Aktsiaselts PlusPlus Capital
Annual report 2017

Aktsiaselts PlusPlus Capital

ANNUAL REPORT 2017

Business name	Aktsiaselts PlusPlus Capital
Registry	Commercial Register of the Republic of Estonia
Registration number	11919806
Date of entry	5 April 2010
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Corporate website	www.pluspluscapital.eu
Reporting period	1 January 2017 – 31 December 2017
Chairman of the management board	Mirje Trumsi
Core business line	64301
Auditor	Ernst & Young Baltic AS

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MANAGEMENT REPORT

Aktsiaselts PlusPlus Capital (the entity, PPC) is a receivables management company, established 5 April 2010.

The principal activity of entities that belong to the group of Aktsiaselts PlusPlus Capital (the Group, PlusPlus) is purchasing of portfolios of overdue arrears, restructuring acquired arrears and administration of subsidiaries operating in the field of debt management in all the Baltic countries.

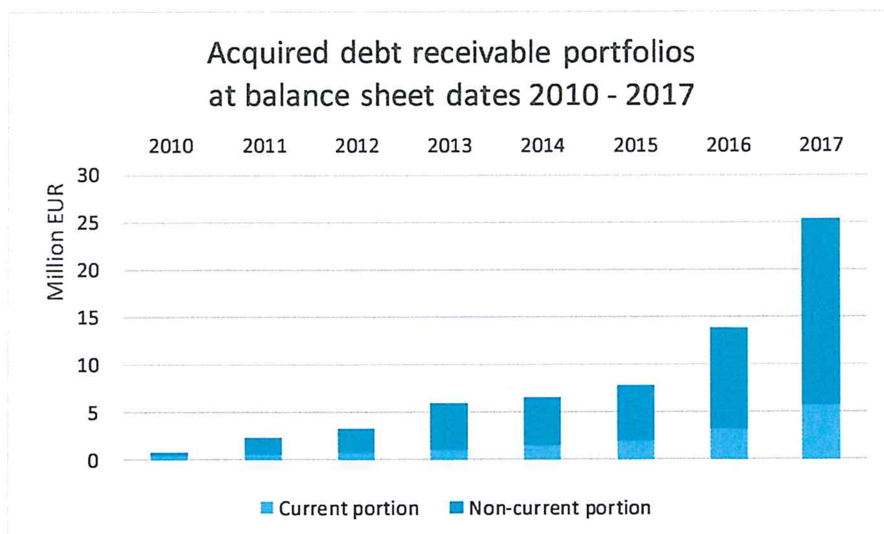
As at 31 December 2017 and during the financial year 2017 the group entities incorporated and branches registered abroad were as follows:

Entity/Branch:	Country:	Principal activity:
PlusPlus Baltic OÜ	Estonia	Debt receivable acquisition and administration
PPC Delta OÜ	Estonia	Debt receivable acquisition and administration
PPC Beeta OÜ	Estonia	Debt receivable acquisition and administration*
PlusPlus Inkasso OÜ	Estonia	Debt receivable administration*
VõlaKütid OÜ	Estonia	Cash collection services
PlusPlus Inkasso SIA	Latvia	Cash collection services
PlusPlus Inkaso UAB	Lithuania	Cash collection services
PlusPlus Invest OÜ	Estonia	Property investments
PlusPlus Baltic OU filiāle Latvijā	Latvia	Branch of PlusPlus Baltic OÜ, debt receivable acquisition and administration
PlusPlus Baltic OU Lietuvos filialas	Lithuania	Branch of PlusPlus Baltic OÜ, debt receivable acquisition and administration
PlusPlus Finance UAB	Lithuania	Debt receivable acquisition and administration, financing

*merged during financial year 2017 with group entity PlusPlus Baltic OÜ

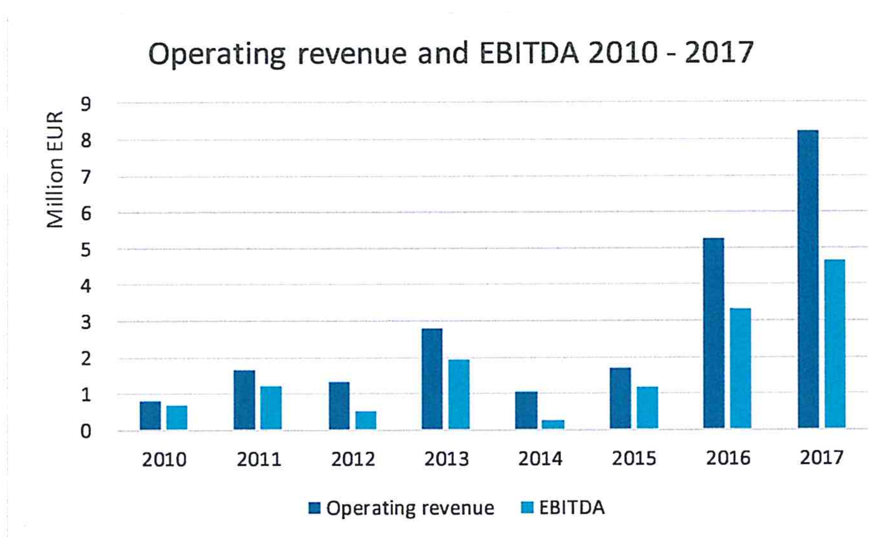
PlusPlus has made remarkable progress during its first eight years of operations in Baltic states, by participating, either directly or through its subsidiaries and branches, successfully in auction sales of receivables organised by credit institutions and telecommunications operators.

The balance sheet values of acquired debt receivable portfolios are presented on the graph below:



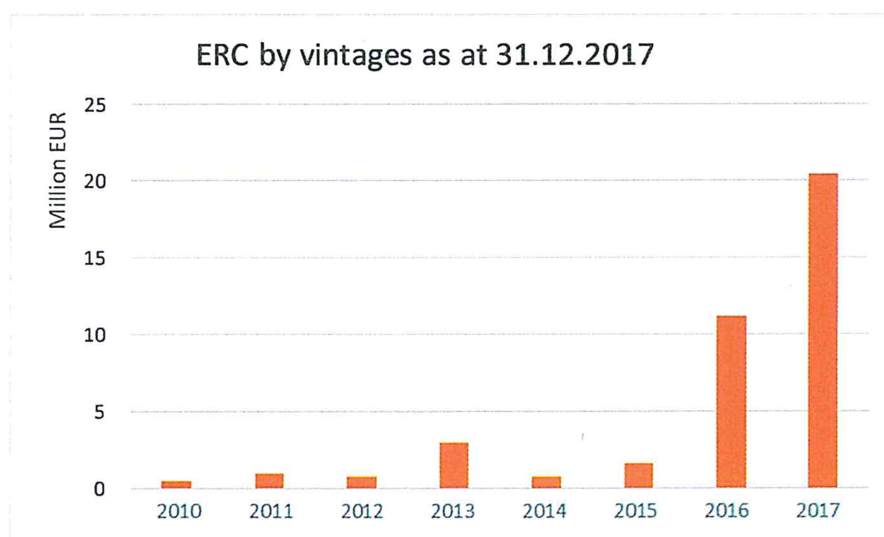
As of the end of financial year 2017, the Group has purchased debt receivables in the total principal value of EUR 74 million (2016: EUR 46 million).

Operating revenue for financial year 2017 was EUR 8.2 million (2016: EUR 5.3 million) and EBITDA amounted to EUR 4.6 million (2016: EUR 3.3 million):



The activities have been financed both from the own funds of the entity as well as with the help of credit lines opened by banks and bonds issued.

The estimated remaining collection (ERC) amounted to EUR 40 million as at year-end 2017, as shown by vintages below:



The strategic objective of the Group is to achieve a position among the three leading companies on the Baltic debt management market and to extend its activities significantly in terms of both fields of activities and geographically. In the period from 2018 to 2019, the fast growth of the group entities will continue, in all domestic markets in Estonia, in Latvia and Lithuania. PlusPlus has been profitable every single year since its inception. By the end of 2017 total assets of the Group were EUR 29 million (2016: EUR 15 million). It is our corporate policy to maintain owner's equity on at least 30% level of total assets.

