

SIA "EXPRESSCREDIT"
ANNUAL ACCOUNTS FOR THE YEAR ENDED
31 DECEMBER 2018 AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY EU

TRANSLATION FROM LATVIAN

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(TRANSLATION FROM LATVIAN)**

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**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
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Information on the Company

Name of the Company	ExpressCredit
Legal status of the Company	Limited liability company
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.91 Financial leasing NACE2 64.92 Other credit granting NACE2 47.79 Retail sale of second-hand goods in stores
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders	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, SIA Reg. No. 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 Ādmīdiņš – 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 Miglāne – 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 license No. 182 Kaļķu street 15-3B, Riga, LV-1050 Latvia Responsible Certified Auditor: Modrīte Johansone Certificate No. 135

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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 and public opinion research
Subsidiary	Cash Advance Bulgaria EOOD till 21.05.2018. (parent company interest in subsidiary – 100%)
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
Type of activity 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
Chairman of the Board



Didzis Ādmīdiņš
Board Member



Kristaps Bergmanis
Board Member



Ivars Lamberts
Board Member

Rīga, 18th April 2019

Management report

ExpressCredit group's turnover for the 12 months of 2018 reached EUR 18.9 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	+53.9

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

After year end on 21 March 2019 Company's shareholders made decision to pay out extraordinary dividends in the amount of 1,5 million euro.


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

Rīga, 18th April 2019


Didzis Ādmīdīns
Board Member


Kristaps Bergmanis
Board Member


Ivars Lamberts
Board Member

Corporate governance statement

Due to the fact that SIA "ExpressCredit", VNR 40103252854 (hereinafter "Company") bonds are listed on the Nasdaq Riga Stock Exchange, the Corporate Governance Statement in 2018 was prepared in accordance with Section 56.2. requirements of the third paragraph of Financial Instruments Market Law.

Information on the key elements of Company's internal control and risk management system applied in the preparation of financial statements.

Company's management, internal control and risk management are carried out in accordance with the principles of prudence and effectiveness with the aim of ensuring Company's sustainable operation in accordance with the existing laws and regulations and the interests of Company's shareholders and creditors.

The financial statements are prepared in accordance with existing laws and regulations and in accordance with International Financial Reporting Standards as adopted by the EU. Statements are prepared by an accountant using licensed accounting software and supervised by the management. In 2014, Company set up a council that also carries out the monitoring function of annual reporting. The reports are independently audited, within which the auditor provides an opinion on the compliance of the accounts with regulatory enactments and International Standards.

Basic business data, regardless of accounting, is accounted for in a specially tailored data processing system. This ensures double control of the underlying data and reduces the impact of human error factors on enterprise data records.

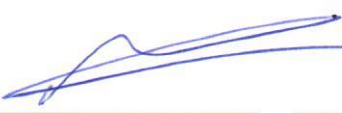
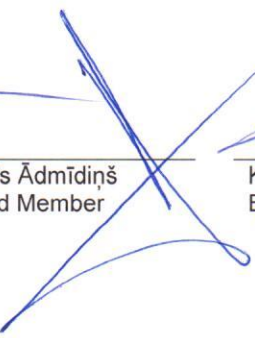

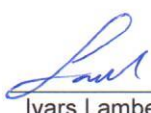
Company's financial risks are monitored by Company's management. The supervision of capital adequacy and liquidity is being managed conservatively and followed up so that the company can meet all its external obligations. Company is not exposed to significant currency fluctuations because all assets and liabilities are denominated in EUR. The risk of fluctuations in interest rates is insignificant due to the fact that borrowings with variable interest rates are basically short-term and non-substantial.

To compensate for credit risks arising from Company's operating activities - lending, the Company performs following principles: (1) all credit granting decisions are made on the basis of an approach approved by management and based on statistical analysis; (2) adhere to the principle of diversification - without concentrating loans towards one or a few clients; (3) calculates provisions for doubtful debts according to the developed methodology; (4) attracts and trains professional staff who work with problem debtors; (5) problematic debtors that qualify for certain criteria are assigned to debt collection companies via cession.

Company's legal risks are supervised and managed by the members of the Board in line with the responsibilities, by attracting professional legal service providers.

The Board of the Company is responsible for ensuring the functioning of the multilateral and appropriate internal control and risk management system.

The Company's Annual Report and Corporate Governance Report for 2018 is available on the website of AS Nasdaq Riga www.nasdaqbaltic.com and on the Company's website www.expresscredit.lv.

 Agris Evertovskis Chairman of the Board	 Didzis Ādmīdiņš Board Member	 Kristaps Bergmanis Board Member	 Ivars Lamberts Board Member
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Rīga, 18th April 2019

SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
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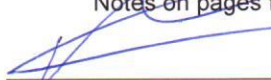
Profit or loss account for the year ended 31 December 2018

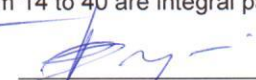
	Notes	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Net sales	(1)	4 186 422	4 186 422	4 164 444	4 164 444
Cost of sales	(2)	(2 658 754)	(2 658 754)	(2 750 464)	(2 750 464)
Interest income and similar income	(3)	13 793 021	14 663 755	12 878 502	13 863 118
Interest expenses and similar expenses	(4)	(2 679 091)	(2 792 480)	(3 372 673)	(3 505 739)
Gross profit		12 641 598	13 398 943	10 919 809	11 771 359
Selling expenses	(5)	(5 558 053)	(5 931 648)	(5 161 222)	(5 666 679)
Administrative expenses	(6)	(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	(7)	(151 363)	(151 419)	(195 973)	(206 004)
Income from investments		490 000	-	-	-
Profit before corporate income tax		4 855 458	4 625 201	3 394 325	3 653 210
Income tax expense	(8)	(78 868)	(78 879)	(512 833)	(554 662)
Profit after corporate income tax		4 776 590	4 546 322	2 881 492	3 098 548
Expense from changes in deferred tax assets or deferred Interim dividend		- (490 000)	- (490 000)	(145 252) (996 526)	(145 252) (996 526)
Profit for the reporting year		4 286 590	4 056 322	1 739 714	1 956 770
Earnings per share		3.18	3.03	1.82	1.97
Diluted earnings per share		3.18	3.03	1.82	1.97


Comprehensive income statement for 2018


	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Profit for the reporting year	4 776 590	4 546 322	2 736 240	2 953 296
Other comprehensive income	-	-	-	-
Total comprehensive income	4 776 590	4 546 322	2 736 240	2 953 296


Notes on pages from 14 to 40 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Ādmiņš
Board Member


Ivars Lamberts
Board Member



Ināta Pudāne
Chief accountant


Rīga, 18th April 2019


**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Balance sheet as at 31 December 2018		Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR
Assets	Notes				
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:	(9)	226 801	374 844	218 555	355 056
Property, plant and equipment:					
Investments in property, plant and equipment		34 525	34 525	49 243	50 546
Other fixtures and fittings, tools and equipment		193 571	193 571	187 754	195 192
Total property, plants and equipment	(10)	228 096	228 096	236 997	245 738
Non-current financial assets:					
Investments in related companies	(11)	1 182 828	-	1 395 828	-
Loans to related companies		-	-	551 594	551 594
Loans and receivables	(14)	3 121 260	3 491 915	1 768 214	1 912 896
Loans to shareholders and management	(12)	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	(13)	848 111	848 111	682 995	682 995
Total inventories:		848 111	848 111	682 995	682 995
Receivables:					
Loans and receivables	(14)	14 886 732	16 658 940	12 700 289	13 930 776
Receivables from affiliated companies	(15)	518 695	204 335	7 238	4 377
Other debtors	(16)	218 449	230 989	595 236	600 093
Deferred expenses	(17)	52 085	66 945	47 614	67 538
Total receivables:		15 675 961	17 161 209	13 350 377	14 602 784
Cash and bank	(18)	3 368 567	3 489 176	2 072 996	2 219 747
Total current assets:		19 892 639	21 498 496	16 106 368	17 505 526
Total assets		25 725 447	26 665 625	21 024 175	21 317 429

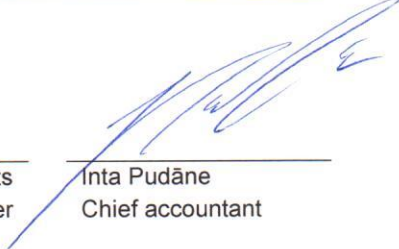
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Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Ādmīdīnš
Board Member


Ivars Lamberts
Board Member



Inta Pudāne
Chief accountant


Rīga, ^{18th} April 2019

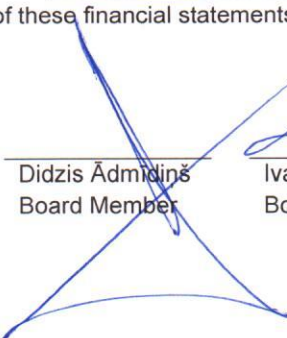
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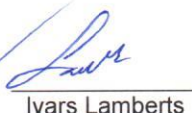
Balance sheet as at 31 December 2018		Parent company	Group	Parent company	Group
<u>Liabilities</u>	Notes	31.12.2018. EUR	31.12.2018. EUR	31.12.2017. EUR	31.12.2017. EUR
Shareholders' funds:					
Share capital	(19)	1 500 000	1 500 000	1 500 000	1 500 000
Retained earnings		(12 206)	397 834	-	232 708
Profit for the reporting year		4 286 590	4 056 322	1 739 714	1 956 770
Total shareholders' funds:		5 774 384	5 954 156	3 239 714	3 689 478
Creditors:					
Long-term creditors:					
Bonds issued	(20)	6 192 631	6 192 631	7 052 187	7 052 187
Other borrowings	(21)	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	(20)	1 722 136	1 722 136	1 014 743	1 014 743
Other borrowings	(21)	9 810 701	10 643 864	6 421 346	6 834 774
Trade payables	(23)	384 573	400 778	314 369	325 614
Accounts payable to affiliated companies	(22)	171 611	416	821 545	51 280
Taxes and social insurance	(24)	195 303	199 137	377 339	402 964
Accrued liabilities	(23)	537 178	555 963	482 235	501 998
Total short-term creditors:		12 821 502	13 522 294	9 431 577	9 131 373
Total creditors		19 951 063	20 711 469	17 784 461	17 627 951
Total liabilities and shareholders' funds		25 725 447	26 665 625	21 024 175	21 317 429


Notes on pages from 14 to 40 are integral part of these financial statements.


 Agris Evertovskis
 Chairman of the Board


 Kristaps Bergmanis
 Board Member


 Didzis Ādmiņš
 Board Member


 Ivars Lamberts
 Board Member


 Inta Pudāne
 Chief accountant

Riga, 18th April 2019

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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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 retained earnings*	-	(12 206)	-	(12 206)
Profit for the reporting year	-	-	4 776 590	4 776 590
As at 31 December 2018	1 500 000	(12 206)	4 286 590	5 774 384


* IFRS 9 transitional provisions adjustment of the carrying amount of financial assets for 01.01.2018. is recognized in retained earnings of previous years.

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	-	(1 739 714)	(490 000)	(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	-	-	4 546 322	4 546 322
As at 31 December 2018	1 500 000	397 834	4 056 322	5 954 156

* IFRS 9 transitional provisions adjustment of the carrying amount of financial assets for 01.01.2018. is recognized in retained earnings of previous years.


Notes on pages from 14 to 40 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Ādmiņš
Board Member


Ivars Lamberts
Board Member


Inta Pudāne
Chief accountant

Riga, 18th April 2019

SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
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Cash flow statement for the year ended 31 December 2018

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
<u>Cash flow from operating activities</u>				
Profit before extraordinary items and taxes	4 855 458	4 625 201	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	494 170	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	(5 647 169)	(6 586 655)	(5 968 369)	(6 465 452)
Adjustments for:				
a) increase in consumer loans issued (core business) and other debtors	(3 802 524)	(4 688 586)	(5 762 335)	(6 390 514)
b) stock (increase)/ decrease	(240 379)	(240 379)	10 041	10 041
c) trade creditors increase	228 441	239 400	85 650	104 378
Gross cash flow from operating activities	(9 461 631)	(11 276 220)	(11 635 013)	(12 741 547)
Corporate income tax payments	(338 863)	(367 824)	(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	1 649 227	600 943	(778 382)	(943 229)
<u>Cash flow from investing activities</u>				
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)


**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(TRANSLATION FROM LATVIAN)**


Cash flow statement for the year ended 31 December 2018 (continued)


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	(4 896 114)	(4 316 328)	(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	(88 938)	845 969	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 14 to 40 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Board Member


Didzis Ādmīnš
Board Member


Ivars Lamberts
Board Member


Inta Pudāne
Chief accountant

Rīga, 18th April 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.

The Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

The following guidance effective from 1 January 2018 did not have material impact on these financial statements:

- IFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Transfers of Investment Property (Amendments to IAS 40);
- Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Clarifications to IFRS 15 Revenue from Contracts with Customers.

Standards, amendments and interpretations, that are published and adopted by the EU but not yet applied by the Company:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. The following are the standards and interpretation which may be relevant to the Group/ Company. The Group/Company do not plan to adopt these standards early.

(i) IFRS 16 Leases – (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15).

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options; and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The implementation of IFRS 16 "Leases" will affect the Company's assets and liabilities by all operational leases contracts and longterm rental agreements. The Company's management evaluates that as at 31 December 2018 it would give a rise to Company's assets and liabilities in amount of 1.993 million EUR.

Transition to IFRS 16

The Company chose to use a modified retrospective approach in transition to IFRS 16.

The Company chose to use exceptions to leases that are short term, and leases of value that is not material.

(ii) IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The Company management has not yet estimated the potential impact of this interpretation on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

Notes (continued)

Accounting policies (continued)

(iii) Amendments to IFRS 1 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
Effective for annual periods beginning on or after 1 January 2019; earlier application is permitted.

The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both.

The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The Company management has not yet estimated the potential impact of these amendments on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

Certain new standards and interpretations but not yet endorsed by the EU:

- (i) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. Effective for annual periods beginning after 1 January 2019 with earlier application permitted.
- (ii) Annual Improvements to IFRSs 2015 – 2017 Cycle
Annual Improvements to IFRSs 2015 – 2017 Cycle published December 2017, including IFRS amendments and amendments to two IAS standards applicable to information disclosure, recognition and measurement: amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs are effective for annual periods beginning after 1 January 2019 with earlier application permitted.
- (iii) Amendments to references to the Conceptual Guidelines in IFRS standards. Amendments to references to the Conceptual Guidelines in IFRS have been published on March 29, 2018 and are effective for periods beginning on or after 1 January 2020.
- (iv) Amendments to IFRS 3 Business Combinations. Amendments to IFRS 3 Business Combinations were published on October 22, 2018, and are effective for periods beginning on or after 1 January 2020.
- (v) Amendments to IAS 1 and IAS 8: definition of materiality. Amendments to IAS 1 and IAS 8: The definition of materiality was published on 31 October 2018 and is effective for periods beginning on or after 1 January 2020.
- (vi) As of 1 January 2018, the Company has adopted IFRS 9, Financial Instruments, which results in changes in the Company's accounting policies for the recognition, classification, measurement and impairment of financial assets. In accordance with the transitional provisions of IFRS 9, the Company has decided not to change comparative data. Any adjustments to the carrying amount of financial assets at the date of transition are recognized in retained earnings in previous year.

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).

In accordance with business model and SPPI requirements the Company measured financial assets at the amount recognized at initial recognition less principal repayments plus accrued interest and less any write-down for incurred impairment losses.

Introducing Value Reduction:

- Applying IFRS 9 "Financial instruments" not cause significant fluctuations to Company's financial results and recognised financial situation. Starting from 1 January 2017 the Company recognises general accounting provisions according to its debt portfolio. Company's created provisioning method for either general or individual provisions includes expected credit losses (ECL) approach.
- IFRS 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 expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD).

- For the PD calculation is determined the number of historically issued loans actually reaches the number of past due more than 90 days or have been ceded.

SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(TRANSLATION FROM LATVIAN)

Notes (continued)

Accounting policies (continued)

- LGD calculation is based on actually recovered funds for loans over 90 days. Recovered funds are discounted using the monthly effective interest rate.
- Expected credit losses are additionally adjusted for ceded loans. The management assesses the portfolio of overdue loans on a monthly basis and loans that are subject to a significant risk that they will not be repaid or will be assigned.

The IFRS 9 impairment model uses a three-stage approach depending on whether the claim is performing or not and if the claim is performing, whether a significant increase in credit risk has occurred.

1. Stage 1 – 12-month ECL applies to all existing claims, which have no signs of material increase in risk. The ECL will be computed using 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 month, a PD is used that corresponds to remaining maturity.
2. Stage 2 – applies to claims, which have sign (s) of a material increase in risk and increase in default (delay days > 30 days but less than 90 days). The standard requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
3. Stage 3 – Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days > 90 days). Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

Some of IFRS 9 main concepts, which have significant impact and need a high level of management evaluation are signs of a material increase in credit risk - may include, but are not limited to: (a) a repayment delay of 30 or more days; (b) refinancing of the claim into a new contract, which would not have occurred, if there had not been a solvency problem of the transaction party; (c) changes in contract conditions, which would not been implemented, if there had not been a solvency problem of the transaction party.

A settlement delay of 30 or more days are assessed based on their actual occurrence. The rest of the signs of increased risk and their impact have to be analysed case by case and the change in a customer's risk level has to be made based on management's judgement. This assessment is symmetrical in nature, allowing the credit risk of financial assets to move back to Stage 1 if the increase in credit risk has decreased since origination and is no longer deemed to be significant.

Default or the possibility of it occurring in the future and write-off of liabilities can be divided into the following events:

- Improbability of receiving payments. Based on objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- Payment delay. The contract is deemed to be non-performing if the client is no longer able or willing to fulfill payment obligations, e.g. upon any of the following events: (a) payments are past due for more than 90 days; (b) the client does not respond to the payment reminders and the desire to contact; (c) the client is bankrupt or deceased; (d) identity theft has been identified, i.e. misuses of the credit receiver's identity.

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

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

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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(TRANSLATION FROM LATVIAN)**

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 irrespectively 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, irrespectively 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

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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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

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 years 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.

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

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

(o) Finance lease

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

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Notes (continued)

Accounting policies (continued)

(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.

As of 1 January 2018, Corporate Income Tax is paid on distributed and notionally distributed profits.

The distributed and conditionally distributed profit will be subject to a 20 percent gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences are reversed or the tax loss carry forwards are utilised. Deferred tax balance is measured at a tax rate which is applicable for undistributed profits until decision of profits distribution is made. Therefore, any deferred tax liabilities or assets are recognised at tax rate applicable to undistributed profits.

(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.

(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.

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Notes (continued)

Accounting policies (continued)

(v) **Financial risk management** (continued)

(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).

(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	5 774 384	5 954 156	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.

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Notes (continued)

Accounting policies (continued)

(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 2008 which took in force various IAS according to European Parliament and Council Regulation (EC) 1606/2002 mentioned in Annex of IAS 24 "Related Party Disclosures".

(y) Subsequent events

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

(z) Contingencies

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

(aa) Earnings per share

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

(ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker – the Company's Board, which allocates resources to and assesses the performance of the operating segments of the Group. The Company and the Group operates as a single segment – consumer lending to individuals in Latvia.

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Notes (continued)

(1) Net sales

Net revenue by type of revenue

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Income from sales of goods	2 423 601	2 423 601	2 091 010	2 091 010
Income from sales of precious metals	1 008 004	1 008 004	1 352 398	1 352 398
Other income, loan and mortgage realization and storage commissions	754 817	754 817	721 036	721 036
	4 186 422	4 186 422	4 164 444	4 164 444

Net revenue by geographical markets and type of operation

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Sales of product in Latvia	2 423 601	2 423 601	2 091 010	2 091 010
Sales of precious metals in Latvia	1 008 004	1 008 004	1 334 487	1 334 487
Sales of precious metals in EU	-	-	17 911	17 911
Sales of services in Latvia	754 817	754 817	721 036	721 036
	4 186 422	4 186 422	4 164 444	4 164 444

(2) Cost of sales

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Cost of pledges taken over	2 654 970	2 654 970	2 746 779	2 746 779
Goods and accessories purchased	3 784	3 784	3 685	3 685
	2 658 754	2 658 754	2 750 464	2 750 464

(3) Interest income and similar income

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Interest income on unsecured loans	9 431 891	10 302 625	8 920 787	9 905 403
Interest income on pledges realization	4 351 774	4 351 774	3 944 080	3 944 080
Interest income on loans to the vehicle pledges	6 905	6 905	8 442	8 442
Interest income on mortgage loans	2 451	2 451	5 193	5 193
	13 793 021	14 663 755	12 878 502	13 863 118

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(4) Interest expenses and similar expenses

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Bonds' coupon expense	1 155 315	1 155 315	977 790	977 790
Interest expense on other borrowings	1 075 659	1 135 151	832 074	833 783
Losses from cession*	440 273	494 170	1 554 187	1 683 212
Interest expense on lease	6 388	6 388	4 629	4 629
Net loss on foreign exchange	1 456	1 456	3 993	6 325
	2 679 091	2 792 480	3 372 673	3 505 739

*In the 2017 annual accounts the losses from cession was included notes "Other operating expenses", from 2018 the losses from cession to the notes "Interest expenses and similar expenses". The amount for the 2017 annual accounts have been changed to match the 2018 data.

(5) Selling expenses

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Salary expenses	2 330 577	2 397 846	2 247 650	2 377 991
Rental expense	776 773	788 422	797 854	840 585
Social insurance	558 351	574 568	527 235	557 989
Advertising	405 150	610 084	282 589	405 943
Provisions for doubtful debtors and illiquid stocks	344 731	328 914	154 935	234 979
Depreciation of fixed assets	241 753	250 463	183 420	208 602
Non-deductible VAT	227 780	287 263	210 814	256 453
Utilities expense	197 410	199 262	196 606	204 587
Other expenses	125 295	144 026	164 409	179 568
Goods and fixed assets write-off	101 451	102 420	158 036	158 036
Transportation expenses	93 155	93 155	89 200	89 200
Communication expenses	55 560	56 802	58 880	60 489
Maintenance expenses	38 747	38 536	37 751	37 893
Renovation expenses	26 209	27 573	27 002	27 054
Security expenses	23 946	24 061	22 764	23 388
Business trip expenses	17 420	17 420	16 968	16 968
Provisions for unused annual leave and bonuses	(6 255)	(9 167)	(14 891)	(13 046)
	5 558 053	5 931 648	5 161 222	5 666 679

(6) Administrative expenses

	2018 EUR	2018 EUR	2017 EUR	2017 EUR
Salary expenses	1 529 234	1 539 845	1 284 944	1 284 944
Social insurance	368 060	370 616	302 507	302 507
Bank commission	304 695	327 331	312 714	322 613
Information database subscriptions, maintenance	152 562	194 819	84 117	106 538
Legal advice	59 249	63 179	35 720	39 273
Membership fees in professional organizations	48 974	50 174	39 839	41 039
Office rent	42 010	42 010	41 366	41 366
Office expenses	32 355	32 355	31 587	31 587
State fees and duties, licence expense	28 678	42 956	24 912	39 137
Other administrative expenses	27 131	31 902	19 561	29 129
Provisions for unused annual leave and bonuses	26 070	23 707	17 009	17 009
Communication expenses	23 000	23 000	19 700	19 700
Audit expenses*	17 950	28 964	13 500	15 100
	2 659 968	2 770 859	2 227 476	2 289 942

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

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Notes (continued)

	Parent	Group	Parent	Group
	company		company	
	2018	2018	2017	2017
	EUR	EUR	EUR	EUR
(7) Other operating expenses				
Other expenses	93 106	93 162	38 135	38 166
Donations	58 000	58 000	130 000	140 000
Fines	257	257	1 890	1 890
Goods written-off above trade loss norm	-	-	25 948	25 948
	151 363	151 419	195 973	206 004
(8) Corporate income tax for the reporting year				
	2018	2018	2017	2017
	EUR	EUR	EUR	EUR
Corporate income tax charge for the current year	78 868	78 879	512 833	554 662
Deferred corporate income tax charge	-	-	145 252	145 252
	78 868	78 879	658 085	699 914

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Notes (continued)

(9) Intangible of the Parent company

	Concessions, patents, trademarks and similar rights EUR	Other intangible assets EUR	Advances EUR	Total 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	-	346 867
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 EUR	Other intangible assets EUR	Advances EUR	Goodwill EUR	Total 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

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Notes (continued)

(10) Fixed assets of the Parent company

	Other fixed assets and inventory	Leasehold improvements	Total
	EUR	EUR	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	Leasehold improvements	Total
	EUR	EUR	EUR
Cost			
31.12.2017.	983 087	361 836	1 344 923
Additions	136 854	14 704	151 558
Disposals	(63 667)	(7 474)	(71 141)
31.12.2018.	1 056 274	369 066	1 425 340
Depreciation			
31.12.2017.	787 895	311 290	1 099 185
Charge for 2018	133 703	29 422	163 125
Disposals	(58 895)	(6 171)	(65 066)
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.	195 192	50 546	245 738

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Notes (continued)

(11) 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 implemented 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

Noame	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 no 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		Profit/ (loss) for the period	
		31.12.2018.	31.12.2017.	2018	2017
		EUR	EUR	EUR	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.					
SIA ViziaFinance	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.					
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.					
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.					

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

Cost	Loans to members
	EUR
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.

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Notes (continued)

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

	31.12.2018.	31.12.2017.
	EUR	EUR
Goods for sale and pledges taken over	945 768	789 507
Precious metals	275 088	132 416
Provision for obsolete stock and inventory impairment	(372 745)	(238 928)
	848 111	682 995

a) Age analysis of stock

	31.12.2018.	31.12.2017.
	EUR	EUR
Outstanding for 0-180 days	587 852	447 155
Outstanding for 181-360 days	286 483	157 995
Outstanding for more than 360 days	346 521	316 773
Total stock	1 220 856	921 923

b) Provision for obsolete stock

	2018	2017
	EUR	EUR
Provisions for obsolete stock at the beginning of the year	238 928	231 249
Written-off	(124 900)	(189 321)
Additional provisions	258 717	197 000
Provisions for obsolete stock at the end of the year	372 745	238 928

(14) Loans and receivables

	Parent company	Group	Parent company	Group
	31.12.2018.	31.12.2018.	31.12.2017	31.12.2017
	EUR	EUR	EUR	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.

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Notes (continued)

(14) Loans and receivables (continued)

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

	Parent company 31.12.2018.	Group 31.12.2018.	Parent company 31.12.2017	Group 31.12.2017
	EUR	EUR	EUR	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

b) Provisions for bad and doubtful trade and other receivables

	Parent company 2018	Group 2018	Parent company 2017	Group 2017
	EUR	EUR	EUR	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

c) Loan loss allowance:

	Parent company 31.12.2018.	Group 31.12.2018.	Parent company 31.12.2017	Group 31.12.2017
	EUR	EUR	EUR	EUR
Classification of loans by impairment stages				
Stage 1	12 316 576	13 997 315	10 019 445	11 025 232
Stage 2	381 738	448 558	294 139	353 440
Stage 3	909 859	1 056 541	360 603	436 784
Secured loans (no impairment recognised)	5 920 792	6 356 259	5 006 535	5 385 833
Loans and receivables, gross value	19 528 965	21 858 673	15 680 722	17 201 289
Allocation of loan loss allowance by stages				
Stage 1	(530 799)	(571 181)	(708 416)	(792 835)
Stage 2	(201 464)	(234 110)	(174 661)	(198 692)
Stage 3	(788 710)	(902 527)	(329 142)	(366 090)
Loan loss allowance, total	(1 520 973)	(1 707 818)	(1 212 219)	(1 357 617)
Loans and receivables, net value	18 007 992	20 150 855	14 468 503	15 843 672

Loan loss allowance has been defined based on collectively assessed impairment.

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Notes (continued)

(15) Receivables from affiliated companies

	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 to affiliated companies				
SIA Kalpaks liability for loan issued and loan interest	-	-	407 100	407 100
SIA Banknote (prev. A.Kredits) liability for loan issued and loan interest	-	-	144 494	144 494
Long-term loans to affiliated companies, total	-	-	551 594	551 594
Short-term receivables from affiliated companies				
Debts for goods and fixed assets sold, prepayment	2 817	2 818	4 167	1 306
SIA Banknote (prev. A.Kredits) liability for loan issued, loan interest and services delivered	133 948	133 948	14	14
SIA Lombards24.lv saistības liability for loan issued	57 569	57 569	-	-
Liabilities of the Parent company's board for the loan issued and loan interest	10 000	10 000	3 057	3 057
SIA ViziaFinance liability for loan issued, loan interest and debt for the assigned rights of claim	314 361	-	-	-
Subsidiaries debts for dividends	-	-	-	-
Short-term receivables from affiliated companies, total	518 695	204 335	7 238	4 377
Loans and receivables from affiliated companies, total	518 695	204 335	558 832	555 971

The interest rate on loans to related parties 2.76 - 15%. All loans and other claims denominated in euro.

The Company has no debt overdue.

(16) Other debtors

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017 EUR	31.12.2017 EUR
Loans to employees and other third parties	1 510	1 510	1 510	1 510
Guarantee deposit	69 768	69 911	58 045	62 566
Tax overpayment	54 218	65 055	-	-
Other debtors	122 039	123 599	564 780	565 116
Provisions for bad and doubtful other debtors	(29 086)	(29 086)	(29 099)	(29 099)
	218 449	230 989	595 236	600 093

a) Provisions for bad and doubtful other debtors

	2018 EUR	2017 EUR
Provisions for bad and doubtful other debtors at the beginning of the year	29 099	2 084
Written-off	(123 948)	(115 934)
Additional provisions	123 935	142 949
Provisions for bad and doubtful other debtors at the end of the year	29 086	29 099

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

	31.12.2018. EUR	31.12.2018. %	31.12.2017. EUR	31.12.2017. %
EUR	247 535	100	623 022	99.79
Provisions EUR	(29 086)	-	(29 099)	-
USD	-	-	1 313	0.21
Total other debtors	218 449	100%	595 236	100%

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(TRANSLATION FROM LATVIAN)**

Notes (continued)

(16) Other debtors (continued)

Group other debtors by currency, translated into EUR:

	31.12.2018. EUR	31.12.2018. %	31.12.2017. EUR	31.12.2017. %
EUR	260 075	100	627 879	99.79
Provisions EUR	(29 086)	-	(29 099)	-
USD	-	-	1 313	0.21
Total other debtors	230 989	100%	600 093	100%

c) Age analysis of other debtors:

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Repayable upon request	205 159	217 699	126 447	131 304
Receivables not yet due	30 052	30 052	494 911	494 911
Outstanding for 1-30 days	358	358	206	206
Outstanding for 31-90 days	9 443	9 443	381	381
Outstanding for 91-180 days	513	513	365	365
Outstanding for 181-360 days	-	-	2	2
Outstanding for more than 360 days	2 010	2 010	2 023	2 023
Provisions	(29 086)	(29 086)	(29 099)	(29 099)
Total other debtors	218 449	230 989	595 236	600 093

(17) Deferred expenses

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017 EUR	31.12.2017 EUR
Insurance	16 058	16 058	11 482	11 482
License for lending services and debt recovery services	16 665	30 890	18 316	32 541
Prepayment for rent and other costs	19 362	19 997	17 816	23 515
Total deferred expenses	52 085	66 945	47 614	67 538

(18) Cash and bank

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017. EUR	31.12.2017. EUR
Cash at bank	3 196 605	3 317 214	1 882 267	2 015 751
Cash in hand	171 962	171 962	190 729	203 996
Total	3 368 567	3 489 176	2 072 996	2 219 747

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

(19) 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.

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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(TRANSLATION FROM LATVIAN)**

Notes (continued)

	Parent	Group	Parent	Group
	company		company	
	31.12.2018.	31.12.2018.	31.12.2017	31.12.2017
	EUR	EUR	EUR	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.

	Gross future minimum payments	NPV of future minimum payments	Interest expenses	Gross future minimum payments	NPV of future minimum payments	Interest expenses
Term:	31.12.2018	31.12.2018	31.12.2018	31.12.2017	31.12.2017	31.12.2017
	EUR	EUR	EUR	EUR	EUR	EUR
up to one year	2 758 334	1 705 500	1 052 834	2 220 597	1 000 000	1 220 597
2 – 5 years	7 518 317	6 201 500	1 316 817	9 432 651	7 063 000	2 369 651
	10 276 651	7 907 000	2 369 651	11 653 248	8 063 000	3 590 248

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Notes (continued)

(21) 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% and 6M Euribor + 3-4.5%.

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.

Total future minimum lease payments – present value and interest expense for Parent company other borrowings and borrowings from affiliated companies:

Term:	Gross future minimum payments 31.12.2018 EUR	NPV of future minimum payments 31.12.2018 EUR	Interest expenses 31.12.2018 EUR	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR
up to one year	11 038 094	9 813 073	1 225 021	7 223 100	6 421 346	801 754
2 – 7 years	1 026 310	934 558	91 752	1 576 576	1 300 697	275 879
	12 064 404	10 747 631	1 316 773	8 799 676	7 722 043	1 077 633

Total future minimum lease payments – present value and interest expense for Group other borrowings and borrowings from affiliated companies:

Term:	Gross future minimum payments 31.12.2018 EUR	NPV of future minimum payments 31.12.2018 EUR	Interest expenses 31.12.2018 EUR	Gross future minimum payments 31.12.2017 EUR	NPV of future minimum payments 31.12.2017 EUR	Interest expenses 31.12.2017 EUR
up to one year	11 975 403	10 646 236	1 329 166	7 660 175	6 834 774	825 401
2 – 7 years	1 091 865	994 172	97 693	1 795 954	1 444 391	351 563
	13 067 268	11 640 408	1 426 859	9 456 129	8 279 165	1 176 964

(22) Accounts payable to affiliated companies

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Liabilities for loan and interest accrued to Cash Advance Bulgaria EOOD	-	-	462 230	-
Loan from SIA VizijaFinance	-	-	90 104	-
Liabilities for Parent company's board for the loan issued and loan interest	-	-	50 112	50 112
Accrued liabilities for facilities management and utilities to SIA Banknote	235	235	558	558
Debt for the services provided by the SIA AE Consulting	-	181	-	181
Liabilities for loan interest to SIA Lombards24.lv	-	-	429	429
Loan from SIA ExpressInkasso	-	-	218 112	-
Debt for received payments of the assigned rights of claim to SIA ExpressInkasso	171 376	-	-	-
Total liabilities to related parties	171 611	416	821 545	51 280

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Notes (continued)

(23) Trade creditors and accrued liabilities

	Parent company 31.12.2018. EUR	Group 31.12.2018. EUR	Parent company 31.12.2017 EUR	Group 31.12.2017 EUR
Debts to suppliers	171 018	187 255	162 064	173 309
Salaries	203 546	205 488	175 869	183 333
Vacation liabilities	261 372	263 244	241 557	248 704
Amounts due to loan recipients	213 553	213 553	153 946	153 946
Other liabilities	72 262	87 201	63 168	68 320
	921 751	956 741	796 604	827 612

Parent company's and Group's all trade creditors and accrued liabilities by currency, translated into EUR.

a) Ageing analysis of trade creditors and accrued liabilities:

	31.12.2018. EUR	31.12.2018. EUR	31.12.2017. EUR	31.12.2017. EUR
Receivables not yet due	738 048	757 831	771 246	799 570
Outstanding for 1-30 days	10 696	10 696	24 331	25 930
Outstanding more than 30 days	173 007	188 214	1 027	2 112
Total trade creditors and accrued liabilities	921 751	956 741	796 604	827 612

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Notes (continued)

(24) Taxes and social insurance payments

Parent company's taxes and social insurance

	VAT	Corporate income tax	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities							
31.12.2017.	14 443	205 777	42	100 436	53 348	3 293	377 339
Charge for 2018	218 697	93 368	1 138	1 349 238	707 536	15 441	2 385 418
Paid in 2018	(216 007)	(338 863)	(1 090)	(1 333 900)	(702 670)	(14 642)	(2 607 172)
Overpaid							
31.12.2018.	-	(39 718)	-	-	-	-	(39 718)
Liabilities							
31.12.2018.	17 133	-	90	115 774	58 214	4 092	195 303

Group's taxes and social insurance

	VAT	Corporate income tax	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities							
31.12.2017.	15 900	223 919	41	104 425	55 386	3 293	402 964
Charge for 2018	226 782	93 379	1 165	1 376 583	721 535	15 441	2 434 885
Paid in 2018	(223 395)	(367 835)	(1 123)	(1 364 108)	(718 164)	(14 642)	(2 689 267)
Overpaid							
31.12.2018.	-	(50 548)	(7)	-	-	-	(50 555)
Liabilities							
31.12.2018.	19 287	11	90	116 900	58 757	4 092	199 137

(25) Average number of employees

	2018	2017
Average number of employees during the reporting year of the Parent company	264	264
Average number of employees during the reporting year of the Group	270	277

(26) Management remuneration

	31.12.2018. EUR	31.12.2017. EUR
Board members' remuneration:		
· salary expenses	199 879	114 984
· social insurance	48 151	27 125
	<u>248 030</u>	<u>142 109</u>

Council members do not receive any remuneration for their work as council members.

During the year loans in the amount of EUR 15 000 were issued to the board members. Loans and accrued interest in the amount of EUR 5 035 were repaid during the reporting period. The interest on loans is charged as 2.76% p.a.

As at 31.12.2018. loans balance in the amount of Eur 10 000 to the board members.

No other bonuses or incentive plans for the board members implemented.

SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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(TRANSLATION FROM LATVIAN)

Notes (continued)

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

(27a) Loans received – movement during the year

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
Bonds issued	8 066 930	8 066 930	6 231 533	6 231 533
Other loans	7 722 043	8 279 165	6 140 009	6 140 009
Loan from affiliated companies	820 987	50 541		
Total loans received and bonds issued at the beginning of the year	16 609 960	16 396 636	12 371 542	12 371 542
Loans received	8 204 777	8 559 897	14 111 335	14 062 738
Loans repaid	(6 002 114)	(5 422 328)	(9 882 085)	(10 034 582)
Interest charged	2 238 818	2 298 310	1 818 486	1 820 203
Interest paid	(2 217 432)	(2 276 924)	(1 809 318)	(1 823 265)
Total loans received and bonds issued at the end of the year inclusive	18 834 009	19 555 591	16 609 960	16 396 636
Bonds issued	7 914 767	7 914 767	8 066 930	8 066 930
Other loans	10 747 631	11 640 408	7 722 043	8 279 165
Related parties' loans	171 611	416	820 987	50 541

(27b) Loans issued – movement during the year

	Parent company 2018 EUR	Group 2018 EUR	Parent company 2017 EUR	Group 2017 EUR
<i>Loans and receivables</i>	14 468 503	15 843 672	10 583 881	11 555 359
<i>Loans to shareholders and management</i>	746 619	746 619	1 216 601	1 216 601
<i>Loans to related parties</i>	551 594	551 594	217 557	217 557
Total loans issued the beginning of the year	15 766 716	17 141 885	12 018 039	12 989 517
Loans issued within operating activities	48 083 648	52 111 188	43 862 071	46 294 845
Loans repaid	(43 808 530)	(46 954 055)	(39 154 574)	(41 219 993)
Other loans issued	1 747 016	1 303 620	2 097 591	1 779 591
Other loans repaid	(1 459 949)	(1 329 601)	(2 371 164)	(1 912 311)
Interest charge	13 793 021	14 663 755	12 878 502	13 863 118
Interest payments received	(13 667 153)	(14 521 911)	(12 892 377)	(13 873 822)
Accrued interest	666 714	720 401	540 846	578 557
Bad debt provisions	(1 520 973)	(1 707 818)	(1 212 219)	(1 357 617)
Total loans issued the end of the year inclusive	19 600 510	21 427 464	15 766 716	17 141 885
Loans and receivables	18 007 992	20 150 855	14 468 503	15 843 672
Loans to shareholders and management	1 073 823	1 072 274	746 619	746 619
Loans to related parties	518 695	204 335	551 594	551 594

(28) Rent and lease agreements

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

	31.12.2018. EUR	31.12.2017. EUR
< 1 year	781 219	789 116
2 – 4 years	1 358 506	1 505 852
5 years and more	1 126 350	789 823
	3 266 075	3 084 791

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Notes (continued)

(29) 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	-	-
"AE Consulting", SIA, reg. No. 40003870736	-	-
"EC finace", SIA, reg. No. 40103950614	-	-
Didzis Ādmīdiņš, p.c. 051084-11569	-	-
Kristaps Bergmanis, p.c. 040578-13052	-	-
Ivars Lamberts, p.c. 030481-10684	-	N/A
Companies and individuals under common control or significant influence		
Agris Evertovskis, p.c. 081084 -10631	-	-
EA investments, AS, reg.No. 40103896106	-	-
Subsidiary		
"ExpressInkasso", SIA, reg. No. 40103211998	-	-
"ViziaFinance", SIA, reg. No. 40003040217	-	-
"REFIN", SIA, reg. No. 40203172517	-	N/A
Cash Advance Bulgaria EOOD, reg. No. 204422780 till 21.05.2018.	N/A	-
Other related companies		
"Banknote" SIA, reg. No. 40103501494	-	-
"KALPAKS", SIA, reg.No. 40203037474	-	-
"EL Capital", SIA, reg.No. 40203035929	-	-
"EuroLombard Ltd", reg. No. 382902595000	-	-

	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
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

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Notes (continued)

Related party transactions (continued)

	2018 EUR	2017 EUR
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	6 721
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	6 721
Fixed assets sold	-	81

**SIA EXPRESSCREDIT ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
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Notes (continued)

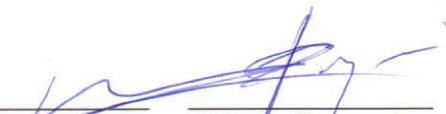


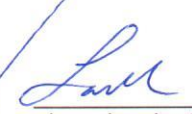

(30) Guarantees issued, pledges

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. Information about the Parent company's fixed assets acquired the terms of financial lease see in Note 10.

(31) Subsequent events

After year end on 21 March 2019 Company's shareholders made decision to pay out extraordinary dividends in the amount of 1,5 milion euro.

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	 _____ Kristaps Bergmanis Board Member	 _____ Didzis Ādmiņš Board Member	 _____ Ivars Lamberts Board Member	 _____ Inta Pudāne Chief accountant
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Rīga, 18th April 2019

Translation from Latvian original

Independent Auditor's Report

To the shareholders of SIA "ExpressCredit"

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of SIA "ExpressCredit" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 8 to 40 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2018;
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended;
- notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2018, and of its separate and consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Impairment of the loans to customers (the Company and the Group)

Key audit matter The Company and the Group are providing unsecured loans to private customers in Latvia which involved an increased credit risk. Total amount of the Group's unsecured loans comprised EUR 18,242 thousand and loan loss allowance for these loans comprised EUR 1,708 thousand as at 31 December 2018 (further information is provided in the note 14 of the accompanying separate and consolidated financial statements). We considered impairment in the value of loans and associated estimates for the loan loss allowance as a key audit matter as loan portfolio represents 68% of the Company's total assets as at 31 December 2018 and potential loan loss impact on the financial performance of the Company and the Group.

Our audit response Our main audit procedures were as follows:

- We assessed whether the Company's and the Group's accounting policies in relation to the impairment of loans to customers are in compliance with IFRS requirements especially the IFRS 9 which become effective on 1 January 2018.
- We tested internal controls applied within processes related to the loan approval and issuance as well as control over delayed payments and debt collection. This also included testing of general IT controls related to the automated loan issuance and re-payment control processes as well as data gathering and processing for the calculation of loan loss allowance.
- We tested the logic and accuracy of expected credit loss calculation models developed by the Company with a particular focus on the assessment of probability of default and loss given default ratios.
- We tested completeness and accuracy of data used for the calculation of loan loss allowance.

Other matter

AS “ExpressCredit” separate and consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who issued an unmodified opinion on 30 April 2018 on these financial statements.

Reporting on Other Information

The Company’s and the Group’s management is responsible for the other information. The other information comprises:

- the Statement on Management Responsibility, as set out on page 5 of the accompanying Annual Report,
- the Management Report, as set out on pages 6 of the accompanying Annual Report,
- the Statement of Corporate Governance as set out on page 7 of the accompanying Annual Report.

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

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of

Corporate Governance includes the information required in section 56.², third paragraph of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.², third paragraph of the Financial Instruments Market Law.

The Group does not prepare the Non-financial Statement.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

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

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 20 November 2018 to audit the separate and consolidated financial statements of SIA "ExpressCredit" for the year ended 31 December 2018. Our total uninterrupted period of engagement is one year, covering the period ending 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Council of the Company and the Group who executes Audit Committee function;

- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited Company and the Group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any other services apart from the audit, to the Company and the Group.

Mārtiņš Zutis is the responsible engagement partner and Modrīte Johansone is the responsible certified auditor on the audit resulting in this independent auditor's report.

“BDO ASSURANCE” SIA
Licence No 182



Mārtiņš Zutis
Director
on behalf of SIA “BDO ASSURANCE”



Modrīte Johansone
Member of the Board
Certified auditor
Certificate No 135

Riga, Latvia
18th April 2019