schedule summarises future lease payment liabilities in accordance with the agreements concluded.

	31.12.2017. EUR	31.12.2016. EUR
< 1 year	789 116	796 393
2 – 4 years	1 505 852	1 100 348
5 years and more	789 823	109 912
	3 084 791	**2 006 653**

Notes (continued)

(31) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period.

Related party	Transactions in 2017	Transactions in 20156
Parent company's owners		
"Lombards24.lv", SIA (previously „Express Holdings", SIA), reg. No.40103718685	X	X
„AE Consulting", SIA, reg. No. 40003870736	X	X
"EC finace", SIA, reg. No. 40103950614 from 08.12.2017.	X	N/A
Didzis Ādmīdiņš, p.c.. 051084-11569	X	X
Kristaps Bergmanis, p.c. 040578-13052	X	X
Companies and individuals under common control or significant influence		
Agris Evertovskis, p.c. 081084-10631	X	X
EA investments, AS, reģ.Nr. 40103896106	X	N/A
Subsidiary		
"ExpressInkasso", SIA, reg. No. 40103211998	X	X
"ViziaFinance", SIA, (prev. MoneyMetro, SIA) reg. No. 40003040217	X	X
"EC Investments", SIA, reg. No. 40103944745 till 01.02.2016.	N/A	X
"EC finance", SIA, reg. No. 40103950614 till 08.12.2017.	N/A	X
Cash Advance Bulgaria EOOD, reg. No. 204422780	X	N/A
Other related companies		
"Naudasklubs" SIA, reg. No. 40103303597	N/A	X
"Banknote" SIA, (prev. "A.Kredīts", SIA) reg. No. 40103501494	X	X
"ExpressCreditEesti" OU, reg. No. 12344733 till 27.10.2016.	N/A	X
"EL Capital", SIA, reg.No. 40203035929	X	N/A
"EuroLombard Ltd"., reg. No. 382902595000	X	N/A
"KALPAKS", SIA, reg.No. 40203037474	X	N/A

All the transactions have been performed at market rates.

	2017 EUR	2016 EUR
<u>**Parent company transactions with:**</u>		
Owners of the parent company		
Loans received	739 973	9 500
Loans repaid	739 973	9 500
Loans issued	1 363 904	992 265
Loan repayment received	1 855 287	663 237
Interest paid	3 576	-
Interest received	21 840	8 467
Dividends paid	2 070 000	700 000
Services received	2 542	2 210
Services delivered	420	120
Goods sold	2 492	6 797
Investment in shares	-	200 000
Bonds sold	50 000	-

Notes (continued)

Related party transactions (continued)

<u>Parent company's transactions with:</u>	2017 EUR	2016 EUR
Subsidiaries		
Cession of loans	573 959	529 232
Loans received	1 392 500	41 888
Loans repaid	634 284	41 888
Loans issued	318 000	75 163
Loan repayment received	355 563	7 600
Interest paid	16 275	771
Interest received	3 591	18
Dividends paid	-	92 315
Services delivered	19 822	12 433
Goods sold	222	7 140
Fixed assets sold	238	2 910
Investment in shares	513 000	
Companies and individuals under common control or significant influence		
Loans received	50 000	-
Loans issued	98 000	267 400
Loan repayment received	114 400	251 000
Interest paid	112	-
Interest received	2 264	2 026
Services delivered	60	-
Shares sold	4 000	-
Other related companies		
Loans repaid	-	16 550
Loans issued	550 687	89 550
Loan repayment received	176 120	24 389
Interest paid	-	79
Interest received	33 565	3 622
Services received	26 438	64 631
Services delivered	6 721	1 030
Fixed assets sold	81	-
<u>Group's transactions with</u>:		
Owners of the parent company		
Loans received	739 973	9 500
Loans repaid	739 973	9 500
Loans issued	1 363 904	992 265
Loan repayment received	1 855 287	663 237
Interest paid	3 576	-
Interest received	21 840	8 467
Dividends paid	2 070 000	700 000
Services received	4 720	2 210
Services delivered	420	120
Goods sold	2 492	-
Fixed assets sold	-	6 797
Investment in Shares	-	200 020
Bonds sold	50 000	-
Companies and individuals under common control or significant influence		
Loans received	50 000	7 000
Loans repaid	-	7 000
Loans issued	98 000	267 400
Loan repayment received	114 400	251 000
Interest paid	112	-
Interest received	2 264	2 026
Services delivered	60	-
Shares sold	4 000	-
Other related companies		
Loans repaid	-	16 550
Loans issued	550 687	89 550
Loan repayment received	176 120	4 580
Interest paid	-	79
Interest received	33 565	3 622
Services received	26 438	115 109
Services delivered	6 721	1 030
Fixed assets sold	81	-

Notes (continued)

(32) Guarantees issued, pledges

As at 31 December 2017 the Parent company has issued guarantees to other companies (only to legal entities) for the purchase of cars under the terms of financial lease. The total amount guaranteed as at 31.12.2017 - EUR 74 830. The guarantee is effective till 2021. For other information on guarantees issued/received and pledges given – see Note 21. Information about the Parent company's fixed assets acquired the terms of financial lease see in Note 10.

(33) Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2017.

Agris Evertovskis Chairman of the Board	Kristaps Bergmanis Member of the Board	Didzis Ādmīdiņš Member of the Board	Ivars Lamberts Member of the Board	Santa Šoldre Chief accountant

Riga, 30 April 2018

POTAPOVIČA
ANDERSONE

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Independent Auditor's Report

To the shareholders of SIA "ExpressCredit"

Our Opinion on the Separate and Consolidated Financial Statements of SIA "ExpressCredit"
We have audited the accompanying separate financial statements and consolidated financial statements of SIA "ExpressCredit" ("the Company") and its subsidiaries ("the Group") set out on pages 8 to 37 of the accompanying consolidated annual report, which comprise:

- the separate and consolidated balance sheet as at 31 December 2017,
- the separate and consolidated profit and loss statement for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of SIA "ExpressCredit" and its subsidiaries as at 31 December 2017, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion
In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report.
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
We have determined the matters described below to be the key audit matters to be communicated in our report:

Audit matter	*Audit procedures performed*
<u>Recoverable values of loans issued</u> The net balance sheet value of loans and receivables amount to EUR 14 468 in the separate financial statements and EUR 15 843 672 in the consolidated financial statements of the Group. Detailed information on this balance sheet item is included in Note 15 to the financial statements (financial information) and section (n) of the accounting policies (accounting principles and policies for bad debt provisioning). The loans and receivables are included in the balance sheet in net realisable values and consist of the gross values of loan principal reclaimable, interest income accrued as at the balance sheet date net of provisions created in accordance with the bad debt provisioning	Our audit procedures, amidst others, included the following: • meeting with the financial management of the Parent company in order to discuss the specifics of the current market situation, expected profit levels and ratios of asset return; • obtaining understanding of general principles applied to loan issuance and evaluating the adequacy of control procedures applied for the monitoring of borrowers; • performing of detailed analytical procedures, comparing interest income volumes to the asset base of loans issued; • on a random selection basis review of adequacy of ageing analysis of loans issued, as ageing analysis is the basis for application of provisioning procedures developed;

Audit matter	*Audit procedures performed*
policies as developed by the management of the Group. As the financing services offered by the Group are adjusted and developed to comply with the requirements of the varying market circumstances, then timely and efficient management decisions are needed in order to evaluate the adequacy of the provisioning policy determined and make required improvements in order to ensure that loans and receivables (inclusive of interest income accrued) are presented in the values that do not exceed net recoverable values of the respective assets As IFRS 9 "Financial instruments" is effective as of 1 January 2018, audit procedures were created in order to determine whether the principles for classification and provisioning set in the respective Standard do not lead to significant adjustments in the amount of provisions due to the implementation of IFRS 9. We consider this to be one of the key audit matters as loans and receivables represent material portion of assets both of the Parent company and the Group and the valuation of these assets involves significant decisions and judgements applied.	• comparing of adequacy and sufficiency of provisions made in prior periods with the actual repayment data for the loans provided for; • performance of analytical calculations to test the consistency and adequacy of provisioning policy application; • evaluation of loan repayment dynamics after the balance sheet date; • evaluation of the total loss from cessation agreements against the total loan portfolio and assessment of the total provision ratio as basis for expected credit loss provision.
<u>*Completeness of income from crediting activities*</u> Net sales of goods and related services presented in the financial statements of the separate financial statements amount EUR 4 164 444, and interest and similar income in the respective financial statements amount to EUR 12 878 502. The relevant income positions of the Group amount to EUR 4 164 444 and EUR 13 863 118 respectively. Detailed information on the relevant income items is presented in Notes 1 and 3 to the financial statements (financial information) and section (d) of the accounting policies (income recognition principles description). The Group has over 90 branches in 39 cities in Latvia and this requires implementation and maintenance of adequate and consistent income accounting and control procedures, that is why income recognition and control matters are considered to be one of the key audit matters.	Our audit procedures, amidst others, included the following: • meeting with the financial management of the Parent company in order to discuss the specifics of the current market situation, income structure of the Group, changes in the reporting period and chief material risks for ensurance of income recognition completeness; • obtaining understanding of the adequacy of the accounting methods and control procedures applied; • performance of detailed analytical procedures, reconciling cash movement to income recognised and data recorded by electronic cash register systems; • in cases when income is received in the result of material one-off transactions, performed substantive tests of supporting documentation and accounting records; • on a random selection basis performed tests od ageing of loans issued and income recognised on the respective loan base in accordance with the loan agreement provisions.
<u>*Completeness and valuation of goods for sale*</u> The value of goods for sale in the balance sheet both in separate and consolidated financial statements amounts to EUR 682 995 and consists of gross value of goods for sale of EUR 921 923 and provisions for slow moving items in the amount of EUR 238 928. Detailed information on goods for sale is included in Note 14 to the financial statements (financial information) and section (l) of the accounting policies (accounting principles). We consider this to be one of the key audit matters as goods for sale represent material part of the Group's assets and significant element of judgement is present in valuation of the respective asset.	Our audit procedures, amidst others, included the following: • evaluating of the results of operations of the internal control structures in stock-count performance and other control procedures performed; • reviewed the results of the stock-counts; • on a random selection basis participated in the year end stock counts, observing the stock-count procedures and performance; • on a random selection basis tested the adequacy of costing of specific goods items; • performing detailed analytical procedures reconciling the profit ratios on the sale of goods to the sales policies as developed by the management of the Group; • review of the ageing analysis of goods for sale and evaluation of the adequacy of provisions made in accordance with the provisioning policies as developed by the management of the Group;

Audit matter	*Audit procedures performed*
	• evaluation of the ratios of goods turnover and analysis of these ratios taking into account operational specifics of separate branches.

Other Matter

Reporting on Other Information

The Group management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 6 of the accompanying separate and consolidated Annual report,
- the Statement on Management Responsibility, as set out on page 5 of the accompanying separate and consolidated annual report,
- the Statement of Corporate Governance, as set out on page 7 of the accompanying separate and consolidated annual report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated annual report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

The Group does not issue a non-financial statement.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's separate and Group's consolidated financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The responsible certified auditor on the audit resulting in this independent auditors' report is Kristīne Potapoviča.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99

Kristīne Potapoviča
Responsible Certified Auditor
Certificate No. 99
Chairman of the Board

30 April 2018