In order to provide its professional services and implement its plans, the Group makes consistent contributions to training its staff and automatization of processes and uses extensively modern IT solutions.

The group operates in Baltic states, which are influenced by global and especially by Eurozone trends. The macroeconomic projections of the European Central Bank highlight favourable financing conditions, low interests and modest rise in inflation, which together with employment growth and consumption increase support the stable development of economy in years 2018 to 2019.

The general macroeconomic development allows the group to increase volumes of operations and expand over the region, by providing competitive services for co-operation partners and best solutions for our clients.

In long-term perspective, the group operations are affected by the cyclical evolvement of economy, in short-term look the reasons for seasonality are the single large purchase transactions of debt receivable portfolios, which are concluded with different regularity.

PlusPlus follows high professional and ethical standards. Our experts have more than 15 years of experience and their work is trusted also by the biggest banks and telecommunication companies in the Baltic States. PlusPlus is trusted and responsible in relations with clients and co-operation partners. It is our honour to help our clients through amicable debt solutions and we acknowledge the social responsibility for improving the overall financial trust environment by creating respectful and trustful solutions for counterparties in deteriorated financial relationships.

During the period of preparation of the report there have not occurred any significant changes in foreign exchange rates, interest rates or stock exchange, which could affect the financial report prepared for financial year 2018. The group follows the internal regulations for financial risk management.

Financial ratios

	2017	2016	Formulas used
Total assets, EUR	29 273 268	15 313 166	Total assets
Operating revenue, EUR	8 218 255	5 277 641	Operating revenue
Current ratio	2.09	1.01	Current asssets / Current liabilities
Equity to assets ratio, %	44%	41%	Equity / Assets

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

as at

	Notes	31.12.2017	31.12.2016	1.01.2016
ASSETS				
Non-current assets				
Property, plant and equipment	12	1 617 202	273 658	76 713
Intangible assets	13	127 597	29 911	252
Acquired debt receivable portfolios	14	19 600 772	10 655 729	5 791 419
Prepayments and other receivables	15	45 000	45 000	2 496
Total non-current assets		**21 390 571**	**11 004 298**	**5 870 879**
Current assets				
Acquired debt receivable portfolios	14	5 809 852	3 215 044	1 931 436
Prepayments and other receivables	15	715 981	450 341	295 658
Cash and cash equivalents	16	1 356 865	643 483	51 646
Total current assets		**7 882 698**	**4 308 868**	**2 278 740**
Total assets		**29 273 268**	**15 313 166**	**8 149 619**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	17	1 000 000	63 912	63 912
Legal reserve		100 000	0	0
Subordinated convertible loan		4 000 000	0	0
Retained earnings		7 687 332	6 260 492	3 915 337
Total equity attributable to equity holders of the parent		**12 787 332**	**6 324 404**	**3 979 248**
Total equity		**12 787 332**	**6 324 404**	**3 979 248**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	20	12 716 162	4 712 724	407 238
Total non-current liabilities		**12 716 162**	**4 712 724**	**407 238**
Current liabilities				
Trade and other payables	19	613 467	431 688	356 240
Interest-bearing loans and borrowings	20	3 156 308	3 844 350	3 406 893
Total current liabilities		**3 769 775**	**4 276 038**	**3 763 132**
Total equity and liabilities		**29 273 268**	**15 313 166**	**8 149 619**

The accompanying notes are an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December

	Notes	2017	2016
Operating revenue	7	8 218 255	5 277 641
Other revenue		2 045	0
Operating expense	8	2 182 772	1 482 298
Salary expense	9	1 406 764	504 491
Depreciation and amortisation	12, 13	184 048	31 143
Other expense		1 433	12
Operating profit		**4 445 283**	**3 259 698**
Finance income	10	10 164	20 329
Finance expense	11	1 955 173	934 871
Profit before tax		**2 500 274**	**2 345 156**
Net profit		**2 500 274**	**2 345 156**
Net profit attributable to:			
Equity holders of the parent		2 500 274	2 345 156
Other comprehensive income			
Other comprehensive income		0	0
Total comprehensive income, after tax		**2 500 274**	**2 345 156**
Total comprehensive income attributable to:			
The shareholders of the Company		2 500 274	2 345 156

The accompanying notes are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December

	Notes	2017	2016
Cash flows from (to) operating activities			
Net profit		2 500 274	2 345 156
Adjustments for non-cash items:			
Depreciation and amortisation	12, 13	184 048	31 143
Other adjustments		-2 002	-1 282
Changes in working capital:			
Change in trade and other accounts receivable and prepayments	15	-245 788	-215 662
Change in trade and other accounts payable and prepayments	19	115 548	-34 917
Change in acquired debt receivable portfolios	14	-11 539 851	-6 147 919
Other adjustments:			
Interest expense	11	1 806 769	903 969
Other financial income and expense	10, 11	138 240	10 573
Interests income	10	58	34
Net cash flows from (to) operating activities		**-7 042 704**	**-3 108 906**
Cash flows from (to) investing activities			
Acquisition of tangible and intangible assets	12, 13	-1 604 610	-246 847
Acquisition of other investments		0	-2 500
Net cash flows from (to) investing activities		**-1 604 610**	**-249 347**
Cash flows from (to) financing activities			
Loans received and bonds issued	20	11 685 505	7 107 000
Repayments of loans received and bonds issued	20	-4 536 555	-2 276 449
Repayments of financial lease liabilities	20	-70 802	-35 381
Proceeds from other equity investments	17	4 000 000	0
Interests paid	11	-1 723 601	-814 680
Other financing activities		6 149	-30 400
Net cash flows from (to) financing activities		**9 360 696**	**3 950 090**
Net increase in cash and cash equivalents		713 382	591 837
Cash and cash equivalents at the beginning of the year	16	**643 483**	**51 646**
Net foreign exchange difference		0	0
Cash and cash equivalents at the end of the year	16	**1 356 865**	**643 483**

The accompanying notes are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December

	Notes	Share capital	Reserves	Other reserves	Retained earnings	Total
As at 1 January 2016	17	**63 912**	**0**	**0**	**3 915 337**	**3 979 248**
Net profit for the year		0	0	0	2 345 156	**2 345 156**
Other comprehensive income		0	0	0	0	**0**
Total comprehensive income		0	**0**	**0**	**2 345 156**	**2 345 156**
Adjustments		0	0	0	3	**0**
As at 31 December 2016	17	**63 912**	**0**	**0**	**6 260 492**	**6 324 404**
As at 1 January 2017		**63 912**	**0**	**0**	**6 260 492**	**6 324 404**
Net profit for the year		0	0	0	2 500 274	**2 500 274**
Other comprehensive income		0	0	0	0	**0**
Total comprehensive income		**0**	**0**	**0**	**2 500 274**	**2 500 274**
Increase of share capital	17	936 088	0	0	-936 088	**0**
Formation of reserves		0	100 000	0	-100 000	**0**
Other reserves		0	0	4 000 000	0	**4 000 000**
Adjustments		0	0	0	-24 151	**-24 151**
As at 31 December 2017	17	**1 000 000**	**100 000**	**4 000 000**	**7 687 332**	**12 787 332**

For more information refer to Note 17.

See also Note 3 for principal adjustments made by the Group in restating its former Estonian GAAP financial statements due to transition to IFRS.

For details of the other reserves please see Note 17.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Aktsiaselts PlusPlus Capital (hereinafter the Company, the Group or the Parent) is a public limited liability company registered in the Republic of Estonia. The Company was registered on 5 April 2010.

The address of its registered office is Tartu mnt 83, 10115 Tallinn, Estonia.
The principal activities of the Group are described in Note 4.
The financial year of the Group starts on 1 January of the calendar year and ends on 31 December of the same calendar year.

All the shares of the Company are ordinary shares with the par value of EUR 100 each and were fully paid as at 31 December 2017, 31 December 2016 and 1 January 2016. The list of shareholders of the Company is disclosed in Note 17.

