SIA “AGROCREDIT LATVIA”

Annual accounts for year 2017

Prepared in accordance with the international financial reporting standards as adopted by EU

Translation from Latvian

TABLE OF CONTENTS

Information on the Company

Name of the Company	SIA AGROCREDIT LATVIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103479757 Commercial Registry Riga, 11 November 2011
Operations as classified by NACE classification code system	64.91 – Financial leasing 64.92 – Other credit granting
Address	K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167, Latvia
Names and addresses of shareholders	AgroCredit Estonia OU 100% since 12.03.2018; 90% till 12.03.2018 Reg.No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia K Investments SIA (10%) 10% till 12.03.2018 Reg.No. 40103978402 Puķu 8-7, Rīga, LV-1048, Latvia
Names and positions of Board members	Ģirts Vinters – Chairman of the Board Jānis Kārkliņš – Member of the Board
Names and positions of Council members	Lauris Buls – Member of the Council since 31.07.2017 Silva Jeromanova- Maura – Member of the Council since 31.07.2017 Edmunds Demiters – Member of the Council since 31.07.2017
Person responsible for accounting	Evija Šverna - accountant
Financial year	1 January - 31 December 2017
Name and address of the auditor	SIA Potapoviča un Andersone Certified Auditors’ Company Licence No. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor: Anna Temerova – Allena Certificate No. 154

Management report

Type of operations

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. The Company mainly issues short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales.

Credit policy of the Company is classified as a relatively conservative using basic principles characteristic to banking practice. Taking decisions on financing, the Company considers such aspects as experience of the potential client in agriculture, financial results the previous year, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing is usually no more than half of the average expected sales volume of yield, which allows customers to pay for their obligations in poor yield years.

The Company provides the necessary resources for crediting from its own funds as well as attracts from external sources of financing- banks and investment funds, private investors and bonds.

The Company’s performance during the reporting year

Year 2017 was a period of further stable growth of the Company. The total credit portfolio exceeded EUR 7 million by the end of the season (July), which is all times highest result for the Company. The last months of the year were not so active in credit sales as due to unfavourable weather conditions the winter crop seeding was limited. As a result, more active spring seeding is forecasted and that will result into higher demand for the financing as well.
Total revenue of the company grew by 14% in 2017 and also the rentability improved significantly. The Company managed to attract significantly more financing by selling bonds, what ensured lower resource costs and improved rentability for this and coming years.
Despite unfavourable weather conditions in some regions (Latgale, Vidzeme) the quality ratios of portfolio remained in previous good levels. Majority of the customers met their liabilities and the rest were able to structure the loan so that it can be redeemed during the next season.
The total accruals for credit risks were increased by EUR 40 thousand to meet the requirements of the Provision making methodology approved by the Company.
The dividends were paid in December 2017 to divide the profit of the previous years. This transaction was made because of the expected changes in law regarding the dividend taxation. As a substitute, subordinated loan in amount of EUR 200 thousand was granted to the Company by its main shareholder to avoid the decrease of the credit resources available for the Company.

The Company’s exposure to risks

The Company's main risks are related to its customers' ability to pay for the loans. Quality of credit granting decisions and customer solvency assessment is essential in risk management.

Borrowers' ability to repay loans influenced by external factors - yield and grain prices on the stock exchange. Therefore, the deciding on credits, it is important to provide the customer's ability to repay the loan in poor yield years and unfavourable market conditions.

Statement on internal control procedures

The Board confirms that the internal control procedures are efficient and the risk management and internal control during the whole year has been carried out in accordance with the mentioned control procedures.

Future prospects

The Company plans balanced further growth in 2018 by acquiring additional credit resources from the bonds and the bank. It is expected that the spring time will be active in agriculture financing sector and that will allow the Company to exceed the financing volumes of previous years.

Post balance sheet events

As the main shareholder AgroCredit Estonia OU bought the shares held by SIA K Investments in March, 2018, it became the sole shareholder of the Company.

During the period between the last day of the financial year and the date of signing of this report there have been no other significant events that would have a material effect on the year end results.

Management report (continued)

Distribution of the profit proposed by the Board

The Management Board proposes to the shareholders to approve the annual report of the Company and to retain the profit in amount of 118 068 EUR undivided.

The Management Board has prepared the annual report of SIA AgroCredit Latvia, including Management report and Financial reports for 2017 and approved it for submission to Shareholders meeting.

Ģirts Vinters	Jānis Kārkliņš
Chairman of the Board	Member of the Board

Riga, 27 April 2018

Statement of management`s responsibility

The management of SIA AgroCredit Latvia is responsible for the preparation of the consolidated financial statements.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2017 and its profit and cash flows for 2017.

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

The management of the Company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Company’s assets. The management of the Company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the Company is responsible for ensuring that the Company operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Company’s business development and operational performance.

Corporate governance statement

The corporate governance report of SIA AgroCredit Latvia for 2017 has been prepared in accordance with Section 56.2 Paragraph 3 of the Financial Instrument Market Law.

The report will be submitted to AS Nasdaq Riga (hereinafter – the Stock Exchange) concurrently with the audited financial statements SIA AgroCredit Latvia for 2017 for publishing on the website of the Stock Exchange: http://www.nasdaqbaltic.com/, and the website of SIA AgroCredit Latvia http://www.agrocredit.lv in Latvian and English.

Ģirts Vinters	Jānis Kārkliņš
Chairman of the Board	Member of the Board

Riga, 27 April 2018

Statement of income for the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Interest and similar income	1	705 829	619 923
Interest expense	2	(298 954)	(288 622)
Impairment	3	(40 000)	(70 000)
Administrative expense	4	(186 723)	(166 709)
Other operating income	5	-	57
Other operating expense	6	(24 994)	(28 844)
Other financial expense	7	-	(139)
Profit before corporate income tax		**155 158**	**65 666**
Corporative income tax	8	(26 743)	(25 533)
Deferred tax	8	(10 347)	10 631
Current year's profit		**118 068**	**50 764**
Other comprehensive income		-	-
Total comprehensive income		**118 068**	**50 764**

Notes on pages from 11 to 26 are integral part of these financial statements.

Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board	Evija Šverna Accountant

Riga, 27 April 2018

Statement of financial position as at 31 December 2017

	Notes	31.12.2017. EUR	31.12.2016. EUR
Assets			
Long term investments			
Fixed assets	9	2 688	2 729
Loans and receivables	10	248 938	206 219
Deferred tax assets	8	-	10 347
Total long-term investments:		**251 626**	**219 295**
Current assets			
Loans and receivables	10	4 740 855	4 841 576
Other debtors	11	8 831	7 492
Cash	12	2 911	77 761
Total current assets:		**4 752 597**	**4 926 829**
Total assets		**5 004 223**	**5 146 124**
Liabilities			
Shareholders' funds:			
Share capital	13	1 500 000	1 500 000
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		1 297	190 533
- current year's profit		118 068	50 764
Total shareholders' funds:		**1 619 390**	**1 741 322**
Creditors:			
Long-term creditors:			
Borrowings	14	2 774 805	1 800 399
Total long-term creditors:		**2 774 805**	**1 800 399**
Short-term creditors:			
Borrowings	14	579 431	1 588 665
Trade creditors and accrued liabilities	15; 16	30 597	15 738
Total short-term creditors:		**610 028**	**1 604 403**
Total liabilities and shareholders' funds		**5 004 223**	**5 146 124**

Notes on pages from 11 to 26 are integral part of these financial statements.

Ģirts Vinters Chairman of the Board	Jānis Kārkliņš Member of the Board	Evija Šverna Accountant

Riga, 27 April 2018

Statement of changes in equity for the year ended 31 December 2017

	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
As at 1 January 2016	**1 000 020**	**25**	**190 533**	**1 190 578**
Profit for the year	-	-	50 764	**50 764**
Increase of the share capital	499 980	-		**499 980**
As at 31 December 2016	**1 500 000**	**25**	**241 297**	**1 741 322**
Dividends paid	-	-	(240 000)	**(240 000)**
Profit for the year	-	-	118 068	**118 068**
As at 31 December 2016	**1 500 000**	**25**	**119 365**	**1 619 390**

Notes on pages from 11 to 26 are integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Cash flow from operating activities			
Profit before corporate income tax		**155 158**	**65 666**
Adjustments for:			
- Corrections of decrease in value of fixed assets		1 840	3 512
- loss on fixed assets disposal		-	759
- interest and similar income		(705 829)	(619 923)
- interest and similar expense		285 698	252 575
- changes in provisions		40 000	70 000
Loss before adjustments of working capital and short-term liabilities		**(223 133)**	**(227 441)**
Adjustments for:			
- decrease in trade and other debtors		1 619	1 239
- trade creditors' increase / (decrease)		(4 460)	4 989
Gross cash flow from operating activities		**(225 974)**	**(221 183)**
Interest paid		(290 379)	(265 467)
Interest income		675 491	568 740
Corporate income tax payments		(29 701)	(28 341)
Net cash flow from operating activities		**129 437**	**53 749**
Cash flow from investing activities			
Acquisition of fixed assets and intangibles		(1 799)	(2 895)
Proceeds from sales of fixed assets and intangibles		-	2 893
Loans issued		(5 866 360)	(5 641 909)
Repayment of the issued loans		5 914 700	4 687 447
Net cash flow from investing activities		**46 541**	**(954 464)**
Cash flow from financing activities			
Proceeds from the share capital increase		-	499 980
Dividends paid		(216 000)	-
Loans received		5 334 629	5 829 523
Repaid loans		(5 369 457)	(5 376 230)
Net cash flow from financing activities		**(250 828)**	**953 273**
Net cash flow of the reporting year		**(74 850)**	**52 558**
Cash and cash equivalents at the beginning of the reporting year		**77 761**	**25 203**
Cash and cash equivalents at the end of reporting year	12	**2 911**	**77 761**

Notes on pages from 11 to 26 are integral part of these financial statements.

Notes to the financial statements
Accounting policies

General information about the Company

SIA AgroCredit Latvia (further - The Company) is registered in Latvian Commercial Registry on 11 November 2011. The Company is specialized in providing financial services and offering credit services to farmers. Basically the Company issues short-term financing to crop-farmers for the purchase of raw materials, which is repaid after the harvest sales.

Information on the Company

Information requested by law on the Company has been disclosed in separate part of this annual report, on page 3.

Beneficial owners of the Company are shareholders of the Parent Company AgroCredit Estonia OU: Ģirts Vinters and Jānis Kārkliņš, owners of 50% of shares of the Parent Company. Till March 2018 beneficiary of the Company was also owner of SIA K Investments Kristaps Skotelis.

Basis of preparation

These financial statements with the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements cover the period from 1 January 2017 until 31 December 2017.

The financial statements are prepared based on historic cost method.

The Company's functional and presentation currency is euro (EUR).

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

(a) Significant accounting judgements, estimates and assumptions

The Company’s financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management’s judgements for certain items are especially critical for the Company’s results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Impairment allowance
The Company assesses at each reporting date whether there is objective evidence that a group of financial assets is impaired. A group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- adverse changes in the payment status of borrowers in the portfolio of financial assets, i.e. financial assets whose interest and principal payments are past due;
- termination of agreement due to a breach of contract by the borrower, such as a default or delinquency in interest, principal and/or penalty payments.

The Company assesses whether objective evidence of impairment exists collectively for a group of financial assets with similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Notes to the financial statements (continued)
Accounting policies (continued)

(a) Significant accounting judgements, estimates and assumptions (continued)

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, levels of arrears, collateral recoverability, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a receivable is uncollectible, it is written off against the related allowance for receivable impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the accounts receivable aging), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

Financial assets that are subject to collective impairment assessment and whose terms have been renegotiated are no longer considered to be past due but are treated as new assets. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

(b) Summary of significant accounting policies

Changes in accounting principles and reporting

The following new and amended IFRS and interpretations became effective in 2017, but have no significant impact on the operations of the Company and these financial statements:

Amendments to IAS 12 "Income taxes" – recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
In 2017 amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017) came in force.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2018 or later periods or are not yet endorsed by the EU:

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Notes to the financial statements (continued)

Accounting policies (continued)

(b) Summary of significant accounting policies (continued)

Changes in accounting principles and reporting (continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Applying IFRS 9 “Financial instruments” will not cause significant fluctuations to Company's financial results and recognised financial situation by evaluation of Company's management. Starting from 1 January 2017 the Company recognises general accounting provisions according to its debt portfolio. Company's created provisioning method for either general or individual provisions includes expected credit losses (ECL) approach.

IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

As the Company's main operations are related to lending services, and operating income is generated by interest income, the Company's management expects no significant impact to Company's financial results and financial situation adopting the IFRS 15 “Revenue from Contracts with Customers”.

Amendments to IFRS 10 “Consolidated financial statements”, IAS 28 “Investments in associates and joint ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed in the EU).

IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value;
- depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Amendments to IFRS 16 “Leases” does not require significant changes in accounting of the Company, accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Notes to the financial statements (continued)

Accounting policies (continued)

(b) Summary of significant accounting policies (continued)

Changes in accounting principles and reporting (continued)

As the Company has no significant operating lease agreements, the Company's management expects no significant impact to Company's financial results and financial situation adopting the IFRS 16 "Leases".

Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018);

Annual improvements to IFRS's 2016. The amendments include changes that affect 3 standards:

- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU),
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU), and
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU).

IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 40 "Investment Property" – Transfers of investment property (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Amendments to IFRS 9 "Financial instruments" – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Annual improvements to IFRS's 2017 (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 3 - "Business Combinations",
- IFRS 11 - "Joint Arrangements"
- IAS 12 - "Income taxes"
- IAS 23 - "Borrowing costs".

Board of the Company decided not to initiate new standards and interpretations before endorsing them in EU. Management of the Company believes that new standards and interpretations listed above does not have significant impact on Company's separate financial statements in the year of endorsement.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes to the financial statements (continued)
Accounting policies (continued)

(b) Summary of significant accounting policies (continued)

Recognition of revenue and expenses
Net sales
Net revenue represents the total value of goods sold and services provided during the year net of value added tax. Income is recognised based on accruals principle.

Interest income and similar income
The Company presents interest income in the section of the Profit and loss account prior to calculation of gross profit, as this income is related to the basic activities of the Company – charging interest for loans issued in return to pledge held as security or loans issued on other conditions. Interest income is recognised using accruals principle. Interest income is not recognised from the moment the recoverability of principal is considered doubtful. Penalty interest is recognised on a cash basis.

Other income
Other income is recognised based on accruals principle.

Expenses
Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment. Expenses related to financing of loans is recognised in the period of liability origination and included in the profit and loss items „Interest and similar expenses”.

Foreign currency translation
The Company maintains its accounts in euros. During the reporting period transactions in foreign currencies are recorded using euro foreign exchange reference rates that are published based on a regular daily concertation procedure between central banks of the European System of Central Banks and other central banks. At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

Intangible and tangible fixed assets
All intangibles and fixed assets are recorded at cost net of depreciation. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Intangibles	20
Buildings	5
Plant and equipment	20
Other fixtures and fittings, motor vehicles	20

Accounts receivable
Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. Loans are carried at amortized cost where cost is defined as the fair value of cash consideration given to originate those loans. All loans and receivables are recognized when cash is advanced to borrowers and derecognized on repayments. The Company has granted consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their debts. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms.

The Company assesses at each balance sheet date whether there is objective evidence that loans are impaired. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from collateral discounted at the original effective interest rate.

The assessment of the evidence for impairment and the determination of the amount of allowances for impairment or its reversal requires the application of management's judgement and estimates. Management's judgements and estimates consider relevant factors including but not limited to, the identification of non-performing loans (loan repayment schedule compliance), the estimated value of collateral (if taken) as well as other relevant factors affecting loan and recoverability and collateral values. These judgements and estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known. The Management of the Company have made their best estimates of losses based on objective evidence of impairment and believe those estimates presented in the financial statements are reasonable in light of available information.
When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

Notes to the financial statements (continued)
Accounting policies (continued)

(b) Summary of significant accounting policies (continued)
Accounts receivable (continued)

The provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

In accordance with the provision policy developed by the Company, accounts receivables according their level of risk are divided in 4 groups. The following rates are applied: 1st level – no provisions are made, 2nd level – accounts receivables which recoverability is highly credible, however additional costs may occur (5%), 3rd level – accounts receivables, which recoverability is possible, however there are reasonable doubts of full recovery (50%), 4th level – accounts receivables, which are unlikely to be recovered (100%).

General provisions are made in amount of 1% of the portfolio of issued loans. Provisions made are revaluated twice per year (30 June and 31 December) according to the total value of portfolio of issued loans as at the end of respective periods.

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount.

Finance leases
Leases of assets under which the Company has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalised at the inception of the lease at the present value of the minimum lease payments. Interest element of leasing payments is charged to the profit and loss account over the lease period.

Corporate income tax
Corporate income tax for the reporting period is included in the financial statements based on the management’s calculations prepared in accordance with Latvian Republic tax legislation.

Deferred tax
Deferred tax assets / liabilities are written off in the profit and loss account for the period, based on changes in the legislation that lead to the deferred tax base elimination.

Provisions for unused annual leave
Amount of provision for unused annual leave is determined by multiplying the average wage of employees in the reporting year per day by the amount of accrued but unused annual leave at the end of the reporting year.

Borrowings
Borrowings are recognised initially at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds net of any transaction costs and the redemption value is gradually recognised in the profit and loss account or capitalised to fixed assets under construction according to fixed assets accounting policy over the period of borrowings.

Cash and cash equivalents
For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, balances of current account with banks and short-term deposits with maturity up to 90 days.

Related parties
Related parties are defined as shareholders of the Company, members of the board, their close relatives and companies in which they have a significant influence or control. The term “Related parties” corresponds with the term used in annex IAS 24 “*Related Party Disclosures”* of COMMISSION REGULATION (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

Subsequent events
Post-period-end events that provide additional information about the Company’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Notes to the financial statements (continued)
Accounting policies (continued)
(a) Summary of significant accounting policies (continued)

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

Risk management
The activities of the Company are exposed to different financial risks: credit risk, liquidity risk, market risk, cash flow and interest rate risk, operational risk and foreign currency risk. The Board is responsible for risk management. The Board identifies, assesses and seeks to find solutions to avoid financial risks.

Credit risk
The Company has a credit risk concentration based on its operational specifics – issuance of loans against pledge, as well as issuance of non-secured loans that is connected with an increased risk of asset recoverability. The risk may result in short-term liquidity problems and issues related to timely coverage of short-term liabilities.
The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.
Company has no concentration of credit risk to one loan receiver.

Company issues loans that are secured with collateral as well as non-collateralized loans:

	31.12.2017 EUR	**%**	**31.12.2016 EUR**	%
Loans with collateral	1 586 549	32	1 756 921	35
Loans without collateral	2 857 664	58	2 887 060	57
Financial leasing	522 435	10	371 007	8
Total loan amount (see also Note 10)	**4 966 648**	**100%**	**5 014 988**	100%

The main part of non-secured loans is seasonal financing, which is secured by harvest sales agreements.

Liquidity risk
The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and it makes current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities.

The total liabilities of the Company by term is reflected in the following table. The amounts disclosed in the table are contractual undiscounted cash flow.

Loans (excluding finance lease liabilities)	**Less than 3 months**	**3 months to year**	**From year to 5 years**	**Total**
31 December 2016, EUR	-	1 582 165	1 781 550	**3 363 715**
31 December 2017, EUR	-	1 961 660	1 755 660	**3 717 320**

Financial leasing	**Less than 3 months**	**3 months to year**	**From year to 5 years**	**Total**
31 December 2016, EUR	57 603	58 873	140 511	**256 987**
31 December 2017, EUR	56 566	57 550	25 116	**139 232**

Market risk
The Company is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company's services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

Notes to the financial statements (continued)

Accounting policies (continued)

(b) Summary of significant accounting policies (continued)

Risk management (continued)

Cash flow and interest rate risk
As the Company has borrowings from credit institutions and finance lease obligations, the Company's cash flows related to financing costs to some extent depend on the changes in market rates of interest (interest rates applied consist of base rate and variable rate (6M Euribor, 3M Euribor). The Company's interest payment related cash flows depend on the current market rates of interest. Interest rate risk is partly averted by the fact that a number of loans received (including bond issued) have fixed interest rates set. Please see also Note 14.
Management of the Company monitors fluctuations of % rates on regular basis and, if necessary, takes measures in order to minimize negative impact of % rate fluctuations on Company's operations.

Operational risk
Operational risk is a loss risk due to external factors namely (natural disasters, crimes, etc) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk.

Foreign exchange risk
The Company's financial assets and liabilities are not exposed to foreign currency risk. All transactions are concluded in euros

Accounting for derivative financial instruments
The Company does not actively use derivative financial instruments in its operations.

Financial instruments – key measurement terms
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities) the Company establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate and may require the application of management's judgement and estimates.
Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any) are not presented separately and are included in the carrying values of related items on the balance sheet.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Management of the capital structure
In order to ensure the continuation of the Company's activities, while maximizing the return to stakeholders capital management, optimization of the debt and equity balance is performed. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share Premium.

Notes to the financial statements (continued)

Accounting policies (continued)

(b) Summary of significant accounting policies (continued)

Financial instruments (continued)

At year-end the ratios were as follows:

	31.12.2017 EUR	**31.12.2016 EUR**
Loan and lease liabilities	3 384 833	3 404 802
Cash and bank	2 911	77 761
Net debts	**3 381 922**	**3 327 041**
Equity	1 619 390	1 741 322
Liabilities / equity ratio	**2.09**	**1.96**
Net liabilities / equity ratio	**2.09**	**1.91**

In 2017 there are no significant changes of the ratios calculated.

Financial instruments

Financial instruments by category

The Company's principal financial instruments are cash and cash equivalents, loans, issued bonds and other borrowings, debts to suppliers and other creditors. These financial instruments ensure everyday operations of the Company.

Assets and liabilities fair value hierarchy

The Company's financial assets and liabilities as at 31 December 2016 and 31 December 2017 are carried at their fair value.

Hierarchy of input data for determining the fair value of assets and liabilities

In order to determine and present the financial assets and liabilities fair value, the Company uses the following three-level fair value hierarchy.

Level 1: active market published price quotations;

Level 2: other methods that use data, all of which are directly or indirectly observable and have a significant impact on the recognized fair value;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 it includes cash and cash equivalents. In Level 2 are not included any of the financial assets or financial liabilities. Level 3 includes loans and other debts, other financial assets, payables and other liabilities.

These assets and liabilities, with the exception of long-term loans, are short-term assets (with maturity less than 1 year), and as a result, the Company assumes that the assets (less the calculated provisions) are carried at their fair value. Loans received and given to related parties are priced at market rates (published statistical lending rates), hence the Company assumes that the fair value of these loans is reflected in their carrying value. The Company's assets and liabilities that are measured at fair value hierarchy as follows:

	31.12.2017. EUR	**31.12.2016. EUR**
Assets carried at amortized value		
level 3		
Loans and receivables and others debtors	5 001 535	5 055 287
Total level 3	*5 001 535*	*5 055 287*
level 1		
Cash	2 911	77 761
Total level 1	*2 911*	*77 761*
Total	**5 004 446**	**5 133 048**
Liabilities at amortized value		
level 3		
Borrowings	3 354 236	3 389 064
Trade creditors and other creditors	30 597	15 330
Total level 3	*3 384 833*	*3 404 394*
Total	**3 384 833**	**3 404 394**

Notes to the financial statements (continued)

(1) Interest and similar income

	2017 EUR	2016 EUR
Interest income from issued loans	613 588	548 361
Income from commissions	60 084	66 702
Other interest income	32 157	4 860
	705 829	**619 923**

All of the Company's revenues generated Latvia.

(2) Interest expense

LCD bonds’ coupon expense	183 693	18 895
Interest on loans received – SIA Citadele Banka	67 960	69 717
Interest on loans received – SIA Bonus.lv	26 389	25 189
Leverage expenditure	13 256	36 047
Interest on loans received – SIA Luminor Līzings	7 151	11 298
Interest on loans received from related companies	505	15 378
Bonds’ coupon expense	-	59 464
Interest on loans received – A3E Capital SICAV plc	-	47 123
Interest on other loans received	-	5 511
	298 954	**288 622**

(3) Impairment

Change of provision for doubtful debts*	40 000	70 000
	40 000	**70 000**

* See also Note 10.

(4) Administrative expense

Legal services, including debt collection costs *	55 897	44 367
Staff costs	54 201	51 363
Accounting services and professional fees	14 203	14 769
IT costs	13 425	6 411
Social insurance	12 789	12 116
Transportation expenses	11 776	12 005
Office rent	9 338	8 167
Office expenses	5 123	5 761
Insurance	2 123	564
Communication expenses	1 984	2 789
Decrease of fixed assets value	1 840	3 512
Bank commission	578	638
Risk duty	13	9
Other administrative expenses	3 436	4 238
	186 723	**166 709**

(5) Other operating income

Other interest income	-	57
	-	**57**

Notes to the financial statements (continued)

(6) Other operating expenses

	2016 EUR	2016 EUR
Marketing and advertising costs	9 651	11 556
Debt recovery costs	7 319	3 516
Donations	6 500	6 500
Sales promotion costs	4 940	3 784
Membership fees	105	3 351
Penalties	-	137
Reimbursement of expenses	(3 521)	-
	24 994	**28 844**

(7) Other financial expenses

Interest paid – SIA Luminor Līzings	**-**	**139**

(8) Corporate income tax for the reporting year

Corporate income tax charge for the current year	26 743	25 533
Deferred tax charge	10 347	(10 631)
	37 090	**14 902**

Corporate income tax differs from the theoretical amount:

Profit before corporate income tax	**140 158**	**65 666**
Theoretically calculated tax	21 024	9 850
Expenses not deductible for tax purposes	3 015	10 577
Deferred corporate income tax asset write-off	18 576	-
Tax discount for donations	(5 525)	(5 525)
Tax charge	**37 090**	**14 902**

	31.12.2017. EUR	31.12.2016. EUR
Deferred tax liabilities (assets) at the beginning of year	(10 347)	284
Deferred tax liabilities increase / (decrease) in the reporting year	10 347	(10 631)
Deferred tax liabilities (assets) at the end of year	**-**	**(10 347)**

(9) Fixed assets

	Other fixed assets EUR	Total EUR
Cost		
31.12.2016.	**4 724**	**4 724**
Additions	1 799	1 799
Disposals	(1 060)	(1 060)
31.12.2017.	**5 463**	**5 463**
Depreciation		
31.12.2016.	**1 995**	**15 323**
Charge for 2017	1 840	1 840
Disposals	(1 060)	(1 060)
31.12.2017.	**2 775**	**2 775**
Net book value 31.12.2016.	**2 729**	**2 729**
Net book value 31.12.2017.	**2 688**	**2 688**

Notes to the financial statements (continued)

(10) Loans and receivables

	31.12.2017. EUR	31.12.2016. EUR
Loans issued – long-term	248 938	206 219
Loans issued – short-term	4 725 855	4 841 576
Total	**4 974 793**	**5 047 795**
Including:		
Issued loan portfolio - long-term portion	248 938	206 219
Issued loan portfolio - short-term portion	4 717 710	4 808 769
Total issued loan portfolio, gross	***4 966 648***	***5 014 988***
Provisions for bad and doubtful trade debtors	(110 000)	*(70 000)*
Total issued loan portfolio, net	***4 856 648***	***4 944 988***
Trade receivables	51 297	28 381
Accrued interest income	81 848	74 426
Total	**4 989 793**	**5 047 795**

The Company issues loans secured by collateral and unsecured loans:

Loans issued against pledge	1 586 549	1 756 921
Loans issued without pledge	2 857 664	*2 887 060*
Finance lease	522 435	*371 007*
Total issued loan portfolio, gross	**4 966 648**	**5 014 988**

As at 31 December 2017 the Company has no credit risk concentration to one major customer or group of partners.

Company's maximum exposure to credit risk on finance leases and loans issued against the pledge is the loan/ finance lease amount decreased by the value of the pledge. Loans are usually issued in amount of 70-80% of the pledge value.

Company's maximum exposure to credit risk on unsecured loans is the remaining amount of the loans issued.

All loans are issued in euro.

Loans and receivables (gross) age analysis:

Debt does not exceed the payment deadline	4 726 760	4 950 250
Delayed from 1 - 30 days	643	64 134
Delayed from 31 - 90 days	215 018	12 062
Delayed from 91 - 180 days	86 467	81 309
Over 180 days past due	70 905	10 040
	5 099 793	**5 117 795**

Provisions for bad and doubtful loans and receivables:

	2017 EUR	2016 EUR
Provisions at the beginning of the year	70 000	-
Additional provisions	15 000	70 000
General provisions	50 000	-
Recovered debts	(25 000)	-
Provisions at the end of the year	**110 000**	**70 000**

In accordance with the provisioning policy developed by the Company, starting with 2016 special provisions for overdue issued loans were made. In 2017 special and general provisions were assessed. As at the end of the year 2017 general provisions in accordance to the policy developed constitute EUR 50 000. Provisions are calculated based on portfolio of issued loans grossed up amounts (step EUR 5 000).

Notes to the financial statements (continued)

(10) Loans and receivables

Loans issued – movement during the year	**2017 EUR**	**2016 EUR**
Net book value as at 1 January	5 047 795	4 112 154
Loans issued	5 866 360	5 641 905
Loans repaid	(5 914 700)	(4 687 447)
Interest charge 2017	705 829	619 923
Interest payments received	(675 491)	(568 740)
Disposals	-	-
Change of provisions for bad debts	(40 000)	(70 000)
Net book value as at 31 December	**4 989 793**	**5 047 795**

(11) Other debtors

	31.12.2017. EUR	**31.12 2016. EUR**
Taxes overpaid (see Note 16)	4 308	1 349
Prepaid expenses	3 523	417
Advance payments received	1 000	5 726
	8 831	**7 492**

(12) Cash and bank

Cash at bank	**2 911**	**77 761**

(13) Share capital

As at 31 December 2017 the subscribed and fully paid share capital the Company is EUR 1 500 000 that consists of 50 000 ordinary shares with a nominal value of EUR 30 each.

(14) Borrowings

		31.12.2017. EUR	**31.12.2016. EUR**
Finance lease - SIA Luminor Līzings	(14a)	24 805	135 399
Bond issued	(14c)	2 750 000	1 665 000
Total long-term part		**2 774 805**	**1 800 399**
Loans	(14a)	200 000	380 000
Loans from credit institutions	(14b)	268 837	1 098 071
Finance lease - SIA Luminor Līzings	(14a)	110 594	110 594
Total short-term part		**579 431**	**1 588 665**
Total loans		**3 354 236**	**3 389 064**

(14a) Borrowings

Lease – SIA Luminor Līzings	24 805	135 399
Total long-term part	**24 805**	**135 399**
Loan – SIA Bonus.lv	-	380 000
Loan – AgroCredit Estonia OU	200 000	-
Lease – SIA Luminor Līzings	110 594	110 594
Total short-term part	**310 594**	**490 594**
Total loans	**335 399**	**625 993**

Notes to the financial statements (continued)

(14) Borrowings (continued)

(14a) Borrowings (continued)

As at 31 December 2017 the Company has the following credit liabilities:

- Standard financial leasing agreements with variable interest rate (incl. base rate 3m Euribor and margin). The agreements are secured by the guaranty from major shareholder of the Company – AgroCredit Estonia OU as well as by leased assets. The resources received according to the lease contracts are used for customer financing and are included into the Company’s assets; Finance lease receivables are secured with the lease objects.
- unsecured loan from AgroCredit Estonia OU, according to the loan agreement from 01.12.2017., total amount EUR 200 000 and 3% annual interest rate, repayment date December 31, 2018.

-

(14b) Loans from credit institutions

	31.12.2017. EUR	31.12.2016. EUR
Credit facility in AS Citadele Banka	268 837	1 098 071
	268 837	**1 098 071**

On 11 December 2017, the Company concluded credit facility agreement with AS Citadele Banka. According the agreement, total limit of the credit facility is EUR 1 500 000. Annual interest rate consists of variable rate 6M Euribor and fixed base rate. The repayment date is October 30, 2018.
The collateral of the contract is pledge on the Company’s shares, as well as the Company's assets as a whole at the date of pledge as well as their future components.

The contract foresees several covenants including the structure of the credit portfolio and other requirements.

(14c) Bonds issued

LCD Bonds issued	2 750 000	1 665 000
	2 750 000	**1 665 000**

The Company has issued bonds (ISIN LV0000802106, registered in Latvian Central Depository, listed in AS Nasdaq Riga). As at the end of reporting year total amount of bonds listed in AS Nasdaq Riga is 600 bonds, 5 000 EUR nominal value each (total nominal value 3 000 000 EUR). As at 31 December 2017 50 bonds are held by the Company itself. The coupon rate is 7% and it is paid once a year – on December 31. The expiry date of the bonds is 31 December 2026. Most of the holders (excluding bonds for amount EUR 300 000) has an option to sell-back the bonds in the end of each calendar year, informing 1 month prior.

Loans received – movement during the year	**2017 EUR**	**2016 EUR**
Net book value as at 1 January	3 389 064	2 935 772
Loans received	5 334 629	5 829 523
Loans repaid	(5 369 457)	(5 376 230)
Interest charge	285 698	252 575
Interest paid	(290 379)	(265 467)
Change of accrued interest (see Note 15)	4 681	12 891
Net book value as at 31 December	**3 354 236**	**3 389 064**

Notes to the financial statements (continued)

(15) Trade creditors and accrued liabilities

	31.12.2017. EUR	31.12.2016. EUR
Debt for goods and services received	613	1 316
Dividends	24 000	-
Taxes and social insurance payments	-	408
Advance payments received	247	-
Accrued % for loans received	1 840	6 521
Accrued liabilities	3 897	7 493
	30 597	**15 738**

(16) Taxes and social insurance payments

	Liabilities/ (overpayment) 31.12.2016 EUR	Charge for 2017 EUR	Paid in 2017 EUR	Liabilities/ (overpayment) 31.12.2017 EUR
VAT	**12**	60 147	(60 159)	**-**
CIT	**(1 347)**	26 743	(29 701)	**(4 305)**
Social insurance	**247**	18 477	(18 725)	**(1)**
Payroll tax	**149**	18 734	(18 883)	**-**
Business risk charge	**(2)**	13	(13)	**(2)**
Total	**(941)**	**124 114**	**(127 481)**	**(4 308)**
Including:				
Liabilities	**408**			**-**
(Overpaid)	**(1 349)**			**(4 308)**

(17) Related party transactions

Payables and receivables from related parties and the transactions performed during reporting period

Related party	Type of transaction	Transaction value EUR	Payables/ Receivables outstanding as at 31.12.2017. EUR
AgroCredit Estonia OU	Loan received	200 000	200 000
AgroCredit Estonia OU	Interest charge	505	505
AgroCredit Estonia OU	Loan issued	420 000	-
AgroCredit Estonia OU	Repaid issued loan	(420 000)	-
AgroCredit Estonia OU	Interest charge	4 442	-

All related party transactions in the reporting year have been performed at market rates.

(18) Average number of the Company’s employees

	2017	2016
Average number of employees during the reporting year:	**3**	**2**

(19) Personnel costs

	2017 EUR	2016 EUR
Salary expenses	29 001	26 163
Social insurance	6 841	6 171
	35 842	**32 334**

Notes to the financial statements (continued)

(20) Management remuneration

	2017 EUR	2016 EUR
Salary expenses	25 200	25 200
Social insurance	5 945	5 945
	31 145	**31 145**

(21) Subsequent events

As the main shareholder AgroCredit Estonia OU bought the shares held by SIA K Investments in March, 2018, it became the sole shareholder of the Company.

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2017.

Ģirts Vinters	Jānis Kārkliņš	Evija Šverna
Valdes priekšsēdētājs	Valdes loceklis	Accountant

Riga, 27 April 2018

POTAPOVIČA
ANDERSONE

Ūdens iela 12-45, Rīga, LV-1007, Latvija
T. +371 67607902, www.p-a.lv

Independent Auditor's Report

To the shareholders of SIA AgroCredit Latvia

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA AgroCredit Latvia ("the Company") set out on pages 7 to 26 of the accompanying annual report, which comprise:

- the statement of comprehensive income for the year 2017,
- the statement of financial position as at 31 December, 2017,
- the statement of changes in equity for the year 2017,
- statement of cash flows for the year 2017, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA AgroCredit Latvia as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
We have determined the matters described below to be the key audit matters to be communicated in our report:

Audit matter	*Audit procedures performed*
(a) Completeness of income from crediting activities Interest and similar income in the respective financial statements amount to EUR 705 829. Detailed information on the relevant income items is presented in Note 1 to the financial statements (financial information) and in the section of the accounting policies (income and expense recognition principles description). All Company's revenues consist of Interest income and similar income, therefore income recognition and control matters are considered to be one of the key audit matters.	Our audit procedures, amidst others, included the following: • meeting with the financial management of the company in order to discuss the specifics of the current market situation, income structure of the Company, changes in the reporting year and key material risks for ensurance of income recognition completeness; • obtaining understanding of the adequacy of the accounting methods and control procedures applied; • performing of detailed analytical procedures, comparing interest income to the asset base of loans issued; • on a random selection basis performed tests of ageing of loans issued and income recognised on the respective loan base in accordance with the loan agreement provisions.

(b) Recoverable values of loans issued

The net balance sheet value of loans and receivables amount to EUR 4 856 648.

Detailed information on this balance sheet item is included in Note 10 to the financial statements (financial information) and in the section of the accounting policies (accounting principles and policies for Accounts Receivable and Risk management, Creditrisk).

The loans and receivables are included in the balance sheet in net realisable values and consist of the gross values of loan principal reclaimable, interest income accrued as at the balance sheet date net of provisions created in accordance with the bad debt provisioning policies as developed by the management of the Company.
In making provisions for doubtful receivables significant management decisions are needed in order to evaluate the adequacy of the provisioning policy determined and make required improvements in order to ensure that loans and receivables inclusive of interest income accrued are presented in the values that do not exceed net recoverable values of the respective assets.

We consider this to be one of the key audit matters as loans and receivables represent material portion of assets of the Company and the valuation of these assets involves significant decisions and judgements applied.

Our audit procedures, amidst others, included the following:

- meeting with the financial management of the Company in order to discuss the specifics of the current market situation, expected profit levels and ratios of asset return;
- obtaining understanding of general principles applied to loan issuance and the adequacy of control procedures applied for the monitoring of borrowers;
- on a random selection basis review of adequacy of ageing analysis of loans issued, as ageing analysis is the basis for application of provisioning procedures developed;
- in accordance to the risk measurement methodology developed by the Company, as well as our test results, identified accounts receivables with the highest risk level and evaluated recognised provision adequacy in detail;
- comparing of adequacy and sufficiency of provisions made in prior periods with the actual repayment data for the loans provided for;
- performance of analytical calculations to test the consistency and adequacy of provisioning policy application;
- evaluating the loan repayment dynamics after the balance sheet date.

Reporting on Other Information

- The Company management is responsible for the other information. The other information is the Management Report, as set out on pages from 4 to 5 of the accompanying Annual Report.
- the Statement on Management Responsibility and the Statement of Corporate Governance, as set out on page 6 of the accompanying Annual report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The responsible certified auditor on the audit resulting in this independent auditors' report is Anna Temerova-Allena.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99

Anna Temerova-Allena
Responsible Certified Auditor
Certificate No. 154
Member of the Board

Sandra Apsāne
Member of the Board

27 April 2018