AS PlusPlus Capital

Consolidated annual report 2018

AS PlusPlus Capital
CONSOLIDATED ANNUAL REPORT 2018

Business name	AS PlusPlus Capital
Registry	Commercial Register of the Republic of Estonia
Commercial Registry number	11919806
Date of entry	5 April 2010
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E-mail	info@pluspluscapital.eu
Corporate website	www.pluspluscapital.eu
Reporting period	1 January 2018 – 31 December 2018
Chairman of the management board	Mirje Trumsi
Core business line	64301
Auditor	AS PricewaterhouseCoopers

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MANAGEMENT REPORT

AS PlusPlus Capital (the Entity, the PPC) is an acquired debt receivables portfolios management company, established 5 April 2010.

The principal activity of entities that belong to the group of AS PlusPlus Capital (the Group, the PlusPlus group) 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.

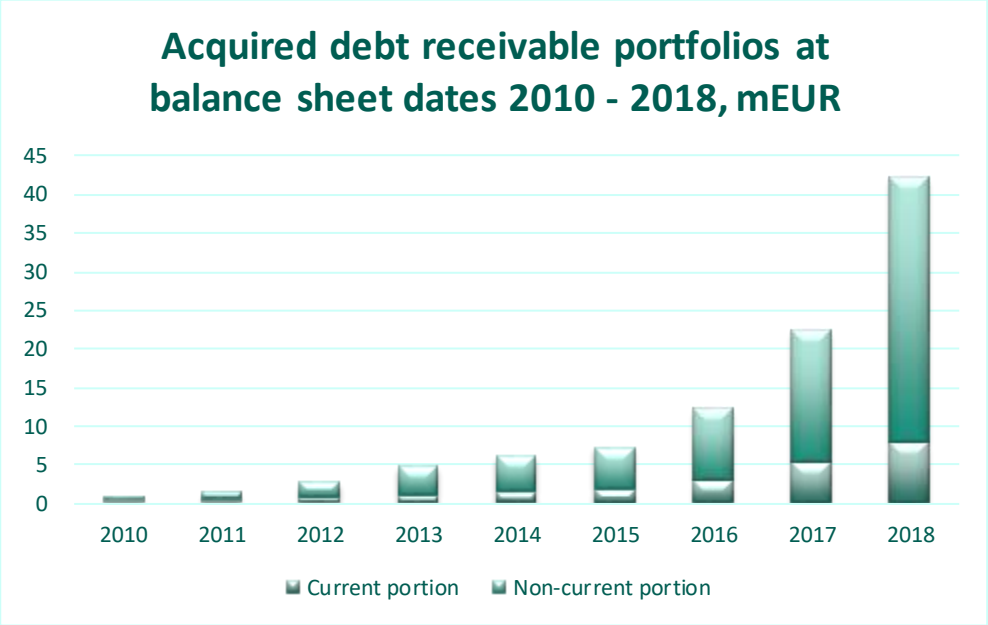
As at 31 December 2018 and during the financial years 2017 and 2018 the group entities incorporated, and branches registered abroad were as follows:

Entity/Branch:	Country:	Share:*	Principal activity:
PlusPlus Baltic OÜ	Estonia	100%	Debt receivable acquisition and administration
PPC Delta OÜ	Estonia	100%	Debt receivable acquisition and administration
PPC Beeta OÜ**	Estonia	100%	Debt receivable acquisition and administration
PlusPlus Inkasso OÜ**	Estonia	100%	Debt receivable administration
VõlaKütid OÜ	Estonia	100%	Cash collection services
PlusPlus Inkasso SIA	Latvia	100%	Cash collection services
PlusPlus Inkaso UAB	Lithuania	100%	Cash collection services
PlusPlus Invest OÜ	Estonia	100%	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	100%	Debt receivable acquisition and administration, Financing
Forward View OÜ	Estonia	100%	Business development, computer programming

* *shares owned by AS PlusPlus Capital*
** *merged during financial year 2017 with the PluPlus group entity PlusPlus Baltic OÜ*