The Company's management approved these financial statements on 31 May 2018. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). For all periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with local generally accepted accounting principles (Estonian GAAP). These financial statements for the year ended 31 December 2017 are the first the Group has prepared in accordance with IFRS, as adopted by EU. Refer to Note 3 for information on how the Group adopted IFRS.

The financial statements have been prepared on a historical cost basis, except for when otherwise stated in the accounting policies presented below. The financial statements are presented in euros, except when otherwise indicated.

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

If not stated otherwise, the Company's standalone primary financial statements (presented in the notes to the consolidated report) are prepared using the same accounting policies as the ones used by the Group, except for investments into subsidiaries that are accounted for at cost (less impairment, if any) in the standalone primary financial statements of the parent entity.

2.3. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

See Note 4 "Financial risk management" chapter "Fair value" for detailed description of the fair value evaluation model used for recognition and measurement of the acquired debt receivable portfolios in accordance with IAS 39 and IFRS 13 requirements.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The Group's principal financial instruments carried at fair value are debt receivables. Please ref to Note 4 "Financial risk management" and Note 14 "Acquired debt receivable portfolios" for more details.

d) Operating revenue

Operating revenue includes gains and losses arising from the revaluation of debt receivables. The acquired debt portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. The acquired debt portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised.

The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

e) Other revenue and Finance income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received.

Operating revenue of the Group comprise the revenue from fair value revaluations of the acquired debt receivable portfolios, and the revenue from services provided. Other revenue comprise of other irregular income not related to the core operations.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised, see criteria for dividends explained below:

Dividends
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividends.

f) Foreign currency

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For transaction other in euros, the European Central Bank exchange rate is used. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

g) Income tax

In accordance with the effective Estonian Income Tax Act, corporate income tax is not levied on profit earned but on the profit distributed as dividends. The amount of tax payable on a dividend distribution is calculated as 20/80 of the amount of the net distribution. The income tax payable on dividends is recognised as an expense in the period in which the dividends are declared, irrespective of the period in which the dividends are ultimately distributed. Because of the specific nature of the taxation system, companies registered in Estonia do not acquire deferred tax assets or incur deferred tax liabilities on temporary differences between the carrying amounts and tax bases of their assets and liabilities.

The profits earned in Latvia and Lithuania that have been adjusted for permanent and temporary differences as permitted by local tax laws are subject to income tax.

Income tax for the foreign subsidiaries is accounted for according to tax legislation of those foreign countries. The standard income tax rates in the foreign countries are as follows:

	Financial year ended		
	31 December 2017	**31 December 2016**	**1 January 2016**
Estonia	–	–	–
Latvia	15%	15%	15%
Lithuania	15%	15%	15%

h) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either definite or indefinite.

After initial recognition intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying

amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

	Computer software	**Development costs**
Useful life (years)	2-10	2-10
Amortisation method	straight line	straight line
Internally generated or acquired	acquired	acquired

Computer software – the costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware.

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following useful lives:

Vehicles	2-10 years
Computers and hardware	2-10 years
Property	up to 25 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

j) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of comprehensive income under financial expenses. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

k) Financial assets

According to IAS 39 *Financial Instruments: Recognition and Measurement* the Group's financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss
The category of financial assets at fair value through profit or loss includes acquired debt receivable portfolios that are designated as at fair value through profit or loss by the entity upon initial recognition. According to IAS 39 an entity may use this designation when doing so results in more relevant information, because the group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The Group measures debt receivables at fair value at each balance sheet date. Fair value related disclosures are summarised in Note 4 "Financial risk management" and Note 14 "Acquired debt receivable portfolios".

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given and are subsequently carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category includes prepayments and other receivables.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except for impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income. Where the fair value of the available for sale financial assets cannot be measured reliably, these assets are accounted for at cost. As at 31.12.2017 (31.12.2016: 0 and 01.01.2016: 0) the Group did not have any assets classified as available-for-sale.

Derivatives
All derivates (e.g. forwards and swaps) are recognised on the balance sheet at trade date and measured at fair value. After initial recognition, derivative instruments are measured at fair value, based on their quoted market prices and the official exchange rates of the European Central Bank. The valuation is recognised in the statement of financial position under respective line "Financial assets held for trading" or "Financial liabilities held for trading" depending whether the fair value of the respective derivative is positive or negative and the result of the revaluation is recognised in the statement of comprehensive income under "Net fair value loss on financial instruments at fair value". As at 31.12.2017 (31.12.2016: 0 and 01.01.2016: 0) the Group did not have any derivatives.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process. As at 31.12.2017 (31.12.2016: 0 and 01.01.2016: 0) the Group did not have any assets classified as held-to-maturity.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is 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 loss is recognised in statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to financial costs in the statement of comprehensive income.

l) Cash and cash equivalents

Cash includes cash on hand and cash in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flows statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term of three months or less.

m) Financial liabilities

Recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities with features in accordance with requirements for subordinated loans (appropriate to recognise under equity) are recognised under equity.

The Group's financial liabilities include trade and other payables, loan and finance lease payables, and other borrowings. After initial recognition, such financial liabilities are measured at their amortised cost using the effective interest rate method.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

n) Finance and operating lease obligations

A finance lease is a lease that transfers all significant risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease.

The Group as a lessor
Assets leased out under operating leases are carried in the statement of financial position analogously to other assets. Operating lease payments are recognised in income on a straight-line basis over the lease term.

The Group as a lessee
Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are expensed on a straight-line basis over the lease term. The amount of future minimum lease payments under non-cancellable operating leases is determined based on the non-cancellable periods of the contracts.

o) Contingent liabilities

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business combinations. 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.

p) Share capital

According to the Commercial Code of the Republic of Estonia, at least 5% of net profit is entered in the legal reserve each year until the legal reserve accounts for at least 10% of share capital. The legal reserve may not be paid out as dividends, but it may be used to cover loss if losses cannot be covered from available equity. The legal reserve may be also used to increase share capital.

q) Subsequent events

Subsequent events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

r) Related parties

Persons and entities are considered as related parties for preparation of current annual report, if a person (or a close member of that person's family) or entity is related to the reporting entity by:

(i) having control or joint control over the reporting entity
(ii) having significant influence over the reporting entity, or
(iii) being a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

2.4. Summary of significant accounting policies

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and considers the impact as of the standard as significant for the presentation of financial statements and also for classification. The assessment of the abovementioned standard is in process as at preparation of the current financial statements. The following information of consolidated statement of financial position and consolidated statement of comprehensive income is preliminary estimation made by management for comparative periods included in the current annual report, to consider the potential impact of the amortised cost method.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The carrying value of acquired debt receivable portfolios recognised at amortised cost does not perfectly match the fair value. The method and result of the amortised cost value estimations show non-significant deviations between the two valuation methods. The sensitivity of the amortised cost value estimations is comparable with the fair value estimations sensitivity analysis, see Note 4 "Financial risk management" chapter *"Weighted average cost of capital (WACC) rate and estimated remaining collection (ERC) forecast sensitivity"* for details.

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IAS 40: Transfers to Investment Property (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IFRS 9: Prepayment features with negative compensation (Amendment)
The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These

Amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and considers the impact as not significant for the presentation of financial statements. The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes**: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs**: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

3. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2017, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with Estonian generally accepted accounting principles (Estonian GAAP). Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2017, together with the comparative period data for the year ended 31 December 2016, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2016 and the financial statements for the year ended 31 December 2016.

The estimates at 1 January 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies).

