

Riga, August 31st, 2020

AS "Moda Kapitāls"

Unaudited condensed interim financial report for the period from 01.01.2020 to 30.06.2020

Prepared in accordance with International
Financial Reporting Standards as adopted in EU

CONTENTS

	Page
General information	3
Management report	4
Statement of management responsibility	6
Financial statements:	
Statement of comprehensive income	7
Statement of financial position	8
Cash flow statement	9
Statement of changes in equity	10
Notes to the financial statements	11

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GENERAL INFORMATION

Name of the company	Moda Kapitāls
Legal status of the company	Joint Stock Company
Registration number, place and date of registration	LV 40003345861, Rīga, June 9, 1997
Registered office	Ganību dambis 40A-34, Rīga, LV-1005
Shareholders	Andris Banders (14.75%), Guntars Zvīnis (24,75%), Ilvars Sirmais (24,75%), Verners Skrastiņš (21%), MK Investīcijas, SIA (14,75%)
Board Members	Guntars Zvīnis Edgars Blinskis (from 05.08.2020) Ilvars Sirmais (till 05.08.2020)
Supervisory Board Members	Verners Skrastiņš - head of the Council Andris Banders - deputy of the head of the Council Inese Kanneniece - member of the Council Diāna Zvīne - member of the Council Ilze Sirmā - member of the Council
Financial period	from 01.01.2020 to 30.06.2020

MANAGEMENT REPORT

Type of operations

The main activity of the joint-stock company "Moda Kapital" (further - Company) is the provision of non-bank lending services, including issuance of short-term loans against pledges of movable property, pledges of precious metals, antiques, pledges of real estate, issuance of consumer loans and sale of goods in the Internet shop.

Performance during the financial year and financial situation of the Company

In the first half of 2020, no changes have taken place in the branch structure of JSC "Moda Kapitāls" and the company provides its services in twenty-three branches throughout the territory of Latvia.

In May 2020, by the decision of the company's shareholders, an external service provider was selected, which was tasked with developing the company's development plan for the next five years.

After the development of the plan, the shareholders approved it. The development plan includes significant business development over the next two years, opening approximately fifteen new branches to provide the company's services.

In the first half of 2020, changes took place in the company's board and E.Bilinskis became the new member of the company's board, who is entrusted with the implementation of the new development plan.

Measures were taken to increase the profitability of the branches and to improve the quality of the services offered, as a result of which the company's results in sale of goods have increased.

The company's internal control system was improved in accordance with the requirements of the "Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing".

In the first half of 2020, the company has activated the sale of second-hand goods on the website www.e-moda.lv, as well as the company continues to be active in increasing the range of existing second-hand goods, offering its customers a wide range of various types of little-used household appliances and electrical appliances by purchasing them from foreign suppliers.

The company does not provide services to customers to receive loans remotely, but all loans are issued at the company's branches

Effects of Covid-19

In the first two months of 2020, there was a significant increase in new loans against pledge of movable property, which started to stop due to the restrictions related to Covid-19, the growth trend stopped and the previous year's level in the amount of issued loans resumed only from June 2020.

The decline in the volume of new loans and the restrictions on the amount of overdue interest had a negative impact on the company's income from loans.

The company did not have a negative impact on Covid 19 in terms of sales in stores, as there was an increase in sales compared to the same period last year.

The company paid even more attention to the payment discipline of its customers and conducted individual negotiations and sought solutions with customers who, due to Covid 19, had difficulties in making timely payments.

Given that the exact development of Covid 19 can not be forecasted at the time of writing, taking into account the company's development plans, the company forecasts that, unless new restrictions on the movement of persons are imposed due to Covid 19, loan portfolio will increase and trade performance will also improve. On the other hand, assuming that the impact of Covid 19 could lead to additional restrictions, it is likely that the increase in lending services will be temporarily affected.

Future prospects and future development

According to the company's development plan, a decision has been made to open a branch in Ogre, where the provision of services will start at the end of September or the beginning of October 2020.

Also in autumn 2020, a new branch will be opened in Riga.

Starting from the second half of 2020, the company plans to significantly activate the issuance of consumer loans in all its branches.

The company's management forecasts that by implementing the new company's development plan in the second half of 2020 and the first half of 2021, the company will not return to positive profit indicators, as the operating results of the newly opened branches will not yet reach the forecasted amount. It is forecasted that the company will return to positive profit indicators in the second half of 2021.

The company's shareholders have repeatedly discussed possible solutions for increasing the company's equity, which would include both additional investments of existing shareholders and attracting new shareholders who have shown interest in investing in the company's share capital.

