

Riga, August 31st, 2021

AS "Moda Kapitāls"

Unaudited condensed interim financial report for the period from 01.01.2021 to 30.06.2021

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

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GENERAL INFORMATION

Name of the company	Moda Kapitāls
Legal status of the company	Joint Stock Company
Registration number, place and date of registration	LV 40003345861, Riga, June 9, 1997
Registered office	Ganību dambis 40A-34, Rīga, LV-1005
Shareholders	Andris Banders (24.77%), Tvinger, SIA (20.00%), Ilvars Sirmais (16.14%), MK Investīcijas, SIA (14,75%), Verners Skrastiņš (14.05%), Guntars Zvīnis (10.29%),
Board Members	Marts Zeltiņš (till 31.03.2021) Guntars Zvīnis (from 23.04.2020)
Procurator	Verners Skrastiņš
Supervisory Board Members	Andris Blaka- head of the Council (till 23.04.2021) Marts Zeltiņš- head of the Council (from 23.04.2021) Andris Banders - deputy of the head of the Council Andris Blaka - member of the Council (from 23.04.2021) Guntars Zvīnis - member of the Council (till 23.04.2021) Inese Kanneniece - member of the Council Ilvars Sirmais - member of the Council
Financial period	from 01.01.2021 to 30.06.2021

MANAGEMENT REPORT

Type of operations

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

Performance during the financial year and financial situation of the Company

The first half of 2021 did not differ much in terms of customer activity from April to June 2020, but there was a significant decrease in customer activity compared to the identical period in 2019, before the start of the Covid -19 pandemic. Customer activity was low in all types of lending: against pledges on movable property, mortgages on real estate and also on consumer loans.

At the same time, in the first half of 2021, there was a significant increase in customer activities in the trade of precious metal and household appliances. The company additionally purchased little-used household appliances from its foreign partners in order to be able to provide the necessary assortment in its branches.

As a result of the Covid-19 pandemic, the company revised its business development plan for the next five years, approved in June 2020, which included expanding the branch network by opening an additional fifteen branches over two years, as well as significantly activating unsecured (consumer) lending by closing some unprofitable branches.

Evaluating the results of consumer lending in 2020 and 2021, it was concluded that the discipline of customer payments has significantly improved and compared to the previous period, a decrease in the number of overdue loan payments has been observed.

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

Future prospects and future development

In the near future the company plans to operate only in the consumer loans and mortgage loans segments.

In the second half of 2021, a partial repurchase of bonds from bondholders is repeatedly planned, which will be announced in the public news section of NASDAQ Rīga.

Significant events since the year end

Given the impact of the Covid 19 pandemic on the company's operations, the company's council supported the board's intention to suspend lending services against movable property collateral by closing all branches of the company and transferring its movable property mortgage loan portfolio to DelfinGroup with whom a contract was concluded.

During the time period from the last day of the financial period till signing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 30th June, 2021.

Company's branches

On June 30th, 2021 The Company provides its services in twenty-three branches that are located in major Latvian cities: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis, Dobele, Daugavpils, Gulbene, Jekabpils, Jelgava, Kraslava, Kuldīga, Liepāja, Limbazi, Ludza, Madona, Preiļi, Rēzekne, Talsi, Valmiera, Tukums, Valka and Riga.

Guntars Zvīnis

signature

August 31st, 2021

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the interim financial statements in accordance with International Accounting Standard (IAS) No 34 "Interim Financial Reporting" as adopted the EU. These financial statements give a true and fair view of the financial position of the Company at June 30, 2021 and results of its operations and cash flow.

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

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

Guntars Zvīnis

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STATEMENT OF COMPREHENSIVE INCOME

	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020
	EUR	EUR
Net turnover	517,262	791,280
Finance income	368,933	387,477
Cost of sales	-375,581	-639,690
Finance costs	-133,531	-213,799
Gross profit	377,083	325,268
Selling costs	-379,597	-336,050
Administrative expenses	-138,581	-115,310
Other income	2,167	7,194
Other expenses	-23,819	-8,108
Profit or loss before corporate income tax	-162,747	-127,006
Corporate income tax		
Net profit or loss	-162,747	-127,006
Other comprehensive income / (loss)		
Total comprehensive income	-162,747	-127,006

Notes 10 to 19 are an integral part of these financial statements.

Guntars Zvīnis

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August 31st, 2021

STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2021 EUR	31.12.2020 EUR
ASSETS			
Non-current assets			
Intangible assets	3	58,344	61,882
Fixed assets	3	389,611	418,273
Right to use asset	4	3,753	6,006
Other non-current assets		142	142
Total non-current assets		451,850	486,303
Current assets			
Inventories	5	744,521	756,131
Loans and receivables	6	854,698	1,060,744
Other current assets		49,192	73,751
Participation in the capital of related companies	7		367,034
Cash and its equivalents		189,389	522,558
Total current assets		1,837,800	2,780,218
TOATAL ASSETS		2,289,650	3,266,521
	Notes	30.06.2021 EUR	31.12.2020 EUR
EQUITY AND LIABILITIES			
Equity			
Share capital		995,400	995,400
Revaluation reserves of non-current assets		158,439	158,439
Retained earnings/ (accumulated deficit)		-1,370,227	-1,207,480
Total equity		-216,388	-53,641
Liabilities			
Non-current liabilities			
Borrowings	8	2,340,000	2,840,000
Lease obligations			1,553
Total non-current liabilities:		2,340,000	2,841,553
Current liabilities			
Borrowings	8		336,948
Lease obligations		3,860	4,589
Trade and other payables		162,178	137,072
Total current liabilities		166,038	478,609
Total liabilities		2,506,038	3,320,162
TOTAL EQUITY AND LIABILITIES		2,289,650	3,266,521

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CASH FLOW STATEMENT

	Notes	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Cash flow from operating activities			
Profit/ loss before corporate income tax		-162,747	-127,006
Adjustments for:			
Depreciation and amortization		30,024	13,609
loss / (profit) from disposal of fixed assets		7,558	0
Impairment of non - current assets		367,034	
Interest payments		133,531	213,799
Changes in working capital:			
Inventories		11,610	-11,614
Receivables		229,748	141,341
Liabilities		8,147	53,722
		624,905	283,851
Corporate income tax paid		-5,073	0
Cash flow from operating activities		619,832	283,851
Cash flow from investing activities			
Acquisition of fixed assets and intangible investments		-8,640	-2,009
Net cash flow from investing activities		-8,640	-2,009
Cash flow from financing activities			
Loans received, neto			100,549
Borrowings repaid, neto		-808,548	-158,650
Interest payments		-133,531	-213,049
Payments for financial leasing contracts		-2,282	-11,375
Net cash flow from financing activities		-944,361	-282,525
Net increase / (decrease) in cash and cash equivalents		-333,169	-683
Cash and cash equivalents at beginning of the period		522,558	215,959
Cash and cash equivalents at the end of the period		189,389	215,276

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non- current assets	Retained earning/ (accumulated deficit)	Total
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Balance at 31.12.2019	467,127	163,706	-715,253	-84,420
Increase of share capital	528,273			528,273
Depreciation of fixed assets attributable to the revaluation reserve		-5,267		-5,267
Profit for the financial year			-492,227	-492,227
Balance at 31.12.2020	995,400	158,439	-1,207,480	-53,641
Profit for the financial period			-162,747	-162,747
Balance at 30.06.2021	995,400	158,439	-1,370,227	-216,388

Notes 10 to 19 are an integral part of these financial statements.

Guntars Zvīnis

signature

August 31st, 2021

NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

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

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

Reporting period

The reporting period is from 01.01.2021 to 30.06.2021

(2) ACCOUNTING POLICIES

Basis of preparation

These interim financial statements cover the period from 1 January 2021 to 30 June 2021. The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Statements". These condensed financial statements for the interim period are to be read together with the financial statements of AS Moda Kapitāls for the year ended 31 December 2020 that has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing these condensed interim financial statements, the Company has applied accounting policies that are consistent with those accounting policies that the Company has used in preparing its financial statements for the year ended 31 December 2020.

Several new standards, their additions and interpretations entered into force after January 1, 2021. They are not appropriate for the preparation of this interim financial report. The company does not intend to apply these standards before the set time.

Foreign currencies

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

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

Revenue recognition

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

Sales of goods

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

Mediation income

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

Interest income and expense

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

Other income

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

Intangible assets and fixed assets

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

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

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

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

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

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

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

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

Lease

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual obligations of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

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

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

Loans and other receivables

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

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

Borrowings

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

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

Cash and cash equivalents

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

Corporate income tax

Corporate income tax is calculated in accordance with the tax laws of the Republic of Latvia. Existing legislation sets the base tax rate at 20 percent.

Related parties

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

Critical accounting estimates and judgments

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

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

Revaluation of land and buildings

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

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

Recoverability of receivables

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

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

		Fixed assets				
		Intangible assets - licences	Lands and buildings	Leasehold improvements	Other fixed assets	Advances and development costs
		EUR	EUR	EUR	EUR	EUR
Initial value	01.01.2021	119,614	461,791	11,052	546,863	839
Acquired				198	8,442	
Disposed					-35,497	-839
Reclassified						0
Initial value	30.06.2021	119,614	461,791	11,250	519,808	0
Accumulated depreciation	01.01.2021	57,732	121,612	3,303	477,357	0
Calculated depreciation		3,538	7,841	3,633	12,759	
Depreciation of disposed fixed assets					-23,267	
Accumulated depreciation	30.06.2021	61,270	129,453	6,936	466,849	0
The residual value	31.12.2020	61,882	340,179	7,749	69,506	839
The residual value	30.06.2021	58,344	332,338	4,314	52,959	0

(4) Right to use asset	30.06.2021	31.12.2020
	EUR	EUR
Right to use asset recognized at the beginning of the year	6,006	88,410
Calculated depreciation	-2,253	-4,505
Terminated long-term lease		-77,899
Right to use asset net residual value at the end of period	<u>3,753</u>	<u>6,006</u>
Lease obligations recognized at the beginning of the year	6,142	89,148
Increased by interest payments in 2021	58	193
Paid to the landlord during 2021	-2,340	-4,680
Terminated long-term lease		-78,519
Lease obligations as at the end of the period	<u>3,860</u>	<u>6,142</u>

(5) Inventories

	30.06.2021	31.12.2020
	EUR	EUR
Real estate - loan collateral owned by the Company	165,720	165,720
Advances paid (Real estate – loan collateral owned by the Company)	20,361	22,443
Provision for inventories - loan collateral owned by the Company	-50,324	-50,324
Goods purchased for sales purposes	68,978	83,544
Advances for goods	858	4,256
Provisions for goods	-6,684	-15,120
Other collateral owned by the Company	545,612	545,612
Total	<u>744,521</u>	<u>756,131</u>

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

(6) Loans and trade receivables

	30.06.2021	31.12.2020
	EUR	EUR
Short-term loans secured with pledges	760,292	932,353
Provisions for impairment for loans secured with pledges	-91,002	-91,002
Consumer loans (Short-term loans without pledge)	139,417	152,701
Provisions for impairment of short-term loans not secured with pledges	-61,482	-61,482
Accrued interest payments	107,473	128,174
Total	<u>854,698</u>	<u>1,060,744</u>

	01.01.2021- 30.06.2021 % per month	2020 % per month
Loans against hand pledge	3-21%	3-21%
Loans against ore	3-21%	3-21%
Loans without collateral (consumer credit)	1,5-2,1%	1,5-2,1%
Loans against transport	<2,1-5 %	>2,1-5%
Loans against real estate	<2,1-5%	>2,1-5%

(7) Participation in the capital of related companies

In December 2019, the Company acquired the related company AUREUM AS, the type of activity of which is in line with the type of activity of the Company. 100% of the voting capital was obtained. Control was acquired in December 2019. The purchase cost was EUR 425 200.

In preparing the financial statements for 2020, the Company's management decided to reduce the value of the shareholding in the associate to the expected recoverable amount as a result of liquidation, which was estimated taking into account the operative financial statements of Aureum AS for the 1st quarter of 2021.

Assessment of participation in the capital of related company:	30.06.2021	31.12.2020
	EUR	EUR
Acquisition value of participation in the capital of related companies	0	425,200
Impairment of assets	0	-58,166
Participation in the capital of related companies	0	367,034

On January 21, 2021, "Moda Kapitāls" AS (protocol 2/2021) started the liquidation of the related company "Aureum" AS. Its operation will be fully taken over by the Liepāja branch of JSC Moda Kapitalis. The liquidation of "Aureum" AS was concluded on June 1, 2021.

(8) Borrowings

		30.06.2021	31.12.2020
		EUR	EUR
Non-current	Note		
Borrowings against bonds	b)	2,340,000	2,840,000
Finance lease liabilities	d)		1,553
Total non-current		2,340,000	2,841,553
Current			
Non-convertible bonds	b)		28,400
Other loans	c)		308,548
Finance lease liabilities	d)	3,860	4,589
Total current		3,860	341,537
Borrowings total		2,343,860	3,183,090

a) Fair value of borrowings

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

In accordance with the announcement of October 14, 2020, the Company repurchased the bonds on the secondary market. Investors submitted applications to repurchase the bonds with a nominal value of EUR 470 000, which was completed by October 29, 2020.

In accordance with the announcement of May 7, 2021, the Company repurchased the bonds on the secondary market. Investors submitted applications for the repurchase of bonds with a nominal value of EUR 500 000, which was completed by 17 May 2021. There have been no other transactions with the bonds for which public information would be available to assess their market value.

b) Bonds

On October 23, 2020, the Company made amendments to the bond issue regulations. The maturity of the securities was postponed to November 15, 2025, the payment will be made in one payment at the end of the term. The total number of issued securities is 3310, nominal value 1 000 EUR. The coupon rates are set as follows: 8% for the period 16.11.2020-15.11.2021, 9% for the period 16.11.2021-15.11.2022, 10% for the period 16.11.2022-15.11.2023 and 12% for the period 16.11.2023 to 15.11.2025.

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

	30.06.2021		31.12.2020	
	Number of bonds	EUR	Number of bonds	EUR
At beginning of the reporting year	3,310	3,310,000	3,310	3,310,000
Issued during the year	0	0	0	0
At the end of the year	3,310	3,310,000	3,310	3,310,000
The Company's own repurchased bonds	970	970,000	470	470,000
NET Borrowings against obligations	2,340	2,340,000	2,840	2,840,000

c) Other loans

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

	30.06.2021	31.12.2020
	EUR	EUR
At beginning of the year	308,548	377,000
Borrowings received in the year		140,548
Repaid borrowings in the year	-308,548	-209,000
At the end of the year	0	308,548

d) Finance lease liabilities

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

	30.06.2021	31.12.2020
	EUR	EUR
Payable within 1 year	3,867	4,680
Payable from 2 to 6 years		1,560
Finance lease gross liability	3,867	6,240
Future finance costs	-7	-98
Present value of finance lease liability	3,860	6,142

(7) Transactions with related parties

In 2020 and 2021 the Company had economic transactions with the entities that are directly or indirectly controlled by the Company's shareholders and members of the Board.

Loans and interest payments

	Loans balances		Interest expense	
	30.06.2021	31.12.2020	2021(6m)	2020
	EUR	EUR	EUR	EUR
Orheja SIA	0	0	0	2,982
Trezors SIA	0	0	0	1,623
AUREUM AS	0	308,548	1,131	10,644
Premium Finance Group SIA	0	0	0	2,383
Total	0	308,548	1,131	17,632

(8) Financial and capital risk management

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

Market risk

a) Foreign exchange risks

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

b) Interest rate risks

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

	30.06.2021	31.12.2021
	EUR	EUR
Financial liabilities with variable interest rate	3,860	6,142
	3,860	6,142

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

c) Other price risk

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

Credit risk

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

	30.06.2021	31.12.2020
	EUR	EUR
Maximum exposure to credit risk		
Loans and trade receivables	854,698	1,060,744
Other current assets	49,192	73,751
Cash and cash equivalents	189,389	522,558
Total	1,093,279	1,657,053

Within the company, credit risk is managed through centralized procedures and controls. Credit risk arises from outstanding loans. To reduce these risks, the Company uses a conservative credit policy - the amount of loans granted is less than the value of the pledged property / real estate. Such a policy allows the Company minimize its credit risk. Information on the structure of the loan portfolio is given in Appendix 6.

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

Liquidity risk

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

Capital Management

In accordance with the requirements specified in the Commercial Law of the Republic of Latvia, the Management Board must ask the shareholders to evaluate and make a decision on the continuation of the Company's operations if the Company's losses exceed half of the share capital. The Company's equity on 31.12.2020 was negative, its share attributed to the share capital was 5%. According to the bond issue prospectus, the Company's bondholders had the right to request early redemption of the bonds together with the accumulated coupon if the Company's equity shown in the balance sheet is less than EUR 100 000 and if the Company's shareholders do not increase it by at least to EUR 150 000, within thirty days after the publication of the financial statements. In accordance with Article 6.5 of the bond issue regulations, on April 19, 2021, the Company announced a survey of bondholders in order to find out the opinion of bondholders on the increase of the company's share capital. The list of bondholders entitled to vote on the amendments was fixed as of April 26, 2021. By recording the results of the survey, the bondholders unanimously agreed not to request an increase in the company's equity. Taking into account that the equity indicators have deteriorated in the first half of 2021, the company's management will invite the company's shareholders to assess the company's financial position and make appropriate decisions by the end of 2021.

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

	30.06.2021	31.12.2020
	EUR	EUR
Total borrowings	2,343,860	3,183,090
Cash and its equivalents	-189,389	-522,558
Net debt	2,154,471	2,660,532
Equity	-216,388	-53,641
Total capital	1,938,083	2,606,891
Total assets	2,289,650	3,266,521
Net debt to equity	-996%	-4960%
Equity ratio on total assets	-9%	-2%

(9) Events after balance sheet date

The Council of the Company decided to suspend the provision of lending services against the pledge of movable property by closing all branches of the Company and transferring its loan against movable property portfolio to JSC "DelfinGroup", with which a relevant agreement was concluded. The proceeds will be used for the partial repurchase of bonds from bondholders, which will be announced in the public news section of NASDAQ Rīga.