

SE CAPITALIA

Annual accounts for the year 2019

Translation from Latvian

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Information about the Company

Name of the Company	SE CAPITALIA
Legal status of the Company	Societas Europaea
Number, place and date of registration	40003933213, Commercial register Riga, 21.06.2007.
Operations as classified by NACE classification code system	64.92 Other credit granting 70.22 Business and management consultancy
Address	Brīvības street 40-35,Riga, LV-1050, Latvia
Shareholders	Resident of the Republic of Latvia (93%) Non-resident of the Republic of Latvia (7%)
Names and positions of Council members	Mārtiņš Krūtainis – Chairman of the Council Andrejs Strods – Deputy Chairman of the Council Peeter Piho – Chairman of the Council
Names and positions of Board members	Juris Grišins – Chairman of the Board
Financial year	1 January 2019 – 31 December 2019
Previous financial year	1 January 2018 – 31 December 2018
Branch' Name	SE Capitalia filialas Lietuvoje
Address of the branch	Olimpiečių g. 1-46, Vilnius, Lithuania
Number, place and date of registration	304914672, Lithuania, registered in 12.09.2018.
Operations as classified by NACE	64.92 Other credit granting
Branch' Name	SE Capitalia Eesti filiaal
Address of the branch	Tallinn, Kesklinna linnaosa, Tartu mnt 84a, 10112
Number, place and date of registration	14558272, Estonia, registered in 04.09.2018.
Operations as classified by NACE	64.92 Other credit granting
Person responsible for accounting	Ruta Circene
Name and address of the auditor	SIA “Grant Thornton Baltic Audit” Certified Auditors’ Company, license No. 183 Blaumana street 22, Riga, LV-1011, Latvia Responsible Certified Auditor: Raivis Irbitis Certificate No. 205

Management's report

On operating results

SE Capitalia (the “Company”) ended its financial year with a net profit in the amount of EUR 107 574 and a turnover in the amount of EUR 1 251 040. The turnover is hard to compare with the data of the previous year due to the reorganization which took place in 2018 – as a result, part of the group turnover remains fixed in the liquidated daughter companies in Lithuania and Estonia. According to the strategy, the Company continues to reduce the amount of short-term liabilities and increases its equity-to-assets ratio on the balance sheet. At the end of the financial year, the total value of Capitalia's loan portfolio was EUR 9.3 million.

On the most important events

In 2019, Capitalia continued to focus on attractin new clients and partners in all Baltic states. The Company successfully refinanced the closed bond emission with a new closed bond release. During the last year, Capitalia has financed 342 businesses in the total amount of EUR 20 million. Some of the financed companies are, for example, Eskaro (paint and solvent manufacturing), Svaros Broliai (premise maintenance services and a car wash chain), Pure Chocolate (chocolate truffles' manufacturing) and Aerodium (wind tunnels' manufacturing). Furthermore, Capitalia concluded a risk capital investment in Edurio, which develops teaching evaluation systems for learning institutions in Latvia and the United Kingdom. This investment complements the previous two investments in Indexo (pension fund administration) and Giraffe360 (premise visualization services). Consequently Capitalia has already invested in 3 rapidly growing companies in Latvia. Last December, Capitalia also became the first alternative financing company in the Baltic states which has received the European Code of Good Conduct certificate.

On risk management

The risk management role in the Company is to identify the most important operational risks and develop tools to prevent those risks as well as to create a policy to control the compliance with the risk management procedures. The board of Capitalia once a year updates the analysis of the operational risks and the related policies. The actions which must be undertaken to prevent the operational risks are included in the yearly strategy document of the Company. The risk analysis and the actions for risk management are confirmed and monitored by the revision committee of Capitalia. In the end of 2016, an independent internal audit department was created whose mission is to train and control the employees in the operational procedures. Meanwhile the annual report of Capitalia is confirmed by sworn auditors who provide that the financial data corresponds the accounting standards. In 2019, the procedures for identification of suspicious activities, their partners and beneficiary owners were significantly adapted and introduced to meet the requirements of the Law on the Prevention of Money Laundering of Latvia. Also, a security audit of management software was carried out on Capitalia webpage and loans.