The company's management together with the company's shareholders also deals with the refinancing of existing bonds.

In the near future, the company will provide additional information on both the increase of the share capital and the refinancing of existing liabilities by placing relevant information in the public news section of NASDAQ Riga.

Significant events since the year end

During the time period from the last day of the financial period till signing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 30th June, 2020.

Company's branches

On June 30th, 2020 The Company provides its services in twenty-three branches that are located in major Latvian cities: Aizkraukle, Alūksne, Balvi, Bauska, Cesis, Dobele, Daugavpils, Gulbene, Jekabpils, Jelgava, Krāslava, Kuldīga, Liepāja, Limbaži, Ludza, Madona, Rēzekne, Rīga, Talsi, Valmiera, Tukums, Preiļi and Valka.

Guntars Zvīnis

signature

August 31st, 2020

Edgars Blinskis

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STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the interim financial statements in accordance with International Accounting Standard (IAS) No 34 "Interim Financial Reporting" as adopted the EU. These financial statements give a true and fair view of the financial position of the Company at June 30, 2020 and results of its operations and cash flow.

The Management certifies that proper accounting methods were applied to preparation of these interim financial statements on page 6 to page 19 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Guntars Zvinis

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STATEMENT OF COMPREHENSIVE INCOME

	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR	EUR
Net turnover	791 280	769 433
Finance income	387 477	521 207
Cost of sales	-639 690	-653 405
Finance costs	-213 799	-206 209
Gross profit	325 268	431 026
Selling costs	-336 050	-366 056
Administrative expenses	-115 310	-128 682
Other income	7 194	10 946
Other expenses	-8 108	-16 164
Profit or loss before corporate income tax	-127 006	-68 930
Corporate income tax		
Net profit or loss	-127 006	-68 930
Other comprehensive income / (loss)		
Total comprehensive income	-127 006	-68 930

Notes 11 to 19 are an integral part of these financial statements.

Guntars Zvīnis

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August 31st, 2020

Edgars Blinskis

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STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2020	31.12.2019
ASSETS		EUR	EUR
Non-current assets			
Intangible assets	3	67 389	67 499
Fixed assets	3	421 656	422 753
Right to use asset	4	76 856	88 410
Participation in the capital of related companies	5	425 200	425 200
Other non-current assets		142	142
Total non-current assets		991 243	1 004 004
Current assets			
Inventories	6	1 130 250	1 120 858
Loans and receivables	7	1 367 022	1 502 842
Other current assets		38 324	43 845
Cash and its equivalents		215 276	215 959
Total current assets		2 750 872	2 883 504
TOATAL ASSETS		3 742 115	3 887 508
	Notes	30.06.2020	31.12.2019
EQUITY AND LIABILITIES		EUR	EUR
Equity			
Share capital		467 127	467 127
Revaluation reserves of non-current assets	3	161 073	163 706
Retained earnings/ (accumulated deficit)		-842 259	-715 253
Total equity		-214 059	-84 420
Liabilities			
Non-current liabilities			
Borrowings	8	298 549	198 000
Lease obligations		54 636	66 269
Total non-current liabilities:		353 185	264 269
Current liabilities			
Borrowings	8	3 380 000	3 538 650
Lease obligations		23 137	22 879
Trade and other payables		199 852	146 130
Total current liabilities		3 602 989	3 707 659
Total liabilities		3 956 174	3 971 928
TOTAL EQUITY AND LIABILITIES		3 742 115	3 887 508

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CASH FLOW STATEMENT

	Notes	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
		EUR	EUR
Cash flow from operating activities			
Profit/ loss before corporate income tax		-127 006	-68 930
Adjustments for:			
Depreciation and amortization	3	13 609	24 448
loss / (profit) from disposal of fixed assets		0	400
Interest payments		213 799	206 209
Changes in working capital:			
Inventories		-11 614	-2 745
Receivables		141 341	64 959
Liabilities		53 722	36 346
		283 851	260 687
Corporate income tax paid		0	0
Cash flow from operating activities		283 851	260 687
Cash flow from investing activities			
Acquisition of fixed assets and intangible investments	3	-2 009	-14 953
Income from the sale of fixed assets and intangible investments		0	233
Net cash flow from investing activities		-2 009	-14 720
Cash flow from financing activities			
Loans received, neto	6	100 549	40 000
Borrowings repaid, neto	6	-158 650	-65 000
Interest payments		-213 049	-206 209
Payments for financial leasing contracts		-11 375	-249
Net cash flow from financing activities		-282 525	-231 458
Net increase / (decrease) in cash and cash equivalents		-683	14 509
Cash and cash equivalents at beginning of the period		215 959	159 545
Cash and cash equivalents at the end of the period		215 276	174 054

Notes 11 to 19 are an integral part of these financial statements.