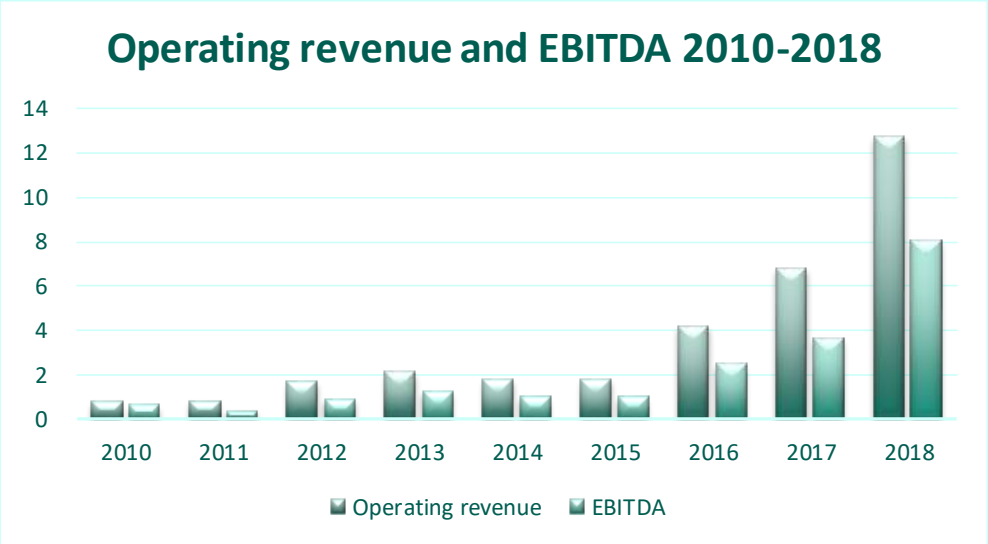
The PlusPlus group has made remarkable progress during its first nine years of operations in Baltic states, by participating, either directly or through its subsidiaries and branches, successfully in auction sales of receivables organised by credit institutions and telecommunications operators.

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



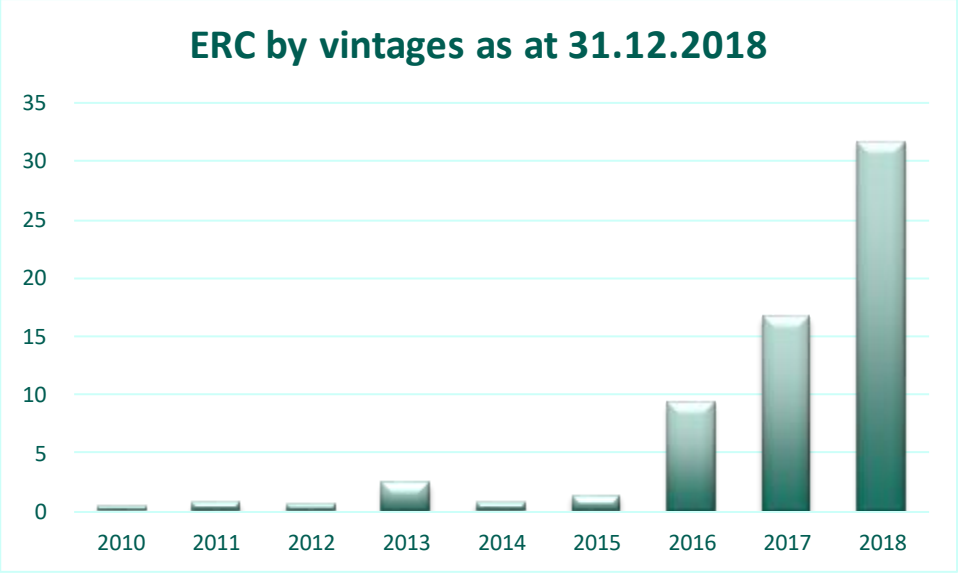
As of the end of financial year 2018, the Group has purchased debt receivables in the total principal value of EUR 125 million (2017: EUR 65 million, 2016: EUR 45.5 million).