On internal control procedures

The board confirms that the internal risk procedures are effective and risk management and internal control has been performed accordingly to the stated control procedures during the whole year.

On share capital

After the reorganization which took place in 2018, the share capital of the Company is EUR 500 000 of ordinary shares with the nominal value of EUR 1.

On proposed distribution of profits

The board recommends that the net profit of the financial year in the amount of EUR 62 610 is paid out in dividends and the remaining amount is saved in the Company's capital.

On going concern

On 31st of December, 2019, the Company's short-term assets significantly exceed its short-term liabilities. Taking into consideration the above-mentioned and evaluating the going concern strategy of the Company, the management believes that the Company can provide the needed liquidity in its usual economic activity framework. The management of the Company is confident that the Company has enough resources to continue the operational activity in the foreseeable future.

On future plans

The plan of the Company for 2020 is to continue promoting the existing products in the market and also expand its risk capital investment activity.

On post balance sheet events

In the first quarter of the year, the biggest impact on the Company's operations is due to the pandemic situation in the world and the restrictions related to the pandemy of Covid-19. As a result, Capitalia expects a 10-20% drop in its annual turnover but the provision four doubtful debtors will depend on the durability of the economic activity restrictions due to the pandemy. At the moment of compilation of the annual report, the consequences of the pandemic do not endanger the continuation of the economic activity of the enterprise. In addition, Capitalia has purchased the the subsidiary SIA Capitalia Investment Services, whose size of share capital after the purchase is increased to EUR 100 000.

**PROFIT OR LOSS STATEMENT FOR THE YEAR
ENDED 31 DECEMBER 2019**

	Notes	2019 EUR	2018 EUR
Net sales	1	1 251 040	688 833
Costs of services provided	2	(330 085)	(380 277)
Gross profit		920 955	308 556
Selling expense	3	(394 526)	(50 150)
Administrative expense	4	(382 376)	(362 850)
Other operating income	5	18 694	81 965
Other operating expense	6	(14 595)	(23 441)
Income from investments	7	-	164 677
Profit/ (Loss) before taxes		148 152	118 757
Corporative income tax	8	(10 679)	(2 044)
Profit/ (Loss) after taxes		137 473	116 713
Extraordinary dividends		(29 899)	-
Current year's profit/ (loss)		107 574	116 713

Notes on pages from 7 to 15 are integral part of these financial statements

Juris Grišins
Chairman of the Board

Ruta Circene
Person responsible for accounting

Riga, April 30, 2020

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	31.12.2019 EUR	31.12.2018 EUR
Assets			
Long- term investments			
Intangible assets	9	40 930	55 755
Fixed assets	10	38 838	19 839
Cost of creating fixed assets		-	13 867
Total fixed assets:		79 768	89 461
Long-term financial investments			
Other securities and investments	11	149 619	75 000
Loans to related parties	12	-	301 462
Issued loans	13	89 869	221 544
Total long-term financial investments:		239 488	598 006
Total long-term investments:		319 256	687 467
Current assets			
Debtors			
Issued loans	13	1 214 857	1 262 680
Loans to related parties	12	199 499	-
Other debtors	14	87 685	35 158
Loans to shareholders and management	15	27 644	11 303
Total debtors:		1 529 685	1 309 141
Cash	16	543 599	128 167
Total current assets:		2 073 284	1 437 308
Total assets		2 392 540	2 124 775
Equity and liabilities			
Equity			
Share capital	17	500 000	500 000
Other reserves	17	(10 679)	(10 679)
Reorganisation reserve	17	100 315	91 632
Prior year's accumulated losses		(134 600)	(251 313)
Current year's profit		107 574	116 713
Total equity:		562 610	446 353
Liabilities			
Long-term liabilities			
Bonds issued	18	1 558 000	958 000
Other borrowings	19	-	28 101
Total long-term liabilities:		1 558 000	986 101
Short-term liabilities			
Bonds issued	18	35 125	523 720
Other borrowings	19	189 044	131 796
Trade payables and accrued liabilities	20	6 161	5 120
Taxes	21	14 149	2 283
Deferred income	22	863	17 652
Accrued liabilities	23	26 588	11 750
Total short-term liabilities:		271 930	692 321
Total liabilities:		1 829 930	1 678 422
Total equity and liabilities:		2 392 540	2 124 775

Notes on pages from 7 to 15 are integral part of these financial statements

Juris Grišins
Chairman of the Board

Ruta Circene
Person responsible for accounting

Riga, April 30, 2020

Note**Accounting policies****a) General principles**

The annual report is prepared in accordance with the laws of the Republic of Latvia “On Accounting” and “The Law of the Annual Accounts and Consolidated Annual Accounts” and the Regulations No. 775 of the Cabinet of Ministers of the Republic of Latvia “On Application of the Law of the Annual Accounts and Consolidated Annual Accounts”. The profit and loss account is prepared in accordance with the format set in Appendix 3 of “The Law of the Annual Accounts and Consolidated Annual Accounts” (classified in accordance with the expenditure function). In accordance with Article 5 of “The Law of the Annual Accounts and Consolidated Annual Accounts” the company is classified as a small company. The annual report is prepared in accordance with the requirements of Article 9 of “The Law of the Annual Accounts and Consolidated Annual Accounts”.

As at 31 December 2017, the Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), which is one of the requirements for listed companies. In order to optimize the Company's administrative costs, the quotation of the bonds issued by the Company on the stock exchange was interrupted in 2018 and the accounting and valuation methods applied as at 31 December 2017 and the principles of annual reporting have been changed.

The annual report is prepared in accordance with the going concern principle.

On November 2018, the Company daughter companies were reorganized. As a result of the reorganization, the subsidiaries of the Company in Lithuania and Estonia have been added to the Company by establishing branches of the Company in Lithuania and Estonia (see also Note 11). Subsidiaries are added to the Company's financial statements from November 1, 2018.

The management of the Company believes that the Company is not obliged to prepare the consolidated annual report for the year 2018 in accordance with the requirements of the laws and regulations of the Republic of Latvia.

b) Information on the Company

Information requested by law on the Company has been disclosed in separate part of this annual report, on page 3.

c) Net sales

Net sales represent the total of goods and services sold during the year net of value added tax.. The Company's net turnover is comprised of interest income on loans secured by pledge or other loans.

The Company assigns part of the issued loans to third parties without repurchase obligation, providing portfolio management and payment administration services of the assigned loans. The Company recognizes interest income and related interest expense on loans disposed of under the repurchase obligation on a net basis, showing only the portion of interest income attributable to the Company in net sales.

Interest income is recognised based on accruals principle. Interest income is not recognized if there is doubt about the recoverability of the debt. Other income is recognised based on accruals principle. Fines and similar income for which there is some doubt are recognized on a cash basis.

d) Foreign currency translation

The Company maintains its accounts in euros. During the reporting period transactions in foreign currencies are recorded using euro foreign exchange reference rates that are published based on a regular daily concertation procedure between central banks of the European System of Central Banks and other central banks. At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

e) Intangible and tangible fixed assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-lines basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Depreciation is calculated on a straight-line basis over estimated useful life of the asset as follows:

Specialized program, database	- over 5 years
Webpage	-over 3 years

Equipment is stated at cost less accumulated depreciation and any impairment in values.

Note (continued)

Accounting policies (continued)

e) Intangible and tangible fixed assets (continued)

Depreciation is calculated on a straight- line basis over estimated useful life of the asset as follows:

PCs	- over 3 years
Furniture	- over 5 years
Vehicles	- over 5 years

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exist and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash- generating until to which the asset belongs. Impairment losses are recognized in the income statement in the impairment caption.

Recognition of the fixed asset is discontinued on disposal of the asset or if future use of the asset will not generate any operating benefits. Any profit or loss arising from disposal of the asset (which is calculated as a difference between net income and net book of the asset) is recognised in the statement of comprehensive income in the reporting year.

f) Accounts receivable

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. All loans and receivables are recognized when cash is advanced to borrowers and derecognized on repayments. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms. Interest income is recognized on an accrual basis in accordance with the terms of the loan agreement.

At each balance sheet date the Company evaluateates any objective evidence of the possible impairment of issued loans. 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, including amounts recoverable from collateral using management's estimates, assumptions and estimates.

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

Provisions for loan impairment losses are reduced when the estimated recoverable value of the loan exceeds the value reflected in the balance sheet.

In accordance with the provisioning policy developed by the Company on the basis of the limitation days for receivables, in addition to the special provisions created by individual loans separately, the following general provisions for bad and doubtful receivables have been established for the other debtors on the basis of the following basic principles (except where the recoverable value of the late debtor's debt collateral substantially exceeds the amount of the outstanding debt:

Day's late	Provision amount
0-30	0%
31-60	10%
61-90	30%
91-180	60%
181-360	80%
361+	100%

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

Part of the receivables the Company ceded to third parties while continuing to provide receivables management and payment administration services. Part of the ceded receivables has been ceded without a repurchase obligation: such receivables and associated liabilities to the assignees are not reflected in the Company's balance sheet.

Note (continued)

Accounting policies (continued)

g) Other securities

Other securities are listed in the value of their purchases, adjusted for their values in the event of persistent impairment.

h) 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.

i) The Company as a lessee

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any financial incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

j) Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

k) Provisions

Provisions are made in cases when the liability is clearly definable as at the balance sheet date and there is a reasonable possibility of realisation of the noted liability, although the timing and amount of the liability may vary.

l) Loans

Loans are recognised initially at the proceeds received net of transaction costs incurred. Afterwards loans are recognised at historic cost which is diminished by the amounts of principal repayment made. The difference between the cash proceeds received net of transactions costs incurred and the net amount of borrowing principal repayable is released to the profit and loss account over the term of borrowing repayment. Interest expense is recognised on accruals basis in accordance with the provisions of the loan agreement.

m) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, balances of current account with banks and short-term deposits with maturity up to 90 days

n) Related parties

Related parties are defined as shareholders of the Company, members of the board, their close relatives and companies in which they have a significant influence or control. The term "Related parties" corresponds with the term used in annex IAS 24 "Related Party Disclosures" of COMMISSION REGULATION (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

o) Payment of dividends

Dividends payable to members are recognized in the financial statements as a liability for the period in which the members approve the payment of the dividend.

p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

q) 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.

r) Contingencies

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Notes (continued)

(1) Net sales

	2019	2018
	EUR	EUR
Interest income and commission fees from loans	1 148 704	654 711
Income from fines	102 336	34 122
	<u>1 251 040</u>	<u>688 833</u>

Net sales by geographic markets

Latvia	730 957	435 211
The European Union, with the exception of Latvia	520 083	253 622
	<u>1 251 040</u>	<u>688 833</u>

A part of the issued loans the Company cedes to third parties while continuing to provide management and payment administration services of the ceded loan portfolio. Most of the ceded loans are ceded without a repurchase obligation. On 31 December 2019, the balance value of loans ceded to third parties without a repurchase obligation was EUR 7 713 601 (December 31, 2018: EUR 4 296 978).

(2) Costs of services provided

Interest on loans received	188 498	321 111
Provision for doubtful debts, written-off receivables	138 870	57 770
Legal services and debt collection costs	2 717	1 396
	<u>330 085</u>	<u>380 277</u>

(3) Selling expense

Selling staff costs	251 904	-
Financing costs	83 282	34 819
Office rent, utilities	30 654	-
Advertising services and materials	23 918	14 334
Other selling costs	4 768	997
	<u>394 526</u>	<u>50 150</u>

(4) Administrative expense

Professional services costs	136 648	64 263
Staff costs	127 778	198 491
Depreciation of fixed assets, low value items	80 428	50 144
Office rent, utilities,	12 328	21 603
Office expenses	11 507	10 743
Other costs	13 687	17 606
	<u>382 376</u>	<u>362 850</u>

(5) Other operating income

Revenue from debt repayments	13 605	13 009
Income from management, marketing, etc. services within group	3 470	64 884
Other income	1 619	4 072
	<u>18 694</u>	<u>81 965</u>

(6) Other operating expense

Non-deductible VAT	-	13 903
Paid fines and penalties	8 010	1 740
Donations	4 850	-
Provision for other doubtful debts	1 233	-
Other costs	502	7 798
	<u>14 595</u>	<u>23 441</u>

Notes (continued)

(7) Income from investments	2019 EUR	2018 EUR
Dividends from subsidiaries	-	164 677
	-	164 677

(8) Corporate income tax

Corporate income tax for the reporting year is calculated in accordance with the requirements of the legislation in force during the reporting year.

