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## **AS “DelfinGroup”**

Annual accounts  
for the year ended  
31 December 2020  
and  
Consolidated  
Annual accounts  
for the year ended  
31 December 2020

prepared in accordance with  
the International Financial  
Reporting Standards as  
adopted by EU

Translation from Latvian

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# Information on the Company and Subsidiaries

<b>Name of the Company</b>	DelfinGroup (till 04.02.2020. ExpressCredit)
<b>Legal status of the Company</b>	Joint stock company (till 19.01.2021. Limited liability company)
<b>Number, place and date of registration</b>	40103252854 Commercial Registry Riga, 12 October 2009
<b>Operations as classified by NACE classification code system</b>	NACE2 64.92 Other credit granting NACE2 64.91 Financial leasing NACE2 47.79 Retail sale of second-hand goods in stores NACE 69.20 Accounting and auditing services, tax consultancy
<b>Address</b>	Skanstes street 50A (till 10.03.2020. Raunas street 44 k-1), Riga, LV-1013 Latvia
<b>Names and addresses of shareholders</b>	L24 Finance, SIA (till 30.12.2020. Lombards24.lv, SIA) (65.18%), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1)
<b>AE Consulting, SIA</b>	(10.00%), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Posma street 2)
<b>EC finance, SIA</b>	(21.32%), Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1)
<b>Private individuals</b>	(3.5%)
<b>Ultimate parent company</b>	EA investments, AS Reg. No. 40103896106 Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas street 44k-1)

<b>Names and positions of Board members</b>	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021.)
	Kristaps Bergmanis – Member of the Board
	Ivars Lamberts – Member of the Board
	Agris Evertovskis – Chairman of the Board (from 12.10.2009. till 19.01.2021.)
	Didzis Ādmīdiņš – Member of the Board (from 11.07.2014. till 19.01.2021.)
<b>Names and positions of Council members</b>	Agris Evertovskis – Chairperson of the Council (from 19.01.2021.)
	Gatis Kokins – Deputy Chairman of the Council (from 13.04.2021.)
	Mārtiņš Bičevskis – Member of the Council (from 13.04.2021.)
	Jānis Pizičs – Member of the Council (from 13.04.2021.)
	Edgars Voļskis – Member of the Council (from 13.04.2021.)
	Anete Ozoliņa – Deputy Chairman of the Council (from 19.01.2021. till 13.04.2021.)
	Uldis Judinskis – Member of the Council (from 19.01.2021. till 13.04.2021.)
	Uldis Judinskis – Chairperson of the Council (from 16.05.2019. till 19.01.2021.)
	Ramona Miglāne – Deputy Chairman of the Council (from 16.05.2019. till 19.01.2021.)
	Anete Ozoliņa – Member of the Council (from 16.05.2019. till 19.01.2021.)
<b>Responsible person for accounting</b>	Inta Pudāne - Chief accountant
<b>Financial year</b>	1 January 2020 - 31 December 2020
<b>Name and address of the auditor</b>	SIA BDO ASSURANCE Certified Auditors' Company license No. 182 Kaļķu street 15-3B, Riga, LV-1050 Latvia
<b>Responsible Certified Auditor:</b>	Irita Cimdare Certificate No. 103

## Information on the Subsidiaries

<b>Subsidiary</b>	SIA ExpressInkasso (parent company interest in subsidiary – 100%)
<b>Date of acquisition of the subsidiary</b>	22.10.2010.
<b>Number, place and date of registration of the subsidiary</b>	40103211998; Riga, 27 January 2009
<b>Address of the subsidiary</b>	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
<b>Operations as classified by NACE classification code system of the subsidiary</b>	66.19 Financial support services except insurance and pension accrual
<b>Subsidiary</b>	SIA ViziaFinance (parent company interest in subsidiary – 100%)
<b>Date of acquisition of the subsidiary</b>	23.02.2015.
<b>Number, place and date of registration of the subsidiary</b>	40003040217; Riga, 06 December 1991
<b>Address of the subsidiary</b>	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
<b>Operations as classified by NACE classification code system of the subsidiary</b>	64.92 Other financing services
<b>Subsidiary</b>	SIA REFIN (parent company interest in subsidiary – 100%)
<b>Date of acquisition of the subsidiary</b>	03.10.2018.
<b>Number, place and date of registration of the subsidiary</b>	40203172517; Riga, 03 October 2018
<b>Address of the subsidiary</b>	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
<b>Operations as classified by NACE classification code system of the subsidiary</b>	64.92 Other financing services
<b>Subsidiary</b>	SIA Banknote commercial properties (till 30.09.2020. SIA Banknote) (parent company interest in subsidiary – 100%)
<b>Date of acquisition of the subsidiary</b>	30.09.2020.
<b>Number, place and date of registration of the subsidiary</b>	40103501494; Riga, 17 January 2012
<b>Address of the subsidiary</b>	Skanstes street 50A, Riga, Latvia (till 10.03.2020. Raunas Street 44 k-1)
<b>Operations as classified by NACE classification code system of the subsidiary</b>	68.20 Renting and operating of own or leased real estate



## Statement of management's responsibility

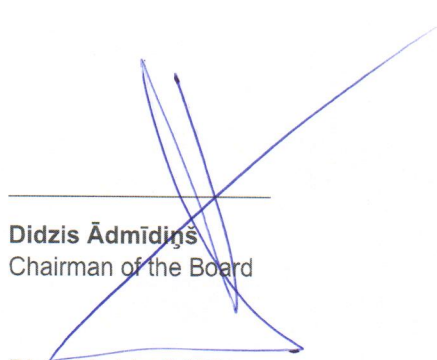
The management of AS „DelfinGroup” group is responsible for the preparation of the financial statements.

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 2020 and its profit and cash flows for 2020.

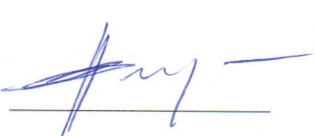
The management of the parent company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence 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.



\_\_\_\_\_  
**Didzis Ādmīdiņš**  
Chairman of the Board



\_\_\_\_\_  
**Kristaps Bergmanis**  
Board Member



\_\_\_\_\_  
**Ivars Lamberts**  
Board Member

Rīga, 23rd April 2021

# Management report

The consolidated revenue of AS DelfinGroup for 2020 amounted to EUR 23.7 million, the loan portfolio grew to EUR 35 million, and EBITDA increased to EUR 9.27 million. The group's revenue in 2020 increased by 9% and loan portfolio grew by 10%. The consolidated EBITDA increased by 13% comparing to previous year.

In 2020, significant measures were taken to strengthen the company's corporate identity and corporate governance. Accordingly, at the beginning of the year, the corporate brand of the company was changed to DelfinGroup, which was followed by an increase in the share capital to EUR 4 million in the middle of the year. In August, the shareholders of the group decided to change the legal form of the company to a joint stock company, which was successfully concluded on 19 January 2021. These measures were taken with the aim to develop further the corporate governance of the group, focusing on the sustainability aspects of the company.

Despite the COVID-19 situation, in 2020 the group managed to achieve stable growth rates. Although we were forced to work in high uncertainty conditions, thanks to the professionalism of our team, we succeeded in organizing cash flow and managing credit risks, while maintaining profitability. We have gained valuable experience of remote work and new working skills in emergency conditions, which will enable us to increase the efficiency of our team also in the future. Our staff has successfully adapted to these new conditions, focusing on providing high quality of client service, reacting quickly, and improving the offer of products in line with the new situation.

On November 6, 2020 Latvia reintroduced the state of emergency and set several new restrictions. Given the new situation, we have reassessed the credit risks of consumer loans, and improved the operation of our e-shop in the pawnshop segment. In the 4th quarter of 2020, the turnover of the e-shop has grown by 231% on the quarter before and by 438% on the same period of the previous year. The investments made in the development of the e-shop in 2019 have fully paid off, making it an important channel of selling pawnshop goods, the importance of which will increase in the future.

In the second half of 2020, adapting to the emergency situation, the group implemented several measures aimed at developing sustainable business. Thus, in the 4th quarter of 2020, a new consumer loan product, Banknote pirkumiem (Banknote for purchases), was launched. This product aims to facilitate access to loans for those who are working and making purchases remotely in order to make the financing of goods purchase both online and at points of trade more convenient. Meanwhile, in the segment of pawnshop services the network of branches was expanded by opening four new pawnshops in Riga. These branches have been opened in line with DelfinGroup's strategy of building a financially inclusive society and raising public awareness of circular economy. To cover more insights of the Company's environment, social and corporate governance, the ESG 2020 report has been produced.

On August 11, 2020, the initiated project in the autumn 2019 of the EUR 5 million bond (ISIN LV0000802379) issue was successfully completed, followed by inclusion of the bonds in the Nasdaq Riga First North Bond list. From the beginning of bond trading in 2020 until the end of the reporting period, the bond trading turnover was significant and reached EUR 934 thousand (18.6% of the total issue amount), the bond price reaching even 105% of the nominal value.

In 2020, DelfinGroup fully repaid EUR 3.5 million bond issue (ISIN LV0000801322). According to the situation, the Group created cash reserves, which were financed by balancing the financing of debt securities and financing from the operation of the p2p lending platform Mintos. By the end of 2020, the amount of cash and bank position reached EUR 4.6 million.

In 2020, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 3 million.

## Management report (CONTINUED)

By implementing business strategy and all planned activities the following financial results of the Group were achieved in 2020 as compared to 2019:

Position	EUR, million	Change, %
Net loan portfolio	34.67	+9.9
Assets	45.95	+20.0
Profit before taxes	4.65	+9.1
Net profit	3.89	-0.4

And following Group's key financial figures for the last 5 financial periods:

Position	2016	2017	2018	2019	2020
Total income, EUR million	15.42	18.03	18.85	22.18	23.66
EBITDA, EUR million	2.76	5.69	7.47	8.17	9.27
EBITDA margin, %	18%	32%	38%	37%	39%
EBIT, EUR million	2.60	5.48	6.92	7.12	8.14
EBIT margin, %	17%	30%	37%	32%	34%
Net profit, EUR million	0.96	2.95	4.55	3.91	3.89
Net profit margin, %	6%	16%	24%	18%	16%
ROA, %	7%	16%	19%	12%	9%
ROE, %	38%	91%	94%	55%	44%
Current ratio	1.96	1.92	1.59	1.53	1.31

### EBITDA calculation, EUR million:

Item	Company 2020	Group 2020	Company 2019	Group 2019
Profit before tax	4.01	4.65	3.85	4.26
Interest expenses and similar expenses	3.29	3.49	2.69	2.85
Rights of uses assets depreciation	0.76	0.76	0.77	0.77
Depreciation of fixed assets	0.26	0.28	0.21	0.21
Amortization	0.07	0.09	0.08	0.08
<b>EBITDA, EUR million</b>	<b>8.39</b>	<b>9.27</b>	<b>7.60</b>	<b>8.17</b>

As to compliance with the Issue Terms of notes issue ISIN LV0000802213, ISIN LV0000802379, and ISIN LV0000802429 financial covenant computation are as follows:

Covenant	Value as of 31.12.2020.	Compliance
dividend amount including any interim dividends shall not exceed 40% of the last audited net profit. If only Net Debt/Net Equity indicator is not exceeding 3.5 to 1, dividend amount shall exceed 40%	3.03	yes
to maintain Net Debt/Net Equity indicator not exceeding 4 to 1	3.03	yes
total consolidated value of inventories and loans and receivables, plus cash, shall exceed at least 1.15 times the sum of total consolidated secured liabilities	1.31	yes
total consolidated loan amount to shareholders, management and other Related Persons shall not exceed EUR 1,400,000	474 484 EUR	yes



## Management report (CONTINUED)

### Branches

During the period from 1 January 2020 to 31 December 2020, the company continued to work on the branch network efficiency. As at 31 December 2020 the Group had 89 branches in 38 cities in Latvia (31.12.2019. - 87 branches in 38 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

As at signing these financial statements there is uncertainty in the country in relation to COVID-19. Even though the length and negative economic impact of the COVID – 19 situation cannot be precisely estimated, the Company has made, and will make in the future, decisions to ensure the Company's liquidity, cost reduction and portfolio quality is ensured.


After the year end the Company changed legal form from limited liability company to joint stock company. The sharecapital denomination was introduced. After changed paid sharecapital consists of 40 million shares at a value on 0,10 EUR each. On 19th February 2021, the decision to reorganize Company's subsidiaries SIA Banknote Commercial properties, SIA Refin and SIA ExpressInkasso was made to streamline the core business of the Company. The assets of the reorganized entities will be incorporated in AS DelfinGroup business activities.

On 23rd March 2021 the Company announced its intention to go public with intention to list shares on Main Market of Nasdaq Riga Stock Exchange during 2021.

Except the aforementioned, 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 2020.

### Distribution of the profit proposed by the Company

Company's board recommends the profit of 2020 to pay out in dividends, respecting the restrictions applied to debt securities emissions and exercising caution in relation to the uncertainty of the impact of COVID-19.



Didzis Ādmīdīns  
Chairman of the Board

Rīga, 23rd April 2021



Kristaps Bergmanis  
Board Member



Ivars Lamberts  
Board Member

## Corporate governance statement

Due to the fact that AS DelfinGroup, Reg. Nr. 40103252854 (hereinafter - Company) bonds were listed on the Nasdaq Riga Stock Exchange, the Management of the Company chose to prepare Corporate Governance Statement in 2020 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.

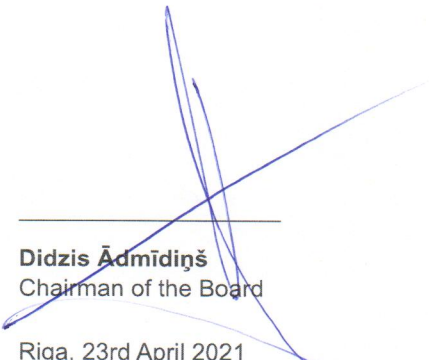
Company's financial risks are monitored by Company's management. The supervision of capital adequacy and liquidity is being managed conservatively and followed up so that the company can meet all its external obligations. Company is not exposed to significant currency fluctuations because all assets 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 2020 is available on the website of AS Nasdaq Riga [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) and on the Company's website [www.delfingroup.lv](http://www.delfingroup.lv).



Didzis Ādmīdiņš  
Chairman of the Board

Riga, 23rd April 2021



Kristaps Bergmanis  
Board Member



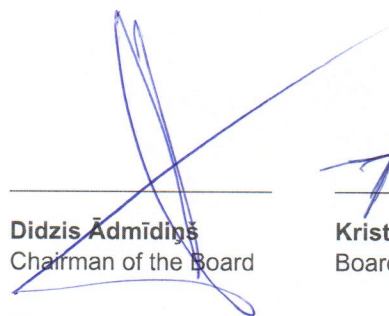
Ivars Lamberts  
Board Member



## Statement of profit or loss for the year ended 31 December 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Net sales	(1)	6 164 231	6 164 231	5 403 464	5 403 464
Cost of sales	(2)	(4 224 332)	(4 224 332)	(3 603 607)	(3 603 607)
Interest income and similar income	(3)	15 459 316	17 499 755	15 289 006	16 774 412
Interest expenses and similar expenses	(4)	(3 278 011)	(3 490 389)	(2 687 671)	(2 852 983)
Credit loss expense		(963 163)	(1 591 793)	(1 502 467)	(1 896 009)
<b>Gross profit</b>		<b>13 158 041</b>	<b>14 357 472</b>	<b>12 898 725</b>	<b>13 825 277</b>
Selling expenses	(5)	(5 201 324)	(5 425 844)	(5 218 354)	(5 425 937)
Administrative expenses	(6)	(3 387 023)	(3 539 758)	(3 335 473)	(3 487 530)
Other operating income		71 384	72 395	113 712	94 932
Other operating expenses	(7)	(627 549)	(812 259)	(607 600)	(743 449)
<b>Profit before corporate income tax</b>		<b>4 013 529</b>	<b>4 652 006</b>	<b>3 851 010</b>	<b>4 263 293</b>
Income tax expense	(8)	(753 716)	(754 536)	(349 957)	(349 957)
<b>Net profit</b>		<b>3 259 813</b>	<b>3 897 470</b>	<b>3 501 053</b>	<b>3 913 336</b>
Earnings per share		0.81	0.97	0.88	0.98

Notes on pages from 16 to 45 are integral part of these financial statements.

  
Didzis Admīdīns  
Chairman of the Board

  
Kristaps Bergmanis  
Board Member

  
Ivars Lamberts  
Board Member

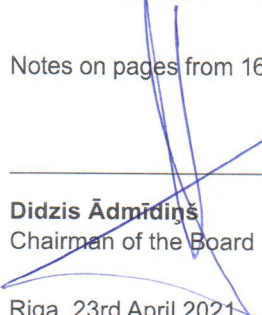
  
Ināra Pudāne  
Chief accountant

Riga, 23rd April 2021

## Balance sheet as at 31 December 2020

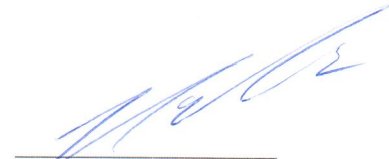
Assets	Notes	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
<b>Non-current assets:</b>					
<b>Intangible assets:</b>					
Concessions, patents, licenses, trademarks and similar rights		124 256	124 256	184 201	184 201
Other intangible assets		41 928	54 077	16 005	35 733
Goodwill		-	127 616	-	127 616
Advances on intangible assets		-	-	6 748	6 748
<b>Total intangible assets:</b>	<b>(9)</b>	<b>166 184</b>	<b>305 949</b>	<b>206 954</b>	<b>354 298</b>
<b>Property, plant and equipment:</b>					
Land, buildings, structures and perennials		-	85 385	-	-
Investments in property, plant and equipment		196 607	196 607	54 515	54 515
Right-of-use assets		3 194 412	3 194 412	2 048 981	2 048 981
Other fixtures and fittings, tools and equipment		248 214	248 214	282 678	282 678
<b>Total property, plant and equipment</b>	<b>(10;11)</b>	<b>3 639 233</b>	<b>3 724 618</b>	<b>2 386 174</b>	<b>2 386 174</b>
<b>Non-current financial assets:</b>					
Investments in related companies	(12)	1 685 672	-	1 682 828	-
Loans to related companies	(16)	1 155 565	-	117 620	117 620
Loans and receivables	(15)	13 987 061	17 711 758	6 215 523	8 859 789
Loans to shareholders and management	(13)	474 484	474 484	1 022 423	1 022 423
<b>Total long-term investments:</b>		<b>17 302 782</b>	<b>18 186 242</b>	<b>9 038 394</b>	<b>9 999 832</b>
<b>Total non-current assets:</b>		<b>21 108 199</b>	<b>22 216 809</b>	<b>11 631 522</b>	<b>12 740 304</b>
<b>Current assets:</b>					
<b>Inventories:</b>					
Finished goods and goods for sale	(14)	1 534 007	1 534 007	1 155 352	1 155 352
<b>Total inventories:</b>		<b>1 534 007</b>	<b>1 534 007</b>	<b>1 155 352</b>	<b>1 155 352</b>
<b>Receivables:</b>					
Loans and receivables	(15)	12 588 435	16 962 096	16 163 461	22 687 085
Receivables from members and board	(13)	-	-	165 112	165 112
Loans to related companies	(16)	2 876 548	-	5 725 734	2 528
Other debtors	(17)	135 227	374 756	183 065	275 751
Deferred expenses	(18)	224 366	279 523	93 988	108 539
<b>Total receivables:</b>		<b>15 824 576</b>	<b>17 616 375</b>	<b>22 331 360</b>	<b>23 239 015</b>
Cash and bank	(19)	3 768 356	4 591 954	812 301	1 135 644
<b>Total current assets:</b>		<b>21 126 939</b>	<b>23 742 336</b>	<b>24 299 013</b>	<b>25 530 011</b>
<b>Total assets</b>		<b>42 235 138</b>	<b>45 959 145</b>	<b>35 930 535</b>	<b>38 270 315</b>

Notes on pages from 16 to 45 are integral part of these financial statements.

  
Didzis Ādmiņš  
Chairman of the Board

  
Kristaps Bergmanis  
Board Member

  
Ivars Lamberts  
Board Member

  
Ināra Pudāne  
Chief accountant


Rīga, 23rd April 2021



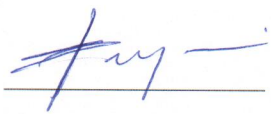
## Liabilities and equity

Equity:	Notes	31.12.2020. EUR	31.12.2020. EUR	31.12.2019. EUR	31.12.2019. EUR
Share capital	(20)	4 000 000	4 000 000	1 500 000	1 500 000
Retained earnings		775 437	1 353 992	2 774 384	2 954 156
Profit for the reporting year		3 259 813	3 897 470	3 501 053	3 913 336
<b>Total equity:</b>		<b>8 035 250</b>	<b>9 251 462</b>	<b>7 775 437</b>	<b>8 367 492</b>
<b>Creditors:</b>					
<b>Long-term creditors:</b>					
Bonds issued	(21)	8 441 717	8 441 717	6 059 853	6 059 853
Other borrowings	(22)	5 646 755	6 816 925	4 749 199	5 576 378
Lease liabilities	(11;23)	2 732 136	2 732 136	1 536 762	1 536 762
<b>Total long-term creditors:</b>		<b>16 820 608</b>	<b>17 990 778</b>	<b>12 345 814</b>	<b>13 172 993</b>
<b>Short-term creditors:</b>					
Bonds issued	(21)	5 022 652	5 022 652	1 764 767	1 764 767
Other borrowings	(22)	9 339 999	10 869 932	11 481 122	13 037 185
Lease liabilities	(11;23)	703 715	703 715	590 531	590 531
Trade payables	(25)	676 305	702 933	480 690	501 355
Accounts payable to affiliated companies	(24)	243 815	-	234 266	179
Taxes and social insurance	(26)	810 031	815 952	233 164	243 989
Accrued liabilities	(25)	582 763	601 721	1 024 744	591 824
<b>Total short-term creditors:</b>		<b>17 379 280</b>	<b>18 716 905</b>	<b>15 809 284</b>	<b>16 729 830</b>
<b>Total creditors</b>		<b>34 199 888</b>	<b>36 707 683</b>	<b>28 155 098</b>	<b>29 902 823</b>
<b>Total liabilities and equity</b>		<b>42 235 138</b>	<b>45 959 145</b>	<b>35 930 535</b>	<b>38 270 315</b>

Notes on pages from 16 to 45 are integral part of these financial statements.

  
Didzis Ādmīdiņš  
Chairman of the Board

Riga, 23rd April 2021

  
Kristaps Bergmanis  
Board Member

  
Ivars Lamberts  
Board Member

  
Ināra Pudāne  
Chief accountant



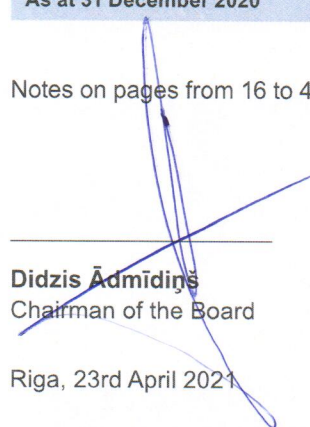
## Statement of changes in equity of the Company's for the year ended 31 December 2020

	Share capital EUR	Retained earnings EUR	Profit for the reporting year EUR	Total EUR
<b>As at 31 December 2018</b>	<b>1 500 000</b>	<b>(12 206)</b>	<b>4 286 590</b>	<b>5 774 384</b>
Dividends paid	-	(1 500 000)	-	(1 500 000)
Profit transfer	-	4 286 590	(4 286 590)	-
Profit for the reporting year	-	-	3 501 053	3 501 053
<b>As at 31 December 2019</b>	<b>1 500 000</b>	<b>2 774 384</b>	<b>3 501 053</b>	<b>7 775 437</b>
Dividends paid	-	(3 000 000)	-	(3 000 000)
Share capital transfer	2 500 000	(2 500 000)	-	-
Profit transfer	-	3 501 053	(3 501 053)	-
Profit for the reporting year	-	-	3 259 813	3 259 813
<b>As at 31 December 2020</b>	<b>4 000 000</b>	<b>775 437</b>	<b>3 259 813</b>	<b>8 035 250</b>

## Statement of changes in equity of the Group for the year ended 31 December 2020

	Share capital EUR	Retained earnings EUR	Profit for the reporting year EUR	Total EUR
<b>As at 31 December 2018</b>	<b>1 500 000</b>	<b>397 834</b>	<b>4 056 322</b>	<b>5 954 156</b>
Dividends paid	-	(1 500 000)	-	(1 500 000)
Profit transfer	-	4 056 322	(4 056 322)	-
Profit for the reporting year	-	-	3 913 336	3 913 336
<b>As at 31 December 2019</b>	<b>1 500 000</b>	<b>2 954 156</b>	<b>3 913 336</b>	<b>8 367 492</b>
Dividends paid	-	(3 000 000)	-	(3 000 000)
Share capital transfer	2 500 000	(2 500 000)	-	-
Retained earnings subsidiary inclusion	-	-	(13 500)	(13 500)
Profit transfer	-	3 913 336	(3 913 336)	-
Profit for the reporting year	-	-	3 897 470	3 897 470
<b>As at 31 December 2020</b>	<b>4 000 000</b>	<b>1 367 492</b>	<b>3 883 970</b>	<b>9 251 462</b>

Notes on pages from 16 to 45 are integral part of these financial statements.

  
Didzis Ādmiņš  
Chairman of the Board

  
Kristaps Bergmanis  
Board Member

  
Ivars Lamberts  
Board Member

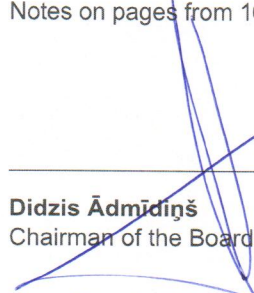
  
Inta Pudāne  
Chief accountant

Riga, 23rd April 2021

## Cash flow statement for the year ended 31 December 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
<b>Cash flow from operating activities</b>					
Profit before corporate income tax		4 013 529	4 652 006	3 851 010	4 263 293
<b>Adjustments for:</b>					
a) fixed assets and intangible assets depreciation	(9;10)	260 990	281 964	207 451	212 340
b) right-of-use assets depreciation	(10)	762 806	762 806	773 479	773 479
c) accruals and provisions (except for bad debts)		273 091	182 365	977 659	1 677 719
d) cessation results	(7)	438 241	620 101	410 312	543 671
e) accrued interest income		(362 315)	(548 686)	55 510	38 843
f) accrued interest expense		(445 770)	(627 630)	(397 747)	(531 106)
g) value adjustments of non-current and current financial assets		13 658	(78 256)	5 496	5 496
h) other adjustments		(2 844)	(13 500)	-	-
<b>Profit before adjustments of working capital and short-term liabilities</b>		<b>4 951 386</b>	<b>5 231 170</b>	<b>5 883 170</b>	<b>6 983 735</b>
<b>Adjustments for:</b>					
a) loans and receivables and other debtors (increase)		(3 927 426)	(2 858 972)	(4 496 795)	(11 584 992)
b) inventories (increase)		(378 655)	(378 655)	(307 241)	(307 241)
c) trade payable and accrued liabilities (decrease) / increase		(187 460)	264 478	(771 449)	(1 211 513)
<b>Gross cash flow from operating activities</b>		<b>457 845</b>	<b>2 258 021</b>	<b>307 685</b>	<b>(6 120 011)</b>
Corporate income tax payments		(349 957)	(349 957)	(78 868)	(78 879)
<b>Net cash flow from operating activities</b>		<b>107 888</b>	<b>1 908 064</b>	<b>228 817</b>	<b>(6 198 890)</b>
<b>Cash flow from investing activities</b>					
Acquisition of affiliated, associated or other companies shares or parts		-	-	(500 000)	-
Acquisition of fixed assets, intangibles	(9;10)	(1 535 249)	(1 542 115)	(806 307)	(810 497)
Proceeds from sales of fixed assets and intangibles		10 689	10 689	63 774	63 774
Loans issued/repaid (other than core business of the Company) (net)		2 524 292	833 199	(5 438 371)	(31 074)
<b>Net cash flow from investing activities</b>		<b>999 732</b>	<b>(698 227)</b>	<b>(6 680 904)</b>	<b>(777 797)</b>
<b>Cash flow from financing activities</b>					
Loans received		7 349 981	10 415 870	9 769 075	12 586 871
Loans repaid		(8 879 115)	(11 546 966)	(5 144 743)	(7 235 205)
Bonds issued		8 606 000	8 606 000	1 693 000	1 693 000
Redemption of bonds		(2 975 000)	(2 975 000)	(1 750 000)	(1 750 000)
Repayment of lease liabilities		746 569	746 569	828 489	828 489
Dividends paid		(3 000 000)	(3 000 000)	(1 500 000)	(1 500 000)
<b>Net cash flow from financing activities</b>	(29)	<b>1 848 435</b>	<b>2 246 473</b>	<b>3 895 821</b>	<b>4 623 155</b>
Net cash flow of the reporting year		2 956 055	3 456 310	(2 556 266)	(2 353 532)
<b>Cash and cash equivalents at the beginning of the reporting year</b>		<b>812 301</b>	<b>1 135 644</b>	<b>3 368 567</b>	<b>3 489 176</b>
<b>Cash and cash equivalents at the end of the reporting year</b>		<b>3 768 356</b>	<b>4 591 954</b>	<b>812 301</b>	<b>1 135 644</b>

Notes on pages from 16 to 45 are integral part of these financial statements.

  
Didzis Ādmīdiņš  
Chairman of the Board

  
Kristaps Bergmanis  
Board Member

  
Ivars Lamberts  
Board Member

  
Inta Pudāne  
Chief accountant

Riga, 23rd April 2021



## 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 financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

#### Changes in significant accounting policies, reclassifications and correction of errors

The Group has adopted Standards that are required to be adopted in annual periods beginning on 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).

These Standards do not have a material effect on the Group's financial statements.

#### Reclassifications and correction of errors

- (a) In these financial statements, the Group and the Company have changed the presentation of Credit loss expenses. In 2019, credit losses expenses were presented within Selling expenses. In 2020, for better presentation of financial information, the Group and the Company reclassified Credit loss expenses from selling expenses to the separate item in Statement of profit or loss.
- (b) In 2020, the Group and the Company have changed the presentation of Losses on cessions. In 2019, it was presented within Interest expenses and similar expenses. Moreover, the effect from reversal of allowance on expected credit losses (ECL) for cessioned loans was presented under Selling expenses. In 2020, for better presentation of financial information, the Group and the Company reclassified Losses on cessions to Other operating expenses, including the effect from reversal of ECL allowance.
- (c) In addition, in 2019 the Group and the Company incorrectly presented part of credit losses expenses within Interest income. In 2020, to comply with presentation requirements of IFRS 9, the Group reclassified the abovementioned amount from Interest income and similar income to Credit losses expenses.

The effect of changes on the Statement of profit or loss of the Group for 2019 is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	16 382 466	391 946	16 774 412
Interest expenses and similar expenses	(b)	(4 352 226)	1 499 243	(2 852 983)
Credit loss expenses	(a), (b), (c)	–	(1 896 009)	(1 896 009)
Selling expenses	(a)	(5 974 428)	548 491	(5 425 937)
Other operating expenses	(b)	(199 778)	(543 671)	(743 449)
<b>Total in Statement of profit or loss</b>		<b>5 856 034</b>	<b>–</b>	<b>5 856 034</b>

The effect of changes on the Statement of profit or loss of the Company for 2019 is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	14 968 334	320 672	15 289 006
Interest expenses and similar expenses	(b)	(3 856 979)	1 169 308	(2 687 671)
Credit loss expenses	(a), (b), (c)	–	(1 502 467)	(1 502 467)
Selling expenses	(a)	(5 641 153)	422 799	(5 218 354)
Other operating expenses	(b)	(197 288)	(410 312)	(607 600)
<b>Total in Statement of profit or loss</b>		<b>5 272 914</b>	<b>–</b>	<b>5 272 914</b>

**Notes (continued)**

**Accounting policies (continued)**

**Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

These standards are listed below and are not expected to have a significant impact on the Group's financial statements. The Company intends to implement them on their effective date.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective from 1 January 2021;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020, effective from 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective from 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective from 1 January 2022;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2023;
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective from 1 January 2023.

**(b) Consolidation principles**

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

**(c) Recognition of revenue and expenses**

**- Net sales**

Net revenue represents the total value of inventory sold during the year net of value added tax. Revenue from sale of inventory is recognized when control of the inventory is transferred to the customer at an amount that reflects the consideration to which Group expects to be entitled in exchange for those inventories. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured at the fair value of the consideration received, excluding sales taxes.

**- Interest income and similar income**

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

**- Other income**

Other income is recognised based on accruals principle.

**- Expenses**

Expenses are recognised based on accruals principle in the period of origination, irrespective 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”.

Notes (continued)

Accounting policies (continued)

(d) Foreign currency translation

**(d1) 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.

**(d2) 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:

	31.12.2020. 1 EUR	31.12.2019. 1 EUR
USD	1.23	1.12
RUB	91.47	69.96

(e) Fair value of Financial instruments

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. See also note 33.

(f) 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.

(g) Intangible assets (including Company's 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
Concessions, patents, trademarks and similar rights	3 – 5
Other intangible assets	3 – 5
Land, buildings, structures and perennials	20
Other fixed assets	3 – 5
Leasehold improvements	1 – 19
Right-of-use premises	1 – 19
Right-of-use vehicles	3 - 4

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.

(h) Investments in the subsidiaries and associated companies

In the financial statements the investments in associated companies are carried at cost less impairment. Cost represents consideration paid for acquisition of subsidiaries as well as additional contributions to share capital of subsidiaries. Impairment is defined as the difference between the cost and recoverable amount. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use.



Notes (continued)

Accounting policies (continued)

(i) **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).

(j) **Inventories**

Inventories are stated at the lower of cost or net realisable value. 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. Inventories are measured at the lower of cost or net realisable value.

(k) **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. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. Loans are initially measured at their fair value. The Group subsequently measures consumer loans at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Company is using a 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.
- 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.

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 fulfil 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.

**Notes (continued)**

**Accounting policies (continued)**

The Group continuously monitors all assets subject to ECLs in order to identify if there has been significant increase in credit risk. If there is increase, relevant adjustments to ECL are made.

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 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.

**(l) Leases**

*i. Group as lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

The Group does not apply IASB practical expedient on COVID-19-Related Rent Concessions and adjusts both right-of-use assets and lease liabilities when modifications of lease contracts occur.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below EUR 4.5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*ii. Operating – Group as lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as income in the period in which they are earned.

**(m) 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 is subject to a 20% gross tax or 20/80 of the net cost. Corporate income tax on dividend payments is recognized in the income statement. According to law effective 25% tax is applied to non-business related expenses.

Notes (continued)

Accounting policies (continued)

**(n) 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.

**(o) Borrowings**

Initially borrowings are recognised at fair value amounting to 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.

**(p) 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.

**(q) 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.

**(r) Financial risk management**

**(r1) Financial risk factors**

The activities of the Company expose it to different financial risks:

- (r1.1) foreign currency risk;
- (r1.2) credit risk;
- (r1.3) operational risk;
- (r1.4) market risk;
- (r1.5) liquidity risk;
- (r1.6) 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.

**(r1.1) Foreign exchange risk**

The Company operates mainly in the local market and its exposure to foreign exchange risk is not relevant.

**(r1.2) 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.

**(r1.3) 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.

**(r1.4) 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. As at 31 December 2020 all interest rates are fixed except for lease contracts amounting to 292 thousand EUR with contracts concluded in EUR currency with variable part denominated as 6 month EURIBOR rate. The interest rate market risk is considered to be low.

**(r1.5) 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. For analysis of financial liabilities by remaining contractual maturities please see note 34.

Notes (continued)

Accounting policies (continued)

**(r1.6) 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.

**(r2) 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:

	Company	Group	Company	Group
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
	EUR	EUR	EUR	EUR
Bonds issued	13 464 369	13 464 369	7 824 620	7 824 620
Other borrowings	14 986 754	17 686 857	16 230 321	18 613 563
Lease liabilities	3 435 851	3 435 851	2 127 293	2 127 293
Accounts payable to affiliated companies	243 815	-	234 266	179
Trade payables and accrued liabilities	1 259 068	1 304 654	1 505 434	1 093 179
Taxes and social insurance	810 031	815 952	233 164	243 989
<b>Gross debts</b>	<b>34 199 888</b>	<b>36 707 683</b>	<b>28 155 098</b>	<b>29 902 823</b>
Cash and bank	(3 768 356)	(4 591 954)	(812 301)	(1 135 644)
<b>Net debts</b>	<b>30 431 532</b>	<b>32 115 729</b>	<b>27 342 797</b>	<b>28 767 179</b>
Equity	8 035 250	9 251 462	7 775 437	8 367 492
<b>Liabilities / equity ratio</b>	<b>4.26</b>	<b>3.97</b>	<b>3.62</b>	<b>3.57</b>
<b>Net liabilities / equity ratio</b>	<b>3.79</b>	<b>3.47</b>	<b>3.52</b>	<b>3.44</b>

**(s) Significant assumptions and estimates**

The preparation of the financial statements requires management to make professional judgments, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Assumptions and estimates based on those assumptions are analyzed regularly to identify if changes are required. The changes in accounting estimates are recognized in the reporting period when the estimates were changed and in all periods that follow.

Useful life of fixed assets

The Company assesses the remaining useful lives of items of fixed assets at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. These estimates may have a material impact on the carrying amount of fixed assets and depreciation recognized in the statement of profit or loss.

Impairment of fixed assets

The Company reviews the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. The Company's impairment test for property and equipment is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

Net realisable value of inventories

The cost of the Company's inventory may have to be reduced to its net realisable value if the inventory has become damaged, is wholly or partly obsolete, or if its selling price has declined. The costs of inventory may not be recovered from sale because of increases in the costs to complete, or the estimated selling costs. Writing inventory down to net realisable value is carried out on an item-by-item basis. The Company's estimates of net realisable value are based on the most reliable evidence available and take into account fluctuations of price or cost after the end of the period if this is evidence of conditions existing at the end of the period.

**Notes (continued)**

**Accounting policies (continued)**

Leases – estimating the incremental borrowing rate

In case the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Impairment losses on loans to customers

The measurement of impairment losses on loans to customers requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Deterioration in credit quality of loan portfolios as a result of the COVID-19 pandemic may have a significant impact on the Group's ECL measurement. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Group's criteria for assessing if there has been a significant increase in credit risk;
- ▶ Development of ECL models, including the various formulae and the choice of inputs.

**(t) Related parties**

Related parties include the shareholders, members of the Board 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 2018 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".

**(u) 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.

**(v) Contingencies**

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

**(w) 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.

**(x) 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. For management purposes, the Company is organised into three operating segments based on products and services. The Company's segments are Pawnloan segment, Consumer loans segment and Other operating segment. Under Other operating segment there are accounted general Group administrative operations, services provided to related entities and real estates project development financing activities.



Notes (continued)

(1) Net sales

Net revenue by type of revenue

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Income from sales of goods	3 686 567	3 686 567	3 186 585	3 186 585
Income from sales of precious metals	1 714 530	1 714 530	1 459 345	1 459 345
Other income, loan and mortgage realization and storage commissions	763 134	763 134	757 534	757 534
	<b>6 164 231</b>	<b>6 164 231</b>	<b>5 403 464</b>	<b>5 403 464</b>

Net revenue by geographical markets and type of operation

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Sales of product in Latvia	3 686 567	3 686 567	3 186 585	3 186 585
Sales of precious metals in Latvia	1 714 530	1 714 530	1 459 345	1 459 345
Sales of services in Latvia	763 134	763 134	757 534	757 534
	<b>6 164 231</b>	<b>6 164 231</b>	<b>5 403 464</b>	<b>5 403 464</b>

(2) Cost of sales

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Cost of sales of goods	2 544 053	2 544 053	2 193 388	2 193 388
Cost of sales of precious metals	1 680 279	1 680 279	1 410 219	1 410 219
	<b>4 224 332</b>	<b>4 224 332</b>	<b>3 603 607</b>	<b>3 603 607</b>

(3) Interest income and similar income

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
<b>Interest revenue calculated using effective interest rate:</b>				
Interest income according effective interest rate method	10 785 043	12 825 482	10 610 775	12 096 181
Interest income on pledges realization	4 669 988	4 669 988	4 678 129	4 678 129
Interest income on loans to the vehicle pledges	4 285	4 285	-	-
Interest income on mortgage loans	-	-	102	102
	<b>15 459 316</b>	<b>17 499 755</b>	<b>15 289 006</b>	<b>16 774 412</b>

(4) Interest expenses and similar expenses

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Interest expense on other borrowings	1 559 169	1 771 547	1 473 703	1 639 014
Bonds' coupon expense	1 528 063	1 528 063	1 075 282	1 075 282
Interest expense for right to use premises	186 800	186 800	133 137	133 137
Interest expense on lease	2 344	2 344	3 968	3 968
Interest expense for right to use vehicles	1 443	1 443	1 347	1 347
Net loss on foreign exchange	192	192	234	235
	<b>3 278 011</b>	<b>3 490 389</b>	<b>2 687 671</b>	<b>2 852 983</b>

Notes (continued)

(5) Selling expenses

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Salary expenses	2 352 184	2 352 184	2 408 184	2 408 184
Depreciation of right-of-use assets - premises	640 604	640 604	698 054	698 054
Social insurance	563 848	563 848	577 146	577 146
Advertising	407 820	548 490	330 882	474 651
Depreciation of fixed assets	260 990	281 964	207 451	212 340
Non-deductible VAT	194 729	238 414	247 733	292 043
Utilities expense	191 457	191 457	180 102	180 102
Maintenance expenses	131 321	131 571	82 856	83 433
Impairment on illiquid stocks	100 299	100 299	82 453	82 453
Transportation expenses	73 764	73 764	87 789	87 789
Software maintenance expenses	39 767	43 018	34 578	38 013
Depreciation of right-of-use assets - motor vehicles	38 394	38 394	36 312	36 312
Communication expenses	36 502	36 560	35 940	36 006
Debt collection expenses	35 430	46 020	47 334	58 501
Goods and fixed assets write-off	29 516	29 776	34 289	34 289
Security expenses	25 212	25 212	25 477	25 477
Renovation expenses	21 484	21 484	20 444	20 444
Labor protection expenditure	21 099	21 099	17 554	17 554
Insurance expenses	18 640	18 744	15 337	15 337
Expenditure on recruitment and training of workers	14 051	14 051	17 401	17 926
Other expenses	9 286	13 964	22 951	21 796
Business trip expenses	3 478	3 478	6 836	6 836
Provisions for unused annual leave and bonuses	(8 551)	(8 551)	1 251	1 251
	<b>5 201 324</b>	<b>5 425 844</b>	<b>5 218 354</b>	<b>5 425 937</b>

(6) Administrative expenses

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Salary expenses	2 044 406	2 067 061	2 053 114	2 074 648
Social insurance	485 739	490 688	494 134	499 321
Bank commission	442 209	497 079	409 236	452 556
Information database subscriptions, maintenance	78 901	106 961	90 581	127 043
Depreciation of right-of-use assets - premises	75 412	75 412	34 109	34 109
Legal advice	72 951	75 826	60 097	69 294
Office utilities expense	34 925	34 925	28 179	28 179
Office expenses	30 318	37 734	30 616	30 616
Other administrative expenses	28 253	28 253	23 359	28 932
Communication expenses	25 759	26 186	26 854	27 294
Membership fees in professional organizations	21 399	21 399	28 146	31 546
Audit expenses*	20 700	37 903	18 700	29 603
State fees and duties, licence expense	16 371	30 614	17 189	32 845
Depreciation of right-of-use assets - motor vehicles	8 396	8 396	5 004	5 004
Provisions for unused annual leave and bonuses	1 284	1 321	16 155	16 540
	<b>3 387 023</b>	<b>3 539 758</b>	<b>3 335 473</b>	<b>3 487 530</b>

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

Notes (continued)

(7) Other operating expenses

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Losses from cession	438 241	620 101	410 312	543 671
Donations	104 724	104 724	66 000	66 000
Other expenses	34 208	34 208	37 742	37 742
Fines	24 711	25 066	4 405	4 405
Loss on settlement of liabilities	21 186	23 681	18 625	21 115
Staff sustainability costs	4 479	4 479	70 516	70 516
	<b>627 549</b>	<b>812 259</b>	<b>607 600</b>	<b>743 449</b>

(8) Corporate income tax for the reporting year

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
Corporate income tax charge for the current year	753 716	754 536	349 957	349 957
	<b>753 716</b>	<b>754 536</b>	<b>349 957</b>	<b>349 957</b>

This tax mainly concerned dividends paid out of the previous year's profits.

(9) Intangible of the Company

	Concessions, patents, trademarks and similar rights EUR	Other intangible assets EUR	Advances EUR	Total EUR
<b>Cost</b>				
<b>31.12.2018.</b>	<b>307 363</b>	<b>39 504</b>	-	<b>346 867</b>
Additions	47 555	4 844	6 748	59 147
Disposals	(145)	(12 500)	-	(12 645)
<b>31.12.2019.</b>	<b>354 773</b>	<b>31 848</b>	<b>6 748</b>	<b>393 369</b>
Additions	1 387	41 046	-	42 433
Transfers	-	6 748	(6 748)	-
Disposals	(35)	(19 082)	-	(19 117)
<b>31.12.2020.</b>	<b>356 125</b>	<b>60 560</b>	-	<b>416 685</b>
<b>Amortisation</b>				
<b>31.12.2018.</b>	<b>103 339</b>	<b>16 727</b>	-	<b>120 066</b>
Charge for 2019	67 378	11 616	-	78 994
Disposals	(145)	(12 500)	-	(12 645)
<b>31.12.2019.</b>	<b>170 572</b>	<b>15 843</b>	-	<b>186 415</b>
Charge for 2020	61 331	11 217	-	72 548
Disposals	(35)	(8 427)	-	(8 462)
<b>31.12.2020.</b>	<b>231 868</b>	<b>18 633</b>	-	<b>250 501</b>
<b>Net book value 31.12.2020.</b>	<b>124 257</b>	<b>41 927</b>	-	<b>166 184</b>
<b>Net book value 31.12.2019.</b>	<b>184 201</b>	<b>16 005</b>	<b>6 748</b>	<b>206 954</b>

Notes (continued)

Intangible of the Company (continued)

Intangible of the Group

	Concessions, patents, trademarks and similar rights	Other intangible assets	Advances	Company's Goodwill	Total
	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>					
<b>31.12.2018.</b>	<b>307 363</b>	<b>64 288</b>	<b>-</b>	<b>127 616</b>	<b>499 267</b>
Additions	47 555	9 034	6 748	-	63 337
Disposals	(145)	(12 500)	-	-	(12 645)
<b>31.12.2019.</b>	<b>354 773</b>	<b>60 822</b>	<b>6 748</b>	<b>127 616</b>	<b>549 959</b>
Additions	1 387	47 912	-	-	49 299
Transfers	-	6 748	(6 748)	-	-
Disposals	(35)	(35 164)	-	-	(35 199)
<b>31.12.2020.</b>	<b>356 125</b>	<b>80 318</b>	<b>-</b>	<b>127 616</b>	<b>564 059</b>
<b>Amortisation</b>					
<b>31.12.2018.</b>	<b>103 339</b>	<b>21 084</b>	<b>-</b>	<b>-</b>	<b>124 423</b>
Charge for 2019	67 378	16 505	-	-	83 883
Disposals	(145)	(12 500)	-	-	(12 645)
<b>31.12.2019.</b>	<b>170 572</b>	<b>25 089</b>	<b>-</b>	<b>-</b>	<b>195 661</b>
Charge for 2020	61 331	25 661	-	-	86 992
Disposals	(35)	(24 508)	-	-	(24 543)
<b>31.12.2020.</b>	<b>231 868</b>	<b>26 242</b>	<b>-</b>	<b>-</b>	<b>258 110</b>
<b>Net book value 31.12.2020.</b>	<b>124 257</b>	<b>54 076</b>	<b>-</b>	<b>127 616</b>	<b>305 949</b>
<b>Net book value 31.12.2019.</b>	<b>184 201</b>	<b>35 733</b>	<b>6 748</b>	<b>127 616</b>	<b>354 298</b>

(10) Fixed assets of the Company

	Other fixed assets and inventory	Advances	Leasehold improve- ments	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>							
<b>31.12.2018.</b>	<b>759 792</b>	<b>-</b>	<b>369 066</b>	<b>-</b>	<b>296 482</b>	<b>296 482</b>	<b>1 425 340</b>
IFRS 16 adoption impact	-	-	-	1 991 044	19 600	2 010 644	2 010 644
Additions	254 213	4 770	52 942	362 795	72 440	435 235	747 160
Remeasurement	-	-	-	346 910	-	346 910	346 910
Disposals	(84 327)	-	-	(24 983)	(101 153)	(126 136)	(210 463)
Transfers	4 770	(4 770)	-	-	-	-	-
<b>31.12.2019.</b>	<b>934 448</b>	<b>-</b>	<b>422 008</b>	<b>2 675 766</b>	<b>287 369</b>	<b>2 963 135</b>	<b>4 319 591</b>
Additions	109 625	-	189 448	1 171 129	22 614	1 193 743	1 492 816
Remeasurement	-	-	-	716 006	-	716 006	716 006
Disposals	(51 549)	-	-	(2 864)	(17 832)	(20 696)	(72 245)
<b>31.12.2020.</b>	<b>992 524</b>	<b>-</b>	<b>611 456</b>	<b>4 560 037</b>	<b>292 151</b>	<b>4 852 188</b>	<b>6 456 168</b>
<b>Depreciation</b>							
<b>31.12.2018.</b>	<b>637 549</b>	<b>-</b>	<b>334 541</b>	<b>-</b>	<b>225 154</b>	<b>225 154</b>	<b>1 197 244</b>
Charge for 2019	95 505	-	32 952	732 163	41 316	773 479	901 936
Disposals	(81 284)	-	-	(9 456)	(75 023)	(84 479)	(165 763)
<b>31.12.2019.</b>	<b>651 770</b>	<b>-</b>	<b>367 493</b>	<b>722 707</b>	<b>191 447</b>	<b>914 154</b>	<b>1 933 417</b>
Charge for 2020	141 086	-	47 356	716 017	46 789	762 806	951 248
Disposals	(48 546)	-	-	(1 718)	(17 466)	(19 184)	(67 730)
<b>31.12.2020.</b>	<b>744 310</b>	<b>-</b>	<b>414 849</b>	<b>1 437 006</b>	<b>220 770</b>	<b>1 657 776</b>	<b>2 816 935</b>
<b>Net book value 31.12.2020.</b>	<b>248 214</b>	<b>-</b>	<b>196 607</b>	<b>3 123 031</b>	<b>71 381</b>	<b>3 194 412</b>	<b>3 639 233</b>
<b>Net book value 31.12.2019.</b>	<b>282 678</b>	<b>-</b>	<b>54 515</b>	<b>1 953 059</b>	<b>95 922</b>	<b>2 048 981</b>	<b>2 386 174</b>

Notes (continued)

Fixed assets of the Company (continued)

Fixed assets of the Group

	Land, buildings, structures and perennials	Other fixed assets and inventory	Advances	Leasehold improvements	Right-of-use premises	Right-of-use vehicles	Right-of-use assets, total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>								
<b>31.12.2018.</b>	-	759 792	-	369 066	-	296 482	296 482	1 425 340
IFRS 16 adoption impact	-	-	-	-	1 991 044	19 600	2 010 644	2 010 644
Additions	-	254 213	4 770	52 942	362 795	72 440	435 235	747 160
Lease modification	-	-	-	-	346 910	-	346 910	346 910
Disposals	-	(84 327)	-	-	(24 983)	(101 153)	(126 136)	(210 463)
Transfers	-	4 770	(4 770)	-	-	-	-	-
<b>31.12.2019.</b>	-	934 448	-	422 008	2 675 766	287 369	2 963 135	4 319 591
Additions	-	109 625	-	189 448	1 171 129	22 614	1 193 743	1 492 816
Lease modification	-	-	-	-	716 006	-	716 006	716 006
Disposals	-	(51 549)	-	-	(2 864)	(17 832)	(20 696)	(72 245)
Acquired in business combination	130 069	-	-	-	-	-	-	130 069
<b>31.12.2020.</b>	130 069	992 524	-	611 456	4 560 037	292 151	4 852 188	6 586 237
<b>Depreciation</b>								
<b>31.12.2018.</b>	-	637 549	-	334 541	-	225 154	225 154	1 197 244
Charge for 2019	-	95 505	-	32 952	732 163	41 316	773 479	901 936
Disposals	-	(81 284)	-	-	(9 456)	(75 023)	(84 479)	(165 763)
<b>31.12.2019.</b>	-	651 770	-	367 493	722 707	191 447	914 154	1 933 417
Charge for 2020	6 530	141 086	-	47 356	716 017	46 789	762 806	957 778
Disposals	-	(48 546)	-	-	(1 718)	(17 466)	(19 184)	(67 730)
Acquired in business combination	38 154	-	-	-	-	-	-	38 154
<b>31.12.2020.</b>	44 684	744 310	-	414 849	1 437 006	220 770	1 657 776	2 861 619
<b>Net book value</b>								
<b>31.12.2020.</b>	85 385	248 214	-	196 607	3 123 031	71 381	3 194 412	3 724 618
<b>Net book value</b>								
<b>31.12.2019.</b>	-	282 678	-	54 515	1 953 059	95 922	2 048 981	2 386 174

(11) Right-of-use assets and lease liabilities

The Group adopted IFRS 16 with an initial application date of 1 January 2019. The entity applied the modified retrospective transition method. The amounts disclosed in the extracts are expressed in euros. The entity provided quantitative disclosures in its consolidated financial statements in a tabular format based on the nature of the disclosure item (i.e., asset, equity and liability and income statement). Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated statement of financial position and statement of comprehensive income:

	31.12.2020. EUR	31.12.2019. EUR
<b>Non-current assets</b>		
Right-of-use assets - premises	3 123 031	1 953 059
Right-of-use assets - motor vehicles	71 381	95 922
<b>Assets, total</b>	<b>3 194 412</b>	<b>2 048 981</b>
<b>Non-current liabilities</b>		
Lease liabilities	2 732 136	1 536 762
<b>Current liabilities</b>		
Lease liabilities	703 715	590 531
<b>Lease liabilities, total</b>	<b>3 435 851</b>	<b>2 127 293</b>



Notes (continued)

Rights of use assets and lease liabilities (continued)

Leases in the statement of comprehensive income

	2020 EUR	2019 EUR
<i>Interest expenses and similar expenses</i>		
Interest expense for right-of-use premises	(186 800)	(133 137)
Interest expense for right-of-use vehicles	(1 443)	(1 347)
<i>Selling expense</i>		
Depreciation of right-of-use assets - premises	(640 604)	(698 054)
Depreciation of right-of-use assets - motor vehicles	(38 394)	(36 312)
<i>Administrative expenses</i>		
Depreciation of right-of-use assets - premises	(75 412)	(34 109)
Depreciation of right-of-use assets - motor vehicles	(8 396)	(5 004)
<b>Leases in the statement of comprehensive income, total</b>	<b>(951 049)</b>	<b>(907 963)</b>

The weighted-average incremental borrowing rate for premises lease in 2020 was 5.25% (2019 was 6.33%), weighted-average incremental borrowing rate for motor vehicles was 3.20% (2019 was 3.70%) per year.

(12) Company's investments in subsidiaries

Company is the sole shareholder of the subsidiary SIA ExpressInkasso (100%), of the subsidiary SIA ViziaFinance (100%), of the subsidiary SIA REFIN (100%) and implemented acquisition of 100% shares of the subsidiary SIA Banknote commercial properties in 2020.

a) participating interest in subsidiaries

Name	Investments in share capital of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2020. EUR	31.12.2019. EUR	31.12.2020. %	31.12.2019. %
SIA ExpressInkasso	2 828	2 828	100	100
SIA ViziaFinance	880 000	880 000	100	100
SIA REFIN	800 000	800 000	100	100
SIA Banknote commercial properties (from 30.09.2020.)	2 844	-	100	-
	<b>1 685 672</b>	<b>1 682 828</b>		

b) information on subsidiaries

Name	Address	Total equity		Profit/ (loss) for the period	
		31.12.2020. EUR	31.12.2019. EUR	2020 EUR	2019 EUR
SIA ExpressInkasso	Skanstes street 50A, LV-1013 Riga, Latvia	380 318	366 841	13 477	120 886
The company is engaged in debt collection activities and is licensed by the Consumer Rights Protection Center in the field of out-of-court debt recovery.					
SIA ViziaFinance	Skanstes street 50A, LV-1013 Riga, Latvia	1 488 808	921 436	567 372	227 895
Basic operation of SIA ViziaFinance is providing consumer lending services, dealing with unsecured loans. The company has a Consumer Rights Protection Center's license in the field of consumer lending.					
SIA REFIN	Skanstes street 50A, LV-1013 Riga, Latvia	809 336	408 991	400 345	(386 497)
Basic operation of SIA REFIN is providing consumer lending services, issuing loans for unsecured real estate loans.					
SIA Banknote commercial properties (from 30.09.2020.)	Skanstes street 50A, LV-1013 Riga, Latvia	(4 193)	(10 656)	6 463	5 745
Basic operation of SIA Banknote commercial properties are renting and operating of own or leased real estate.					

Notes (continued)

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

Cost	Loans to members
	EUR
<b>31.12.2018.</b>	<b>1 072 274</b>
Loans issued	371 000
Loans repaid	(450 435)
Interest of loans	29 584
<b>31.12.2019.</b>	<b>1 022 423</b>
Loans issued	438 669
Loans repaid	(1 036 932)
Interest of loans	56 450
Interest repaid	(6 126)
<b>31.12.2020.</b>	<b>474 484</b>
<b>Net book value as at 31.12.2020.</b>	<b>474 484</b>
<b>Net book value as at 31.12.2019.</b>	<b>1 022 423</b>

Interest on borrowing is in range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (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.

	Currency	Year of issue	Interest rate	Maturity	31.12.2020.	31.12.2019.
AE Consulting SIA	EUR	2019	4%	2023	381 796	1 022 423
L24 Finance SIA	EUR	2016	3.01%	2025	83 688	-
EA investments AS	EUR	2020	4%	2025	9 000	-
<b>Loans to members, total</b>					<b>474 484</b>	<b>1 022 423</b>

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

	31.12.2020. EUR	31.12.2019. EUR
Goods for sale and pledges taken over	1 271 073	963 226
Inventory made of gold	262 934	192 126
	<b>1 534 007</b>	<b>1 155 352</b>

In 2020, write-off to net realizable value of inventories amounted to EUR 100 299 (in 2019: EUR 82 453).

a) *Age analysis of stock*

	31.12.2020. EUR	31.12.2019. EUR
Outstanding for 0-180 days	1 134 122	822 135
Outstanding for 181-360 days	386 903	292 570
Outstanding for more than 360 days	12 982	40 647
<b>Total stock</b>	<b>1 534 007</b>	<b>1 155 352</b>

Notes (continued)

(15) Loans and receivables

a) Loans and receivables by loan type

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
<b>Debtors for loans issued against pledge</b>				
Long-term debtors for loans issued against pledge	85 492	85 492	82 067	82 067
Short-term debtors for loans issued against pledge	2 945 052	2 945 052	3 284 156	3 284 156
Interest accrued for loans issued against pledge	139 425	139 425	164 532	164 532
<b>Debtors for loans issued against pledge, total</b>	<b>3 169 969</b>	<b>3 169 969</b>	<b>3 530 755</b>	<b>3 530 755</b>
<b>Debtors for loans issued without pledge</b>				
Long-term debtors for loans issued without pledge	13 901 569	17 626 266	6 133 456	8 777 722
Short-term debtors for loans issued without pledge	11 042 149	16 025 664	13 911 229	21 143 897
Interest accrued for loans issued without pledge	834 094	1 470 419	767 343	1 325 371
<b>Debtors for loans issued without pledge, total</b>	<b>25 777 812</b>	<b>35 122 349</b>	<b>20 812 028</b>	<b>31 246 989</b>
<b>Loans and receivables before allowance, total</b>	<b>28 947 781</b>	<b>38 292 318</b>	<b>24 342 783</b>	<b>34 777 743</b>
<b>ECL allowance on loans to customers</b>	<b>(2 372 285)</b>	<b>(3 618 464)</b>	<b>(1 963 800)</b>	<b>(3 230 871)</b>
<b>Loans and receivables</b>	<b>26 575 496</b>	<b>34 673 854</b>	<b>22 378 984</b>	<b>31 546 874</b>

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. Losses from these transactions were recognised in the current year.

The claims in amount of EUR 2 112 499 (31.12.2019: EUR 2 492 473) 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 3 527 873, which is 1.67 times higher than the carrying value, therefore provisions for overdue loans are not made.

'Debtors for loans issued without pledge' includes the Company's subsidiary SIA REFIN which has unsecured loans granted to legal entities registered in Latvia, whose economic activity includes the development and sale of real estate. The carrying amount of the loans at the reporting date is EUR 3 623 thousand. The Group received repayments on these loans after the year end and decreased its exposure to EUR 983 thousand.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the year ended 31 December 2020 is as follows:

Company	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying value as at 1 January 2020</b>	<b>21 945 171</b>	<b>849 442</b>	<b>1 548 170</b>	<b>24 342 783</b>
New assets originated or purchased	43 054 244	-	-	43 054 244
Assets settled or partly settled	(36 177 500)	(96 394)	(80 373)	(36 354 267)
Assets written off or sold	-	(1 394 027)	(767 701)	(2 161 728)
Effect of interest accruals	109 144	(26 682)	(15 712)	66 750
Transfers to Stage 1	374 778	(44 493)	(330 285)	-
Transfers to Stage 2	(1 572 688)	1 579 067	(6 379)	-
Transfers to Stage 3	(1 373 471)	(80 939)	1 454 410	-
<b>At 31 December 2020</b>	<b>26 359 678</b>	<b>785 974</b>	<b>1 802 130</b>	<b>28 947 781</b>

Notes (continued)

Loans and receivables (continued)

Company	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2020</b>	<b>954 407</b>	<b>148 141</b>	<b>861 251</b>	<b>1 963 800</b>
New assets originated or purchased	1 897 260	-	-	1 897 260
Assets settled or partly settled	(1 301 785)	(29 231)	(77 831)	(1 408 847)
Assets written off or sold	-	(345 138)	(526 137)	(871 275)
Effect of interest accruals	1 819	(6 066)	(15 770)	(20 017)
Transfers to Stage 1	11 392	(5 818)	(5 574)	-
Transfers to Stage 2	(139 553)	142 905	(3 352)	-
Transfers to Stage 3	(383 553)	(67 043)	450 596	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	46 561	419 540	345 263	811 364
<b>At 31 December 2020</b>	<b>1 086 548</b>	<b>257 290</b>	<b>1 028 446</b>	<b>2 372 285</b>

Group	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying value as at 1 January 2020</b>	<b>31 957 718</b>	<b>1 043 994</b>	<b>1 736 689</b>	<b>39 342</b>	<b>34 777 743</b>
New assets originated or purchased	48 124 875	-	-	-	48 124 875
Assets settled or partly settled	(41 710 094)	(121 165)	(102 879)	(3 147)	(41 937 285)
Assets written off	-	(1 781 024)	(1 037 037)	-	(2 818 061)
Effect of interest accruals	152 658	(20 456)	12 845	-	145 047
Transfers to Stage 1	435 581	(86 907)	(348 674)	-	-
Transfers to Stage 2	(2 114 632)	2 124 417	(9 785)	-	-
Transfers to Stage 3	(1 872 254)	(102 599)	1 974 853	-	-
<b>At 31 December 2020</b>	<b>34 973 852</b>	<b>1 056 260</b>	<b>2 226 012</b>	<b>36 195</b>	<b>38 292 319</b>

Group	Stage 1	Stage 2	Stage 3	POCI	Total
<b>ECL as at 1 January 2020</b>	<b>2 047 613</b>	<b>198 351</b>	<b>984 907</b>	<b>-</b>	<b>3 230 871</b>
New assets originated or purchased	2 544 523	-	-	-	2 544 523
Assets settled or partly settled	(1 882 525)	(35 623)	(78 442)	-	(1 996 590)
Assets written off	-	(445 013)	(699 243)	-	(1 144 256)
Effect of interest accruals	4 957	(3 193)	12 787	-	14 551
Transfers to Stage 1	15 890	(8 955)	(6 934)	-	-
Transfers to Stage 2	(218 098)	222 480	(4 382)	-	-
Transfers to Stage 3	(570 449)	(102 989)	673 438	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	(47 386)	544 101	472 649	-	969 365
<b>At 31 December 2020</b>	<b>1 894 525</b>	<b>369 159</b>	<b>1 354 780</b>	<b>-</b>	<b>3 618 464</b>

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

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Receivables not yet due	24 358 172	32 473 188	20 264 843	29 924 557
Outstanding 1-30 days	2 009 196	2 508 354	1 688 018	2 040 851
Outstanding 31-90 days	785 974	1 056 261	849 442	1 043 994
Outstanding 91-180 days	722 713	989 467	464 520	537 798
Outstanding for 181-360 days	359 486	428 390	391 775	440 078
Outstanding for more than 360 days	712 240	836 658	684 185	790 465
<b>Total claims against debtors for loans issued</b>	<b>28 947 781</b>	<b>38 292 318</b>	<b>24 342 783</b>	<b>34 777 743</b>

Notes (continued)

Loans and receivables (continued)

d) Age analysis of provision for bad and doubtful trade debtors:

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
For trade debtors not yet due	996 987	1 769 822	871 100	1 937 818
Outstanding 1-30 days	86 384	123 306	83 307	109 795
Outstanding 31-90 days	257 290	369 159	148 141	198 351
Outstanding 91-180 days	366 682	554 341	221 458	272 169
Outstanding for 181-360 days	174 278	244 996	207 411	242 117
Outstanding for more than 360 days	490 664	556 840	432 383	470 621
<b>Total provisions for bad and doubtful trade debtors</b>	<b>2 372 285</b>	<b>3 618 464</b>	<b>1 963 800</b>	<b>3 230 871</b>

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

(16) Receivables from affiliated companies and management

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
<b>Long-term loans to affiliated companies</b>				
Loan granted to SIA ViziaFinance	1 056 000	-	-	-
Loan granted to SIA Banknote commercial properties	99 565	-	117 620	117 620
<b>Long-term loans to affiliated companies, total</b>	<b>1 155 565</b>	<b>-</b>	<b>117 620</b>	<b>117 620</b>
<b>Short-term receivables from affiliated companies</b>				
Loan granted to SIA REFIN	2 785 508	-	5 723 024	-
Loan granted to SIA Banknote commercial properties	1 619	-	2 263	2 263
Loan granted to SIA ViziaFinance	164	-	-	-
Other loan	2	-	447	265
ECL allowance for loans	89 255	-	-	-
<b>Short-term receivables from affiliated companies, total</b>	<b>2 876 548</b>	<b>-</b>	<b>5 725 734</b>	<b>2 528</b>
<b>Loans and receivables from affiliated companies, total</b>	<b>4 032 113</b>	<b>-</b>	<b>5 843 354</b>	<b>120 148</b>

The interest rate on loans to related parties 3.01 – 4 %. All loans and other claims denominated in euro.

The Company has no debt overdue.

(17) Other debtors

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Guarantee deposit	74 767	74 909	70 768	70 910
Settlements with buyers and customers	40 014	275 293	65 570	137 501
Other debtors	25 803	25 803	54 792	54 792
Advance payments	19 922	19 922	14 501	14 501
Tax overpayment	-	4 108	1 652	8 454
Loans to employees and other third parties	1 510	1 510	1 510	1 510
Settlement of staff claims	1 476	1 476	1 202	1 306
ECL allowance	(28 265)	(28 265)	(26 930)	(13 223)
	<b>135 227</b>	<b>374 756</b>	<b>183 065</b>	<b>275 751</b>

a) Provisions for bad and doubtful other debtors

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
<b>Provisions for bad and doubtful other debtors at the beginning of the year</b>	<b>26 930</b>	<b>13 223</b>	<b>29 086</b>	<b>29 086</b>
Written-off	-	-	(2 156)	(15 863)
Additional provisions	1 335	15 042	-	-
<b>Provisions for bad and doubtful other debtors at the end of the year</b>	<b>28 265</b>	<b>28 265</b>	<b>26 930</b>	<b>13 223</b>



Notes (continued)

Other debtors (continued)

b) Age analysis of other debtors:

	Company 31.12.2020.	Group 31.12.2020.	Company 31.12.2019.	Group 31.12.2019.
	EUR	EUR	EUR	EUR
Repayable upon request	69 090	73 340	96 652	103 493
Receivables not yet due	61 412	296 691	49 233	121 371
Outstanding for 1-30 days	-	-	4 874	4 874
Outstanding for 31-90 days	-	-	6 247	6 247
Outstanding for 91-180 days	-	-	2 662	2 662
Outstanding for 181-360 days	4 725	4 725	13 744	13 744
Outstanding for more than 360 days	28 265	28 265	36 583	36 583
Provisions	(28 265)	(28 265)	(26 930)	(13 223)
<b>Total other debtors</b>	<b>135 227</b>	<b>374 756</b>	<b>183 065</b>	<b>275 751</b>

(18) Deferred expenses

	Company 31.12.2020.	Group 31.12.2020.	Company 31.12.2019.	Group 31.12.2019.
	EUR	EUR	EUR	EUR
Insurance	32 709	32 750	18 956	18 956
License for lending services and debt recovery services	56 663	111 669	15 351	29 576
Prepayment for rent and other costs	134 994	135 104	59 681	60 007
<b>Total deferred expenses</b>	<b>224 366</b>	<b>279 523</b>	<b>93 988</b>	<b>108 539</b>

(19) Cash and bank

	31.12.2020. EUR	31.12.2020. EUR	31.12.2019. EUR	31.12.2019. EUR
Cash at bank	3 410 752	4 234 350	564 984	888 327
Cash in hand	357 604	357 604	247 317	247 317
	<b>3 768 356</b>	<b>4 591 954</b>	<b>812 301</b>	<b>1 135 644</b>

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

(20) Share capital

As at 31 December 2020, the Parent Company's share capital is EUR 4 000 000 which consists of 4 000 000 ordinary shares, each of them with a nominal value of EUR 1. All shares are fully paid.

(21) Bonds issued

	Company 31.12.2020.	Group 31.12.2020.	Company 31.12.2019.	Group 31.12.2019.
	EUR	EUR	EUR	EUR
Bonds issued	8 481 000	8 481 000	6 100 000	6 100 000
Bonds commission	(39 283)	(39 283)	(40 147)	(40 147)
<b>Total long-term part of bonds issued</b>	<b>8 441 717</b>	<b>8 441 717</b>	<b>6 059 853</b>	<b>6 059 853</b>
Bonds issued	5 000 000	5 000 000	1 750 000	1 750 000
Bonds commission	(1 232)	(1 232)	(15)	(15)
Interest accrued	23 884	23 884	14 782	14 782
<b>Total short-term part of bonds issued</b>	<b>5 022 652</b>	<b>5 022 652</b>	<b>1 764 767</b>	<b>1 764 767</b>
<b>Bonds issued, total</b>	<b>13 481 000</b>	<b>13 481 000</b>	<b>7 850 000</b>	<b>7 850 000</b>
<b>Interest accrued, total</b>	<b>23 884</b>	<b>23 884</b>	<b>14 782</b>	<b>14 782</b>
<b>Bonds commission, total</b>	<b>(40 515)</b>	<b>(40 515)</b>	<b>(40 162)</b>	<b>(40 162)</b>
<b>Bonds issued net</b>	<b>13 464 369</b>	<b>13 464 369</b>	<b>7 824 620</b>	<b>7 824 620</b>

As of 31 December 2020 the Parent company of the Group has outstanding bonds (ISIN LV0000802213) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – number of securities issued: 5 000, nominal value 1 000 euro per each, 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 October 2021. The bonds issue in full amount was traded on NASDAQ Baltic First North Alternative market as of 19.03.2018. The bond is secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

Notes (continued)

**Bonds issued (continued)**

As of 31 December 2020 the Parent company of the Group has outstanding bonds (ISIN LV0000802379) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – amount of emissions recorded 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, 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 till 25 November 2022. The bonds issue was traded on NASDAQ Baltic First North Alternative market as of 11.08.2020. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As of 31 December 2020 the Parent company of the Group has outstanding bonds (ISIN LV0000802429) in the amount of EUR 3 500 000, registered with the Latvia Central Depository and issued in closed offer on 30 September 2020 on the following terms – amount of emissions 3 500, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate - 12%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid till 25 November 2022. The bonds are not secured.

As of 31 December 2020 AS DelfinGroup owns its own bonds (ISIN LV0000802429) in the amount of EUR 19 000. The bonds asset is deducted in the financial statements from bonds liabilities.

The Company has registered a commercial pledge by pledging its property and receivables, with maximum claim amount of EUR 40.5 million as a collateral on pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 31 December 2020 amount of secured liabilities constitutes EUR 5 000 000 for bonds ISIN LV0000802213, EUR 5 000 000 EUR for bonds ISIN LV0000802379 and EUR 17 286 857 for AS Mintos Finance.

**(22) Other borrowings**

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Other long-term loans	5 646 755	6 816 925	4 749 199	5 576 378
<b>Total other long-term loans</b>	<b>5 646 755</b>	<b>6 816 925</b>	<b>4 749 199</b>	<b>5 576 378</b>
Other short-term loans	9 339 999	10 869 932	11 481 122	13 037 185
<b>Total other short-term loans</b>	<b>9 339 999</b>	<b>10 869 932</b>	<b>11 481 122</b>	<b>13 037 185</b>
<b>Total other loans</b>	<b>14 986 754</b>	<b>17 686 857</b>	<b>16 230 321</b>	<b>18 613 563</b>

The Company has received loan from legal entity SIA "MS Investīciju fonds" (non-related party) in amount of EUR 400 thousand. The interest is charged 14% (annually) and the repayment term is 30.04.2022. The loan was received without security granted.

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA Mintos Finance, the company registered in European Union. The weighted average annual interest rate as of 31 December 2020 is 13,88%. According to the loan agreement with SIA Mintos finance the loan matures accordingly to the particular loan agreement terms concluded by the Company with its customers.

**(23) Lease liabilities**

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Long term lease liabilities - premises	2 670 754	2 670 754	1 460 753	1 460 753
	61			
Long term lease liabilities - vehicles	382	61 382	76 009	76 009
<b>Total long-term lease liabilities</b>	<b>2 732 136</b>	<b>2 732 136</b>	<b>1 536 762</b>	<b>1 536 762</b>
	669	669	540	540
Short term lease liabilities - premises	951	951	601	601
	33			
Short term lease liabilities - vehicles	764	33 764	49 930	49 930
<b>Total short-term lease liabilities</b>	<b>703 715</b>	<b>703 715</b>	<b>590 531</b>	<b>590 531</b>
<b>Lease liabilities, total</b>	<b>3 435 851</b>	<b>3 435 851</b>	<b>2 127 293</b>	<b>2 127 293</b>

Premises lease agreements are signed for a period of one year to eighteen years and six months. Car rental agreements are signed for a period of three years to three years and eleven months.

Notes (continued)

(24) Accounts payable to affiliated companies

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Debt for received payments of the assigned rights of claim to SIA ExpressInaksso	243 619	-	234 070	-
Accrued liabilities for facilities management and utilities to SIA Banknote commercial properties	196	-	179	179
Debt for the services provided by the SIA ViziaFinance	-	-	17	-
<b>Total liabilities to related parties</b>	<b>243 815</b>	<b>-</b>	<b>234 266</b>	<b>179</b>

(25) Trade creditors and accrued liabilities

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
Debts to suppliers	226 631	253 259	198 397	219 062
Salaries	254 000	254 685	238 214	239 824
Vacation liabilities	271 487	272 846	278 778	281 035
Amounts due to loan recipients	348 595	348 595	282 293	282 293
Other liabilities	158 355	175 269	507 752	70 965
<b>Total</b>	<b>1 259 068</b>	<b>1 304 654</b>	<b>1 505 434</b>	<b>1 093 179</b>

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:

	31.12.2020. EUR	31.12.2020. EUR	31.12.2019. EUR	31.12.2019. EUR
Receivables not yet due	1 236 549	1 282 135	1 466 598	1 053 391
Outstanding for 1-30 days	21 166	21 166	37 513	37 513
Outstanding more than 30 days	1 353	1 353	1 323	2 275
<b>Total trade creditors and accrued liabilities</b>	<b>1 259 068</b>	<b>1 304 654</b>	<b>1 505 434</b>	<b>1 093 179</b>

(26) Taxes and social insurance payments

Company's taxes and social insurance

	VAT EUR	Corporate income tax EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Natural resource tax EUR	Total EUR
(Overpaid) 31.12.2019.	-	(1 652)	-	-	-	-	-	(1 652)
<b>Liabilities 31.12.2019.</b>	<b>31 627</b>	<b>-</b>	<b>97</b>	<b>133 658</b>	<b>63 598</b>	<b>3 630</b>	<b>554</b>	<b>233 164</b>
Charge for 2020	299 896	753 716	1 184	1 531 511	821 056	14 559	400	3 422 322
Late payment penalty 2020	1 861	1 762	-	11 491	7 145	-	2	22 261
Redirected to other taxes	-	4 988	-	(5 037)	5	-	44	-
Paid in 2020	(277 958)	(508 913)	(1 182)	(1 346 279)	(716 856)	(13 963)	(913)	(2 866 064)
(Overpaid) 31.12.2020.	-	-	-	-	-	-	-	-
<b>Liabilities 31.12.2020.</b>	<b>55 426</b>	<b>249 901</b>	<b>99</b>	<b>325 344</b>	<b>174 948</b>	<b>4 226</b>	<b>87</b>	<b>810 031</b>

Notes (continued)

Taxes and social insurance payments (continued)

Group's taxes and social insurance

	VAT	Corporate income tax	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Natural resource tax	Real estate tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
(Overpaid)									
31.12.2019.	-	(1 752)	(10)	(4 577)	(2 336)	-	-	-	(8 675)
Liabilities									
31.12.2019.	41 678	931	99	134 292	63 887	3 630	554		245 071
Charge for 2020	323 121	754 536	1 209	1 538 951	826 048	14 559	404	832	3 459 660
Late payment penalty 2020	1 861	1 762	-	11 492	7 152	-	2	-	22 269
Redirected to other taxes 2020	-	5 088	-	(5 087)	(45)	-	44	-	-
Paid in 2020	(306 615)	(509 844)	(1 211)	(1 352 346)	(720 753)	(13 963)	(917)	(832)	(2 906 481)
(Overpaid)									
31.12.2020.	-	-	(12)	(2 969)	(1 127)	-	-	-	(4 108)
Liabilities									
31.12.2020.	60 045	250 721	99	325 694	175 080	4 226	87	-	815 952

(27) Average number of employees

	2020	2019
Average number of employees during the reporting year of the Parent company	274	271
Average number of employees during the reporting year of the Group	279	276

(28) Management remuneration

	31.12.2020. EUR	31.12.2019. EUR
Board members' remuneration:		
· salary expenses	273 631	273 761
· social insurance	65 918	65 949
	339 549	339 710

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

During the year loans in the amount of EUR 35 000 were issued to the board members. Loans and accrued interest in the amount of EUR 81 451 were repaid during the reporting period. The interest on loans is charged as 2.92% p.a.

As at 31.12.2020, the members of the Management Board have no outstanding loans.

Notes (continued)

(29) Changes in liabilities arising from financing activities

Company changes in liabilities arising from financing activities

The Company	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Total liabilities from financing activities EUR
<b>Carrying amount at 31 December 2018</b>	<b>7 914 767</b>	<b>10 919 242</b>	-	-	<b>18 834 009</b>
Proceeds	1 693 000	9 769 075	-	1 500 000	12 962 075
Redemption	(1 750 000)	(5 144 743)	(828 489)	(1 500 000)	(9 223 232)
IFRS 16 adoption	-	-	2 007 825	-	2 007 825
New lease contracts	-	-	481 034	-	481 034
Modification of lease contracts	-	-	346 910	-	346 910
Interest expense on lease liabilities	-	-	134 484	-	134 484
Disposals	-	-	(14 471)	-	(14 471)
Other	(33 147)	921 013	-	-	887 866
<b>Carrying amount at 31 December 2019</b>	<b>7 824 620</b>	<b>16 464 587</b>	<b>2 127 293</b>	-	<b>26 416 500</b>
Proceeds	8 606 000	7 349 981	-	3 000 000	18 955 981
Redemption	(2 975 000)	(8 879 115)	(746 569)	(3 000 000)	(15 600 684)
New lease contracts	-	-	1 150 880	-	1 150 880
Modification of lease contracts	-	-	716 005	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	188 243
Disposals	-	-	(1)	-	(1)
Other	8 749	295 116	-	-	303 865
<b>Carrying amount at 31 December 2020</b>	<b>13 464 369</b>	<b>15 230 569</b>	<b>3 435 851</b>	-	<b>32 130 789</b>

The "Other" line includes the effect of accrued but not yet paid interest on bonds issued, other borrowed funds and subordinated loans.

Group's changes in liabilities arising from financing activities

The Group	Bonds issued EUR	Other borrowings EUR	Lease liabilities EUR	Dividends' payables EUR	Total liabilities from financing activities EUR
<b>Carrying amount at 31 December 2018</b>	<b>7 914 767</b>	<b>11 640 824</b>	-	-	<b>19 555 591</b>
Proceeds	1 693 000	12 586 871	-	1 500 000	15 779 871
Redemption	(1 750 000)	(7 235 205)	(828 489)	(1 500 000)	(11 313 694)
IFRS 16 adoption	-	-	2 007 825	-	2 007 825
New lease contracts	-	-	481 034	-	481 034
Modification of lease contracts	-	-	346 910	-	346 910
Interest expense on lease liabilities	-	-	134 484	-	134 484
Disposals	-	-	(14 471)	-	(14 471)
Other	(33 147)	1 621 252	-	-	1 588 105
<b>Carrying amount at 31 December 2019</b>	<b>7 824 620</b>	<b>18 613 742</b>	<b>2 127 293</b>	-	<b>28 565 655</b>
Proceeds	8 606 000	10 415 870	-	3 000 000	22 021 870
Redemption	(2 975 000)	(11 546 966)	(746 569)	(3 000 000)	(18 268 535)
New lease contracts	-	-	1 150 880	-	1 150 880
Modification of lease contracts	-	-	716 005	-	716 005
Interest expense on lease liabilities	-	-	188 243	-	188 243
Disposals	-	-	(1)	-	(1)
Other	8 749	204 211	-	-	212 960
<b>Carrying amount at 31 December 2020</b>	<b>13 464 369</b>	<b>17 686 857</b>	<b>3 435 851</b>	-	<b>34 587 077</b>



Notes (continued)

(30) 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 2020	Transactions in 2019
<b>Parent company's owners</b>		
Lombards24.lv SIA, reg. No. 40103718685	✓	✓
AE Consulting SIA, reg. No. 40003870736	✓	✓
EC finance SIA, reg. No. 40103950614	✓	✓
Didzis Ādmīdiņš, p.c. 051084-11569	✓	✓
Kristaps Bergmanis, p.c. 040578-13052	✓	✓
Ivars Lamberts, p.c. 030481-10684	✓	✓
<b>Companies and individuals under common control or significant influence</b>		
Agris Evertovskis, p.c. 081084 -10631	✓	✓
EA investments AS, reg.No. 40103896106	✓	✓
<b>Subsidiary</b>		
ExpressInkasso SIA, reg. No. 40103211998	✓	✓
ViziaFinance SIA, reg. No. 40003040217	✓	✓
REFIN SIA, reg. No. 40203172517	✓	✓
Banknote commercial properties SIA, reg. No. 40103501494 (from 30.09.2020.)	✓	-
<b>Other related companies</b>		
Banknote commercial properties SIA, reg. No. 40103501494 (till 30.09.2020.)	✓	✓
KALPAKS SIA, reg.No. 40203037474	✓	✓
EL Capital SIA, reg.No. 40203035929	✓	✓
EuroLombard Ltd, reg. No. 382902595000	✓	✓
OBDO Gin SIA, reg. Nr. 50103451231	✓	✓

All transactions with related parties are carried out in accordance with general market conditions.

	2020 EUR	2019 EUR
<b>Parent company transactions with:</b>		
<b>Owners of the parent company</b>		
Interest paid		
Board members	-	(2 525)
Interest received		
AE Consulting SIA	26 804	29 584
L24 Finance SIA	1 575	1 436
EC finance SIA	11	-
Services received		
AE Consulting SIA	(1 698)	(1 326)
Services delivered		
AE Consulting SIA	1 331	214
L24 Finance SIA	360	120
EC finance SIA	300	60
Goods sold		
AE Consulting SIA	1 090	-
Board members	992	-
Investment in shares		
L24 Finance SIA	(1 921)	-

Notes (continued)

Related party transactions (continued)

	2020 EUR	2019 EUR
<b>Parent company's transactions with:</b>		
<b>Subsidiaries</b>		
Interest paid		
ExpressInkasso SIA	(2 944)	(2 048)
ViziaFinance SIA	-	(3 293)
Interest received		
ViziaFinance SIA	19 866	3 570
Banknote commercial properties SIA	1 619	-
ExpressInkasso SIA	15	-
REFIN SIA	-	12 282
Services delivered		
ViziaFinance SIA	16 588	17 636
ExpressInkasso SIA	10 106	25 214
REFIN SIA	400	160
Banknote commercial properties SIA	330	-
Services received		
ExpressInkasso SIA	-	(94 547)
Banknote commercial properties SIA	(5 294)	-
Investment in shares		
REFIN SIA	-	(500 000)
<b>Companies and individuals under common control or significant influence</b>		
Interest paid		
Board members	(1 598)	-
Interest received		
Board members	-	572
Services delivered		
EA investments AS	300	60
Board members		1 815
<b>Other related companies</b>		
Interest received		
Banknote commercial properties SIA	1 661	3 724
EuroLombard Ltd	1 570	-
KALPAKS SIA		36 804
Services received		
Banknote commercial properties SIA	(15 569)	(20 900)
Services delivered		
Banknote commercial properties SIA	938	1 085
EL Capital, SIA	447	207
EuroLombard Ltd.	6 139	12 138
OBDO Gin, SIA	8 418	60
KALPAKS, SIA	321	524
Goods received		
OBDO Gin, SIA	(43)	-
Fixed assets sold		
OBDO Gin, SIA	160	-
<b>Group's transactions with:</b>		
<b>Owners of the parent company</b>		
Interest paid		
Board members	-	(2 525)
Interest received		
AE Consulting SIA	26 804	29 584
L24 Finance SIA	1 575	1 436
EC finance SIA	11	-
Services received		
AE Consulting SIA	(1 698)	(3 504)
Services delivered		
AE Consulting SIA	2 965	214
L24 Finance SIA	360	120
EC finance SIA	300	60
Goods sold		
AE Consulting SIA	1 090	-
Board members	992	-
Investment in shares		
L24 Finance SIA	(1 921)	-

Notes (continued)

Related party transactions (continued)

Companies and individuals under common control or significant influence

Interest paid		
Board members	(1 598)	-
Interest received		
Board members	-	572
Services delivered		
EA investments AS	300	60
Board members		1 815

Other related companies

Interest received		
Banknote commercial properties SIA	1 661	3 724
EuroLombard Ltd	1 570	-
KALPAKS SIA		36 804
Services received		
Banknote commercial properties SIA	(15 569)	(20 900)
Services delivered		
Banknote commercial properties SIA	938	1 085
EL Capital, SIA	447	207
EuroLombard Ltd.	6 139	12 138
OBDO Gin, SIA	8 418	60
KALPAKS, SIA	321	524
Goods received		
OBDO Gin, SIA	(43)	-
Fixed assets sold		
OBDO Gin, SIA	160	-

Loans debt to shareholders and management

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
AE Consulting SIA	381 796	381 796	1 072 423	1 072 423
L24 Finance SIA	83 688	83 688	70 186	70 186
EA investments AS	9 000	9 000	-	-
Board members	-	-	44 853	44 853
EC finance SIA	-	-	73	73
	<b>474 484</b>	<b>474 484</b>	<b>1 187 535</b>	<b>1 187 535</b>

Debt of Subsidiaries

	Company 31.12.2020. EUR	Group 31.12.2020. EUR	Company 31.12.2019. EUR	Group 31.12.2019. EUR
REFIN SIA	2 874 763	-	5 723 024	-
ViziaFinance SIA	1 056 164	-	-	-
Banknote commercial properties SIA	101 184	-	119 883	119 883
Other Subsidiaries	2	-	447	265
	<b>4 032 113</b>	<b>-</b>	<b>5 843 354</b>	<b>120 148</b>

(31) Segment information

For management purposes, the Company is organised into three operating segments based on products and services as follows:

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the standalone and consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, which direct allocation to particular segment is not attributable the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

Notes (continued)

Segment information (continued)

The following tables present income and profit and certain asset and liability information regarding the Company's and Group's operating segments.

EUR	Pawn loans		Consumer loans		Other activities		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets	8 089 151	7 379 969	26 632 345	18 570 393	7 321 985	9 731 629	45 959 145	35 930 535
Liabilities of the segment	7 542 728	5 697 339	21 268 008	15 045 917	4 469 032	6 696 886	36 004 750	27 440 142
Income	10 838 504	10 081 593	10 153 633	9 394 316	631 410	895 787	23 663 986	20 371 798
Net performance of the segment	2 215 782	2 088 635	4 214 610	4 082 031	861 148	367 913	8 142 395	6 538 681
Financial (expenses)	(621 904)	(521 782)	(2 209 818)	(1 462 674)	(446 289)	(703 215)	(3 490 389)	(2 687 671)
Profit/(loss) before taxes	1 593 878	1 566 853	2 004 792	2 619 357	414 859	(335 302)	4 652 006	3 851 010
Corporate income tax	(299 320)	(130 985)	(376 488)	(218 972)	(77 908)	-	(754 536)	(349 957)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 689 537	2 262 005	785 821	267 195	330 059	57 180	4 030 567	2 593 128
Depreciation and amortisation during the reporting period	(723 583)	(857 905)	(211 414)	(101 339)	(88 798)	(21 686)	(1 044 769)	(980 930)
Loans issued	18 230 191	11 398 616	24 823 851	15 593 290	26 000	5 244 078	43 080 042	32 235 984
Loans received	18 008 376	10 972 439	17 828 674	12 432 266	2 850 292	1 312 054	38 687 342	24 716 759

Based on the nature of the services the Group's operations can be divided as follows.

EUR	Pawn loans		Consumer loans		Other activities		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets	8 081 189	7 015 780	32 229 638	21 985 020	5 184 436	8 872 002	45 959 145	38 270 315
Liabilities of the segment	7 338 606	5 454 586	24 520 090	17 204 131	4 146 054	6 742 571	36 004 750	29 401 289
Income	10 838 504	10 081 593	12 383 072	10 808 448	442 410	895 787	23 663 986	21 785 930
Net performance of the segment	2 119 084	2 007 993	5 356 507	4 766 264	666 804	341 917	8 142 395	7 116 276
Net financial income (expenses)	(588 268)	(482 991)	(2 500 018)	(1 683 200)	(402 103)	(686 792)	(3 490 389)	(2 852 983)
Profit/(loss) before taxes	1 530 816	1 525 003	2 856 490	3 083 063	264 701	(344 875)	4 652 006	4 263 293
Corporate income tax	(248 292)	(115 815)	(463 311)	(234 142)	(42 933)	-	(754 536)	(349 957)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 695 612	2 271 869	791 896	277 059	330 059	57 180	4 030 567	2 740 472
Depreciation and amortisation during the reporting period	(737 719)	(859 385)	(216 721)	(104 804)	(90 329)	(21 630)	(1 044 769)	(985 819)
Loans issued	18 230 191	11 398 616	29 894 481	20 227 500	26 000	5 244 078	48 150 672	36 870 194
Loans received	18 008 376	10 972 439	20 819 042	14 470 519	2 850 292	1 312 054	41 677 710	26 755 012

Notes (continued)

(32) Guarantees issued, pledges

The Company has registered a commercial pledge by pledging its property and receivables, with maximum claim amount of EUR 40.5 million as a collateral on pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 31 December 2020 amount of secured liabilities constitutes EUR 5 000 000 for bonds ISIN LV0000802213, EUR 5 000 000 EUR for bonds ISIN LV0000802379 and EUR 17 286 857 for AS Mintos Finance.

(33) Fair value measurements

a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

At 31 December 2020

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	4 591 954	-	-	<b>4 591 954</b>
Loans and receivables	-	-	34 673 854	<b>34 673 854</b>
Loans to shareholders and management	-	-	474 484	<b>474 484</b>
Other financial assets	-	-	654 279	<b>654 279</b>
<b>Liabilities for which fair values are disclosed</b>				
Bonds issued	-	13 464 369	-	<b>13 464 369</b>
Other borrowings	-	-	17 686 857	<b>17 686 857</b>
Lease liabilities	-	-	3 435 851	<b>3 435 851</b>
Trade payables	-	-	702 933	<b>702 933</b>
Accounts payable to affiliated companies	-	-	815 952	<b>815 952</b>

b) Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2020	Fair value 2020	Unrecognised gain/(loss) 2020	Carrying value 2019	Fair value 2019	Unrecognised gain/(loss) 2019
<b>Financial assets</b>						
Cash and cash equivalents	4 591 954	4 591 954	-	1 135 644	1 135 644	-
Loans and receivables	34 673 854	34 261 871	411 983	31 546 874	30 179 814	1 367 060
Loans to shareholders and management	474 484	484 650	(10 166)	1 187 535	1 170 152	17 383
Other financial assets	654 279	654 279	-	384 290	384 290	-
<b>Financial liabilities</b>						
Bonds issued	13 464 369	13 463 004	(1 365)	7 824 620	7 934 893	110 273
Other borrowings	17 686 857	18 414 469	727 612	18 613 563	18 817 060	203 497
Lease liabilities	3 435 851	3 504 097	68 246	2 127 293	2 164 842	37 549
Trade payables	702 933	702 933	-	501 355	501 355	-
<b>Total unrecognised change in fair value</b>			<b>1 196 310</b>			<b>1 735 762</b>



Notes (continued)

**(34) Analysis of financial liabilities by remaining contractual maturities**

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

As at 31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial liabilities</b>					
Bonds issued	286 856	6 264 080	9 347 945	-	15 898 881
Other borrowings	3 249 906	7 928 097	10 366 606	-	21 544 609
Lease liabilities	147 711	716 359	2 025 222	1 333 543	4 222 835
Trade payables	702 933	-	-	-	702 933
<b>Total undiscounted financial liabilities</b>	<b>4 387 406</b>	<b>14 908 536</b>	<b>21 739 773</b>	<b>1 333 543</b>	<b>42 369 258</b>

**(35) Subsequent events**

After the year end the Company changed legal form from limited liability company to joint stock company, there were made changes to share capital denomination – share capital constitutes EUR 4 000 000, with 40 000 000 shares and nominal value of 0,10 EUR per share.

As well, the decision to reorganize SIA Banknote Commercial properties, SIA Refin and SIA ExpressInkasso was made to streamline the core business of the Company. The assets of the reorganized entities will be incorporated in AS DelfinGroup business activities.

On the 23rd March 2021 the Company announced its intention to go public with intention to list shares on Main Market of Nasdaq Riga Stock Exchange during 2021.

During the period from the last day of the reporting period to the date of signing these consolidated financial statements, no events have occurred, which would entail the necessity of making adjustments to these consolidated financial statements or ought to be explained in these consolidated financial statements.

**(36) COVID – 19 impact**

In March 2020 the Republic of Latvia and many other countries introduced restrictions in relation to coronavirus pandemic. The restrictions have affected the economic activity in the country and in the world.

The Company's management is continuously assessing the situation and currently the Company's operations are regarded as stable with positive outlook. Company's management have assessed going concern assumption and the management works and complies with set strategy of developing further pawn shop and consumer lending services meeting its financial obligations. On 23<sup>rd</sup> of March, 2021 the Company has announced intention to go public in 2021.

During the restrictions of the state of emergency due to pandemic in the Q2 2020 and Q4 2020 the major impact has been on the volume of issuance of loans with the decrease of about 28% (Q1 vs Q2) for pawn loans and 27% (Q1 vs Q2) for consumer loans. Still, in the period of lifted restrictions the issuance increased respectively by 48% (Q2 vs Q3) and 95.8% (Q2 vs Q3). The total income revenue decreased by 15% (Q1 vs Q2) and increased to 18% (Q2 vs Q3). The Company's consolidated turnover in 2020 increased by 9% and loan portfolio increased by 10% in comparison to year 2019. During the period of strict restrictions, the pawn shop sales even increased. In Q4 of 2020, the turnover of the e-shop has grown by 231% on the quarter before and by 438% on the same period of the previous year.

In March 2020 the Company's management performed necessary measures to address COVID – 19 pandemic risks by arranging remote work for the administration utilising already present technological solutions and incurring small transition to remote work costs. As well, the Company performed actions to accumulate cash reserves for the purpose of risk management during uncertainty times. The measures included renegotiation of rent terms in range up to 50% and up to period of six month, reduction in salaries and agreement on deferral of tax payments. There was performed analysis in relation to further attraction of financing from Mintos platform, where interest rates for the attracted funds increased in Q2. As of July 2020, the cost of funds decreased as different stimulus packages in Latvia and around the world were introduced. Thus, the prospects for attraction of funds from Mintos marketplace has stabilized in 2020 H2. After the pandemic first wave, the Company attracted 4,5 million EUR bond financing - 1 million EUR of secured bonds with annual rate of 14% and 3.5 million EUR of unsecured bonds with annual rate of 12%.

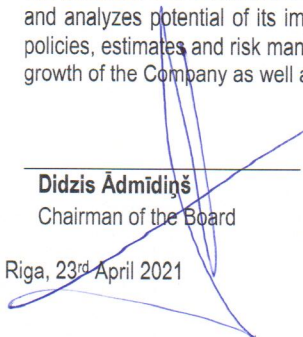
With the pandemic there were introduced more strict loan underwriting policies. Nonetheless, net loan portfolio increased by 10%, while overall non-performing loan ratio slightly increased in 2020 Q1, but returned to the pre-pandemic levels in remaining quarters of 2020. The management has evaluated the quality of loan portfolio and concluded that pandemic did not have significant impact on the loan portfolio of the company. The management will continue prudently monitoring the quality of loan portfolio and effect of the pandemic and related restrictions.

**Notes** (continued)

**COVID – 19 impact** (continued)

Except as provided in the previous paragraph, for the purpose of preparing these financial statements the management assessed the overall risk impact of Covid-19 for the Company as moderate and accordingly did not make any further significant changes into any other estimates or credit or market risk management policies as at 31 December 2020.

Nevertheless, with consideration of continuance of COVID-19 pandemic the management still regularly follows the further developments and analyzes potential of its impacts in 2021 and is properly prepared to assess and implement any further changes into accounting policies, estimates and risk management policies as well as review the respective risk grading once necessary to ensure the sustainable growth of the Company as well as proper and safe provision of services to the clients.



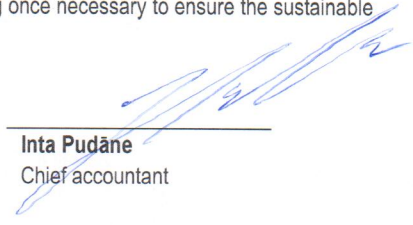
**Didzis Ādmidiņš**  
Chairman of the Board



**Kristaps Bergmanis**  
Board Member



**Ivars Lamberts**  
Board Member



**Inta Pudāne**  
Chief accountant

Rīga, 23<sup>rd</sup> April 2021

## Independent Auditor's Report

### To the shareholder of AS "DelfinGroup"

#### Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of AS "DelfinGroup" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 11 to 45 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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 ("Law on Audit Services") 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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.

#### Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company and the Group, as set out on pages 3 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,
- the Management Report, as set out on pages 7 to 9 of the accompanying Annual Report,
- the Statement of Corporate Governance as set out on page 10 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.

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 Group 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**

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 of the Republic of Latvia.

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 of the Republic of Latvia.

#### **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 the 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 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 Group or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's Responsibility 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 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 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

SIA "BDO ASSURANCE"  
License No 182



Andrei Surmach  
Partner, Official Representative



Irita Cimdare  
Member of the Board  
Sworn auditor  
Certificate No 103

Riga, Latvia  
23 April 2021