Operating revenue for financial year 2018 was EUR 12.8 million (2017: EUR 6.8 million, 2016: EUR 4.2 million) and EBITDA amounted to EUR 8.1 million (2017: EUR 3.7 million, 2016: EUR 2.5 million):



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

The estimated remaining collection (ERC) amounted to EUR 63.8 million as at year-end 2018, as shown by vintages below:



The strategic objective of the PlusPlus 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 2019 to 2020, the fast growth of the Group entities will continue, in all domestic markets in Estonia, in Latvia and Lithuania. PlusPlus group has been profitable every single year since its inception. By the end of 2018 total assets of the Group were EUR 52.2 million (2017: EUR 26.3 million, 2016: EUR 13.7 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 2019-2020.

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 group 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 group 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

	2018	2017	Formulas used
Total assets, EUR	52 199 261	26 245 100	Total assets
Operating revenue, EUR	12 750 716	6 782 750	Operating revenue
Current ratio	1.50	1.86	Current assets / Current liabilities
Equity ratio*, %	30.15%	37.18%	Equity / Assets

**Subordinated convertible loans are considered as equity for financial ratios, according to contractual terms*

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position
as at

	Notes	31.12.2018	31.12.2017 Restated*	1.01.2017 Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	6	1 608 955	1 617 202	273 658
Intangible assets	7	284 222	127 597	29 911
Investments	8	540 000	0	0
Acquired debt receivable portfolios	9	34 360 227	17 455 838	9 618 400
Trade and other receivables	10	45 000	45 000	45 000
Total non-current assets		**36 838 404**	**19 245 637**	**9 966 969**
Current assets				
Acquired debt receivable portfolios	9	7 817 303	4 926 617	2 659 710
Trade and other receivables	10	1 040 089	715 981	450 341
Cash and cash equivalents	11	6 503 465	1 356 865	643 483
Total current assets		**15 360 857**	**6 999 463**	**3 753 534**
Total assets		**52 199 261**	**26 245 100**	**13 720 503**
EQUITY AND LIABILITIES				
Share capital	12	1 000 000	1 000 000	63 912
Statutory legal reserve		100 000	100 000	0
Subordinated convertible loans	13	1 284 589	906 037	0
Retained earnings		8 350 220	4 505 413	4 667 828
Total equity		**10 734 809**	**6 511 450**	**4 731 740**
Liabilities				
Non-current liabilities				
Subordinated convertible loans	13	5 002 597	3 247 665	0
Interest-bearing loans and borrowings	16	26 209 285	12 716 162	4 712 724
Total non-current liabilities		**31 211 882**	**15 963 827**	**4 712 724**
Current liabilities				
Trade and other payables	15, 17	781 897	613 515	431 689
Interest-bearing loans and borrowings	16	9 470 673	3 156 308	3 844 350
Total current liabilities		**10 252 570**	**3 769 823**	**4 276 039**
Total equity and liabilities		**52 199 261**	**26 245 100**	**13 720 503**

The accompanying notes on pages 10-47 are an integral part of these financial statements.

*See info presented in note 2.4. regarding the restatement due to the adjustments in inputs of acquired debt receivable portfolio model and for details about changes in accounting policies.

Consolidated statement of comprehensive income
for the year ended 31 December

	Notes	2018	2017 Restated*
Operating revenue	19	12 750 716	6 782 750
Other revenue		9 405	2 045
Operating expenses	20	2 457 602	1 699 574
Salary expense	21	2 230 701	1 406 764
Depreciation and amortisation	6, 7	198 795	184 048
Other expenses		1 265	1 433
Operating profit		**7 871 758**	**3 492 976**
Finance income	22	24 303	10 164
Finance expense	23	4 051 254	2 592 121
Profit before income tax		**3 844 807**	**911 019**
Net profit for the year		**3 844 807**	**911 019**
Total comprehensive income		**3 844 807**	**911 019**

The accompanying notes on pages 10-47 are an integral part of these financial statements.

*See info presented in note 2.4. regarding the restatement due to the adjustments in inputs of acquired debt receivable portfolio model and for details about changes in accounting policies.

Consolidated statement of cash flows
for the year ended 31 December

	Notes	2018	2017 Restated*
Cash flows from operating activities			
Profit before income tax		3 844 807	911 019
Adjustments for non-cash items:			
Depreciation and amortisation	6, 7	198 795	184 048
Other adjustments		0	-37 346
Changes in working capital:			
Change in trade and other receivables	10	-348 809	-275 902
Change in trade and other payables	15	-618 101	138 363
Change in acquired debt receivable portfolios	9	-19 795 075	-10 104 345
Other adjustments:			
Interest expense	16, 23	4 032 357	2 588 263
Other financial income and expense	22, 23	5 406	6 306
Interests income	22	398	98
Net cash generated from operating activities		**-12 680 222**	**-6 589 496**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	6, 7	-347 173	-1 625 278
Acquisition of other investments	8	-540 000	0
Net cash used in investing activities		**-887 173**	**-1 625 278**
Cash flows from financing activities			
Loans received and bonds issued	16	27 918 987	10 832 000
Repayments of loans received and bonds issued	16	-7 652 257	-4 202 260
Repayments of financial lease liabilities	16	-63 743	-71 941
Proceeds from subordinated loans	13	2 000 000	4 000 000
Interests paid	16, 23	-3 488 992	-1 629 643
Other financing activities			
Net cash used in financing activities		**18 713 995**	**8 928 156**
Net increase in cash and cash equivalents		5 146 600	713 382
Cash and cash equivalents at the beginning of the year	11	**1 356 865**	**653 483**
Cash and cash equivalents at the end of the year	11	**6 503 465**	**1 356 865**

The accompanying notes on pages 10-47 are an integral part of these financial statements.

*See info presented in note 2.4. regarding the restatement due to the adjustments in inputs of acquired debt receivable portfolio model and for details about changes in accounting policies.

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

	Notes	Share capital	Statutory legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2017, restated*	12	**63 912**	**0**	**0**	**4 667 828**	**4 731 740**
Increase of share capital by a bonus issue		936 088	0	0	-936 088	**0**
Transfer to statutory reserve capital		0	100 000	0	-100 000	**0**
Subordinated convertible loan	13	0	0	906 037	0	**906 037**
Other adjustments		0	0	0	-37 346	**-37 346**
Total transactions with owners		**936 088**	**100 000**	**906 037**	**-1 073 434**	**868 691**
Net profit for the year		0	0	0	911 019	**911 019**
Total comprehensive income		**0**	**0**	**0**	**911 019**	**911 019**
As at 31 December 2017, restated*	12	**1 000 000**	**100 000**	**906 037**	**4 505 413**	**6 511 450**
As at 1 January 2018, restated*	12	**1 000 000**	**100 000**	**906 037**	**4 505 413**	**6 511 450**
Subordinated convertible loan	13	0	0	378 552	0	**378 552**
Total transactions with owners		**0**	**0**	**378 552**	**0**	**378 552**
Net profit for the year		0	0	0	3 844 807	**3 844 807**
Total comprehensive income		**0**	**0**	**0**	**3 844 807**	**3 844 807**
As at 31 December 2018	12	**1 000 000**	**100 000**	**1 284 589**	**8 350 220**	**10 734 809**

For more information refer to Note 12.

For details of the subordinated convertible loans please see Note 13.

The accompanying notes on pages 10-47 are an integral part of these financial statements.

*See info presented in note 2.4. regarding the restatement due to the adjustments in inputs of acquired debt receivable portfolio model and for details about changes in accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

AS PlusPlus Capital (hereinafter the Company, or the Parent, or together with its subsidiaries the Group) 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 3.
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 2018, 31 December 2017 and 1 January 2017. The list of shareholders of the Company is disclosed in Note 12.

The Company's management approved these financial statements on 10 April 2019. 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. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group as at 31 December 2018 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). The financial statements for the year ended 31 December 2017 were the first the Group had prepared in accordance with IFRS, as adopted by EU.

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

Income and cash flow statements

The Group has elected to present a single consolidated statement of comprehensive income. The Group reports cash flows from operating activities using the indirect method. Interest income is presented within operating cash flows; interest paid is presented within financing cash flows. The transactions with acquired debt receivable portfolios are disclosed as cash flows from operating activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities.

Use of significant accounting judgments and estimates

Although estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates. Information about management's critical judgements and estimates that have a material effect on the amounts reported in the financial statements is provided below.

2.2. Estimation of uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date of preparation of the financial statements. Therefore, there is a risk with the assets and liabilities presented at the balance sheet date, and the related revenue and expenses, that the estimates applied need to be revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material restatements to the financial statements are described below.

a) Fair value measurement of acquired debt receivable portfolios

The acquired debt receivable portfolios are designated as at fair value through profit or loss by the entity upon initial recognition. Subsequently the acquired debt receivables 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 5-year to 10-year (60 to 120 months) discounted cash flow (DCF) forecast analysis by the acquired debt receivable portfolios. The expected remaining collections (ERC) is modelled over estimated lifetime of each single portfolio. The Group has used ERC curves up to than 10-year (120 months) for composition of financial statements as at 31 December 2018, or shorter periods according to estimations made on remaining lifetime of each single portfolio. Management considers the maximum of 10-years for curve periods justified, because 10-year period covers significant majority of the periods of agreed payment schedules within the portfolios as at the date of the composition of the current financial statements.

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 refer to Note 3 “Financial risk management” and Note 9 “Acquired debt receivable portfolios”.

b) Current versus non-current classification of acquired debt receivable portfolios

The Group presents assets and liabilities in the consolidated financial information 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.

Current portion of acquired debt receivable portfolios is determined using the discounted value of estimated remaining collections (ERC) in the next twelve months after the financial statements date. The residual amount of discounted ERC is classified as non-current

2.3. Adoption of new revised standards and interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2018:

IFRS 9: Financial Instruments
This standard is effective for annual periods beginning on or after 1 January 2018. Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).

- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 9 did not have a material impact on Group's financial statements as at 1 January 2018 because impairment of receivables has been historically not material and cash and deposits are held in credit institutions with a high rating; therefore applying the expected loss model, including assessment of forward-looking information, did not cause material impairment losses. All the financial assets (except for acquired debt receivable portfolios) meet SPPI requirement and are held to collect, thus will continue to be measured using the amortised cost method. The Group applied fair value model according to IAS 39 when measuring the fair value of acquired debt receivable portfolios. Fair value model is also applied according to IFRS 9, thus there are no material adjustments due to the accounting policy change. Acquired debt receivable portfolios are recognized at fair value through profit or loss under both the current standard and the standard coming into force.

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

The Group's management has analysed the impact of this change on consolidated profit and loss accounts and considers that, as the Group's revenue is largely derived from change in fair value of acquired debt receivable portfolios and the Group does not sell goods and services under one contract, the changes have no significant impact on the Group's financial statements.

Amendments to IFRS 15: Revenue from Contracts with Customers
These amendments are effective for annual periods beginning on or after 1 January 2018. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The changes have no significant impact on the Group's financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2018 that would be expected to have a material impact to the Group.

New Accounting Pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2019, and which the Group has not early adopted.

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

Lessees will be required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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 total potential effect, considering expectations for office rent expenses of five next years (see Note 18) as at 31 December 2018 is 330 thousand euros (31.12.2017: 330 thousand euros, 01.01.2017: 162 thousand euros). The assessment of the abovementioned standard is in process as at preparation of the current financial statements.

Prepayment Features with Negative Compensation - Amendments to IFRS 9
These amendments are effective for annual periods beginning on or after 1 January 2019. The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification.

The Group analyses and discloses the effect of this change after its implementation.

Annual Improvements to IFRSs 2015-2017 cycle
These annual improvements are effective for annual periods beginning on or after 1 January 2019. The narrow scope amendments impact four standards:

IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business.

Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa.

The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits.

The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

The Group analyses and discloses the effect of this change after its implementation.

Amendments to the Conceptual Framework for Financial Reporting
These amendments are effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Group analyses and discloses the effect of this change after its implementation.

Definition of materiality – Amendments to IAS 1 and IAS 8
These amendments are effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-

purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group analyses and discloses the effect of this change after its implementation.

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

2.4. Correction of changes due to adjustments in inputs of acquired debt receivable portfolio model and respective accounting restatements on transition to IFRS 9 and IFRS 15

Due to the adjustments in inputs of acquired debt receivable portfolio model there was a change and respectively the comparative periods as at 1 January 2017 and as at 31 December 2017 have been restated. The summary of respective significant accounting policies is set out in Note 2.5.

The adjustment described below resulted due to change of portfolios initial restructuring period duration, which was prolonged over two quarters since acquisition of a portfolio. During this initial restructuring period the changes in fair value are not recognized until the initial restructuring has been completed, which is performed as a rule within the first two quarters since acquisition of a portfolio.

	01.01.2017		**01.01.2017**	**31.12.2017**		**31.12.2017**
	As reported in previous year	**Restatement for change**	**Restated**	**As reported in previous year**	**Restatement for change**	**Restated**
Non-current portion of acquired debt receivable portfolios	10 655 729	-1 037 329	9 618 400	19 600 772	-2 144 934	17 455 838
Current portion of acquired debt receivable portfolios	3 215 044	-555 334	2 659 710	5 809 852	-883 235	4 926 617
Total acquired debt receivable portfolios	**13 870 773**	**-1 592 663**	**12 278 110**	**25 410 624**	**-3 028 169**	**22 382 455**
Retained earnings	6 260 492	-1 592 663	4 667 828	7 687 332	-3 028 169	4 659 115
	2017		**2017**			
	As reported in previous year	**Restatement for change**	**Restated**			
Operating revenue	8 218 255	-1 435 505	6 782 750			

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers

The Group had to change its accounting policies and based on Group's business activity there was no need to make retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

In addition, due to split-accounting recognition implementation of subordinated convertible loans raised in 2017 and 2018, the retained earnings as at 31 December 2017 were decreased by 153 702 euros due to interest expense increased by the same amount in 2017 due to split-accounting adjustment (see details in Note 13).

a) Impact on the consolidated financial statements

As a result of the changes in the Group's accounting policies, the prior year consolidated financial statements had not to be restated. As explained below, IFRS 9 was generally adopted without restating comparative figures. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017. There was also no need to restate the opening consolidated statement of financial position on 1 January 2018.

b) IFRS 9, Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies but there was no need to recognise any adjustments in the consolidated financial statements. The new accounting policies are set out in Note 2.5 below. In accordance with the transitional provisions in IFRS 9p7.2.15 and p7.2.26, comparative figures have not been restated.

There is no impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017 due to the IFRS 9 replacement of IAS 39.

On the date of initial application, 1 January 2018, the measurement category of the financial instruments of the Group were as follows:

	Original (IAS 39)	New (IFRS 9)
Acquired debt receivable portfolios	FVTPL	FVTPL
Trade and other receivables	Amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Amortised cost

The reason for no adjustments is that the Group applied fair value model according to IAS 39 when measuring the fair value of acquired debt receivable portfolios. Fair value model is also applied according to IFRS 9, thus there are no material adjustments due to the accounting policy change.

Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables

From 1 January 2018 the Group has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. There was no material impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. This has not resulted in an increase of the impairment provision for trade receivables on 1 January 2018.