The accumulated losses for corporate income tax purposes on 31 December 2018 was EUR 60 893. The deadline for utilization of the accumulated losses is 31 December 2022. Company can reduce the dividend corporate income tax calculated in 2019-2022 account overview by a sum equivalent to 15 percent of the total uncovered losses. The tax reduction sum in an account overview year cannot exceed 50 percent of the corporate income tax sum calculated for the relevant year for dividends.

(9) Intangible Assets

	Concessions, patents, licenses, trademarks and similar rights EUR	Total EUR
Cost		
31.12.2018.	136 683	136 683
Additions	37 547	37 547
31.12.2019.	174 230	174 230
Amortization		
31.12.2018.	80 928	80 928
Charge for period	52 372	52 372
31.12.2019.	133 300	133 300
Net book value as at 31.12.2018.	55 755	55 755
Net book value as at 31.12.2019.	40 930	40 930

(10) Fixed assets

	Other fixed assets and inventory EUR	Construction in progress EUR	Total EUR
Cost			
31.12.2018.	66 139	13 867	80 006
Additions	34 423	2 475	36 898
Disposals	(34 950)	(16 342)	(51 292)
31.12.2019.	65 612	-	65 612
Amortization			
31.12.2018.	46 300	-	46 300
Charge for period	22 935	-	22 935
Moved	(7 511)	-	(75 11)
Disposals	(34 950)	-	(34 950)
31.12.2019.	26 774	-	26 774
Net book value as at 31.12.2018.	19 839	13 867	33 706
Net book value as at 31.12.2019.	38 838	-	38 838

Notes (continued)

(11) Other securities and investments

	31.12.2019.	31.12.2018.
	EUR	EUR
Participation in a company's capital (0.35 -1.12%, United Kingdom)	54 607	25 000
Participation in a company's capital (0.66%, Latvia)	20 000	-
Bonds (50 pcs., nominal value 1000 EUR, Estonia)	50 000	50 000
Bonds (25 pcs., nominal value 1000 EUR, Latvia)	25 000	-
	149 607	75 000

(12) Receivables from affiliated companies

	31.12.2019.	31.12.2018.
	EUR	EUR
Receivables from affiliated companies:		
Loan to Sparta Capital OÜ	-	301 462
Long-term part:	-	301 462
Loan to Sparta Capital OÜ	199 499	-
Short-term part:	199 499	-
Total:	199 499	301 462

Shareholder Sparta Capital OÜ loan is to be repaid by the 31th December, 2020.

(13) Issued loans

	31.12.2019.	31.12.2018.
	EUR	EUR
Receivable for issued loans	107 948	320 154
Provisions for doubtful debtors	(18 079)	(98 610)
Long-term part :	89 869	221 544
Receivable for issued loans	1 505 817	1 415 015
Provisions for doubtful debtors	(290 960)	(152 335)
Short-term part:	1 214 857	1 262 680
	1 304 726	1 484 224

A part of the issued loans the Company cedes to third parties, providing the management and payment administration services of the ceded loan portfolio. Most of the ceded loans are ceded without a repurchase obligation. On 31 December 2019, the balance value of loans ceded to third parties without a repurchase obligation was EUR 7 713 601 (31 December 2018: EUR 4 296 978), see also note 26.

(14) Other debtors

	31.12.2019.	31.12.2018.
	EUR	EUR
Lithuanian branch overpaid taxes	16 932	6 037
Prepaid expenses	13 415	316
Lease security deposit	6 110	7 610
Trade debtors	708	-
Other debtors	50 520	21 195
	87 685	35 158

(15) Short- terms loans to shareholders and management

Loan to company's management	27 644	11 303
Short-term part:	27 644	11 303

Notes (continued)

(15) Short- terms loans to shareholders and management (continued)

The Company has issued unsecured loan to the member of the board of the Company at a fixed annual interest rate. Loan is to be repaid by 22 May, 2020.

(16) Cash

	31.12.2019.	31.12.2018.
	EUR	EUR
Cash in the bank	543 599	128 167

(17) Share capital and reserves

As of December 31, 2018, the Company's registered and paid share capital was EUR 500,000, consisting of 250,000 ordinary dematerialized registered shares with a nominal value of EUR 1 and 250,000 dematerialized registered preferred shares with a nominal value of EUR 1.

Ordinary dematerialized registered voting shares, nominal value in EUR	250 000	50%
Dematerialized registered preferred non-voting shares, nominal value in EUR	250 000	50%
	500 000	100%

The item "Other reserves" reflects the reorganization reserve for previous years.

The item " Reorganisation reserve " reflects the reorganization reserve for 2018.

(18) Bonds issued

In August, 2014 the Company issued 1,000 bonds at nominal value of EUR 1,000 and at initial sales price of EUR 920. In October 2015, issued an additional 750 bonds, and in January 2017, issued an additional 1 250 bonds, which basically were realized at nominal value. Coupon rate on the bonds is 12% per annum and it is paid quarterly. The securities are due on 25th of October, 2018.

In January of 2018, 750 of the issued bonds were redeemed before the maturity. Other bonds from the First Bonds Issue were redeemed gradually until the full maturity of the said bonds.

In November, 2016 the Company made closed issue of 500 bond securities. Coupon rate on the bonds is 6% per annum and it is paid quarterly. The securities are due on 25th of October, 2019. Bonds were redeemed until the full maturity of the bonds.

In July 2018 the Company made closed issue of 1 500 bonds at nominal value of EUR 1,000, which basically were realized at nominal value. Coupon rate on the bonds is 10% per annum. The securities are due on 25th of July 2021.

In October 2019 the Company made closed issue of 600 bonds at nominal value of EUR 1,000, which basically were realized at nominal value. Coupon rate on the bonds is 7% per annum. The securities are due on 25th of October 2022.

The nominal value of issued but unrealized bonds as of 31 December, 2019 is EUR 542 000.

	31.12.2019.	31.12.2018.
	EUR	EUR
Securities nominal value	2 100 000	2 000 000
Unrealized bonds	(542 000)	(542 000)
Impact of effective interest rate (discounting)	-	(7 730)
Accrued coupon interest payments at the period end	35 125	31 450
Long term part:	1 558 000	958 000
Short term part:	35 125	523 720
	1 593 125	1 481 720

In order to protect the investment of corporate bondholders the Company has entered into agency agreement with the ZAB "Loze & Partners". As a result, the Company has pledged all its assets for the benefit of the bondholders' security agent ZAB "Loze & Partners". The maximum amount of the secured claim is EUR 700 000 and EUR 1 800 000 and the pledge holder has the right to sell the pledged assets without an auction. The commercial pledge is issued until the Company has fulfilled all of its obligations to the holders of the secured bond issue.

Notes (continued)

(19) Other borrowings

	31.12.2019.	31.12.2018.
	EUR	EUR
Non-interest bearing loan within EU funds*	-	25 948
Liabilities for ceded loans with a repurchase obligation	-	2 153
Long term part:	-	28 101
Loan**	151 167	41 271
Liabilities for ceded loans with a repurchase obligation	-	55 928
Non-interest bearing loan within EU funds*	25 948	34 597
Loans without debtors guarantee – short term***	11 929	-
Short term part:	189 044	131 796
Total:	189 044	159 897

*In 2014 the Company signed micro-loan portfolio loan management agreement with AS "Attīstības finanšu institūcija Altum" (previously Latvian Guarantee Agency SIA). According to the agreement Latvian Guarantee Agency SIA provides state and EU financing to the small and medium businesses, providing non-interest bearing loan to SE Capitalia for purposes of issuing loans to boost competitiveness of small and medium enterprises in Latvia. In December 2017, the said cooperation agreement was amended. According to the renewed agreement, the repayment of the financing received by the Company from Altum will be made in equal instalments by September 30, 2020 and bear no interest rate.

** Short-term unsecured loan at a fixed annual interest rate.

(20) Trade payables and accrued liabilities

	31.12.2019.	31.12.2018.
	EUR	EUR
Debt for goods and services received	6 161	5 120
	6 161	5 120

(21) Taxes and social insurance

	Liabilities	Calculated	(Paid)/ repaid	Liabilities
	31.12.2018.	2019	2019	31.12.2019.
	EUR	EUR	EUR	EUR
Corporate income tax	302	10 681	(7 990)	2 993
Payroll taxes for EE and LT branches	634	69 580	(65 146)	5 068
Value added tax	1 347	5 464	(6 569)	242
Social insurance contribution	(528)	57 227	(51 283)	5 416
Personal income tax	(86)	45 307	(44 790)	431
Corporate risk duty	(16)	49	(34)	(1)
Total	1 653	188 308	(175 812)	14 149
Including:				
Liabilities	2 283			14 150
(Overpayment)	(630)			(1)

(22) Deferred income

	31.12.2019.	31.12.2018.
	EUR	EUR
Interest income from future payments of issued loans	863	17 652
	863	17 652

Notes (continued)

(23) Accrued liabilities

	31.12.2019.	31.12.2018.
	EUR	EUR
Accrued liabilities for vacation pay	10 618	6 162
Accrued liabilities for suppliers	15 970	5 588
	<u>26 588</u>	<u>11 750</u>

(24) Average number of the Company's employees

	2019	2018
Average number of the Company's employees:	<u>11</u>	<u>14</u>

(25) Management's remuneration

	2019	2018
	EUR	EUR
Board members' remuneration		
· salary expenses	18 100	17 767
· social insurance	4 360	4 280
· Corporate risk duty	4	4
	<u>22 464</u>	<u>22 051</u>
Council members' remuneration:		
· salary expenses	-	293
· social insurance	-	71
	<u>-</u>	<u>364</u>

(26) Off-balance sheet assets and liabilities

A part of the issued loans the Company cedes to third parties, providing the management and payment administration services of the ceded loan portfolio. Loans are ceded without a repurchase obligation and any resulting assets and liabilities towards the acquirers of the said cession contracts are not reflected in the balance sheet of the Company.

As of 31 December 2019, the Company's off-balance sheet assets are as follows:

	EUR
Other loans and other long-term debtors (long-term)	861 440
Other loans and other long-term debtors (short-term)	6 852 161
Total Off-balance sheet assets	<u>7 713 601</u>
Other creditors (long-term)	861 440
Other creditors (short-term)	6 852 161
Total Off-balance sheet liabilities	<u>7 713 601</u>

(27) Subsequent events

On 27 February 2020, SE Capitalia acquired the subsidiary SIA Capitalia Investment Services (SIA Capitalia Collateral Agent until 09.03.2020) with a share capital of EUR 3,000, which has been increased on 24.04. 2020 to EUR 100 000. The principal activity of the subsidiary will be financial service activities, except insurance and pension funding nec (NACE 64.99), securities transactions (NACE 66.12); other activities auxiliary to financial services, except insurance and pension funding (NACE 66.19). In the first quarter of the year, the biggest impact on the Company's operations is due to the pandemic situation in the world and the restrictions related to the pandemic of Covid-19. As a result, Capitalia expects a 10-20% drop in its annual turnover but the provision for doubtful debtors will depend on the durability of the economic activity restrictions due to the pandemic. At the moment of compilation of the annual report, the consequences of the pandemic do not endanger the continuation of the economic activity of the enterprise. There are no other subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as of December 31, 2019 or should be disclosed in these financial statements.

Juris Grišins
Chairman of the Board

Ruta Circene
Person responsible for accounting

Riga, April 30, 2020



NEATKARĪGU REVIDENTU PĀRBAUDES ZIŅOJUMS

Capitalia SE dalībniekam

Pārbaudes ziņojums par finanšu pārskatu

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Ievads

Mēs esam veikuši pievienotā SE „Capitalia” (turpmāk „Sabiedrība”) finanšu pārskata, kas atspoguļots no 5. līdz 15. lapai, pārbaudi. Finanšu pārskats ietver bilanci 2019. gada 31. decembrī un peļņas vai zaudējumu aprēķinu par gadu, kas noslēdzās 2019. gada 31. decembrī, kā arī pielikumu ar būtiskāko grāmatvedības politiku aprakstu un citu paskaidrojošu informāciju.

Vadības atbildība par finanšu pārskata sagatavošanu

Vadība ir atbildīga par tāda finanšu pārskata sagatavošanu, kas sniedz patiesu un skaidru priekšstatu, saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likumu un par tādu iekšējo kontroli, kādu vadība uzskata par nepieciešamu, lai nodrošinātu finanšu pārskata, kas nesatur ne krāpšanas, ne kļūdu izraisītas būtiskas neatbilstības, sagatavošanu.

Revidenta atbildība

Mēs esam atbildīgi par slēdzienu, ko, pamatojoties uz mūsu veikto pārbaudi, izsakām par šo finanšu pārskatu. Mēs esam veikuši pārbaudi atbilstoši 2400. Starptautiskajam pārbaudes uzdevumu standartam (SPUS) „Vēsturisku finanšu pārskatu pārbaudes uzdevumi”. Šis standarts nosaka, ka mums jāievēro ētikas prasības un jāplāno un jāveic pārbaude tā, lai varētu izteikt slēdzienu par to, ka mūsu uzmanības lokā nav nonākuši tādi apstākļi vai fakti, kas liktu mums uzskatīt, ka Sabiedrības finanšu pārskats visos būtiskajos aspektos nesniedz patiesu un skaidru priekšstatu saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likumu.

Finanšu pārskata pārbaude saskaņā ar 2400. SPUS ir ierobežotas pārlicības uzdevums. Revidents veic procedūras, kas, galvenokārt, ietver vadības un citu personu iztaujāšanu uzņēmumā, kā arī analītiskās procedūras un izvērtē to rezultātā iegūtos pierādījumus.

Pārbaudes gaitā veikto procedūru apjoms ir ievērojami mazāks nekā revīzijas, kas tiek veikta saskaņā ar Starptautiskajiem Revīzijas standartiem, apjoms, un tādēļ pārbaude nesniedz pārlicību, ka mūsu uzmanības lokā ir nonākuši visi tie būtiskie aspekti, kurus mēs varētu būt identificējuši revīzijas gaitā. Tādēļ mēs nesniedzam revīzijas atzinumu par šo finanšu pārskatu.

Slēdziens

Mūsu veiktās pārbaudes rezultātā, mūsu uzmanības lokā nav nonākuši tādi apstākļi vai fakti, kas mums liktu uzskatīt, ka iepriekš minētais finanšu pārskats visos būtiskajos aspektos nesniedz patiesu un skaidru priekšstatu par SE „Capitalia” finansiālo stāvokli 2019. gada 31. decembrī, kā arī par tās darbības finanšu rezultātiem un naudas plūsmām 2019. gadā saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likumu.



Ziņojumi saskaņā ar citu normatīvo aktu prasībām

Bez tam, mūsu atbildība ir pārbaudīt vadības ziņojumā, kas atspoguļots 4. lapā, ietvertās finanšu informācijas atbilstību finanšu pārskatā uzrādītajai informācijai. Sabiedrības vadība ir atbildīga par vadības ziņojuma sagatavošanu. Mūsu darbs attiecībā uz vadības ziņojumu tika ierobežots augstāk minētajā apjomā, un mēs neesam pārbaudījuši nekādu citu informāciju kā tikai to, kas ietverta no Sabiedrības finanšu pārskata. Mēs neesam atklājuši būtiskas neatbilstības starp vadības ziņojumā un 2019. gada finanšu pārskatā iekļauto finanšu informāciju.

Zvērinātu revidentu komercsabiedrība

SIA „Grant Thornton Baltic Audit”

Licence Nr. 183

Silvija Gulbe
Valdes locekle

Rīga, Latvija
2020. gada 30. aprīlis

Raivis Irbītis
LR Zvērināts revidents
Sertifikāta Nr. 205