Riga, August 27th, 2019

AS "Moda Kapitāls"

Unaudited condensed interim financial report for the period from 01.01.2019 to 30.06.2019

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

CONTENTS

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 (14.75%), Guntars Zvīnis (24,75%), Ilvars Sirmais (24,75%), Verners Skrastiņš (21%), MK Investīcijas, SIA (14,75%)
Board Members	Guntars Zvīnis Ilvars Sirmais
Supervisory Board Members	Verners Skrastiņš - head of the Council Andris Banders - deputy of the head of the Council Inese Kanneniece - meber of the Council Diāna Zvīne - member of the Council Aleksandrs Sirmais - member of the Council till 01.10.2018 Ilze Sirmā - member of the Council as of 02.10.2018
Financial period	from 01.01.2019 to 30.06.2019

MANAGEMENT REPORT

Type of operations

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

Performance during the financial year and financial situation of the Company

In the first half of 2019, there were no changes in the structure of the AS “ Moda Kapitals ”branches.
Given the current market situation in the non-bank lending sector, the company's priorities have remained unchanged and its priority is not to open new branches but to increase the profitability of existing branches and improve the quality of services offered, as well as closing individual unprofitable branches.
The company has developed and implemented systems related to changes in legislation, incl. the processing of personal data of individuals has been improved and adapted in accordance with the Law “On Processing of Personal Data”, following the requirements and principles established by the Law and the General Data Protection Regulation.
The company continues to improve its customer control system in line with the changes to the Law on the Prevention of Money Laundering and Terrorist Financing.
In the first half of 2019, the company has more than doubled the turnover of the emoda.lv online store, compared to the corresponding period of 2018, and acquired a regular customer base who regularly use the services offered by emoda.lv.
The company also continues to be active in expanding the range of existing used second hand goods by offering its customers a wide range of different types of little used home appliances and electrical appliances, agreeing to cooperate with new foreign suppliers.
In 2019, as in previous years, changes in customer activity and demand for certain types of loans have been observed.
In the first half of 2019, the decline in the loan portfolio for real estate loans has decreased, but the loan portfolio for movable and precious metal loans has increased.
There is a tendency that not all branch offices of companies have the same increase or decrease in loans. Depending on the branch, each branch has a variable growth or decline in loan segments.
The company does not provide services to customers to obtain loans remotely, but all loans are made through its branch offices.
As in previous years, in 2019 we continue to focus on customer payment discipline and work individually with clients who have had solvency problems, while using the loan, to find a compromise on a possible solution to their obligations.

Future prospects and future development

As a result of legislative changes that will limit consumer credit offered by non-bank lenders, company management expects demand for loans secured by movable and real estate collateral accordingly loan portfolio and interest income will increase in the second half of 2019.
Taking into account the increase in the turnover of the online shop emoda.lv in 2018 and in the first half of 2019, we forecast that the turnover of the online store will continue to grow, which would also increase the income of the company.
The company's results for the first half of 2019 and the last few years have been unsatisfactory and the equity level of the company has reached a negative level, which could prevent the company from working efficiently and developing in the near future.
An extraordinary general meeting of shareholders of the company in June 2019 approved an expense optimization plan developed by the board of directors of the company, which will significantly reduce monthly administrative expenses while closing some unprofitable branches. Optimistic estimates of the board and shareholders of the company show in fourth quarter of 2019 the company could be operating at without a loss, but the loss for the second half of 2019 could be significantly lower than before. If, however, the changes do not achieve the desired result, shareholders will decide to increase their equity by issuing additional shares and increasing the company's share capital.
If shareholders decide to increase their share capital, the company's bondholders will also be informed of this situation by posting the relevant information on the NASDAQ Riga news section.

Significant events since the year end

During the time period from the last day of the financial period till singing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 30th June, 2019.

Company’s branches

On June 30th, 2019 The Company provides its services in twenty-six branches that are located in mojor Latvian cities: Aizkraukle, Alūksne, Balvi, Bauska, Cesis, Dobele, Daugavpils, Gulbene, Jekabpils, Jelgava, Kraslava, Kuldiga, Liepaja, Limbazi, Madona, Ogre, Rezekne, Riga, Saldus, Talsi, Valmiera, Ventspils, Tukums, Preili, Ludza and Valka.

Guntars Zvīnis ______________ August 1st, 2018

signature

Ilvars Sirmais ______________

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STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the interim financial statements in accordance with International Accounting Standard (IAS) No 34 "Interim Financial Reporting" as adopted the EU. These financial statements give a true and fair view of the financial position of the Company at June 30, 2019 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 18 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 ____________________ August 27th, 2019

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Ilvars Sirmais ____________________

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STATEMENT OF COMPREHENSIVE INCOME

	01.01.2019-30.06.2019	01.01.2018-30.06.2018
	EUR	EUR
Net turnover	769,433	816,401
Finance income	521,207	562,148
Cost of sales	-653,405	-698,283
Finance costs	-206,209	-214,435
Gross profit	**431,026**	**465,831**
Selling costs	-366,056	-378,604
Administrative expenses	-128,682	-159,155
Other income	10,946	38,582
Other expenses	-16,164	-57,986
Profit or loss before corporate income tax	**-68,930**	**-91,332**
Corporate income tax		
Net profit or loss	**-68,930**	**-91,332**
Other comprehensive income / (loss)		
Total comprehensive income	**-68,930**	**-91,332**

Notes 11 to 18 are an integral part of these financial statements.

Guntars Zvīnis ______________ August 27th, 2019
signature

Ilvars Sirmais ______________
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STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	01.01.2019-30.06.2019 EUR	31.12.2018 EUR
Non-current assets			
Intangible assets	3	68,782	67,668
Fixed assets	3	599,598	635,323
Other non-current assets		142	142
Total non-current assets		**668,522**	**703,133**
Current assets			
Inventories	4	1,232,145	1,229,400
Loans and receivables	5	1,696,919	1,730,345
Other current assets		50,982	82,515
Cash and its equivalents		174,054	159,545
Total current assets		**3,154,100**	**3,201,805**
TOATAL ASSETS		**3,822,622**	**3,904,938**

EQUITY AND LIABILITIES	Notes	01.01.2019-30.06.2019 EUR	31.12.2018 EUR
Equity			
Share capital		426,862	426,862
Revaluation reserves of non-current assets	3	166,339	168,973
Retained earnings/ (accumulated deficit)		-609,366	-540,436
Total equity		**-16,165**	**55,399**
Liabilities			
Non-current liabilities			
Borrowings	6	3,483,866	3,520,714
Total non-current liabilities:		**3,483,866**	**3,520,714**
Current liabilities			
Borrowings	6	183,345	193,595
Trade and other payables		171,576	135,230
Total current liabilities		**354,921**	**328,825**
Total liabilties		**3,838,787**	**3,849,539**
TOTAL EQUITY AND LIABILITIES		**3,822,622**	**3,904,938**

Notes 11 to 18 are an integral part of these financial statements.

Guntars Zvīnis ______________ August 27th, 2019
signature

Ilvars Sirmais ______________
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CASH FLOW STATEMENT

	Notes	01.01.2018-30.06.2018 EUR	01.01.2017-30.06.2017 EUR
Cash flow from operating activities			
Profit/ loss before corporate income tax		**-68,930**	**-91,332**
Adjustments for:			
Depreciation and amortization	1	24,448	30,160
loss / (profit) from disposal of fixed assets		400	-388
Interest payments		206,209	214,435
Changes in working capital:			
Inventories		-2,745	-64,916
Receivables		64,959	137,411
Liabilties		36,346	4,086
		260,687	**229,456**
Corporate income tax paid		0	0
Cash flow from operating activities		**260,687**	**229,456**
Cash flow from investing activities			
Acquisition of fixed assets and intangible investments	3	-14,953	-9,344
Income from the sale of fixed assets and intangible investments		233	632
Net cash flow from investing activities		**-14,720**	**-8,712**
Cash flow from financing activities			
Loans received, neto	6	40,000	65,000
Borrowings repaid, neto	6	-65,000	-52,000
Interest payments		-206,209	-214,435
Payments for financial leasing contracts		-249	-1,435
Net cahs flow from financing activities		**-231,458**	**-202,870**
Net increase / (decrease) in cash and cash equivalents		**14,509**	**17,874**
Cash and cash equivalents at beginning of the period		**159,545**	**165,334**
Cash and cash equivalents at the end of the period		**174,054**	**183,208**

Notes 11 to 18 are an integral part of these financial statements.

Guntars Zvīnis ______________ August 27th, 2019
signature

Ilvars Sirmais ______________
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STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earning/ (accumulated deficit)	Total
	EUR	EUR	EUR	EUR
Balance at 31.12.2017	**426,862**	**174,240**	**-358,566**	**242,536**
Depreciation of fixed assets attributable to the revaluation reserve		-5,267		**-5,267**
Profit for the financial year			**-181,870**	**-181,870**
Balance at 31.12.2018	**426,862**	**168,973**	**-540,436**	**55,399**
Depreciation of fixed assets attributable to the revaluation reserve		-2,634		**-2,634**
Profit for the financial period			-68,930	**-68,930**
Balance at 30.06.2019	**426,862**	**166,339**	**-609,366**	**-16,165**

Notes 11 to 18 are an integral part of these financial statements.

Guntars Zvīnis ________________ August 27th, 2019

signature

Ilvars Sirmais ________________

signature

NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

AS Moda Kapitals (further - Company) main activity is the issuing of short-term loans against pledge of movable and immovable property. AS Moda Kapitals is a joint stock company founded and operating in Latvia. Registered address of the Company is at Ganibu dambis 40A-34, Riga, LV-1005.
The auditor of the Company is SIA "Crowe DNW".

Reporting period

The reporting period is from	01.01.2019	to	30.06.2019

(2) ACCOUNTING POLICIES

Basis of preparation

These interim financial statements cover the period from 1 January 2019 to 30 June 2019. 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 2018 that has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in addition IFRS No. 16 "Lease", which is effective for annual periods beginning on or after 1 January 2019, has been applied.

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 2018.

Several new standards, their additions and interpretations entered into force after January 1, 2019. 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:

Intangible assets:	Years
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 live, as follows:

Fixed assets:	Years
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-to-buy (financial lease)

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in the statement of comprehensive income by method to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual obligations of the financial instru
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 effective tax rate at 25 percent.

Related parties

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

Critical accounting estimates and judgments

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

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

Revaluation of land and buildings

Management of the Company determines fair value of the assets based on assessment made by independent certified valuators 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)

		Intangible assets - licences	Fixed assets					
			Lands and buildings	Leasehold improvements	Asset usage rights	Other fixed assets	Advances and development costs	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
Initial value	**01.01.2019**	**105,229**	**439,478**	**3,557**	**177,910**	**620,471**	**621**	**1,242,037**
Acquired		4,199				10,753		**10,753**
Disposed						-11,417		**-11,417**
Reclassified								**0**
Overvalued								**0**
Initial value	**30.06.2019**	**109,428**	**439,478**	**3,557**		**619,807**	**621**	**1,241,373**
Accumulated depreciation	**01.01.2019**	**37,561**	**91,056**	**2,201**	**0**	**513,457**	**0**	**606,714**
Calculated depreciation		3,086	7,469	215	21,848	16,546		**46,078**
Depreciation of disposed fixed assets						-11,016		**-11,016**
Accumulated depreciation	**30.06.2019**	**40,647**	**98,525**	**2,416**	**21,848**	**518,987**	**0**	**641,776**
The residual value	**01.01.2019**	**67,668**	**348,422**	**1,356**	**177,910**	**107,014**	**621**	**635,323**
The residual value	**30.06.2019**	**68,781**	**340,953**	**1,141**	**-21,848**	**100,820**	**621**	**599,597**

Revaluation of fixed assets and fair value techniques used

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

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

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

(4) Inventories

	30.06.2019 EUR	31.12.2018 EUR
Real estate - loan collateral owned by the Company	209,780	213,581
Advances paid (Real estate – loan collateral owned by the Company)	41,796	41,999
Provision for inventories - loan collateral owned by the Company	-50,024	-57,228
Goods purchased for sales purposes	97,941	93,293
Advances for goods	10,224	15,327
Provisions for goods	-6,228	-6,228
Other collateral owned by the Company	928,656	928,656
Total	**1,232,145**	**1,229,400**

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.

(5) Loans and trade receivables

	30.06.2019 EUR	31.12.2018 EUR
Short-term loans secured with pledges	1,409,613	1,437,385
Provisions for impairment for loans secured with pledges	-64,038	-64,038
Consumer loans (Short-term loans without pledge)	254,806	271,384
Provisions for impairment of short-term loans not secured with pledges	-65,131	-65,131
Accrued interest payments	161,669	150,745
Total	**1,696,919**	**1,730,345**

	01.01.2019-30.06.2019 % per month	01.01.2018-30.06.2018 % per month
Loans against hand pledge	3-21%	3-21%
Loans against ore	3-21%	3-21%
Loans without collateral (consumer credit)	1,5-2,13%	1,5-8,8%
Loans against transport	<2,13 %	>2,5 %
Loans against real estate	<2,13%	>2%

(6) Borrowings

	Note	30.06.2019 EUR	31.12.2018 EUR
<u>Non-current</u>			
Non-convertible bonds	b)	3,310,000	3,310,000
Other loans	c)	61,500	76,500
Finance lease liabilities	d)	112,366	134,214
Total non-current		**3,483,866**	**3,520,714**
<u>Current</u>			
Non-convertible bonds	b)	49,650	49,650
Other loans	c)	90,000	100,000
Finance lease liabilities	d)	43,695	43,945
Total current		**183,345**	**193,595**
Borrowings total		**3,667,211**	**3,714,309**

a) Fair value of borrowings

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

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

b) Bonds

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

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

	01.01.2019-30.06.2019		**2018**	
	Number of bonds	EUR	Nubmer of bondds	EUR
At beginning of the reporting year	3,310	3,310,000	3,310	3,310,000
Issued during the year	0	0	0	0
At the end of the year	**3,310**	**3,310,000**	**3,310**	**3,310,000**

c) Other loans

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

	30.06.2019	**31.12.2018**
	EUR	EUR
At beginning of the year	**176,500**	**408,500**
Borrowings received in the year	40,000	65,000
Repaid borrowings in the year	-65,000	-297,000
At the end of the year	**151,500**	**176,500**

d) Finance lease liabilities

The Company has acquired fixed assets under finance lease. Interest payments are 2.5% + 3 M EURIBOR payable due on monthly basis.

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

	30.06.2019	**31.12.2018**
	EUR	EUR
Payable within 1 year	43,695	43,695
Payable from 2 to 5 years	112,366	134,214
Finance lease gross liability	**156,061**	**177,909**
Future finance costs	0	0
Present value of finance lease liability	**156,061**	**177,909**

(7) Transactions with related parties

In 2018 and 2019 the Company had economic transactions with the following entities that are directly or indirectly controlled by the Company's shareholders and members of the Board: Orheja SIA and Trezors SIA.

Loans and interest payments

	Loans balances		**Interest expense**	
	30.06.2019	**31.12.2018**	**2019(6m)**	**2018**
	EUR	EUR	EUR	EUR
Orheja SIA	31,500	46,500	2,094	5,912
Trezors SIA	40,000	0	922	3,149
Total	**71,500**	**46,500**	**3,016**	**9,061**

The non-current part of the loans	31,500	46,500
The current part of the loans	40,000	0
	71,500	**46,500**

(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.

	30.06.2019	**31.12.2018**
	EUR	EUR
	0	249
Financial liabilities with variable interest rate	**0**	**249**

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.

Maximum exposure to credit risk	**30.06.2019**	**31.12.2018**
	EUR	EUR
Loans and trade receivables	1,696,919	1,730,345
Other current assets	50,982	82,515
Cash and cash equivalents	174,054	159,545
Total	**1,921,955**	**1,972,405**

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 of the Commercial Law of the Republic of Latvia, the Board should ask shareholders to evaluate and decide on the Company's continued operation if the Company's losses exceed half of the share capital. The equity of the Company as at 30 June 2019 was negative and accumulated losses exceeded the share capital. The management of the company manages the capital structure on the on-going basis. During the reporting period, no changes were made to capital management tasks, policies or processes.

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

	30.06.2019	31.12.2018
	EUR	EUR
Total borrowings	3,667,211	3,714,309
Cash and its equivalents	-174,054	-159,545
Net debt	**3,493,157**	**3,554,764**
Equity	-16,165	55,399
Total capital	**3,476,992**	**3,610,163**
Total assets	3,822,622	3,904,938
Net debt to equity	-21609%	6417%
Equity ratio on total assets	0%	1%

(7) Events after balance sheet date

As of the last day of the reporting period until the date of signing these interim financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes.