SIA “ExpressCredit”

ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2018
AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(UNAUDITED)

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

Translation from Latvian

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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 64.9.1 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% till 07.12.2018., 65.18% from 07.12.2018.) Raunas street 44k-1, Riga, Latvia AE Consulting, SIA (10.00%) Posma street 2, Riga, Latvia EC finance, SIA (21.51% till 07.12.2018., 21.32% from 07.12.2018.), Raunas street 44k-1, Riga, Latvia Private individuals (3.5%)
Ultimate parent company	EA investments, AS 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
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	Inta Pudāne - Chief accountant
Financial year	1 January - 31 December 2018
Name and address of the auditor	SIA BDO ASSURANCE Certified Auditors' Company Licence Nr. 135 Kaļķu Street 15-3B, Riga, LV-1050 Latvia Responsible Certified Auditor Modrīte Johansone Certificate No. 135

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	**SIA REFIN** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	03.10.2018.
Number, place and date of registration of the subsidiary	40203172517, Riga, 03 October 2018
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	73.20 Market research and public opinion polling

Subsidiary	**Cash Advance Bulgaria EOOD** till 21.05.2018 (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

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 2018 and its profit and cash flows for 2018.

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

Riga, 25 February 2019

Management report

ExpressCredit group’s turnover for the 12 month of 2017 reached EUR 18.2 million. Group’s loan portfolio as at the end of year 2018 reached EUR 20.2 million. The Group's turnover in 12 months, compared to the same period of the previous year, has increased by 4.6%, while the company's loan portfolio has increased by 27.2% over the period.

In 2018 ExpressCredit has been operating according to its mission of providing simple and affordable financial services to people throughout Latvia. During the period several improvements were introduced to make the services even more welcoming for their customers. The company has increased the maximum loan amount to EUR 3000 and now offers a wider range of loan repayment terms, for example, the loan can now be received with a loan repayment term of up to 5 years. In 2018 SIA ExpressCredit subsidiary SIA ViziaFinance has also successfully implemented distance loan project www.vizia.lv.

According to the CRPC data, the total consumer loan portfolio of the Republic of Latvia in the first six months of year 2018 has increased to EUR 255.3 million, which is increase of EUR 12.5 million or 5.1% over six months period. By contrast, ExpressCredit has been able to increase its loan portfolio by 18% over the same period, thus grown faster than the market as a whole. In the pawn broking loan segment, ExpressCredit's market share is 28.7% in terms of loan portfolio and 39.1% in terms of loans granted, thus further strengthening the company's leading position in the lending market of the Republic of Latvia.

In 2019, the Group operations will be affected by the changes in the Law on Consumer Rights that came into force on 1 January, 2019, and some of the changes will take effect on 1 July, 2019. The company, despite the poor quality of the law, started to prepare for its application right after its promulgation. The company also strengthens its expertise and processes in activities related to implementation of AML/CFT tighter requirements. The company predicts that new amendments in the law could result in market consolidation, increase in the amount of loans granted and the volume of loan portfolios, in both, the pawn broking loans and consumer loan segments.

The company will celebrate 10 years this year. In line with the company's vision - to achieve the highest level of assessment, the company makes independent investments to strengthen its team's expertise and improve its competitiveness.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in year 2018 compared to year 2017:

Position	**EUR, million**	**Change %**
Net loan portfolio	20.2	+27.2
Assets	26.7	+25.1
Net profit	4.55	+54.1

Branches
During the period from 1 January 2018 to 31 December, continued to work on the branch network efficiency. As at 31 December 2018 the Group had 86 branches in 39 cities in Latvia (31.12.2017. - 90 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 2018.

Future prospects
In 2019 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 in line with 2018 results.

Distribution of the profit proposed by the Group
The Parent Company's board recommends the profit of 2018 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, 25 February 2019

Profit or loss account for the year ended 31 December 2018

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Net sales	4 186 422	4 186 422	4 164 444	4 164 444
Cost of sales	(2 658 754)	(2 658 754)	2 750 464)	(2 750 464)
Interest income and similar income	13 793 021	14 663 755	12 878 502	13 863 118
Interest expenses and similar expenses	(2 238 818)	(2 298 310)	(1 818 486)	(1 822 527)
Gross profit	**13 081 871**	**13 893 113**	**12 473 996**	**13 454 571**
Selling expenses	(5 499 500)	(5 873 095)	(5 161 222)	(5 666 679)
Administrative expenses	(2 659 968)	(2 770 859)	(2 227 476)	(2 289 942)
Other operating income	93 244	80 184	59 187	44 476
Other operating expenses	(591 636)	(645 589)	(1 750 160)	(1 889 216)
Income from investments:	490 000	-	-	-
a) related companies	490 000	-	-	-
Profit before corporate income tax	**4 914 011**	**4 683 754**	**3 394 325**	**3 653 210**
Income tax expense	(131 563)	(131 574)	(512 833)	(554 662)
Profit after corporate income tax	**4 782 448**	**4 552 180**	**2 881 492**	**3 098 548**
Expense from changes in deferred tax assets or deferred tax liabilities	-	-	(145 252)	(145 252)
Extraordinary dividends	(490 000)	(490 000)	(996 526)	(996 526)
Profit for the reporting year	**4 292 448**	**4 062 180**	**1 739 714**	**1 956 770**
Earnings per share	**3.19**	**3.03**	**1.82**	**1.97**
Diluted earnings per share	**3.19**	**3.03**	**1.82**	**1.97**

Comprehensive income statement for 2018

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Profit for the reporting year	**4 782 448**	**4 552 180**	**2 736 240**	**2 953 296**
Other comprehensive income	**-**	**-**	**-**	
Total comprehensive income	**4 782 448**	**4 552 180**	**2 736 240**	**2 953 296**

Notes on pages from 12 to 26 are integral part of these financial statements.

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

Inta Pudāne
Chief Accountant

Riga, 25 February 2019

Balance sheet as at 31 December 2018	**Notes**	**Parent company 31.12.2018. EUR**	**Group 31.12.2018. EUR**	**Parent company 31.12.2017. EUR**	**Group 31.12.2017. EUR**
Assets					
Non-current assets					
Intangible assets					
Concessions, patents, licenses, trademarks and similar rights		204 024	204 024	193 281	193 281
Other intangible assets		22 777	43 204	25 274	34 159
Goodwill		-	127 616	-	127 616
Total intangible assets	(1)	**226 801**	**374 844**	**218 555**	**355 056**
Property, plant and equipment					
Investments in property, plant and equipment		34 525	34 524	49 243	50 546
Other fixtures and fittings, tools and equipment		193 571	193 572	187 754	195 192
Total property, plants and equipment	(2)	**228 096**	**228 096**	**236 997**	**245 738**
Non-current financial assets					
Investments in related companies	(3)	1 182 828	-	1 395 828	-
Loans to related companies		-	-	551 594	551 594
Loans and receivables	(5)	3 121 260	3 491 915	1 768 214	1 912 896
Loans to shareholders and management	(4)	1 073 823	1 072 274	746 619	746 619
Total long-term investments		**5 377 911**	**4 564 189**	**4 462 255**	**3 211 109**
Total non-current assets		**5 832 808**	**5 167 129**	**4 917 807**	**3 811 903**
Current assets					
Inventories					
Finished goods and goods for sale		906 665	906 665	682 995	682 995
Total inventories		**906 665**	**906 665**	**682 995**	**682 995**
Receivables					
Loans and receivables	(5)	14 886 732	16 658 940	12 700 289	13 930 776
Receivables from affiliated companies		518 695	204 335	7 238	4 377
Other debtors		164 231	176 771	595 236	600 093
Deferred expenses		52 085	66 945	47 614	67 538
Total receivables		**15 621 743**	**17 106 991**	**13 350 377**	**14 602 784**
Cash and bank		3 368 567	3 489 176	2 072 996	2 219 747
Total current assets:		**19 896 975**	**21 502 832**	**16 106 368**	**17 505 526**
Total assets		**25 729 783**	**26 669 961**	**21 024 175**	**21 317 429**

Notes on pages from 12 to 26 are integral part of these financial statements.

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

Inta Pudāne
Chief Accountant

Riga, 25 February 2019

Balance sheet as at 31 December 2018		**Parent company**	**Group**	**Parent company**	**Group**
Liabilities	**Notes**	**31.12.2018. EUR**	**31.12.2018. EUR**	**31.12.2017. EUR**	**31.12.2017. EUR**
Shareholders' funds:					
Share capital	(6)	1 500 000	1 500 000	1 500 000	1 500 000
Retained earnings		(12 206)	397 834	-	232 708
Profit for the reporting year		4 292 448	4 062 180	1 739 714	1 956 770
Total shareholders' funds:		**5 780 242**	**5 960 014**	**3 239 714**	**3 689 478**
Creditors:					
Long-term creditors:					
Bonds issued	(7)	6 192 631	6 192 631	7 052 187	7 052 187
Other borrowings	(8)	936 930	996 544	1 300 697	1 444 391
Total long-term creditors:		**7 129 561**	**7 189 175**	**8 352 884**	**8 496 578**
Short-term creditors:					
Bonds issued	(7)	1 722 136	1 722 136	1 014 743	1 014 743
Other borrowings	(8)	9 810 701	10 643 864	6 421 346	6 834 774
Trade payables		384 573	400 778	314 369	325 614
Accounts payable to affiliated companies		171 611	416	821 545	51 280
Taxes and social insurance		193 780	197 614	377 339	402 964
Accrued liabilities		537 179	555 964	482 235	501 998
Total short-term creditors:		**12 819 980**	**13 520 772**	**9 431 577**	**9 131 373**
Total creditors		**19 949 541**	**20 709 947**	**17 784 461**	**17 627 951**
Total liabilities and shareholders' funds		**25 729 783**	**26 669 961**	**21 024 175**	**21 317 429**

Notes on pages from 12 to 26 are integral part of these financial statements.

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

Inta Pudāne
Chief Accountant

Riga, 25 February 2019

Statement of changes in equity of the Parent Company's for the year ended 31 December 2018

	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	EUR
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 reporting year	-	-	2 736 240	2 736 240
As at 31 December 2017	**1 500 000**	**-**	**1 739 714**	**3 239 714**
Dividends paid	-	(1 739 714)	(490 000)	(2 229 714)
Profit transfer	-	1 739 714	(1 739 714)	-
Decrease in retaind earnings	-	(12 206)	-	(12 206)
Profit for the reporting year	-	-	4 782 448	4 782 448
As at 31 December 2018	**1 500 000**	**(12 206)**	**4 292 448**	**5 780 242**

Statement of changes in equity of the Group for the year ended 31 December 2018

	Share capital	Retained earnings	Profit for the reporting year	Total
	EUR	EUR	EUR	EUR
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 reporting year	-	-	2 953 296	2 953 296
As at 31 December 2017	**1 500 000**	**232 708**	**1 956 770**	**3 689 478**
Dividends paid	-	(2 229 714)	-	(2 229 714)
Prior years' retained earnings of subsidiary sold	-	-	(3 343)	(3 343)
Profit transfer	-	1 953 427	(1 953 427)	-
Decrease in retained earnings	-	(48 587)	-	(48 587)
Profit for the reporting year	-	-	4 552 180	4 552 180
As at 31 December 2017	**1 500 000**	**(92 166)**	**4 552 180**	**5 960 014**

Notes on pages from 12 to 26 are integral part of these financial statements.

Agris Evertovskis
Chairman of the Board

Didzis Ādmīdiņš
Board Member

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

Inta Pudāne
Chief Accountant

Riga, 25 February 2019

Cash flow statement for the year ended 31 December 2018

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Cash flow from operating activities				
Profit before extraordinary items and taxes	**4 914 011**	**4 683 754**	**3 394 325**	**3 653 210**
Adjustments for:				
a) fixed assets and intangible assets depreciation	241 753	250 463	183 419	208 601
b) accruals and provisions (except for bad debts)	308 741	350 187	(41 798)	33 809
c) write-off of provisions	75 263	75 263	7 679	7 679
d) cessation results	440 273	539 272	1 554 187	1 683 212
e) interest income	(13 793 021)	(14 663 755)	(12 878 502)	(13 863 118)
f) interest and similar expense	2 238 818	2 298 310	1 818 486	1 820 203
g) impairment of non-current and current financial assets	(14 454)	(13 151)	(6 165)	(6 165)
h) other adjustments	-	(3 343)	-	(2 883)
Loss before adjustments of working capital and short-term liabilities	**(5 588 616)**	**(6 483 000)**	**(5 968 369)**	**(6 465 452)**
Adjustments for:				
a) increase in consumer loans issued (core business) and other debtors	(3 748 306)	(4 679 470)	(5 762 335)	(6 390 514)
b) stock (increase)/ decrease	(298 933)	(298 933)	10 041	10 041
c) trade creditors increase	174 782	185 933	85 650	104 378
Gross cash flow from operating activities	**(9 461 073)**	**(11 275 470)**	**(11 635 013)**	**(12 741 547)**
Corporate income tax payments	(338 863)	(367 835)	(226 428)	(252 239)
Interest income	13 667 153	14 521 911	12 892 377	13 873 822
Interest paid	(2 217 432)	(2 276 924)	(1 809 318)	(1 823 265)
Net cash flow from operating activities	**1 649 785**	**601 682**	**(778 382)**	**(943 229)**
Cash flow from investing activities				
Acquisition of affiliated, associated or other companies shares or parts	(300 000)	-	(513 000)	-
Earnings from the disposal of shares in subsidiaries	513 000	-	4 000	4 000
Acquisition of fixed assets and intangibles	(206 020)	(222 690)	(156 262)	(167 896)
Proceeds from sales of fixed assets and intangibles	15 369	19 226	28 459	28 459
Loans issued/repaid (other than core business of the Company) (net)	(287 067)	25 981	273 573	132 720
Net cash flow from investing activities	**(264 718)**	**(177 483)**	**(363 230)**	**(2 717)**
Cash flow from financing activities				
Loans received and bonds issued (net)	8 204 777	8 559 898	14 111 335	14 062 738
Redemption/purchase of bonds	(1 106 000)	(1 106 000)	(2 851 000)	(2 851 000)
Loans repaid	(4 896 672)	(4 317 067)	(7 031 085)	(7 183 582)
Finance lease payments	(61 887)	(61 887)	(71 873)	(71 873)
Dividends paid	(2 229 714)	(2 229 714)	(2 070 000)	(2 070 000)
Net cash flow from financing activities	**(89 496)**	**845 230**	**2 087 377**	**1 886 283**
Net cash flow of the reporting year	**1 295 571**	**1 269 429**	**945 765**	**940 337**
Cash and cash equivalents at the beginning of the reporting year	**2 072 996**	**2 219 747**	**1 127 231**	**1 279 410**
Cash and cash equivalents at the end of reporting year	**3 368 567**	**3 489 176**	**2 072 996**	**2 219 747**

Notes on pages from 12 to 26 are integral part of these financial statements.

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

Riga, 25 February 2019

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 2018 IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018) came in force. 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.
- 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.

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
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 evaluated that there is no significant impact to Company's financial results and financial situation adopting the IFRS 15 "Revenue from Contracts with Customers".

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2019 or later periods or are not yet endorsed by the EU:

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:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- 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 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.

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:

	31.12.2018	**31.12.2017**
	1 EUR	**1 EUR**
USD	1.14500	1.19930
RUB	79.71530	69.39200

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
Intangibles	3 – 5
Other fixed assets	3 – 5
Low value inventory (worth over 75 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.

(i) Investments in the associated companies
In the financial statements the investments in associated companies 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) Seized assets
Collateral is repossessed following the foreclosure on loans that are in default. Seized assets 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)

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 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, what cause difference to base of deferred tax.

(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 31.12.2018 EUR	Group 31.12.2018 EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Loan and lease liabilities	18 834 009	19 555 591	16 609 607	16 396 636
Cash and bank	(3 368 567)	(3 489 176)	(2 072 996)	(2 219 747)
Net debts	**15 465 442**	**16 066 415**	**14 536 611**	**14 176 889**
Equity	5 780 242	5 960 014	3 239 714	3 689 478
Liabilities / equity ratio	**3.26**	**3.28**	**5.13**	**4.44**
Net liabilities / equity ratio	**2.68**	**2.70**	**4.49**	**3.84**

(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 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.