Group's reconciliation of equity as at 1 January 2016 (date of transition to IFRS)

	Local GAAP	Changes in presentation	IFRS as at 1 January 2016
ASSETS			
Non-current assets			
Property, plant and equipment	76 713	0	76 713
Intangible assets	252	0	252
Acquired debt receivable portfolios	5 116 551	674 868	5 791 419
Prepayments and other receivables	0	2 496	2 496
Total non-current assets	**5 193 516**	**677 363**	**5 870 879**
Current assets			
Acquired debt receivable portfolios	1 755 899	175 537	1 931 436
Prepayments and other receivables	250 725	44 933	295 658
Cash and cash equivalents	51 646	0	51 646
Total current assets	**2 058 270**	**220 470**	**2 278 740**
Total assets	**7 251 786**	**897 833**	**8 149 619**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	63 912	0	63 912
Legal reserve	0	0	0
Retained earnings	3 207 503	707 834	3 915 337
Total equity attributable to equity holders of the parent	**3 271 415**	**707 834**	**3 979 248**
Total equity	**3 271 415**	**707 834**	**3 979 248**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	407 238	0	407 238
Total non-current liabilities	**407 238**	**0**	**407 238**
Current liabilities			
Trade and other payables	402 721	-46 481	356 240
Prepayments received	0	0	0
Interest-bearing loans and borrowings	3 170 412	236 481	3 406 893
Total current liabilities	**3 573 133**	**190 000**	**3 763 132**
Total equity and liabilities	**7 251 786**	**897 833**	**8 149 619**

Company's reconciliation of equity as at 31 December 2016

	Local GAAP	Changes in presentation	IFRS as at 31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	273 658	0	273 658
Intangible assets	29 911	0	29 911
Acquired debt receivable portfolios	9 524 965	1 130 764	10 655 729
Prepayments and other receivables	0	45 000	45 000
Total non-current assets	**9 828 534**	**1 175 764**	**11 004 298**
Current assets			
Acquired debt receivable portfolios	2 895 248	319 796	3 215 044
Prepayments and other receivables	410 964	39 377	450 341
Cash and cash equivalents	643 483	0	643 483
Total current assets	**3 949 695**	**359 173**	**4 308 868**
Total assets	**13 778 229**	**1 534 937**	**15 313 166**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	63 912	0	63 912
Legal reserve	0	0	0
Retained earnings	4 875 555	1 384 937	6 260 492
Total equity attributable to equity holders of the parent	4 939 467	**1 384 937**	6 324 404
Total equity	**4 939 467**	**1 384 937**	**6 324 404**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	4 712 724	0	4 712 724
Total non-current liabilities	**4 712 724**	**0**	**4 712 724**
Current liabilities			
Trade and other payables	431 688	0	431 688
Prepayments received	0	0	0
Interest-bearing loans and borrowings	3 694 350	150 000	3 844 350
Total current liabilities	**4 126 038**	**150 000**	**4 276 038**
Total equity and liabilities	**13 778 229**	**1 534 937**	**15 313 166**

Group's reconciliation of total comprehensive income for the year ended 31 December 2016

	Local GAAP	Changes in presentation	IFRS for year 2016
Operating revenue	5 273 567	4 074	5 277 641
Other revenue	166 888	-166 888	0
Operating expense	2 322 214	-839 916	1 482 298
Salary expense	504 491	0	504 491
Depreciation and amortisation	31 143	0	31 143
Other expense	12	0	12
Operating profit	**2 582 595**	**677 103**	**3 259 698**
Finance income	20 329	0	20 329
Finance expense	934 872	-1	934 871
Profit before tax	**1 668 052**	**677 104**	**2 345 156**
Income tax expense	0	0	0
Net profit	**1 668 052**	**677 104**	**2 345 156**
Net profit attributable to:			
Equity holders of the parent	1 668 052	677 104	2 345 156
Other comprehensive income			
Total comprehensive income, after tax	**1 668 052**	**677 104**	**2 345 156**
Total comprehensive income attributable to:			
The shareholders of the Company	1 668 052	677 104	2 345 156

Under the Estonian GAAP, the Group expensed development costs of externally generated intangible assets as incurred. Under IFRS, such costs are capitalized if recognition criteria are met (section h under accounting policies in 2.3 above).

With the first-time adoption of IFRS, management of the Group has looked through the previous classification of income statement and has made changes within the subcategories. Changes in balances of financial statements' lines "Acquired debt receivable portfolios", "Retained earnings", "Other revenues" and "Operating expenses" occurred due to elimination of future period cost reserve formed based on accounting fair value model developed within framework of Estonian GAAP. Other adjustments are changes in presentation due to differences between main financial statements' lines structure based on IFRS and compared to former Estonian GAAP presentation. With these changes, management believes the consolidated statement of financial position and the consolidated statement of comprehensive income present a more evident overview of the Group's financial position structure and profit and loss structure allocation. All changes done to previous years are clarified in the above tables under "changes in presentation".

The transition from Estonian GAAP to IFRS has not had a material impact on the statement of cash flows.

4. Financial risk management

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include debt receivables, prepayments and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by internal financial management function that advises on financial risks and the appropriate financial risk governance framework for the Group. Internal financial management function under governance of Group's CFO reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises mainly of interest rate risk. Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at 31 December in 2017, 31 December 2016 and 1 December 2016.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

As of 31.12.2017, 31.12.2016 and 01.01.2016 the Group had following interest-bearing loan obligations with variable interest rates from which the interest rate risk would arise:

As at	**Note**	**31.12.2017**	**31.12.2016**	**01.01.2016**
Bank loans	24	1 010 839	749 035	1 150 756
Finance lease	24	195 731	61 875	58 102
Total *(Note 24)*		**1 206 570**	**810 910**	**1 208 858**

Other interest-bearing loans have fixed interest rates.

Interest rate sensitivity

The following sensitivity analysis gives an overview of the effect on income statement if the interest rate of floating rate financial assets would change 1 basis points, which is 1%.

	Increase/ decrease in basis points	**Effect of profit before tax**
31.12.2017	+1%	10 087
	-1%	-10 087
31.12.2016	+1%	10 099
	-1%	-10 099
01.01.2016	+1%	13 958
	-1%	-13 958

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily debt receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Debt receivables credit risk is managed by internal financial management function. Risks are continuously managed in accordance with internal risk management policies.

The carrying amount of debt and other receivables and cash balances represents the maximum credit exposure at the reporting date.

	Note	31.12.2017	31.12.2016	1.01.2016
Cash and cash equivalents	19	1 356 865	643 483	51 646
Prepayments and other receivables	18	658 772	495 341	298 154
Acquired debt receivable portfolios	17	25 410 625	13 870 774	7 722 854
		27 426 261	**15 009 597**	**8 072 654**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. To avoid liquidity risk, management concludes detailed cash flow prognoses and plans carefully the timing of investments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at	Liability	Note	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
31.12.2017	Loans and borrowings	24	3 156 308	12 716 162	0	**15 872 470**
	Trade and other payables	22	613 467	0	0	**613 467**
31.12.2016	Loans and borrowings	24	3 884 350	4 712 724	0	**8 597 074**
	Trade and other payables	22	431 688	0	0	**431 688**
01.01.2016	Loans and borrowings	24	3 406 893	407 238	0	**3 814 131**
	Trade and other payables	22	402 721	0	0	**402 721**

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains its credit rating and equity ratios, in order to support the Group's business activities and maximize shareholder value. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors the equity ratio calculated by dividing equity by total assets. The Group's equity includes issued share capital, legal reserve, subordinated convertible loan and retained earnings.

	31.12.2017	31.12.2016	1.01.2016
Total equity	12 787 332	6 324 404	3 979 248
Total assets	29 273 268	15 313 166	8 149 619
Capital Ratio	**44%**	**41%**	**49%**

Fair values

The Group's principal financial instruments carried at fair value are acquired debt receivable portfolios. The internal fair value model and fair value process is based on significant estimations made by PlusPlus management. The recognition and measurement of the acquired debt receivable portfolios is in accordance with requirements of IAS 39 and IFRS 13:

- Upon initial recognition the acquired debt receivable portfolios are designated by the entity as at fair value through profit or loss
- The acquired debt receivable portfolios are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

- Information about the acquired debt receivable portfolios is provided internally on that basis to the entity's key management personnel, and among others to the entity's board of directors and chief executive officer
- Targets and motivation system is based on fair value info
- Direct indicators, financial information, investor information, significant financial ratios are calculated and decisions made in operating activities based on fair value info of acquired debt receivable portfolios
- Group risk management and investment strategy supports the justifications for recognition and measurement of acquired debt receivable portfolios at fair value through profit and loss.

