

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

Riga, 30th April, 2020

**AS "Moda Kapitāls"**

Annual report for the year 2019.

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

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**CONTENT**

	<b>Page</b>
<b>General information</b>	<b>3</b>
<b>Management report</b>	<b>4</b>
<b>Statement of management responsibility</b>	<b>6</b>
<b>Financial statements:</b>	
<b>Statement of comprehensive income</b>	<b>7</b>
<b>Statement of financial position</b>	<b>8</b>
<b>Cash flow statement</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes</b>	<b>11</b>
<b>Independent auditors' report</b>	<b>28</b>

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

**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, Rīga, June 9, 1997		
Registered office	Ganību dambis 40A-34, Rīga, LV-1005		
Shareholders	Andris Banders (14.75%), Guntars Zvīnis (24,75%), Ilvars Sirmāis (24,75%), Verners Skrastiņš (21%), MK Investīcijas, SIA (14,75%)		
Board Members	Guntars Zvīnis Ilvars Sirmāis		
Supervisory Board Members	Verners Skrastiņš - head of the Council Andris Banders - deputy of the head of the Council Inese Kanneiece - member of the Council Diāna Zvīne - member of the Council Aleksandrs Sirmāis - member of the Council Ilze Sirmā - member of the Council		
Financial year	from	01.01.2019	to 31.12.2019
Currency used in the financial statements			EUR
Details of related companies:	AUREUM AS, legal address: Peldu Street 6, Liepāja, participation share - 100%. Control was acquired on December 12, 2019		
Auditors	Crowe DNW SIA Bauskas iela 58-216, Rīga LV - 1004 Licence No 157	Certified auditor Iveta Rutkovska Certificate No 43	

## **MANAGEMENT REPORT**

### **Type of activity**

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

### **Description of the company's activities in the reporting year and financial position**

In the first three quarters of 2019, no significant changes were made in the structure or management of the branches of AS "Moda kapitāls", while in the fourth quarter of 2019, significant changes were made compared to previous years.

The company closed three branches whose financial indicators did not correspond to the company's settings and caused losses to the company. Simultaneously with the closure of branches, additional expenses were optimized, incl. changes in the structure of staff and ways were found to reduce other expenses. These changes have already had a positive effect in the first quarter of this year, as operational data show that the company's operating results are significantly better than in the first quarter of 2019.

At the end of 2019, the company became a 100% shareholder of AS Aureum, which is considered to be the largest non-bank creditor in Liepāja, issuing loans against movable property and precious metal.

At the end of 2019, the shareholders increased the company's share capital.

The company has improved systems in connection with the "Personal Data Processing Law", observing the requirements and principles specified in the law and the General Data Protection Regulation.

The company has repeatedly improved the control system in accordance with the changes in the Law on the Prevention of Money Laundering and Terrorist and Proliferation Financing.

Also, in 2019, the company has more than doubled the turnover of the online store emoda.lv and gained a regular circle of customers who use the services offered by emoda.lv regularly.

The company also continues to be active in increasing the range of existing second-hand goods, offering its customers a wide range of various types of second-hand household appliances and electrical appliances, agreeing to cooperate with foreign suppliers.

In 2019, as in previous years, changes in customer activity and demand for certain types of loans were observed.

As in previous years, the largest decrease in 2019 has been in loans against real estate pledge, which is related to the change in the company's strategy regarding the minimum return on this type of loans.

There is a tendency that not all branches of companies have an increase or decrease in identical types of loans. There is a different growth or decrease in the loan segments for each branch.

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

The company's income has also been affected by changes in interest rate restrictions, which were set in Latvia starting from the second half of 2019. Due to these changes, the company has also restricted the issuance of consumer credit.

### **Covid-19 impact on the company's operations**

In the first month after the declaration of the state of emergency, the amount of new loans issued decreased, which is based on the conscientious behavior of the population in trying to stay in their place of residence and, accordingly, the total movement of people in all cities.

In turn, the volume of loans issued in the last weeks is increasing again and comparing the data with the previous years of the same period, only a negligible decrease in the volume of issued loans is observed.

Covid-19 has not reduced the company's sales of used household appliances and precious metal products.

During this period, both the number and volume of transactions in the online store emoda.lv have grown rapidly, reaching all-time highs.

Regarding the impact of Covid-19 on the company's future results, the company makes cautious forecasts, as the uncertainty about the duration of the current situation and when the daily lives of citizens and businesses could return to normal is a more important factor. If, due to the impact of Covid-19, the existing restrictions will be significantly strengthened, it could reduce the company's income, in which case the issues of increasing the company's share capital or the sale of existing assets will be addressed.

### **Future outlook and future development**

Given the company's unsatisfactory financial results over several years, the company's shareholders at the extraordinary general meeting have started a discussion on increasing the share capital, developing a new strategy for the next five years and possible changes in the company's management.

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
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The company is negotiating about the re-lending of bonds issued by the company.

The company's management predicts that the removal of the existing restrictions imposed by Covid-19 could significantly increase the demand for the company's services in both lending and trade.

Taking into account the increase in the turnover of the online store emoda.lv in 2019, we forecast that during 2020 the turnover of the online store could double compared to 2019, which would also increase the company's income.

After taking into account significant decisions made by shareholders, the company will place relevant information in the public news section of NASDAQ Riga, informing its bondholders.

Depending on the decisions made by the company's shareholders, one of the company's priorities in the second half of 2020 could be to open new branches and offer new services to the company's customers.

**Significant events since the end of the reporting year**

From the end of the reporting year to the day of writing this report there have not been any significant events that would have a material impact on the financial position of the Company as at 31 December 2019.

**Branches of the company**

On December 31, 2019, the Company provides its services in twenty-three branches located in largest Latvian cities: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis, Daugavpils, Dobeles, Gulbene, Jēkabpils, Jelgava, Kraslava, Kuldīga, Limbazi, Liepāja, Ludza, Madona, Preiļi, Rezekne, Rīga, Talsi, Tukums, Valmiera, and Valka.

Guntars Zvīnis

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30th April, 2020

Ilvars Sirmāis

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**STATEMENT OF MANAGEMENT RESPONSIBILITY**

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted the EU. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 7 to page 27 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

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

Guntars Zvīnis

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30th April, 2020

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AS "Moda Kapitāls"  
 ANNUAL REPORT FOR THE YEAR 2019  
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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2019 EUR	2018 EUR
Net turnover	3	1 705 023	1 130 628
Finance income	3	972 345	1 107 020
Cost of sales	4	-1 444 759	-891 971
Finance costs	5	-417 437	-424 399
<b>Gross profit</b>		<b>815 172</b>	<b>921 278</b>
Selling costs	6	-748 626	-779 510
Administrative expenses	7	-249 225	-294 722
Other income	8	57 174	106 490
Other expenses	9	-46 106	-132 653
<b>Profit or loss before corporate income tax</b>		<b>-171 611</b>	<b>-179 117</b>
Corporate income tax	11	-3 206	-2 753
<b>Net profit or loss</b>		<b>-174 817</b>	<b>-181 870</b>
Other income (loss)			
<b>Total income / loss</b>		<b>-174 817</b>	<b>-181 870</b>

**Pages 11. to 27. are an integral part of these financial statements.**

Guntars Zvīnis

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30th April, 2020

Ilvars Sirmāis

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AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

**STATEMENT OF FINANCIAL POSITION**

	Notes	31.12.2019 EUR	31.12.2018 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	67 499	67 668
Fixed assets	12	422 753	457 413
Right-of-use asset	13	88 410	0
Participation in the capital of related companies	14	425 200	0
Other non-current assets		142	142
<b>Total non-current assets</b>		<b>1 004 004</b>	<b>525 223</b>
<b>Current assets</b>			
Inventories	15	1 120 858	1 229 400
Loans and receivables	16	1 502 842	1 730 345
Other current assets	17	43 845	82 515
Cash and its equivalents	18	215 959	159 545
<b>Total current assets</b>		<b>2 883 504</b>	<b>3 201 805</b>
<b>TOTAL ASSETS</b>		<b>3 887 508</b>	<b>3 727 028</b>
<b>EQUITY AND LIABILITIES</b>			
	Notes	31.12.2019 EUR	31.12.2018 EUR
<b>Equity</b>			
Share capital	20	467 127	426 862
Revaluation reserves of non-current assets	12	163 706	168 973
Retained earnings/ (accumulated losses)		-715 253	-540 436
<b>Total equity</b>		<b>-84 420</b>	<b>55 399</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	21	198 000	3 386 500
Lease obligations	13,21 and 25	66 269	
<b>Total non-current liabilities:</b>		<b>264 269</b>	<b>3 386 500</b>
<b>Current liabilities</b>			
Borrowings	21	3 538 650	149 899
Lease obligations	13,21 and 25	22 879	
Trade and other payables	22	146 130	135 230
<b>Total current liabilities</b>		<b>3 707 659</b>	<b>285 129</b>
<b>Total liabilities</b>		<b>3 971 928</b>	<b>3 671 629</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 887 508</b>	<b>3 727 028</b>

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Guntars Zvīnis

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30th April, 2020

Ilvars Sirmāis

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AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

**CASH FLOW STATEMENT**

	Notes	2019 EUR	2018 EUR
<b>Cash flow from operating activities</b>			
Profit/ loss before corporate income tax		-171 611	-179 117
<b>Adjustments:</b>			
Depreciation and amortization	12	78 379	63 841
loss / (profit) from disposal of fixed assets		-13 397	433
Changes in provisions		6 299	-10 992
Interest payments		417 437	424 399
<b>Changes in current assets:</b>			
Inventories		108 542	97 674
Receivables		266 173	259 572
Liabilities		10 900	17 786
		<b>702 722</b>	<b>673 596</b>
Corporate income tax paid		-3 206	-2 753
<b>Cash flow from operating activities</b>		<b>699 516</b>	<b>670 843</b>
<b>Cash flow from investing activities</b>			
Acquisition of fixed assets and intangible investments	12	-19 473	-17 517
Revenue from the sale of fixed assets and intangible assets		0	259
Acquisition of related companies	14	-425 200	0
<b>Net cash flow from investing activities</b>		<b>-444 673</b>	<b>-17 258</b>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of shares and bonds		41 127	0
Loand received, neto	19	423 000	65 000
Borrowings repaid, neto	19	-222 500	-297 000
Interest payments		-417 437	-424 399
Payments for financial leasing contracts		-22 619	-2 975
<b>Net cash flow from financing activities</b>		<b>-198 429</b>	<b>-659 374</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>56 414</b>	<b>-5 789</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>159 545</b>	<b>165 334</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>215 959</b>	<b>159 545</b>

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Guntars Zvīnis

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30th April, 2020

Ilvars Sirmāis

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**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Revaluation reserves of non- current assets	Retained earning/ (accumulated loss)	Total
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
<b>Balance as at 31.12.2017</b>	<b>426 862</b>	<b>174 240</b>	<b>-358 566</b>	<b>242 536</b>
Depreciation of fixed assets attributable to the revaluation reserve		-5 267		-5 267
Profit for the financial year			-181 870	-181 870
<b>Balance as at 31.12.2018</b>	<b>426 862</b>	<b>168 973</b>	<b>-540 436</b>	<b>55 399</b>
Depreciation of fixed assets attributable to the revaluation reserve		-5 267		-5 267
Increased share capital	40 265			40 265
Profit for the financial year			-174 817	-174 817
<b>Balance as at 31.12.2019</b>	<b>467 127</b>	<b>163 706</b>	<b>-715 253</b>	<b>-84 420</b>

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AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
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<u>Impact of the transition to IFRS 16 01.01.2019:</u>	<u>EUR</u>
Right-of-use asset - lease of premises for self-operation	111 518
Lease obligations	111 518

In assessing lease liabilities, future lease payments were discounted using the comparable borrowing rate on January 1st, 2019, which averaged at 2.25%.

In subsequent periods, the Company lists the rights to use the assets using the cost method, which determines to deduct accumulated depreciation and permanent impairment from the original value, and to adjust for the recalculation of lease liabilities. The right-of-use assets are depreciated over the shorterest period of the useful life of the asset and the lease term on a straight-line basis.

A number of other new standards and guidelines are also effective from 1st January 2019, but they do not have a material impact on the Company's financial statements.

In preparing these financial statements, the Company has not adopted a number IFRS and interpretations of IFRS that have not yet been approved for application in the EU until 31st December 2019:

- Amendments to the Guidelines for the Preparation of Financial Statements (effective for annual periods beginning on or after 1 January 2020). The revised Financial Reporting Guidelines include a new section on valuation, guidance on the presentation of financial results, improved definitions and guidance, in particular regarding the definition of liabilities, clarification of key areas such as management roles in the company, prudence and uncertainty assessment in financial statements. These amendments are not expected to have a material impact on the Company's financial statements.
- Definition of materiality - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1st January 2020). The amendments clarify the definition of materiality and how it applies by including an explanation of the definition, which has so far been reflected elsewhere in IFRSs. In addition, clarifications have been improved to complement this definition. Finally, the amendments ensure that the definition of materiality is consistent across IFRSs. Information is material if it is reasonably expected that its non-disclosure, misstatement or misstatement could influence the decisions of users of the financial statements that use the financial information provided by the entity. These amendments are not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (effective for annual periods beginning on or after 1st January 2020). These amendments do not affect the Company's financial statements.

### 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.

### Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

### **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 these income is included in the income statement as net turnover. Income from such services are gained when the Company sells to a client the respective pledged goods.

#### Interest income and expense

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

#### Other income

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

### **Intangible assets and fixed assets**

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

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

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

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

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

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS us adopted in EU

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:

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

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

#### **Impairment of non-financial assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, if any, is allocated to such cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arise.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. For all other individual assets or cash-generating units impairment test is performed at the end of the reporting year if there is evidence of impairment.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest budget.

An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. A reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: (a) its recoverable amount (if determinable) and (b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

#### **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 instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

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.

#### **Share capital and dividends**

Ordinary shares are classified as equity. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, when shareholders of the Company approve the dividends.

#### **Employee benefits**

Short-term employee benefits, including salaries, social security contributions and bonuses are included in the statement of profit or loss on an accrual basis.

The Company pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included in the staff costs.

### **Corporate income tax**

In 2017, the government adopted a fundamental change in the Corporate Income Tax Law, which came into force on January 1, 2018. In accordance with this law, temporary differences between financial and tax balances are no longer present. Consequently, the Company withdrew the deferred tax recognition as of 31.12.2017. Corporate income tax liabilities incurred outside the profit and loss account were attributed to the equity item "Long-term revaluation reserve"; other liabilities were recognized as income in the income statement for the year 2017.

### **Fair value estimation**

In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments unless there is information on market prices.

### **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**

For the preparation of the financial statements in accordance with IFRS, significant assumptions are required. Similarly, when preparing the statements, management needs to make assumptions and judgments in applying the accounting policies chosen 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.

#### *Going concern basis*

The financial statements are prepared on a going concern basis.

Applying the principle involves evaluating a number of considerations and making the necessary management judgment as described in Note 24 - Capital Management.

#### *Revaluation of land and buildings*

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

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

#### *Recoverability of receivables*

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on amount and structure of receivables is disclosed in Note (14) of the financial statements.



(3) **Segment Information and net sales**

**Operation and reportable segment**

Core activity of the Company is the issuing of short-term loans against pledge of movable and immovable property and the realization of the pledged property. As the Company's other business lines, including other commodity trade is irrelevant, the Company has only one operation and reportable segment. Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

**Geographical markets**

Currently there are twenty-three branches: Aizkraukle, Alūksne, Balvi, Bauska, Cesis, Dobeles, Daugavpils, Gulbene, Jekabpils, Jelgava, Kraslava, Kuldīga, Liepāja, Limbazi, Madona, Rezekne, Rīga, Talsi, Valmiera, Tukums, Preiļi, Ludza, and Valka.

(3) **Types of net turnover**

	2019	2018
	EUR	EUR
Income from sales of pledged assets	1 191 822	732 120
Income from other goods sales	513 201	398 508
<b>Total</b>	<b>1 705 023</b>	<b>1 130 628</b>

**Finance income**

	2019	2018
	EUR	EUR
Interest income on loans	837 939	962 588
Income from penalties, fines	134 406	144 432
<b>Total</b>	<b>972 345</b>	<b>1 107 020</b>

(4) **Cost of sales**

	2019	2018
	EUR	EUR
Cost of sold pledges	1 042 356	565 902
Cost of goods purchased for resale	402 403	326 069
<b>Total</b>	<b>1 444 759</b>	<b>891 971</b>

(5) **Finance costs**

	2019	2018
	EUR	EUR
Interest on loans and bonds	415 158	424 399
Interest on lease liabilities	2 279	0
<b>Total</b>	<b>417 437</b>	<b>424 399</b>

(6) **Selling costs**

	2019	2018
	EUR	EUR
Staff costs	437 687	454 255
Rent of premises and maintenance costs	124 698	154 030
Depreciation of fixed assets	48 463	58 574
Depreciation of rental rights	23 108	0
Non-deductible VAT	16 112	18 959
License expenses	14 225	14 225
Advertising expenses	7 217	5 506
Write-off of low value inventory and fixed asset	828	1 458
Other expenses	76 288	72 503
<b>Total</b>	<b>748 626</b>	<b>779 510</b>

**(7) Administrative expenses**

	<b>2019</b>	<b>2018</b>
	EUR	EUR
Staff costs	159 447	203 230
Transport costs	35 326	37 613
Communication expenses	17 575	19 562
Professional service costs	18 665	20 708
Office expenses	3 086	4 172
Bank charges	8 474	4 934
Representation costs	2 696	3 132
Business trip expenses	125	63
Other administrative expenses	3 831	1 308
<b>Total</b>	<b>249 225</b>	<b>294 722</b>

**(8) Other income**

	<b>2019</b>	<b>2018</b>
	EUR	EUR
Rent and lease income	1 457	9 750
Write-off of provision	26 524	87 379
Net gain on disposal and sales of fixed assets, investment properties	13 596	0
Revenue from cession assignments	8 917	0
Other income	6 680	9 361
<b>Total</b>	<b>57 174</b>	<b>106 490</b>

**(9) Other expenses**

	<b>2019</b>	<b>2018</b>
	EUR	EUR
Provisions	40 099	76 387
Loss on sale of inventories (real estate) and fixed assets	0	36 486
Loss of the assignment contract	0	14 575
Real estate tax	4 490	5 048
Other expenses	1 517	157
<b>Total</b>	<b>46 106</b>	<b>132 653</b>

**(10) Expense by nature**

	<b>2019</b>	<b>2018</b>
	EUR	EUR
Purchase cost of goods sold	1 444 759	891 971
Personnel costs	597 134	657 485
Interest paid on credits, borrowings	417 437	424 399
Rent of premises and maintenance costs	124 698	154 030
Depreciation of fixed assets	71 571	58 574
Transport costs	35 326	37 613
Non-deductible VAT	16 112	18 959
Other expenses	199 116	280 224
<b>Total</b>	<b>2 906 153</b>	<b>2 523 255</b>

**(11) Corporate income tax**

	<b>2019</b>	<b>2018</b>
	EUR	EUR
<u>Components of corporate income tax</u>		
Estimated corporate income tax	3 206	2 753
<b>Total</b>	<b>3 206</b>	<b>2 753</b>

(12) Intangible assets and fixed assets

		Fixed assets					
		Intangible assets - licences	Lands and buildings	Leasehold improvements	Other fixed assets	Advances and development costs	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR
<b>Initial value</b>	<b>01.01.2018</b>	89 553	439 478	15 469	641 146	1 921	1 098 014
Acquired		15 781			1 736		1 736
Disposed		-105		-1 344	-17 677	-48	-19 069
Reclassified				-10 568	-4 734	-1 252	-16 554
<b>Initial value</b>	<b>31.12.2018</b>	105 229	439 478	3 557	620 471	621	1 064 127
<b>Accumulated depreciation</b>	<b>01.01.2018</b>	32 417	76 119	13 454	493 690	0	583 263
Calculated depreciation		5 249	14 937	659	42 996		58 592
Depreciation of disposed fixed assets		-105		-1 344	-17 243		-18 587
Depreciation of reclassified fixed assets				-10 568	-5 986		-16 554
<b>Accumulated depreciation</b>	<b>31.12.2018</b>	37 561	91 056	2 201	513 457	0	606 714
<b>The residual value</b>	<b>01.01.2018</b>	57 136	363 359	2 015	147 456	1 921	514 751
<b>The residual value</b>	<b>31.12.2018</b>	67 668	348 422	1 356	107 014	621	457 413
<b>Initial value</b>	<b>01.01.2019</b>	105 229	439 478	3 557	620 471	621	1 064 127
Acquired		6 167			10 753	2 553	13 306
Disposed					-18 196		-18 196
Reclassified							0
<b>Initial value</b>	<b>31.12.2019</b>	111 396	439 478	3 557	613 028	3 174	1 059 237
<b>Accumulated depreciation</b>	<b>01.01.2019</b>	37 561	91 056	2 201	513 457	0	606 714
Calculated depreciation		6 337	14 937	432	32 024		47 393
Depreciation of disposed fixed assets					-17 623		-17 623
Moved to another position depreciation							0
<b>Accumulated depreciation</b>	<b>31.12.2019</b>	43 898	105 993	2 633	527 858	0	636 484
<b>The residual value</b>	<b>01.01.2019</b>	67 668	348 422	1 356	107 014	621	457 413
<b>The residual value</b>	<b>31.12.2019</b>	67 498	333 485	924	85 170	3 174	422 753

At the December 31, 2019 The Company had 619 intangible assets and fixed assets with the residual value of 0 EUR. The purchase cost of these assets was 348 700 EUR.

**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. Vilnits who was appointed by the Board of Company, appraised the market value of real estate classified under Land & Buildings. 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. The valuation was determined by three valuation techniques:

- 1) Under cost approach - the value was calculated which would have been required to purchase an equivalent piece of land and to build a similar quality application building. Construction costs would have been adjusted with the factors that characterize the loss of the value of the building under influence of physical depreciation, functional loss of use, and regional economic situation.
- 2) Under market approach - the value was calculated, that characterizes appraises property compared to comparable properties, which are known in their market value.
- 3) Under income approach - the expected cash flow has been estimated based on the rental income for the similar properties. The projected future rental income less

Total revaluation surplus of fixed assets on 31 December 2016 was EUR 168 088 (31.12.2015 - EUR 71 634). Revaluation amount is recognizes in equity under "Revaluation reserve of non-current assets".

Revaluation reserve can not be reclassified to other equity items, except at the disposal of assets, and paid to the shareholders as dividends.

**(13) Right-of-use asset**

Comparison of lease liabilities as at 31st December 2018 in accordance with IAS 17, which were presented in the financial statements as at 31st December 2018, and discounted lease liabilities, which were recognized on 1st January 2019:

		01.01.2019
		EUR
Operating lease liabilities as at 31st December 2018, in accordance with IAS 17, presented in the financial statements of the year 2018		0
<b>Lease obligations on 01.01.2019 - not discounted</b>		118 438
Impact of initial discounting		-6 920
Residual value guarantees		0
Non - lease components		0
<b>Lease obligations on 01.01.2019 - discounted</b>		<u>111 518</u>
	EUR	
<b>Right-of-use asset, recognized on 01.01.2019</b>	<u>111 518</u>	
Calculated depreciation	-23 108	
<b>Right-of-use asset, net residual value at 31.12.2019</b>	<u>88 410</u>	
	EUR	
<b>Lease liabilities, recognized on 01.01.2019</b>	<u>111 518</u>	
Increased by interest payments in 2019	2 279	
Paid to the lessor during 2019	-24 649	
<b>Lease liabilities 31.12.2019</b>	<u>89 148</u>	

**(14) Participation in the capital of related companies**

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

The management of the company decided to reflect the value of the related company in the balance sheet on 31.12.2019 in its acquisition costs. No indications of impairment of the acquired asset were found. Also, a decision was made for the financial year, which ended on 31.12.2019 not to prepare consolidated financial statements because the acquired company is relatively insignificant and control has been acquired near the end of the year. The related company will be included in the consolidated financial statements as of 01.01.2020 and consolidated financial statements will be prepared for 2020. Consolidation differences will be determined as of 01.01.2020.

**(15) Inventories**

	31.12.2019	31.12.2018
	EUR	EUR
Real estate - loan collateral owned by the Company	180 183	213 581
Advances paid (Real estate – loan collateral owned by the Company)	31 463	41 999
Provision for inventories - loan collateral owned by the Company	-50 024	-57 228
Goods purchased for sales purposes	80 773	93 293
Advances for goods	10 076	15 327
Provisions for goods	-11 398	-6 228
Other collateral owned by the Company	879 785	928 656
<b>Total</b>	<u>1 120 858</u>	<u>1 229 400</u>

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

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

(Continuation of Annex 15)

**Movement in provisions for impairment of inventories:**

	31.12.2019	31.12.2018
	EUR	EUR
<b>Provisions at the beginning of the year</b>	<b>63 456</b>	<b>94 567</b>
Created/(reduced) provisions for real estate	-7 204	-22 399
Created/reduced provisions for slow moving and damaged goods	5 170	-8 712
<b>Provisions at the end of the year</b>	<b>61 422</b>	<b>63 456</b>

**(16) Loans and trade receivables**

	31.12.2019	31.12.2018
	EUR	EUR
Short-term loans secured with pledges	1 268 638	1 437 385
Provisions for impairment for loans secured with pledges	-63 396	-64 038
Consumer loans (Short-term loans without pledge)	203 536	271 384
Provisions for impairment of short-term loans not secured with pledges	-61 508	-65 131
Accrued interest payments	155 572	150 745
<b>Total</b>	<b>1 502 842</b>	<b>1 730 345</b>

**Movement in provisions for impairment of accounts receivable:**

	Individual impairment	Portfolio impairment	Total
	EUR	EUR	EUR
<b>Provisions at the beginning of the year 2018</b>	<b>144 554</b>	<b>64 541</b>	<b>209 095</b>
Charged/(reduced) provisions in 2018	-93 664	13 738	-79 926
<b>Provisions at the end of the year 2018</b>	<b>50 890</b>	<b>78 279</b>	<b>129 169</b>
Charged/(reduced) provisions in 2019	12 818	-17 083	-4 265
<b>Provisions at the end of the year 2019</b>	<b>63 708</b>	<b>61 196</b>	<b>124 904</b>

	2019 % month	2018 % month
Loans against hand pledge	3-21%	3-21%
Loans against ore	3-21%	3-21%
Loans without collateral (consumer credit)	1,5-2,1%	1,5-8,8%
Loans against transport	>2,1-5%	>2,5 %
Loans against real estate	>2,1-5%	>2%

**Issued short-term loans quality analysis:**

	Loans secured with pledges	Loans not secured with pledges	Total
	EUR	EUR	EUR
Neither past due nor impaired loans	743 863	54 854	798 717
Past due but not impaired loans:	445 864	18 895	464 759
less than 30 days	144 613	8 447	153 060
31 to 59 days	37 403	2 768	40 171
60 to 89 days	10 078	535	10 613
more than 90 days	253 770	7 145	260 915
<b>Impaired loans</b>	<b>78 911</b>	<b>129 787</b>	<b>208 698</b>
<b>Total gross loans</b>	<b>1 268 638</b>	<b>203 536</b>	<b>1 472 174</b>
Impairment allowance	-63 396	-61 508	-124 904
<b>Total net loans</b>	<b>1 205 242</b>	<b>142 028</b>	<b>1 347 270</b>

\*The gross amount of loans does not include accrued interest payments of EUR 155 572.

**(17) Other current assets**

	31.12.2019	31.12.2018
	EUR	EUR
<b>Financial assets:</b>		
Other receivables, neto	14 324	35 994
Settlements for services	6 991	6 665
Overpaid taxes	4 603	20 177
<b>Total</b>	<b>25 918</b>	<b>62 836</b>
<b>Non-financial assets:</b>		
Prepaid expense	17 927	19 679
<b>Total other current assets</b>	<b>43 845</b>	<b>82 515</b>

**Movement in provisions for impairment of other accounts receivable:**

	31.12.2019	31.12.2018
	EUR	EUR
<b>Provisions at the beginning of the year</b>	<b>0</b>	<b>27 330</b>
Created/(reduced) provisions	0	-27 330
<b>Provisions at the end of the year</b>	<b>0</b>	<b>0</b>

**(18) Cash and its equivalents**

	31.12.2019	31.12.2018
	EUR	EUR
Cash at bank on current accounts	163 553	124 296
Cash on hand	52 406	35 249
<b>Total</b>	<b>215 959</b>	<b>159 545</b>

**(17) Financial instruments by category**

All financial assets of the Company amounting at the year end to EUR 1 524 157 (31.12.2018 - EUR 1 773 004) fell under the category of loans and receivables.

All financial liabilities of the Company amounting to EUR 3 971 928 (31.12.2018 - EUR 3 671 629) fell under the category of other financial liabilities, there are no liabilities at fair value through profit or loss.

**(20) Share capital**

As by 31 December 2019, the share capital has been completely paid. It consists of 6 570 shares with the nominal value of 71,10 EUR and the total value of 467 127 EUR.

**(21) Borrowings**

	Note	31.12.2019 EUR	31.12.2018 EUR
<b>Non-current</b>			
Non-convertible bonds	b)	0	3 310 000
Other loans	c)	198 000	76 500
Other borrowings-Lease obligations	d)	66 269	0
<b>Total non-current</b>		<b>264 269</b>	<b>3 386 500</b>
<b>Short-term</b>			
Non-convertible bonds	b)	3 359 650	49 650
Other loans	c)	179 000	100 000
Other borrowings-Lease obligations	d)	22 879	249
<b>Total short-term</b>		<b>3 561 529</b>	<b>149 899</b>
<b>Total borrowings</b>		<b>3 825 798</b>	<b>3 536 399</b>

**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**

On November 11, 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, nominal value of bonds is 1 000 EUR, the coupon rate is 12%. Bond are maturing on November 15, 2020.

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

	2019		2018	
	Nuber of bonds	EUR	Number of bonds	EUR
At beginning of the reporting year	3 310	3 310 000	3 310	3 310 000
Issued during the year			0	0
<b>At the end of the year</b>	<b>3 310</b>	<b>3 310 000</b>	<b>3 310</b>	<b>3 310 000</b>

**C) Other loans**

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note (21)). Borrowing interest rates range from 6% to 10% per year.

	31.12.2019 EUR	31.12.2018 EUR
<b>At beginning of the year</b>	<b>176 500</b>	<b>408 500</b>
Borrowings received in the year	0	65 000
Repaid borrowings in the year	0	-297 000
<b>At the end of the year</b>	<b>176 500</b>	<b>176 500</b>

**d) Liabilities under lease agreements**

The company has long-term lease agreements. Financial costs were initially estimated at a rate of 2.25% per annum and payable monthly. The % estimate may change from year to year if comparable interest rates change.

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

	31.12.2019	31.12.2018
	EUR	EUR
Payable within 1 year	24 650	249
Payable from 2 to 5 years	69 139	0
<b>Finance lease gross liability</b>	<b>93 789</b>	<b>249</b>
Future finance costs	-4 641	0
<b>Present value of finance lease liability</b>	<b>89 148</b>	<b>249</b>

**(22) Trade and other payables**

	31.12.2019	31.12.2018
	EUR	EUR
Salaries	28 695	31 925
Accruals for unused annual leave	14 313	14 795
Mandatory State social insurance contributions and other taxes	13 734	18 671
Trade payables	16 220	7 960
Accrued liabilities	28 709	10 416
Personal income tax	4 453	7 321
Advances from customers	38 716	41 245
Other payables	1 290	144
Corporate Income tax	0	2 753
<b>Total</b>	<b>146 130</b>	<b>135 230</b>

Trade receivables and the fair values of other creditors do not differ materially from their carrying amounts because they are short-term. Trade and other payables carry no interest.



**(23) Transactions with related parties**

In 2019 and 2018 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, Trezors SIA and Premium Finance Group SIA. In 2019, loans from the related company AUREUM AS have joined.

**Loans and interest payments**

	Balances		Interest expenses	
	31.12.2019	31.12.2018	2019	2018
	EUR	EUR	EUR	EUR
Orheja SIA	64 000	46 500	4 466	5 912
Trezors SIA	65 000	0	4 368	3 149
AUREUM AS	168 000	0	261	0
Premium Finance Group SIA	0	0	796	0
<b>Total</b>	<b>297 000</b>	<b>46 500</b>	<b>9 891</b>	<b>9 061</b>
The non-current part of the loans	168 000	46 500		
	<b>168 000</b>	<b>46 500</b>		

**Remuneration to the management**

	Remuneration to Council members		Remuneration to Board members	
	2019	2018	2019	2018
	EUR	EUR	EUR	EUR
Salaries			78 866	88 931
Social security contributions			18 999	21 243
	<b>0</b>	<b>0</b>	<b>97 865</b>	<b>110 174</b>

**(24) Number of employees**

	2019	2018
The average number of persons employed by the company	43	54

**(25) Financial and capital risk management**

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

**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 exposed to interest rate risk as the part of the liabilities are interest-bearing borrowings with the variable interest rate (Note (21)), as well as the Company's interest bearing assets have fixed interest rate.

	31.12.2019	31.12.2018
	EUR	EUR
Financial liabilities with variable interest rate	89 148	249
	<b>89 148</b>	<b>249</b>

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	<b>31.12.2019</b>	<b>31.12.2018</b>
	EUR	EUR
Loans and trade receivables	1 502 842	1 730 345
Other current assets	43 845	82 515
Cash and cash equivalents	215 959	159 545
<b>Total</b>	<b>1 762 646</b>	<b>1 972 405</b>

Within the Company the credit risk is managed using centralized procedures and control. The main credit risk occurs in connection with outstanding loans issued. To reduce these risks the Company applies a conservative credit policy – the sum of issued loans is smaller than the value of pledged movable and immovable property. Such policy allows the Company to reduce its credit risk to minimum. Information about the structure of the loan portfolio is provided in Note 16.

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 amounts.

**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.

The following table shows the maturity structure of financial liabilities of the Company, that is based on non-discounted cash flows (excluding interest):

<b>31st December, 2018</b>	<b>Total</b>	<b>&lt;1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>&gt;5 years</b>
	EUR	EUR	EUR	EUR	EUR
Bonds	3 359 650	49 650	3 310 000		
Loans from credit institutions					
Other loans	176 500	100 000	76 500		
Finance lease liabilities	249	249			
Trade and other payables	135 230	135 230			
	<b>3 671 629</b>	<b>285 129</b>	<b>3 386 500</b>	<b>0</b>	<b>0</b>

<b>31st December, 2019</b>	<b>Total</b>	<b>&lt;1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>&gt;5 years</b>
	EUR	EUR	EUR	EUR	EUR
Bonds	3 359 650	3 359 650			
Other loans	377 000	179 000	168 000	30 000	
Lease liabilities	89 148	22 879		61 823	4 446
Trade and other payables	146 130	146 130			
	<b>3 971 928</b>	<b>3 707 659</b>	<b>168 000</b>	<b>91 823</b>	<b>4 446</b>

All loans and trade receivables are short - term, with a maturity 1 year or less.

AS "Moda Kapitāls"  
ANNUAL REPORT FOR THE YEAR 2019  
prepared in accordance with IFRS as adopted in EU

**Capital Management**

In accordance with the requirements of the Commercial Law of the Republic of Latvia, the Board shall require shareholders to evaluate and decide on the continuation of the Company's operations if the Company's losses exceed half of the share capital. Equity of the Company as at 31.12.2019 is negative. In 2020, a number of measures will be implemented to strengthen the company's financial position. The relevant action plan and implementation of the objectives will be assessed at the company's shareholders' meeting, when final decisions on the measures to be taken and the deadlines for their implementation will be made.

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

	31.12.2019	31.12.2018
	EUR	EUR
Total borrowings	3 825 798	3 536 399
Cash and its equivalents	-215 959	-159 545
<b>Net debt</b>	<b>3 609 839</b>	<b>3 376 854</b>
Equity	-84 420	55 399
<b>Total capital</b>	<b>3 525 419</b>	<b>3 432 253</b>
Total assets	3 887 508	3 727 028
Net debt to equity	-4276%	6096%
Equity ratio on total assets	-2%	1%

**(25) Events after balance sheet date**

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and by now it has spread across the world, including Latvia, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is uncertain and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company/ the Group.