Notes (continued)

(1) Intangible of the Parent company

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Total
	EUR	EUR	EUR	EUR
Cost				
31.12.2017	225 684	30 727	-	256 411
Additions	79 339	8 777	2 340	90 456
Finished fixed assests from prepaid advances	2 340	-	(2 340)	-
31.12.2018	**307 363**	**39 504**	**-**	**46 867**
Depreciation				
31.12.2017	32 403	5 453	-	37 856
Charge for 2018	70 936	11 274	-	82 210
31.12.2018	**103 339**	**16 727**	**-**	**120 066**
Net book value 31.12.2018	**204 024**	**22 777**	**-**	**226 801**
Net book value 31.12.2017	**193 281**	**25 274**	**-**	**218 555**

Intangible of the Group

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2017.	225 684	51 121	-	127 616	404 421
Additions	79 339	25 447	2 340	-	107 126
Disposals	-	(12 280)	-	-	(12 280)
Finished fixed assests from prepaid advances	2 340	-	(2 340)	-	-
31.12.2018.	**307 363**	**64 288**	**-**	**127 616**	**499 267**
Depreciation					
31.12.2017	32 403	16 962	-	-	49 365
Charge for 2018	70 936	16 402	-	-	87 338
Disposals	-	(12 280)	-	-	(12 280)
31.12.2018.	**103 339**	**21 084**	**-**	**-**	**124 423**
Net book value 31.12.2018	**204 024**	**43 204**	**-**	**127 616**	**374 844**
Net book value 31.12.2017	**193 281**	**34 159**	**-**	**127 616**	**355 056**

Notes (continued)

(2) Fixed assets of the Parent company

	Other fixed assets and inventory EUR	Leasehold improvements EUR	Total EUR
Cost			
31.12.2017	967 159	354 362	1 321 521
Additions	136 854	14 704	151 558
Disposals	(47 739)	-	(47 739)
31.12.2018	**1 056 274**	**369 066**	**1 425 340**
Depreciation			
31.12.2017	779 405	305 119	1 084 524
Charge for 2018	130 121	29 422	159 543
Disposals	(46 823)	-	(46 823)
31.12.2018	**862 703**	**334 541**	**1 197 244**
Net book value 31.12.2018	**193 571**	**34 525**	**228 096**
Net book value 31.12.2017	**187 754**	**49 243**	**236 997**

As at 31 December 2018 the residual value of the fixed assets acquired under the terms of financial lease was 148 678 *euro* (31.12.2017: 174 572 *euro*). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

Fixed assets of the Group

	Other fixed assets and inventory EUR	Leasehold improvements EUR	Total EUR
Cost			
31.12.2017.	983 087	361 836	1 344 923
Additions	136 854	14 704	151 558
Disposals	(63 666)	(7 474)	(71 140)
31.12.2018.	**1 056 275**	**369 066**	**1 425 341**
Depreciation			
31.12.2017	787 895	311 290	1 099 185
Charge for 2018	133 703	29 422	163 125
Disposals	(58 895)	(6 170)	(65 065)
31.12.2018.	**862 703**	**334 542**	**1 197 245**
Net book value 31.12.2018	**193 572**	**34 524**	**228 096**
Net book value 31.12.2017	**195 192**	**50 546**	**245 738**

Notes (continued)

(3) Parent Company's investments in subsidiaries

The Parent company is the sole shareholder of the subsidiary SIA "ExpressInkasso" (100%), of the subsidiary SIA "ViziaFinance" (100%), and implementet acquisition of (100%) shares of the subsidiary SIA “REFIN” in 2018. The disposal was made of (100%) shares of the subsidiary SIA “Cash Advance Bulgaria” EOOD in amount of 513 000 shares with each share nominal value in 1 EUR.

a) participating interest in subsidiaries

Name	Acquisition price of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2018.	31.12.2017.	31.12.2018.	31.12.2017.
	EUR	EUR	%	%
SIA ExpressInkasso	2 828	2 828	100	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN from 03.10.2018.	300 000	-	100	-
Cash Advance Bulgaria EOOD from 20.01.2017. till 21.05.2018.	-	513 000	-	100
	1 182 828	**1 395 828**		

b) information on subsidiaries

Name	Address	Shareholders' funds 31.12.2018. EUR	Shareholders' funds 31.12.2017. EUR	Profit/ (loss) for the period 2018 EUR	Profit/ (loss) for the period 2017 EUR
SIA ExpressInkasso	Raunas street 44k-1, LV-1039 Riga, Latvia	245 955	493 160	242 795	259 951

Basic operations of SIA ExpressInkasso are debt collection services.

Name	Address	31.12.2018. EUR	31.12.2017. EUR	2018 EUR	2017 EUR
SIA ViziaFinace (from 29.07.2016. SIA MoneyMetro, from 30.04.2015. till 29.07.2016. SIA Banknote)	Raunas street 44k-1, LV-1039 Riga, Latvia	693 541	708 473	21 447	(46 239)

Basic operation of SIA ViziaFinance is providing consumer lending services.

Name	Address	31.12.2018. EUR	31.12.2017. EUR	2018 EUR	2017 EUR
SIA REFIN (from 03.10.2018.)	Raunas street 44k-1, LV-1039 Riga, Latvia	295 488	N/A	(4 512)	N/A

Basic operation of SIA REFIN is marker research and public opinion polling services.

Name	Address	31.12.2018. EUR	31.12.2017. EUR	2018 EUR	2017 EUR
Cash Advance Bulgaria EOOD (from 20.01.2017.)	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region	N/A	516 343	N/A	3 343

Basic operations of Cash Advance Bulgaria EOOD are Crediting services.

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

	Loans to members EUR
Cost	
31.12.2017.	746 619
Loans issued	1 041 060
Loans repaid	(811 633)
Interest of loans	96 228
31.12.2018.	**1 072 274**
Net book value as at 31.12.2018	**1 072 274**
Net book value as at 31.12.2017	**746 619**

Interest on borrowing is in range of 2.76% - 15% per annum. The loan maturity - 30 March 2023 (including the loan principal amount and accrued interest). The Company's management has assessed the recoverability of the loans and is convinced that a provision is not necessary. Loans are not secured. Loans are denominated in euro.

Notes (continued)

(5) Loans and receivables

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR
Long-term loans and receivables				
Debtors for loans issued against pledge	32 631	32 631	61 099	61 099
Debtors for loans issued without pledge	3 088 629	3 459 284	1 707 115	1 851 797
Long-term loans and receivables, total	**3 121 260**	**3 491 915**	**1 768 214**	**1 912 896**
Short-term loans and receivables				
Debtors for loans issued against pledge	2 010 735	2 010 735	1 996 754	1 996 754
Debtors for loans issued against pledge, for realization	853 160	853 160	789 456	789 456
Debtors for loans issued without pledge	12 877 096	14 782 462	10 585 452	11 923 626
Interest accrued	666 714	720 401	540 846	578 557
Provisions for bad and doubtful trade debtors	(1 520 973)	(1 707 818)	(1 212 219)	(1 357 617)
Short-term loans and receivables, total	**14 886 732**	**16 658 940**	**12 700 289**	**13 930 776**
Loans and receivables	**18 007 992**	**20 150 855**	**14 468 503**	**15 843 672**

All loans are issued in euro. Long term receivables for the loans issued don't exceed 5 years.

Parent company signed a contract with third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. The carrying value of the claim amount until 31 December 2018 in total – EUR 1 355 961, the amount of compensation – EUR 939 657. Losses from these transactions were recognised in the current year.

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.

The claims in amount of EUR 3 055 582 (31.12.2017: EUR 2 847 309) are secured by the value of the collateral. Claims against debtors for loans issued against pledge is secured by pledges, whose fair value is about EUR 5 102 822, which is 1.67 times higher than the carrying value, therefore provisions for overdue loans are not made. All pledges, for which loan payments are delayed, becomes the Group's property and are realized in the Group's stores.