The debt receivables are acquired by PlusPlus by portfolios comprising of several debt receivables bearing similar features, such as type, amount, or age of debt, or other characteristics. Subsequently the acquired debt receivables are managed and recognised by portfolios.

Each of the acquired debt portfolios consists of several (hundreds or thousands) of single debt receivables or claims. The acquired debt receivable portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debts are managed and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the entity.

The acquired debt receivable portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

The subsequent fair value evaluation model is based on discounted cash flow (DCF) forecast analysis by the acquired debt portfolios. At each balance sheet date management prepares estimated remaining collection (ERC) forecast by portfolios. The ERC forecast is analysed according to internal fair value model and is based on significant estimations made by PlusPlus management. The ERC is allocated over the residual lifetime of each portfolio. The expected collection periods vary by characteristics of the portfolios. The total amount of expected remaining collection at period end is allocated over the expected collection future periods by collection curves specific to the individual portfolios or group of portfolios with similar characteristics. ERC of majority of portfolios is periodised over 60- to 120-month periods since balance sheet date.

The Group has used the weighted average cost of capital (WACC) as the basis for development of the applicable discount rate for fair value analysis of debt portfolios under DCF method. The discount rate analysis is performed regularly at balance sheet dates (at quarterly interim reporting dates and at year-ends). The input data for fair value model are periodically reviewed and adjusted according to the changes in relevant estimates and the changes in economic and legal environment where the Group operates.

The collection curves used for periodization of ERC are reviewed periodically at each balance sheet date based on back-testing of existing portfolios and considering changes in input data affecting the valuation model. For specific portfolios different curves can be used based on their characteristics (based on industry, country, vintage etc specific characteristics of a single portfolio). The cash collection curves are applied over the portfolio lifetime. When the collections of a specific debt portfolio are expected to continue also after the initially set 10-year period, then the collection curve is rolled forward until the end of expected cash flows from this specific debt portfolio. For specific portfolios shorter periods can be used also when justified (closing lifetime, justified shorter collection period estimations, specific features of the debt receivables in portfolio.

At balance sheet date, the Group finds the expected amount of collection of the debt receivables in the acquired portfolio over the lifetime of the claims by the categories and using the coefficient equalling to the probability of default x loss given default, PD x LGD). For that purpose, management board of the Group assigns the specific coefficients to each subcategories of the debt receivables (summarily, expecting that all the PD values for the single debt receivables (claims) in the subcategory bear the same PD).

To set the specific coefficients for an acquired debt receivable portfolio based on its specific characteristics (based on industry, country, vintage etc specific characteristics of a single portfolio), management takes into account historical performance of similar portfolios in the past, and the specifics of the portfolio currently passing evaluation process. In the calculation, each of these criteria has the 50 per cent weight.

The fair value measurements are categorized within level 3 of the fair value hierarchy.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are

continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Quantitative disclosures on fair value measurement hierarchy as at

	As at	Notes	Carrying value	Total	Level 1	Level 2	Level 3
Assets measured at fair value							
Acquired debt receivable portfolios	31.12.2017	14	25 410 625	25 410 625	0	0	25 410 625
Acquired debt receivable portfolios	31.12.2016	14	13 870 774	13 870 774	0	0	13 870 774
Acquired debt receivable portfolios	1.01.2016	14	7 722 854	7 722 854	0	0	7 722 854
Assets for which fair values are disclosed							
Other receivables	31.12.2017	15	618 499	618 499			618 499
Other receivables	31.12.2016	15	407 522	407 522			407 522
Other receivables	01.01.2016	15	287 692	287 692			287 692
Liabilities for which fair values are disclosed							
Interest-bearing loans and borrowings	31.12.2017	20	15 872 470	15 872 470	0	15 076 739	795 731
Interest-bearing loans and borrowings	31.12.2016	20	8 597 074	8 597 074	0	6 406 200	2 190 939
Interest-bearing loans and borrowings	1.01.2016	20	3 814 131	3 814 131	0	1 150 756	2 663 375
Trade and other payables	31.12.2017	19	613 467	613 467	0	0	613 467
Trade and other payables	31.12.2016	19	431 688	431 688	0	0	431 688
Trade and other payables	1.01.2016	19	402 721	402 721	0	0	402 721

Weighted average cost of capital (WACC) rate and estimated remaining collection (ERC) forecast sensitivity

Estimating the timing and amount of cash flows requires significant management judgement regarding key assumptions, including the probability of default, severity of loss, amounts and timing of payment receipts and All of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Accordingly, we disclose information that enables users of the financial statement to evaluate the effect of significant changes in key assumptions. See below the sensitivity of critical accounting estimates and judgements for the fair value of acquired debt receivable portfolios.

To integrate the time factor into fair value calculation, a discount factor is applied to the estimated remaining collection cash flows over the expected collection period The following sensitivity analysis gives an overview of the effect on fair value of the acquired debt receivable portfolios if the WACC rate would change or ERC forecast would change by deviations as indicated below:

Discount rate (WACC in model 31.12.2017)	Estimated remaining collection % of ERC used in model for 31.12.2017		
	90%	**100%**	**110%**
	Sensitivity of carrying fair value due changes in WACC and ERC		
WACC less 3.0%	24 987 686	27 764 096	30 540 505
WACC less 2.0%	24 245 399	26 939 333	29 633 266
WACC less 1.0%	23 540 178	26 155 753	28 771 328
WACC modelled	22 869 563	**25 410 625**	27 951 688
WACC plus 2.0%	22 231 293	24 701 437	27 171 581
WACC plus 2.0%	21 623 289	24 025 876	26 428 464
WACC plus 3.0%	21 043 629	23 381 810	25 719 991

Discount rate (WACC in model 31.12.2017)	Estimated remaining collection % of ERC used in model for 31.12.2017		
	90%	100%	110%
	Sensitivity of operating profit due changes of WACC and ERC		
WACC less 3.0%	-422 939	2 353 471	5 129 880
WACC less 2.0%	-1 165 226	1 528 708	4 222 641
WACC less 1.0%	-1 870 447	745 128	3 360 703
WACC modelled	-2 541 063	0	2 541 063
WACC plus 2.0%	-3 179 332	-709 188	1 760 956
WACC plus 2.0%	-3 787 337	-1 384 749	1 017 839
WACC plus 3.0%	-4 366 996	-2 028 815	309 366

5. Use of significant accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting estimates

Fair value measurement of debt receivables

The acquired debt portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debts are managed and their performance is evaluated by portfolios on a fair value basis, in accordance with the documented risk management and investment strategy of the entity. The subsequent fair value evaluation model is based on 10-year discounted cash flow (DCF) forecast analysis by the acquired debt portfolios.

The acquired debt portfolios at fair value through profit or loss are remeasured to fair value at each subsequent balance sheet date until these assets are derecognised. The gains and losses arising from changes in fair value are included in the income statement in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of these assets still held.

For more details please see Note 4 "Financial risk management" and Note 14 "Debt receivables".

6. Group structure and changes in the Group

Aktsiaselts PlusPlus Capital is the parent company of the Group. As at 31 December 2017, 31 December 2016 and 1 January 2016 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

Subsidiary	Country of incorporation	Field of activity	Ownership interest		
			31.12.2017	31.12.2016	1.01.2016
PlusPlus Invest OÜ	Estonia	Property investments	100%	100%	0%
PlusPlus Baltic OÜ	Estonia	Management of acquired debt receivable portfolios	100%	100%	100%
PPC Delta OÜ	Estonia	Management of acquired debt receivable portfolios	100%	100%	100%
PPC Beeta OÜ*	Estonia	Management of acquired debt receivable portfolios	0%	100%	100%
PlusPlus Inkasso OÜ*	Estonia	Management of acquired debt receivable portfolios	0%	100%	100%

VõlaKütid OÜ	Estonia	Management of acquired debt receivable portfolios	100%	100%	100%
PlusPlus Inkasso SIA	Latvia	Management of acquired debt receivable portfolios	100%	100%	100%
PlusPlus Baltic OU filiāle Latvijā (branch in Latvia)	Latvia	Management of acquired debt receivable portfolios	100%	100%	100%
PlusPlus Inkaso UAB	Lithuania	Management of acquired debt receivable portfolios	100%	100%	100%
PlusPlus Baltic OU Lietuvos filialas (branch in Lithuania)	Lithuania	Management of acquired debt receivable portfolios	100%	100%	100%
PlusPlus Finance UAB**	Lithuania	Management of acquired debt receivable portfolios	100%	0%	0%