Guntars Zvīnis

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August 31st, 2020

Edgars Blinskis

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earning/ (accumulated deficit)	Total
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Balance at 31.12.2018	426 862	168 973	-540 436	55 399
Increase of share capital	40 265			40 265
Depreciation of fixed assets attributable to the revaluation reserve		-5 267		-5 267
Profit for the financial year			-174 817	-174 817
Balance at 31.12.2019	467 127	163 706	-715 253	-84 420
Depreciation of fixed assets attributable to the revaluation reserve		-2 633		-2 633
Profit for the financial period			-127 006	-127 006
Balance at 30.06.2020	467 127	161 073	-842 259	-214 059

Notes 11 to 19 are an integral part of these financial statements.

Guntars Zvīnis

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August 31st, 2020

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NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

AS Moda Kapitāls (further - Company) main activity is the issuing of short-term loans against pledge of movable and immovable property. AS Moda Kapitāls is a joint stock company founded and operating in Latvia. Registered address of the Company is at Ganību dambis 40A-34, Rīga, LV-1005.

The auditor of the Company is SIA "Crowe DNW".

Reporting period

The reporting period is from 01.01.2020 to 30.06.2020

(2) ACCOUNTING POLICIES

Basis of preparation

These interim financial statements cover the period from 1 January 2020 to 30 June 2020. The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Statements". These condensed financial statements for the interim period are to be read together with the financial statements of AS Moda Kapitāls for the year ended 31 December 2019 that has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing these condensed interim financial statements, the Company has applied accounting policies that are consistent with those accounting policies that the Company has used in preparing its financial statements for the year ended 31 December 2019.

Several new standards, their additions and interpretations entered into force after January 1, 2020. They are not appropriate for the preparation of this interim financial report. The company does not intend to apply these standards before the set time.

Foreign currencies

The company's functional currency and presentation currency is the Latvian national currency Euro (EUR).

Foreign currency transactions are translated into euro at the European Central Bank's official exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the European Central Bank's official exchange rate at the period end. Exchange rate differences arising from foreign currency transactions or financial assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in profit or loss in net worth.

Revenue recognition

Income is recognised to such extent, for which substantial measurement is feasible and there is a reason to consider that the Company will gain economic advantage related thereof. Income is evaluated in the fair value of remuneration received, less sale discounts and the value added tax. The Company assesses its income gaining operations according to certain criteria, in order to establish whether it acts as the parent company or a representation. The Company considers that in all income gaining operations it acts as the parent company. Before income recognition the following preconditions shall be fulfilled:

Sales of goods

Sales income shall be recognised if the Company has transferred to the customer significant risks related to the goods ownership and remunerations, usually at the moment of delivery of goods.

Mediation income

The Company gains income from mediation services for pledged goods. Mediation services refer to the Company basic type of operations, so this income is included in the income statement as net turnover. Income from such services are gained when the Company sells to a client the respective pledged goods.

Interest income and expense

For all financial instruments booked in their amortised acquisition value and financial assets, for which interest is calculated and which are classified as available for sale, the interest income and expenses are registered using the effective interest rate, namely, the rate which actually discounts the estimated monetary income through the whole useful life period of the financial instrument or - depending on the circumstances may be - a shorter time period until the balance sheet value of the respective financial asset or liability is reached.

Other income

Income from penalties charged from clients is recognised at the moment of receipt. Penalties mainly consist of fines imposed on clients for the delay in payment.

Intangible assets and fixed assets

Intangible assets, in general, consist of licenses and patents. Intangible assets are recognised at the cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

<u>Intangible assets:</u>	<u>Years</u>
Licenses and patents	3-5

Buildings are recognised at their fair value on the basis of assessment made by independent valuator from time to time less accumulated depreciation. Accumulated depreciation is liquidated as of revaluation date, net sum is charged to the revaluated cost. Land is recognised at their fair value on the basis of assessment made by independent valuator from time to time. Other assets are recognised at their acquisition value less accumulated depreciation. Acquisition value includes the costs directly related to acquisition of the asset.

Subsequent costs are recognised in the asset's carrying amount or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are recognised as an expense during the financial period when they are incurred.