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

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR
Receivables not yet due	16 406 829	18 304 695	13 589 275	14 549 165
Outstanding 1-30 days	1 144 514	1 277 681	795 107	878 658
Outstanding 31-90 days	599 622	666 441	505 630	564 932
Outstanding 91-180 days	408 491	456 618	334 088	412 055
Outstanding for 181-360 days	466 544	515 720	130 815	383 567
Outstanding for more than 360 days	502 965	637 518	325 807	412 912
Total claims against debtors for loans issued	**19 528 965**	**21 858 673**	**15 680 722**	**17 201 289**

Notes (continued)

(5) Loans and receivables (continued)

b) Provisions for bad and doubtful trade and other receivables

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Provisions for bad and doubtful receivables at the beginning of the year	**1 212 219**	**1 357 617**	**1 281 032**	**1 350 823**
Written-off	-	(9 016)	(81 506)	(81 506)
Additional provisions	308 754	359 217	12 693	88 300
Provisions for bad and doubtful receivables at the end of the year	**1 520 973**	**1 707 818**	**1 212 219**	**1 357 617**

(6) 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.

(7) Bonds issued

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR
Bonds issued	6 201 500	6 201 500	7 063 000	7 063 000
Bonds commission	(8 869)	(8 869)	(10 813)	(10 813)
Total long-term part of bonds issued	**6 192 631**	**6 192 631**	**7 052 187**	**7 052 187**
Bonds issued	1 705 500	1 705 500	1 000 000	1 000 000
Bonds commission	(378)	(378)	(2 806)	(2 806)
Interest accrued	17 014	17 014	17 549	17 549
Total short-term part of bonds issued	**1 722 136**	**1 722 136**	**1 014 743**	**1 014 743**
Bonds issued, total	**7 907 000**	**7 907 000**	**8 063 000**	**8 063 000**
Interest accrued, total	17 014	17 014	17 549	17 549
Bonds commission, total	(9 247)	(9 247)	(13 619)	(13 619)
Bonds issued net	**7 914 767**	**7 914 767**	**8 066 930**	**8 066 930**

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 1 000 *euro*, with the total nominal value of 3 500 000 *euro*, 89 000 euro of them are nominal value of self purchased bonds. 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 31.12.2018.: 5 000, Nominal value 1 000 *euro* per each with the total nominal value of 5 000 000 *euro,* 504 000 euro of them are nominal value of self purchased bonds. 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 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: 977 780,00;
- AE Consulting, SIA, reg. No. 40003870736, pledge on SIA “ExpressCredit” shares, pledged number of shares: 150 00.00;
- EC Finance, SIA, reg. No. 40103950614, pledge on SIA “ExpressCredit” shares, pledged number of shares: 319 720.00;
- Kristaps Bergmanis, p.n. 040578-13052, pledge on SIA “ExpressCredit” shares, pledged number of shares: 15 000.00;
- Didzis Ādmīdiņš, p.n. 051084-11569, pledge on SIA “ExpressCredit” shares, pledged number of shares: 22 500.00;
- Ivars Lamberts, p.n. 030481-10684 pledge on SIA “ExpressCredit” shares, pledged number of shares: 15 000.00.

Each pledge guarantees the claim in the total claim amount:

- with the Parent company on 100% shares of SIA “EkspressInkasso” 100% shares;
- 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.

Notes (continued)

(8) Other borrowings

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR
Long-term finance lease	98 234	98 234	120 472	120 472
Other long-term loans	838 696	898 310	1 180 225	1 323 919
Total other long-term loans	**936 930**	**996 544**	**1 300 697**	**1 444 391**
Short-term finance lease	50 444	50 444	54 100	54 100
Other short-term loans	9 760 257	10 593 420	6 367 246	6 780 674
Total other short-term loans	**9 810 701**	**10 643 864**	**6 421 346**	**6 834 774**
Total other loans	**10 747 631**	**11 640 408**	**7 722 043**	**8 279 165**

The Parent company has acquired fixed assets on finance lease. As at 31 December 2018 the interest rate was set as 3M Euribor + 5.5% and 6M Euribor + 3-3.5%.

The Parent company has received loans from private individuals and legal entities. The interest is charged from 2,76% to 15 % p.a. The loans are received without security granted.

(9) 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 2018	Transactions in 2017
Parent company's owners		
"Lombards24.lv", SIA, reg. No.40103718685	X	X
„AE Consulting", SIA, reg. No. 40003870736	X	X
"EC finace", SIA, reg. No. 40103950614	X	X
Didzis Ādmīdiņš, p.n.. 051084-11569	X	X
Kristaps Bergmanis, p.n. 040578-13052	X	X
Ivars Lamberts, p.n. 030481-10684	X	N/A
Companies and individuals under common control or significant influence		
Agris Evertovskis, p.c. 081084-10631	X	X
EA investments, AS, reģ.Nr. 40103896106	X	X
Subsidiary		
"ExpressInkasso", SIA, reg. No. 40103211998	X	X
"ViziaFinance", SIA, reg. No. 40003040217	X	X
"REFIN", SIA, reg. No. 40203172517	X	N/A
Cash Advance Bulgaria EOOD, reg. No. 204422780 till 21.05.2018	N/A	X
Other related companies		
"Banknote" SIA, reg. No. 40103501494	X	X
"KALPAKS", SIA, reg.No. 40203037474	X	X
"EL Capital", SIA, reg.No. 40203035929	X	X
"EuroLombard Ltd"., reg. No. 382902595000	X	X

All the transactions have been performed at market rates.

	2018 EUR	2017 EUR
Parent company transactions with:		
Owners of the parent company		
Loans received	-	739 973
Loans repaid	-	739 973
Loans issued	203 381	1 363 904
Loan repayment received	188 000	1 855 287
Interest paid	2 988	3 576
Interest received	37 358	21 840
Dividends paid	2 229 714	2 070 000
Services received	1 602	2 542
Services delivered	1 788	420
Goods sold	2 080	2 492
Investment in shares	4 132	-
Bonds sold	-	50 000

Notes (continued)

Related party transactions (continued)

	2018 EUR	2017 EUR
Parent company's transactions with:		
Subsidiaries		
Cession of loans	-	573 959
Loans received	661 704	1 392 500
Loans repaid	969 920	634 284
Loans issued	443 396	318 000
Loan repayment received	135 796	355 563
Interest paid	16 061	16 275
Interest received	4 845	3 591
Services delivered	53 756	19 822
Services received	281 773	-
Goods sold	-	222
Fixed assets sold	-	238
Fixed asset additions	3 856	-
Investment in shares	300 000	513 000
Companies and individuals under common control or significant influence		
Loans received	-	50 000
Loans repaid	50 000	-
Loans issued	15 000	98 000
Loan repayment received	5 000	114 400
Interest paid	152	112
Interest received	35	2 264
Services delivered	60	60
Shares sold	-	4 000
Other related companies		
Loans issued	844 679	550 687
Loan repayment received	967 960	176 120
Interest received	62 729	33 565
Services received	21 239	26 438
Services delivered	4 042	6 421
Fixed assets sold	-	81
Group's transactions with:		
Owners of the parent company		
Loans received	-	739 973
Loans repaid	-	739 973
Loans issued	203 381	1 363 904
Loan repayment received	188 000	1 855 287
Interest paid	2 988	3 576
Interest received	37 358	21 840
Dividends paid	2 229 714	2 070 000
Services received	3 780	4 720
Services delivered	1 788	420
Goods sold	2 080	2 492
Fixed assets sold	4 132	-
Bonds sold	-	50 000
Companies and individuals under common control or significant influence		
Loans received	-	50 000
Loans repaid	50 000	-
Loans issued	15 000	98 000
Loan repayment received	5 000	114 400
Interest paid	152	112
Interest received	35	2 264
Services delivered	60	60
Shares sold	-	4 000
Other related companies		
Loans issued	844 679	550 687
Loan repayment received	967 960	176 120
Interest received	62 729	33 565
Services received	21 239	26 438
Services delivered	4 042	6 421
Fixed assets sold	-	81

Notes (continued)

(10) 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 31.12.2018 - EUR 54 806. The guarantee is effective till 2021. For other information on guarantees issued/received and pledges given – see Note 7. Information about the Parent company's fixed assets acquired the terms of financial lease see in Note 2.

(11) 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 2018.

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

Inta Pudāne
Chief Accountant

Riga, 25 February 2019