* Merged during 2017 with group entity PlusPlus Baltic OÜ
** Established in 2017

7. Operating revenue

Operating revenue by countries	2017	2016
Estonia	2 129 787	1 356 653
Latvia	3 940 476	2 604 027
Lithuania	2 147 992	1 316 961
Operating revenues total	**8 218 255**	**5 277 640**

Operating revenues by field of activity	2017	2016
Management of debt portfolios	8 178 562	5 242 775
Other services	39 693	34 865
Other operating revenue	0	0
Operating revenues total	**8 218 255**	**5 277 641**

8. Operating expense

	2017	2016
Portfolio management costs	784 460	665 039
Marketing and development	487 327	319 157
Consultations and compliance	339 016	90 011
Professional services	124 938	180 684
Premises and furnishings	99 553	49 950
Fees, taxes and insurance	86 034	66 330
Travel and transportation	63 978	28 259
Equipment and supplies	60 147	44 775
Other miscellaneous expenses	50 813	3 592
Telecommunication and data	48 783	25 361
Personnel and trainings	37 723	9 499
Total other operating expenses	**2 182 772**	**1 482 298**

9. Salary expense

	2017	2016
Wages and salaries	1 048 370	379 405
Social security costs	358 394	125 086
Total salary expense	**1 406 764**	**504 491**
Average number of employees	35	24

10. Finance income

	2017	2016
Interest income	58	34
Other finance income	10 106	20 295
Total finance income	**10 164**	**20 329**

11. Finance expense

	2017	2016
Interest expense on bonds	1 582 154	380 621
Interest expense on interest-bearing loans	224 615	523 348
Other finance expense	148 404	30 902
Total finance expense	**1 955 173**	**934 871**

12. Property, plant and equipment

	Property	Vehicles	Equipment	Prepayments	TOTAL
Cost					
At 1 January 2016	0	158 882	0	34 500	193 382
Additions	0	28 900	10 935	188 001	227 836
As at 31 December 2016	**0**	**187 782**	**10 935**	**222 501**	**421 218**
Additions	1 153 717	187 424	304 584	42 868	**1 527 592**
As at 31 December 2017	**1 153 717**	**375 206**	**315 519**	**42 868**	**1 948 810**
Depreciation and impairment					
At 1 January 2016	0	-116 669	0	0	-116 669
Depreciation	0	-30 652	-239	0	-30 891
Disposals	0	0	0	0	0
Reclassification	0	0	0	0	0
As at 31 December 2016	**0**	**-147 321**	**-239**	**0**	**-147 560**
Depreciation	-40 565	5 264	-84 649	0	-119 950
Disposals	0	-303	-2 295	-61 500	-64 098
Reclassification	0	0	0	0	0
As at 31 December 2017	**-40 565**	**-142 360**	**-87 183**	**-61 500**	**-331 608**
Net book value	**Property**	**Vehicles**	**Equipment**	**Prepayments**	**TOTAL**
At 1 January 2016	0	42 213	0	34 500	76 713
At 31 December 2016	0	40 461	10 696	222 501	273 658
At 31 December 2017	1 113 152	232 846	228 336	42 868	1 617 202

There were no material fully depreciated property, plant and equipment in the Group as at 31 December 2017, 31 December 2016 and 1 January 2016.

13. Intangible assets

	Computer software	Total
Cost		
At 1 January 2016	29 248	29 248
Additions	29 911	29 911
As at 31 December 2016	**59 159**	**59 159**
Additions	115 413	115 413
As at 31 December 2017	**174 572**	**174 572**
Amortisation and impairment		
At 1 January 2016	-28 996	-28 996
Amortisation	-252	-252
As at 31 December 2016	**-29 248**	**-29 248**
Amortisation	-17 727	-17 727
As at 31 December 2017	**-46 975**	**-46 975**

Net book value	**Computer software**	**Total**
At 1 January 2016	252	252
At 31 December 2016	29 911	29 911
At 31 December 2017	127 597	127 597

There were no material fully amortised intangible assets in the Group as at 31.12.2017, 31.12.2016 and 01.01.2016.

14. Acquired debt receivable portfolios

	31.12.2017	31.12.2016	1.01.2016
Acquired debt receivable portfolios	25 410 625	13 870 774	7 722 855
Total, including:	**25 410 625**	**13 870 774**	**7 722 855**
Current:	*5 809 852*	3 215 044	1 931 436
Non-current:	*19 600 772*	10 655 729	5 791 419

	2017	2016
As at 1 January	**13 870 774**	**7 722 855**
Acquisitions of debt receivable portfolios	7 365 113	3 389 361
Proceeds from debt receivable portfolios	-4 003 824	-2 484 217
Operating revenue from debt receivable portfolios	8 178 562	5 242 775
As at 31 December	**25 410 625**	**13 870 774**

As at 31 December 2017 PlusPlus has acquired 128 debt portfolios (2016: 66 and 2015: 44). Total residual nominal value of acquired debt receivables as at 31 December 2017 amounted to EUR 74 million, comprising of 37 thousand single claims, and total estimated remaining collection amounted to EUR 40 million. The aging of estimated remaining collection of the acquired debt receivable portfolios by vintages is as follows:

	2017
Estimated remaining collection (ERC) by vintage	
Debt receivable portfolios acquired in 2010	482 270
Debt receivable portfolios acquired in 2011	1 006 914
Debt receivable portfolios acquired in 2012	795 265
Debt receivable portfolios acquired in 2013	3 002 740

Debt receivable portfolios acquired in 2014	850 492
Debt receivable portfolios acquired in 2015	1 713 345
Debt receivable portfolios acquired in 2016	11 239 269
Debt receivable portfolios acquired in 2017	20 496 252
As at 31 December	**39 586 546**

PlusPlus has acquired portfolios mainly from finance institutions (banking sector), telecom entities, consumer finance providers, utilities and public sector entities and from other sellers of terminated claims and receivables against private individuals. Proportionally majority of acquired debt receivable portfolios originate from banking sector, followed by consumer finance sector and telecom sector. PlusPlus has hitherto been solely focusing on claims against private persons.

PlusPlus has developed a specific business process including evaluation of portfolios, restructuring of products and management of repayments over the lifecycle of the agreements made with clients during the restructuring process. The company's priority is to offer debtors a mutually beneficial agreement to overcome problems arising from overdue obligations. PlusPlus offers tailor made solutions, most often affordable partial repayment possibility (repayment schedules) to the clients. Collection through litigation process is an exception applied only when debtors fully ignore their obligations.

15. Prepayments and other receivables

	31.12.2017	**31.12.2016**	**1.01.2016**
Prepaid and refundable taxes (Note 25)	5 712	35 740	416
Other assets	102 209	0	0
Prepayments	136 770	52 079	10 046
Other receivables	516 290	407 522	287 692
Total, including:	**760 981**	**495 341**	**298 154**
Current:	*715 981*	*450 341*	*295 658*
Non-current:	*45 000*	*45 000*	*2 496*

		Remaining period		
	Total	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
As at 1 January 2016	**298 154**	2 496	295 658	0
As at 31 December 2016	**495 341**	45 000	450 341	0
As at 31 December 2017	**658 772**	45 000	613 772	0

Prepayments as at 31.12.2017, 31.12.2016 and 01.01.2016 include prepayments for operating activities.

16. Cash and cash equivalents

	31.12.2017	**31.12.2016**	**1.01.2016**
Cash at bank	1 338 751	154	890
Cash on hand	18 114	643 329	50 756
Total	**1 356 865**	**643 483**	**51 646**

17. Share capital

	Ordinary shares		
	31.12.2017	**31.12.2016**	**1.01.2016**
Share capital	1 000 000	63 912	63 912
Number of ordinary shares	10 000	10 000	10 000
Nominal value per share	100	6.39	6.39

In 2017 the share capital was increased by EUR 936 088 up to EUR 1 000 000 through bonus issue from retained earnings.

	31 December 2017		**31 December 2016**		**1 January 2016**	
Shareholder	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**
Mirje Trumsi	7 500	75%	7 500	75%	7 500	75%
Karl Mitt	1 500	15%	1 500	15%	1 500	15%
Ahti Aho	1 000	10%	1 000	10%	1 000	10%
Total	**10 000**	**100%**	**10 000**	**100%**	**10 000**	**100%**

Shareholdings are owned directly (50% by Mirje Trumsi) and through PPC Holding OÜ. A convertible subordinated loan in amount of EUR 4 million (recognition detailed under Note 2.3 m) as at 31 December 2017 is recognised in equity. The conversion maturity date of the convertible subordinated loan is 1 July 2021. The subordinated convertible loan is recognised in equity in total without splitting based on confirmation for intentions regarding conversion option acquired from investors as at 31 December 2017.

18. Distributions made and proposed

No dividends were declared for 2016 and 2017.

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

As at 31 December 2017 the maximum possible income tax liability that could arise upon the payment of all the retained earnings as dividends would be 1 537 466 EUR (31.12.2016: 1 252 098 EUR, 01.01.2016: 783 067 EUR) and therefore 6 149 866 EUR could be paid out as net dividends (31.12.2016: 5 008 394 EUR, 01.01.2016: 3 132 270 EUR).

19. Trade and other payables

	31.12.2017	**31.12.2016**	**1.01.2016**
Trade and other payables	92 571	115 893	141 973
Payables to employees	128 902	46 545	32 220
Taxes payable (Note 25)	110 382	56 315	25 580
Interest payable	252 704	169 536	110 652
Other payables	28 908	43 399	92 296
Total	**613 467**	**431 688**	**402 721**

Trade and other payables are due in the course of normal operating cycle of the Group (normally within twelve months).

20. Interest-bearing loans and borrowings

	31.12.2017	**Due in 12 months**	**Due in 1-5 years**	**Due in more than 5 years**	**Interest rate**	**Maturity date**
Bonds	14 065 900	2 179 200	11 886 700	0	9% - 13%	2018 - 2020
Bank loans	1 010 839	334 658	676 181	0	2% - 3%	2018 - 2020
Other loans	600 000	600 000	0	0	11% - 12%	2018
Finance lease	195 731	42 450	153 281	0	2% - 5%	2020 - 2022
Total obligation	**15 872 470**	**3 156 308**	**12 716 162**	**0**		

31.12.2016		Due in 12 months	Due in 1-5 years	Due in more than 5 years	Interest rate	Maturity date
Bonds	5 657 100	1 563 143	4 093 957	0	9% - 13%	2017 – 2019
Bank loans	749 035	749 035	0	0	2% - 3%	2018
Other loans	2 129 064	1 529 064	600 000	0	11% - 12%	2017 – 2018
Finance lease	61 875	43 108	18 767	0	2% - 5%	2017 – 2020
Total obligation	**8 597 074**	**3 884 350**	**4 712 724**	**0**		

01.01.2016		Due in 12 months	Due in 1-5 years	Due in more than 5 years	Interest rate	Maturity date
Bonds	0	0	0	0		
Bank loans	1 150 756	1 150 756	0	0	2% - 3%	2018
Other loans	2 605 273	2 233 844	371 429	0	11% - 12%	2017 – 2018
Finance leases	58 102	22 293	35 809	0	2% - 5%	2016 – 2019
Total obligation	**3 814 131**	**3 406 893**	**407 238**	**0**		

Main covenant for issued secured and unsecured bonds is equity ratio (total equity / total assets), which shall be maintained at all times at 30% or higher. Also there are certain restrictions set as covenants for equity distributions exceeding defined restricted equity level, and for changes in shareholders.

Carrying amount of assets under finance lease	31.12.2017	31.12.2016	01.01.2016
Carrying amount	230 905	35 922	31 964
Total	**230 905**	**35 922**	**31 964**

Carrying amount of assets pledged as collateral	31.12.2017	31.12.2016	01.01.2016
Carrying amount	24 253 634	11 453 027	2 620 000
Total	**24 253 634**	**11 453 027**	**2 620 000**

PlusPlus has issued secured and unsecured bonds and raised loans from banks. Bonds are secured by pledged collaterals consisting of certain acquired debt receivable portfolios. Bank loans are secured by mortgages on real estate properties, by personal suretyships of PlusPlus management and by commercial pledge on assets.

21. Tax liabilities and prepayments

	31.12.2017		31.12.2016		1.01.2016	
	Tax prepayment	Tax liabilities	Tax prepayment	Tax liabilities	Tax prepayment	Tax liabilities
Value added tax	495	2 550	0	6 273	0	2 074
Personal income tax	0	33 131	0	17 218	0	6 507
Income tax from fringe benefits	0	3 668	0	954	0	2 327
Social security tax	0	67 104	0	30 061	0	13 505
Pension tax	0	2 364	0	928	0	516
Unemployment tax	0	2 060	0	881	0	651
Prepayment account balance	5 217	0	35 740	0	416	0
Total tax liabilities and prepayments (Note 22)	**5 712**	**110 877**	**35 740**	**56 315**	**416**	**25 580**

22. Commitments and contingencies

Operating lease commitments — Group as lessee

The Group has entered into premise lease agreements in Estonia, Latvia and Lithuania.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

	31.12.2017	31.12.2016	1.01.2016
Within one year	60 236	29 600	23 001
After one year but not more than five years	301 180	148 000	115 005

23. Related party transactions

Note 6 provides the information about the Group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	31.12.2017		31.12.2016		1.01.2016	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Parent company	194 224	0	174 371	0	154 131	0
Management board and private investors with significant ownership interest; entities under their control or significant influence	163 725	0	96 559	150 000	0	0
Total	**357 949**	**0**	**270 930**	**150 000**	**154 131**	**0**

	2017		2016	
	Purchases	Sales	Purchases	Sales
Parent company	0	138	0	138
Management board and private investors with significant ownership interest; entities under their control or significant influence	205 997	138	57 897	13 714
Total	**205 997**	**276**	**57 897**	**13 852**

Key management benefits

	2017	2016
Salaries and remuneration	297 060	111 878
Total	**297 090**	**111 878**

24. Subsequent events

During the period of preparation of the financial statements since balance sheet date 31 December 2017 there have been no significant subsequent events which would significantly affect the current financial statements.

25. Unconsolidated primary financial statements of the parent

The unconsolidated primary financial statements of the parent undertaking have been prepared in concordance with the Accounting Act and are not separate financial statements as defined in IAS 27 *Separate Financial Statements*.

The parent company's unconsolidated statements include investments into subsidiaries at equity method.

Unconsolidated statement of financial position

As at year end 31 December

	31.12.2017	31.12.2016	1.01.2016
Non-current assets			
Property, plant and equipment	201 828	92 961	76 713
Intangible assets	127 597	29 911	0
Financial investments	6 693 866	5 003 847	3 326 714
Acquired debt receivable portfolios	10 352 042	4 929 467	1 711 764
Prepayments and other receivables	5 400 000	2 407 200	552 496
Total non-current assets	**22 775 333**	**12 463 386**	**5 667 687**
Current assets			
Acquired debt receivable portfolios	3 596 048	1 417 248	551 392
Prepayments and other receivables	1 724 426	917 438	315 584
Cash and cash equivalents	1 057 701	427 569	6 383
Total current assets	**6 378 175**	**2 762 255**	**873 359**
Total assets	**29 153 508**	**15 225 641**	**6 541 046**
Equity			
Share capital	1 000 000	63 912	63 912
Legal reserve	100 000	0	0
Subordinated convertible loan	4 000 000	0	0
Retained earnings	8 805 420	7 685 143	4 871 226
Total equity	**13 905 420**	**7 749 055**	**4 935 138**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	11 948 106	4 712 724	447 238
Total non-current liabilities	**11 948 106**	**4 712 724**	**447 238**
Current liabilities			
Trade and other payables	390 943	215 337	96 783
Interest-bearing loans and borrowings	2 909 039	2 548 525	1 061 887
Total current liabilities	**3 299 982**	**2 763 862**	**1 158 670**
Total equity and liabilities	**29 153 508**	**15 225 641**	**6 541 046**