The Group did not record any impairment provision as at 31 December 2018 as it was assessed as immaterial.

c) IFRS 15, Revenue from Contracts with Customers

The Group has adopted IFRS 15, Revenue from Contracts with Customers, from 1 January 2018, which resulted in changes in accounting policies.

The Group's management has analysed the impact of this change on consolidated profit and loss accounts and considers that, as the Group's revenue is largely derived from change in fair value of acquired debt receivable portfolios and the Group does not sell goods and services under one contract, the changes have no significant impact on the Group's financial statements.

Thus, there was no need to recognise any adjustments in the consolidated financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively. There was no need to restate comparatives for the 2017 financial year.

In summary, no adjustments were made in the consolidated statement of financial position at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017).

2.5. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements present the financial information of AS PlusPlus Capital and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All inter-company transactions, receivables and payables and unrealised gains and losses from transactions between the Group companies have been fully eliminated in the interim financial statements. Unrealised losses are not eliminated if it constitutes asset impairment by substance.

The subsidiaries are recognized in the consolidated financial statements using the acquisition method.

The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of the acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognised as income of the period.

Investments in subsidiaries in the separate balance sheet of the parent company

In the separate balance sheet of the parent company (presented in Note 26), the investments in subsidiaries are measured using equity method. Dividends paid by subsidiaries are recognised at the moment when the parent company obtains the right to these dividends.

b) 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.

c) Operating revenue

Operating revenue of the Group comprise the revenue from fair value revaluations of the acquired debt receivable portfolios, and the revenue from services provided. Revenue from fair value revaluations 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 Group 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.

d) Other revenue and financial 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.

Other revenue comprises 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.

e) 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.

f) Income tax

Parent company and subsidiaries registered in Estonia

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expensed when dividends are declared (when the liability arises).

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Subsidiaries in Latvia and Lithuania

The net profit of companies is taxed with a 15% income tax in Lithuania. Taxable income is calculated from the company's profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For Lithuanian subsidiaries, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

In accordance with the tax law effective until 2017, profits of entities in Latvia were taxable with income tax. Therefore, until that, deferred tax was provided for on all temporary differences arising between the tax bases of assets and liabilities of Latvian subsidiaries and their carrying amounts in the consolidated financial statements. In accordance with the new Corporate Income

Tax Law, starting from 1 January 2018, corporate income tax with a rate of 20/80 is levied on profits arisen after 2017 only upon their distribution. Transitional provisions of the law allow for reductions in the income tax payable on dividends, if the entity has unused tax losses or certain provisions recognised by 31 December 2017.

Due to the new tax law, there are no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia. All deferred tax assets and liabilities recognised in previous periods were derecognised in 2017 and related income tax expense/income was recorded in the statement of profit or loss.

g) 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, or
- 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 operating expenses.

	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.

h) 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.

i) 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.

j) Financial instruments

Accounting policy applied from 1 January 2018

a. Investments and other financial assets

(i) Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

- **FVOCI**: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

- **FVTPL**: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and is presented net within other gains (losses) in the period in which it arises.

The Group has no equity investments at fair value.

Changes in the fair value of financial assets at FVTPL are recognised in net change in fair value of financial instruments at fair value through profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets are subject to the expected credit loss model.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customer to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics); and
- external market indicators.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible. Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

b. Trade receivables
Trade receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the trade receivables with the objective to collect the contractual cash flows.

c. Financial liabilities
The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

d. Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

d. Acquired debt receivable portfolios
A financial asset that is a debt instrument is classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL), by assessing:

- The contractual cash flow characteristics of the financial asset, and
- The business model for managing the financial asset.

The assessment of the business model has been done by the Group management as at the date of transition to IFRS 9, i.e. 1 January 2018, based on the facts and circumstances existing at that date.

Assessment of the contractual cash flow characteristics involved analysis, whether the contractual cash flows of the financial asset represent solely payments of principal and interest (SPPI). 'