Riga, August 1, 2018

AS "Moda Kapitāls"

Unaudited condensed interim financial report for the period from 01.01.2018 to 30.06.2018

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

CONTENTS

GENERAL INFORMATION

Name of the company	Moda Kapitāls
Legal status of the company	Joint Stock Company
Registration number, place and date of registration	LV 40003345861, Riga, June 9, 1997
Registered office	Ganību dambis 40A-34, Rīga, LV-1005
Shareholders	Andris Banders (14.75%), Guntars Zvīnis (24,75%), Ilvars Sirmais (24,75%), Verners Skrastiņš (21%), MK Investīcijas, SIA (14,75%)
Board Members	Guntars Zvīnis Ilvars Sirmais
Supervisory Board Members	Verners Skrastiņš - head of the Council Andris Banders - deputy of the head of the Council Inese Kanneniece - meber of the Council Diāna Zvīne - member of the Council Aleksandrs Sirmais - member of the Council
Financial period	from 01.01.2018 to 30.06.2018

MANAGEMENT REPORT

Type of operations

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

Performance during the financial year and financial situation of the Company

In the first half of 2018, changes in the branch structure of JSC "Moda kapitāls" did not take place, and no significant changes were planned in 2018. Taking into account the current market situation in the non-bank lending sector, the company's priorities have not changed and the company's priority is not the opening of new branches, but increasing the profitability of existing branches and improving the quality of services offered. In the second half of 2018, two existing branches will be merged, in order to optimize expenses. The company's management also plans to make changes to the working hours of several branches, by shortening working hours to several branches, and extending work hours to several branches through a detailed analysis of customer flows.

In several branches improvements have been made to improve customer service. The company continuously continues its work on raising the qualification of employees, as well as improving the company's customer service system.

In 2018, the internet-shop of a wide range of goods has started to operate more actively, using the site named emoda.lv. Taking into account the changes in customer behavior and the development of general Internet shops, the company plans to activate its activities in this field and become one of the largest online stores in Latvia in the next three years. The company continues to actively work on increasing sales of existing assortment of goods by offering its customers a wide range of various types of used household appliances and electrical engineering items by agreeing on cooperation with new suppliers.

In the first half of 2018, as in previous years, no significant changes in customer activity were observed, and demand for the services provided by the Company has remained at the previous level.

By assessing the results of the 2018 half-yearly statistics, it can be concluded that the decline in loans against real estate pledge, which is related to the change in the company's strategy regarding the minimum yield for these types of loans.

The Company issues loans only in their branches. Company estimates that substantial proportion of the company's loan portfolio will be consumer loans without collateral. Also, in the first half of 2018, customer interest in and the purchase of gold products continued to increase. Accordingly, the number of clients who regularly use the company's services both in terms of loans and purchases of existing goods increases.

The company plans to expand the assortment of precious metals to be sold in the coming year by purchasing new and unused precious metal products from suppliers. As in previous years, major attention is being paid to the payment discipline and individual work with clients, solving delayed payment problem through co-operation.

Future prospects and future development

The growth in trade of goods has not been as big as previously forecasted, therefore the company's losses have increased.

The company had previously planned to regain profit from the economic activity in the second half of 2018 or in the first half of 2019, but adjusting the forecasts it is planned to end 2018 without significant losses or with a small profit.

The management of the company is negotiating with potential partners and investors on refinancing loans and raising additional capital for company development.

Significant events since the year end

During the time period from the last day of the financial period till singing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 30th June, 2018.

Company’s branches

On June 30th, 2017 The Company provides its services in twenty-seven branches that are located in twenty-six mojor Latvian cities: Aizkraukle, Alūksne, Balvi, Bauska, Cesis, Dobele, Daugavpils, Gulbene, Jekabpils (two branches), Jelgava, Kraslava, Kuldiga, Liepaja, Limbazi, Madona, Ogre, Rezekne, Riga, Saldus, Talsi, Valmiera, Ventspils, Tukums, Preili, Ludza and Valka.

Guntars Zvīnis ______________________ August 1st, 2018

signature

Ilvars Sirmais ______________________

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STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the interim financial statements in accordance with International Accounting Standard (IAS) No 34 "Interim Financial Reporting" as adopted the EU. These financial statements give a true and fair view of the financial position of the Company at June 30, 2017 and results of its operations and cash flow.

The Management certifies that proper accounting methods were applied to preparation of these interim financial statements on page 6 to page 18 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

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

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STATEMENT OF COMPREHENSIVE INCOME

	01.01.2018-30.06.2018	01.01.2017-30.06.2017
	EUR	EUR
Net turnover	816 401	670 322
Finance income	562 148	587 997
Cost of sales	-698 283	-576 054
Finance costs	-214 435	-210 429
Gross profit	**465 831**	**471 836**
Selling costs	-378 604	-397 312
Administrative expenses	-159 155	-148 731
Other income	38 582	34 583
Other expenses	-57 986	-39 742
Profit or loss before corporate income tax	**-91 332**	**-79 366**
Corporate income tax		-9 029
Net profit or loss	**-91 332**	**-88 395**
Other comprehensive income / (loss)		164
Total comprehensive income	**-91 332**	**-88 231**

Notes 10 to 18 are an integral part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	01.01.2018-30.06.2018 EUR	31.12.2017 EUR
Non-current assets			
Intangible assets	3	62 997	57 136
Fixed assets	3	485 197	514 751
Other non-current assets		142	142
Total non-current assets		**548 336**	**572 029**
Current assets			
Inventories	4	1 391 990	1 327 074
Loans and receivables	5	1 896 362	2 031 258
Other current assets		38 659	41 174
Cash and its equivalents		183 208	165 334
Total current assets		**3 510 219**	**3 564 840**
TOATAL ASSETS		**4 058 555**	**4 136 869**

EQUITY AND LIABILITIES	Notes	01.01.2018-30.06.2018 EUR	31.12.2017 EUR
Equity			
Share capital		426 862	426 862
Revaluation reserves of non-current assets	3	171 607	174 240
Retained earnings/ (accumulated deficit)		-449 898	-358 566
Total equity		**148 571**	**242 536**
Liabilities			
Non-current liabilities			
Borrowings	6	3 431 500	3 418 748
Deferred income tax liabilities			
Total non-current liabilities:		**3 431 500**	**3 418 748**
Current liabilities			
Borrowings	6	355 013	356 200
Trade and other payables		123 471	119 385
Total current liabilities		**478 484**	**475 585**
Total liabilties		**3 909 984**	**3 894 333**
TOTAL EQUITY AND LIABILITIES		**4 058 555**	**4 136 869**

Notes 10 to 18 are an integral part of these financial statements.

Guntars Zvīnis ____________ August 1st, 2018

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CASH FLOW STATEMENT

	Notes	01.01.2018-30.06.2018 EUR	01.01.2017-30.06.2017 EUR
Cash flow from operating activities			
Profit/ loss before corporate income tax		**-91 332**	**-79 366**
Adjustments for:			
Depreciation and amortization	1	30 160	45 925
loss / (profit) from disposal of fixed assets		-388	34 515
Interest payments		214 435	210 429
Changes in working capital:			
Inventories		-64 916	-208 569
Receivables		137 411	18 751
Liabilties		4 086	4 550
		229 456	**26 235**
Corporate income tax paid		0	0
Cash flow from operating activities		**229 456**	**26 235**
Cash flow from investing activities			
Acquisition of fixed assets and intangible investments	3	-9 344	-14 712
Income from the sale of fixed assets and intangible investments		632	10 000
Net cash flow from investing activities		**-8 712**	**-4 712**
Cash flow from financing activities			
Loans received, neto	6	65 000	70 000
Borrowings repaid, neto	6	-52 000	-5 000
Interest payments		-214 435	-210 429
Payments for financial leasing contracts		-1 435	-1 371
Net cahs flow from financing activities		**-202 870**	**-146 800**
Net increase / (decrease) in cash and cash equivalents		**17 874**	**-125 277**
Cash and cash equivalents at beginning of the period		**165 334**	**196 480**
Cash and cash equivalents at the end of the period		**183 208**	**71 203**

Notes 10 to 18 are an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earning/ (accumulated deficit)	Total
	EUR	EUR	EUR	EUR
Balance at 31.12.2016	**426 862**	**156 093**	**-274 405**	**308 550**
Deferred income tax liabilities attributable to the revaluation reserve		23 414		**23 414**
Depreciation of fixed assets attributable to the revaluation reserve		-5 267		**-5 267**
Profit for the financial year			**-84 161**	**-84 161**
Balance at 31.12.2017	**426 862**	**174 240**	**-358 566**	**242 536**
Depreciation of fixed assets attributable to the revaluation reserve		-2 633		**-2 633**
Profit for the financial period			-91 332	**-91 332**
Balance at 30.06.2018	**426 862**	**171 607**	**-449 898**	**148 571**

Notes 10 to 18 are an integral part of these financial statements.

Guntars Zvīnis ____________________ August 1st, 2018

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NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

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

Reporting period

The reporting period is from	01.01.2018	to	30.06.2018

(2) ACCOUNTING POLICIES

Basis of preparation

These interim financial statements cover the period from 1 January 2018 to 30 June 2018. The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Statements". These condensed financial statements for the interim period are to be read together with the financial statements of AS Moda Kapitāls for the year ended 31 December 2017 that has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing these condensed interim financial statements, the Company has applied accounting policies that are consistent with those accounting policies that the Company has used in preparing its financial statements for the year ended 31 December 2017.

Several new standards, their additions and interpretations entered into force after January 1, 2018. They are not appropriate for the preparation of this interim financial report. The company does not intend to apply these standards before the set time.

Foreign currencies

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

Revenue recognition

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

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

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

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

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

Intangible assets and fixed assets

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

Intangible assets:	Years
Licenses and patents	3-5

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

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

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

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

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

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

Lease-to-buy (financial lease)

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

Inventories

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

Financial instruments

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

The Company categorises its financial assets, except derivative financial instruments if any, under loans and receivables. The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.
The Company’s financial liabilities include borrowings, trade and other payables and obligations arising from derivative financial instruments (if formed).

Loans and other receivables

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

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

Borrowings

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

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

Cash and cash equivalents

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

Corporate income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15% tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the year-end and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

Related parties

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

Critical accounting estimates and judgments

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

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

Revaluation of land and buildings

Management of the Company determines fair value of the assets based on assessment made by independent certified valuators in accordance with the property valuation standards and based on observable market price as well as future cash flow and construction costs methods.
The Management believes that assets must be revaluated at least once in 5 years or earlier if any indicators show the potential material changes in market values. By the management estimates, in the reporting year the factors that indicate a potentially significant changes in the value of those assets has not been identified, and, as a result, fair value measurement procedures has not been made. Last evolution of land and buildings was carried out in 2016 on preparation of financial statements.

Recoverability of receivables

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

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

		Intangible assets - licences	Fixed assets: Lands and buildings	Leasehold improvements	Other fixed assets	Advances and development costs	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR
Initial value	**01.01.2018**	**89 553**	**439 478**	**15 469**	**641 146**	**1 921**	**1 098 014**
Acquired					1 104		**1 104**
Disposed					-13 416		**-13 416**
Reclassified					959	-959	**0**
Overvalued							**0**
Initial value	**30.06.2018**	**89 553**	**439 478**	**15 469**	**629 793**	**962**	**1 085 702**
Accumulated depreciation	**01.01.2018**	**32 417**	**76 119**	**13 454**	**493 690**	**0**	**583 263**
Calculated depreciation		2 379	7 469	349	22 596		**30 414**
Depreciation of disposed fixed assets					-13 172		**-13 172**
Accumulated depreciation	**30.06.2018**	**34 796**	**83 588**	**13 803**	**503 114**	**0**	**600 505**
The residual value	**01.01.2018**	**57 136**	**363 359**	**2 015**	**147 456**	**1 921**	**514 751**
The residual value	**30.06.2018**	**54 757**	**355 890**	**1 666**	**126 679**	**962**	**485 197**

Revaluation of fixed assets and fair value techniques used

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

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

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

(4) Inventories

	30.06.2018 EUR	31.12.2017 EUR
Real estate - loan collateral owned by the Company	290 571	320 115
Advances paid (Real estate – loan collateral owned by the Company)	50 596	49 692
Provision for inventories - loan collateral owned by the Company	-79 627	-79 627
Goods purchased for sales purposes	101 890	130 791
Advances for goods	9 810	9 945
Provisions for goods	-14 940	-14 940
Other collateral owned by the Company	1 033 690	911 098
Total	**1 391 990**	**1 327 074**

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

(5) Loans and trade receivables

	30.06.2018 EUR	31.12.2017 EUR
Short-term loans secured with pledges	1 677 537	1 813 781
Provisions for impairment for loans secured with pledges	-103 308	-103 308
Consumer loans (Short-term loans without pledge)	293 968	295 181
Provisions for impairment of short-term loans not secured with pledges	-105 787	-105 787
Accrued interest payments	133 952	131 391
Total	**1 896 362**	**2 031 258**

	01.01.2018-30.06.2018 **% per month**	**01.01.2017-30.06.2017** **% per month**
Loans against hand pledge	3-21%	3-21%
Loans against ore	3-21%	3-21%
Loans without collateral (consumer credit)	1,5-8,8%	1,5-8,8%
Loans against transport	>2,5 %	>2,5 %
Loans against real estate	>2%	>2%

(6) Borrowings

Non-current	**Note**	30.06.2018 EUR	31.12.2017 EUR
Non-convertible bonds	b)	3 310 000	3 310 000
Other loans	c)	121 500	108 500
Finance lease liabilities	d)	0	248
Total non-current		**3 431 500**	**3 418 748**
Current			
Non-convertible bonds	b)	53 297	53 297
Other loans	c)	300 000	300 000
Finance lease liabilities	d)	1 716	2 903
Total current		**355 013**	**356 200**
Borrowings total		**3 786 513**	**3 774 948**

a) Fair value of borrowings

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

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

b) Bonds

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

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

	01.01.2018-30.06.2018		**2017**	
	Number of bonds	EUR	Nubmer of bondds	EUR
At beginning of the reporting year	3 310	3 310 000	3 310	3 310 000
Issued during the year	0	0	0	0
At the end of the year	**3 310**	**3 310 000**	**3 310**	**3 310 000**

c) Other loans

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

	30.06.2018	**31.12.2017**
	EUR	EUR
At beginning of the year	**408 500**	**310 000**
Borrowings received in the year	65 000	148 500
Repaid borrowings in the year	-52 000	-50 000
At the end of the year	**421 500**	**408 500**

d) Finance lease liabilities

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

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

	30.06.2018	**31.12.2017**
	EUR	EUR
Payable within 1 year	1 716	2 976
Payable from 2 to 5 years	0	248
Finance lease gross liability	**1 716**	**3 224**
Future finance costs	0	-73
Present value of finance lease liability	**1 716**	**3 151**

(5) Transactions with related parties

In 2018 and 2017 the Company had economic transactions with the following entities that are directly or indirectly controlled by the Company's shareholders and members of the Board: Orheja SIA and Trezors SIA.

Loans and interest payments

	Loans balances		**Interest expense**	
	30.06.2018	**31.12.2017**	**2018**	**2017**
	EUR	EUR	EUR	EUR
Orheja SIA	63 500	58 500		5 053
Trezors SIA		50 000	0	3 854
Total	**63 500**	**108 500**	**0**	**8 907**

The non-current part of the loans	63 500	108 500
The current part of the loans		0
	63 500	**108 500**

(6) Financial and capital risk management

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

Market risk

a)Foreign exchange risks

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

b) Interest rate risks

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

	30.06.2018	31.12.2017
	EUR	EUR
	1 716	3 151
Financial liabilities with variable interest rate	**1 716**	**3 151**

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

c) Other price risk

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

Credit risk

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

Maximum exposure to credit risk	30.06.2018	31.12.2017
	EUR	EUR
Loans and trade receivables	1 896 362	2 031 258
Other current assets	38 659	41 174
Cash and cash equivalents	183 208	165 334
Total	**2 118 229**	**2 237 766**

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

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

Liquidity risk

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

Capital Management

In accordance with the requirements of the Commercial Law of the Republic of Latvia, the Board should ask shareholders to evaluate and decide on the Company's continued operation if the Company's losses exceed half of the share capital. The equity of the Company as at 30 June 2018 was 35% of the share capital value and accumulated losses exceeded the share capital. The management of the company manages the capital structure on the on-going basis. During the reporting period, no changes were made to capital management tasks, policies or processes.

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

	30.06.2018	31.12.2017
	EUR	EUR
Total borrowings	3 786 513	3 774 948
Cash and its equivalents	-183 208	-165 334
Net debt	**3 603 305**	**3 609 614**
Equity	148 571	242 536
Total capital	**3 751 876**	**3 852 150**
Total assets	4 058 555	4 136 869
Net debt to equity	2425%	1488%
Equity ratio on total assets	4%	6%

(7) Events after balance sheet date

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