Increase in value arising on revaluation is recognised in equity under "Revaluation reserve of non - current assets", but decrease that offsets a previous increase of the same asset's value (net of deferred tax) recognised in the said reserve is charged against that reserve; any further decrease is recognised in other comprehensive income for the year incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful life, as follows:

<u>Fixed assets:</u>	<u>Years</u>
Buildings	20-30
Computer equipment	3-5
Other machinery and equipment	4-10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the financial year.

Lease

The right-of-use asset was initially valued at an amount equal to the lease liability. The lease liability is initially measured at the present value of the lease payments over the lease term, as a discount rate using interest rate that has been applied at the time of initial leasing – at January 1st, 2019.

The Company does not recognize leases expiring within 12 months of the date of initial application and leases of low value assets as a right of use assets and lease obligations. The Company accounts the right-of-use assets using the cost method, which deducts accumulated depreciation and permanent impairment from the original value and adjusts it by the recalculation of lease liabilities. Asset rights are depreciated on a straight-line basis over the shorter term of the useful life of the asset and the lease term.

Inventories

The inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realizable value.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual obligations of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

The Company categorises its financial assets, except derivative financial instruments if any, under loans and receivables. The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

The Company's financial liabilities include borrowings, trade and other payables and obligations arising from derivative financial instruments (if formed).

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed (including transaction costs) or determinable payments that are not quoted in an active market. They are included in current assets, except financial assets with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Upon recognition loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and recoverable value. The changes of the provision are recognised in the statement of comprehensive income. Loans and receivables carrying amount is reduced through the use of the provision account. Loss of the provision are recognized in the statement of comprehensive income as other operating expenses. When a loan or receivable is uncollectible, it is written off against the provision account for loans and receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

Borrowings

Borrowings are recognised initially at the amount of proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is gradually recognised in profit and loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

Corporate income tax

Corporate income tax is calculated in accordance with the tax laws of the Republic of Latvia. Existing legislation sets the effective tax rate at 25 percent.

Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board and the Council, their close relatives and companies, in which they have a significant influence or control. Also companies located in ultimate control or significant influence by the controlling member are related parties.

Critical accounting estimates and judgments

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgments applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the land and building and determination of their useful life period, determination of revaluation regularity, as well as recoverable amount of receivables and inventories as disclosed in the relevant notes.

Revaluation of land and buildings

Management of the Company determines fair value of the assets based on assessment made by independent certified valuers in accordance with the property valuation standards and based on observable market price as well as future cash flow and construction costs methods.

The Management believes that assets must be revaluated at least once in 5 years or earlier if any indicators show the potential material changes in market values. By the management estimates, in the reporting year the factors that indicate a potentially significant changes in the value of those assets has not been identified, and, as a result, fair value measurement procedures has not been made. Last evolution of land and buildings was carried out in 2016 on preparation of financial statements.

Recoverability of receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on amount and structure of receivables is disclosed in Note (5) of the financial statements.

(3) Intangible assets and Property, plant and equipment (PPE)

		Fixed assets					
		Intangible assets - licences	Lands and buildings	Leasehold improvements	Other fixed assets	Advances and development costs	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR
Initial value	01.01.2020	111 396	439 478	3 557	613 028	3 174	1 059 237
Acquired		3 207		946	878	185	2 009
Disposed					-26 725	-3 573	-30 298
Reclassified			22 313				22 313
Initial value	30.06.2020	114 603	461 791	4 503	587 181	-214	1 053 261
Accumulated depreciation	01.01.2020	43 898	105 993	2 633	527 858	0	636 484
Calculated depreciation		3 316	7 779	216	13 852		21 847
Depreciation of disposed fixed assets					-26 726		-26 726
Accumulated depreciation	30.06.2020	47 214	113 772	2 849	514 984	0	631 605
The residual value	01.01.2020	67 498	333 485	924	85 170	3 174	422 753
The residual value	30.06.2020	67 389	348 019	1 654	72 197	-214	421 656

Revaluation of fixed assets and fair value techniques used

As at 31 December 2004 the Company made first revaluation of real estate. As a result of revaluation, a revaluation reserve of non-current assets in the amount of 53 528 EUR was booked, where 15% of the reserve was attributed to deferred corporate income tax liabilities. Initially calculated revaluation reserve was corrected in 2011 decreasing it by 11 066 EUR to 41 040 EUR.

In June 2011 certified real estate valuator M. Vilnitis who was appointed by the Board of Company, appraised the market value of real estate classified under Land & Buildings. As a result of revaluation a revaluation reserve of non-current assets was increased by 109 786 EUR, where 15% or 16 468 EUR of the reserve was attributed to the liabilities of deferred corporate income tax liabilities. The valuation was determined by two valuation techniques:

In November 2016 certified real estate valuator A. Vēdike who was appointed by the Board of Company, appraised the market value of real estate classified under Land & Buildings. As a result of revaluation a revaluation reserve of non-current assets was increased by 96 364 EUR, where 15% or 14 455 EUR of the reserve was attributed to the liabilities of deferred corporate income tax liabilities.

(4) Right to use asset	30.06.2020	31.12.2019
	EUR	EUR
Right to use asset recognized at the beginning of the year	88 410	111 518
Calculated depreciation	-11 554	-23 108
Right to use asset net residual value at 30.06.2020	76 856	88 410
Lease obligations recognized at the beginning of the year	89 148	111 518
Increased by interest payments in 2020	950	2 279
Paid to the landlord during 2020	-12 325	-24 649
Lease obligations as at 30.06.2020	77 773	89 148

(5) Participation in the capital of related companies

In December 2019, the Company acquired the related company AUREUM AS, the type of activity of which is in line with the type of activity of the Company. 100% of the voting capital was obtained. Control was acquired in December 2019. The purchase cost was EUR 425 200. The management of the company made a decision on 30.06.2020 to reflect the value of the related company in the balance sheet in its acquisition costs. No indications of impairment of the acquired asset were found.

(6) Inventories

	30.06.2020	31.12.2019
	EUR	EUR
Real estate - loan collateral owned by the Company	171 594	180 183
Advances paid (Real estate – loan collateral owned by the Company)	32 759	31 463
Provision for inventories - loan collateral owned by the Company	-50 024	-50 024
Goods purchased for sales purposes	97 446	80 773
Advances for goods	10 088	10 076
Provisions for goods	-11 398	-11 398
Other collateral owned by the Company	879 785	879 785
Total	1 130 250	1 120 858

According to the loan agreements, failure to comply with terms of the contract, the Company is entitled to take over ownership of the pledged assets. These assets are held and available for sale.

(7) Loans and trade receivables

	30.06.2020	31.12.2019
	EUR	EUR
Short-term loans secured with pledges	1 173 276	1 268 638
Provisions for impairment for loans secured with pledges	-63 396	-63 396
Consumer loans (Short-term loans without pledge)	168 303	203 536
Provisions for impairment of short-term loans not secured with pledges	-61 508	-61 508
Accrued interest payments	150 347	155 572
Total	1 367 022	1 502 842
	01.01.2020- 30.06.2020	2019
	% per month	% per month
Loans against hand pledge	3-21%	3-21%
Loans against ore	3-21%	3-21%
Loans without collateral (consumer credit)	1,5-2,1%	1,5-2,1%
Loans against transport	<2,1-5 %	>2,1-5%
Loans against real estate	<2,1-5%	>2,1-5%

(8) Borrowings

		30.06.2020	31.12.2019
		EUR	EUR
Non-current	Note		
Non-convertible bonds	b)	0	0
Other loans	c)	298 549	198 000
Finance lease liabilities	d)	54 636	66 269
Total non-current		353 185	264 269
Current			
Non-convertible bonds	b)	3 373 000	3 359 650
Other loans	c)	70 000	179 000
Finance lease liabilities	d)	23 137	22 879
Total current		3 466 137	3 561 529
Borrowings total		3 819 322	3 825 798

a) Fair value of borrowings

Considering that the variable interest rate is applied to loans from credit institutions and financial leasing agreements, fair value is not materially different from the carrying value. The management assesses, that also carrying value of other borrowings is not materially different from their fair value.

During the reporting and previous year with the Company's bonds were not made transactions for which is available public information to assess their market value.

b) Bonds

11 November 2015, the Company made the refinancing of the bonds with a new bond issue. The total number of issued bonds under refinancing emission was 3310, denominations of bonds is 1 000 EUR, the coupon rate is 12%. Bond are maturing on 15 November 2020.

Bonds are included in Baltic bond list of NASDAQ OMX Riga AS stock exchange.

	01.01.2020-30.06.2020		2019	
	Number of bonds	EUR	Number of bonds	EUR
At beginning of the reporting year	3 310	3 310 000	3 310	3 310 000
Issued during the year	0	0	0	0
At the end of the year	3 310	3 310 000	3 310	3 310 000

c) Other loans

During the reporting and previous years, the Company has received loans from related and unrelated parties. Borrowing interest rates range from 6% to 10% per year.

	30.06.2020	31.12.2019
	EUR	EUR
At beginning of the year	377 000	176 500
Borrowings received in the year	100 549	423 248
Repaid borrowings in the year	-109 000	-222 748
At the end of the year	368 549	377 000

In accordance with the agreements the minimum finance lease payments are:

	30.06.2020	31.12.2019
	EUR	EUR
Payable within 1 year	24 649	24 650
Payable from 2 to 6 years	56 815	69 139
Finance lease gross liability	81 464	93 789
Future finance costs	-3 691	-4 641
Present value of finance lease liability	77 773	89 148

(7) Transactions with related parties

In 2019 and 2020 the Company had economic transactions with the following entities that are directly or indirectly controlled by the Company's shareholders and members of the Board: Orheja SIA, Trezors SIA, Premium Finance Group SIA and AUREUM AS.

Loans and interest payments

	Loans balances		Interest expense	
	30.06.2020	31.12.2019	2020(6m)	2019
	EUR	EUR	EUR	EUR
Orheja SIA	20 000	64 000	578	4 466
Trezors SIA	0	65 000	217	4 368
AUREUM AS	268 549	168 000	4 834	261
Premium Finance Group SIA	0	0	0	796
Total	288 549	297 000	5 629	9 891
The non-current part of the loans	268 549	168 000		
The current part of the loans	20 000	129 000		
	288 549	297 000		

(8) Financial and capital risk management

The Company's activity is exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial

Market risk

a) Foreign exchange risks

The Company's main financial assets and liabilities are in Euro (EUR). Revenues are collected in EUR. Daily purchases primarily are incurred in EUR. The Company is not exposed to foreign exchange risk.

b) Interest rate risks

The Company is not exposed to a significant risk of interest rate changes because interest calculated on a variable interest rate is payable only for financial lease liabilities. In turn, all interest bearing assets of the Company have a fixed interest rate similar as for borrowing.

	30.06.2020	31.12.2020
	EUR	EUR
Financial liabilities with variable interest rate	77 773	89 148
	77 773	89 148

Taking into account insignificant proportion of financial liabilities with variable interest rate in total financial liabilities, possible changes of interest and interest rate does not leave significant effect on the Company's profit before tax.

c) Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate due to other market factors. The Company's management monitors the market fluctuations on a continuous basis and acts accordingly but does not enter into any hedging transactions.

Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily cash, trade receivables and loans. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

	30.06.2020	31.12.2019
	EUR	EUR
Maximum exposure to credit risk		
Loans and trade receivables	1 367 022	1 730 345
Other current assets	38 324	43 845
Cash and cash equivalents	215 276	215 959
Total	1 620 622	1 990 149

AS "Moda Kapitāls"
 Unaudited condensed interim financial report for the period from 01.01.2020 to 30.06.2020
 prepared in accordance with IFRS us adopted in EU

Within the company, credit risk is managed through centralized procedures and controls. Credit risk arises from outstanding loans. To reduce these risks, the Company uses a conservative credit policy - the amount of loans granted is less than the value of the pledged property / real estate. Such a policy allows the Company minimize its credit risk. Information on the structure of the loan portfolio is given in Appendix 8.

The Company is not subjected to income concentration risk because the Company gains income from many clients where the total payment of interest income or commission fees is formed by small sums.

Liquidity risk

Company pursues a prudent liquidity risk management and maintain a sufficient quantity of cash and ensure the availability of financial funds through bonds emission, loans provided by banks and related parties. Company's management monitors the operational forecasting of liquidity reserves, based on estimated cash flows.

Capital Management

In accordance with the requirements of the Commercial Law of the Republic of Latvia, the Board should ask shareholders to evaluate and decide on the Company's continued operation if the Company's losses exceed half of the share capital. The equity of the Company as at 30 June 2020 was negative.

Company's management controls the net debt to equity (gearing ratio).

	30.06.2020	31.12.2019
	EUR	EUR
Total borrowings	3 819 322	3 825 798
Cash and its equivalents	-215 276	-215 959
Net debt	3 604 046	3 609 839
Equity	-214 059	-84 420
Total capital	3 389 987	3 525 419
Total assets	3 742 115	3 887 508
Net debt to equity	-1684%	-4276%
Equity ratio on total assets	-6%	-2%

(9) Events after balance sheet date

The existence of new Coronavirus (Covid-19) was confirmed in early 2020 and by now it has spread across the world, including Latvia, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is uncertain and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company.