Unconsolidated statement of comprehensive income
for the year ended 31 December

	2017	**2016**
Operating revenue	5 107 681	1 873 502
Other revenue	2 045	0
Operating expense	1 397 336	778 562
Salary expense	647 546	85 738
Depreciation and amortisation	108 754	30 652
Other expense	2 762	0
Operating profit	**2 953 328**	**978 550**
Finance income	1 448 906	2 542 200
Finance expense	1 891 659	694 454
Profit before tax	**2 510 575**	**2 826 296**
Net profit	**2 510 575**	**2 826 296**
Other comprehensive income	0	0
Total comprehensive income	**2 510 575**	**2 826 296**

Unconsolidated statements of cash flows
for the year ended 31 December

	2017	**2016**
Cash flows from (to) operating activities		
Net profit	2 510 575	2 826 296
Adjustments for non-cash items:		
Depreciation and amortisation	108 754	30 652
Changes in working capital:		
Change in trade and other accounts receivable and prepayments	-5 163 146	-1 641 394
Change in trade and other accounts payable and prepayments	190 117	-31 692
Change in acquired debt receivable portfolios	-7 601 375	-4 083 560
Other adjustments:		
Interest expense	1 891 659	673 554
Other financial income and expense	-1 448 906	-2 521 300
Interests received	95	27
Net cash flows from (to) operating activities	**-9 512 227**	**-4 747 417**
Cash flows from (to) investing activities		
Acquisition of tangible and intangible assets	-161 607	-29 911
Acquisition of investment properties	0	-18 000
Acquisition of subsidiaries	-25 000	-2 500
Net cash flows from (to) investing activities	**-186 607**	**-50 411**
Cash flows from (to) financing activities		
Loans received and bonds issued	12 510 652	7 107 100
Repayment of loans received and bonds issued	-4 621 248	-1 247 172
Repayment of financial lease liabilities	-58 248	-35 263
Interests paid	-1 502 190	-584 751
Other cash flows used in financing activities	4 000 000	-20 900
Net cash flows from (to) financing activities	**10 328 966**	**5 219 014**
Net increase in cash and cash equivalents	630 132	421 186
Cash and cash equivalents at the beginning of the year	**427 569**	**6 383**
Cash and cash equivalents at the end of the year	**1 057 701**	**427 569**

Unconsolidated statement of changes in equity
for the year ended 31 December

	Share capital	Legal reserve	Subordinated convertible loan	Retained earnings	Total
As at 1 January 2016	**63 912**	**0**	**0**	**4 871 226**	**4 935 138**
Net profit for the year	0	0	0	2 826 297	**2 826 297**
Total comprehensive income	**0**	**0**	**0**	**2 826 297**	**2 826 297**
Increase of share capital	0	0	0	0	**0**
Formation of reserves	0	0	0	0	**0**
Subordinated convertible loan	0	0	0	0	**0**
Adjustments	0	0	0	-12 380	**-12 380**
As at 31 December 2016	**63 912**	**0**	**0**	**7 685 143**	**7 749 055**
As at 1 January 2017	**63 912**	**0**	**0**	**7 685 143**	**7 749 055**
Net profit for the year	0	0	0	2 510 575	**2 510 575**
Total comprehensive income	**0**	**0**	**0**	**2 510 575**	**2 510 575**
Increase of share capital	936 0880	0	0	-936 088	**0**
Formation of reserves	0	100 000	0	-100 000	**0**
Subordinated convertible loan	0	0	4 000 000	0	**4 000 000**
Adjustments	0	0	0	-354 210	**-354 210**
As at 31 December 2017	**1 000 000**	**100 000**	**4 000 000**	**8 805 420**	**13 905 420**

The adjusted unconsolidated equity of the parent is as follows as at:

	31.12.2017	**31.12.2016**	**1.01.2016**
Unconsolidated equity capital of the parent undertaking	13 905 420	7 749 055	4 935 138
Less value of subsidiaries in the unconsolidated balance sheet	-6 693 866	-5 003 847	-3 326 714
Add value of subsidiaries at equity method	6 693 866	5 003 847	3 326 714
Retained off-balance sheet proceeds at equity method	-1 118 088	-1 424 651	-955 890
Consolidated equity capital of the Group	**12 787 332**	**6 324 404**	**3 979 248**

Confirmation of the management board to the 2017 annual report

Hereby, I confirm the correctness of the information disclosed in the 2017 annual report of the consolidation group of Aktsiaselts PlusPlus Capital.

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Karl Mitt

Tallinn, 31 May 2018

Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aktsiaselts PlusPlus Capital

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Aktsiaselts PlusPlus Capital and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for disclaimer of opinion

The Group recognizes acquired debt receivable portfolios at fair value through profit and loss in accordance with IAS 39.9 as at 31 December 2017, 31 December 2016 and 1 January 2016 based on management's classification of financial instruments. Acquired debt receivable portfolios consist of terminated debt receivables and claims against private individuals, purchased at prices below the nominal. Considering interpretations of IAS 39 requirements, similar financial instruments are expected to be recognised at amortised cost based on effective interest method in accordance with the rules for loans and receivables set out in IAS 39.

As at 31 December 2017 the total book value of acquired debt receivable portfolios amounted to 25.4 mEUR, which represents 87% of the total assets of the Group. Significant management's judgement is required to determine the estimated remaining collection cash flows as well as residual lifetime of acquired debt receivable portfolios and other material parameters of the fair value evaluation model applied by the Group. Therefore, we were unable to obtain sufficient appropriate audit evidence to express our opinion whether applied accounting policy for debt receivables is appropriate as well on the carrying value of debt receivables as at 31 December 2017, 31 December 2016 and 1 January 2016 and as correctness of revaluation income recorded within operating revenue for the periods ending 31 December 2017 and 31 December 2016.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to conduct and audit of the financial statements in accordance with International Standards on Auditing (Estonia) and to issue an auditor's report. However, because of the matter(s) described in the Basis of Disclaimer of Opinion sections of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Tallinn, 31 May 2018

/signed digitally/
Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58

VALIDITY CONFIRMATION SHEET

SIGNED FILES

FILE NAME	FILE SIZE
Audit opinion ENG 2017 - AS PlusPlus Capital.pdf	185 KB
Aktsiaselts PlusPlus Capital Annual Accounts IFRS 2017 signed 31.05.2018.bdoc	10.2 MB

SIGNERS

NO.	NAME	PERSONAL CODE	TIME
1	OLESIA ABRAMOVA	48010214216	31.05.2018 21:44:00 +03:00

VALIDITY OF SIGNATURE

SIGNATURE IS VALID

ROLE / RESOLUTION

PLACE OF CONFIRMATION (CITY, STATE, ZIP, COUNTRY)

SERIAL NUMBER OF SIGNER CERTIFICATE

110544053139628561557851141388738940849

ISSUER OF CERTIFICATE	AUTHORITY KEY IDENTIFIER
ESTEID-SK 2011	7B 6A F2 55 50 5C B8 D9 7A 08 87 41 AE FA A2 2B 3D 5B 57 76

HASH VALUE OF SIGNATURE

30 31 30 0D 06 09 60 86 48 01 65 03 04 02 01 05 00 04 20 09 52 E4 21 E4 38 78 15 98 D3 69 69 05 8A D6 46 31 56 C3 0A 1E 3D 31 B0 5C DB 8B D4 D1 B3 94 7D

The print out of files listed in the section **"Signed Files"** are inseparable part of this Validity Confirmation Sheet.

NOTES

Profit allocation proposal

The Management Board of Aktsiaselts PlusPlus Capital makes a proposal to the general meeting of shareholders to allocate the retained earnings in the amount of EUR 7 687 thousand accumulated by the end of 2017 as follows:

EUR 7 687 thousand	Retained earnings

Tallinn, 31 May 2018

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Karl Mitt

Tallinn, 31 May 2018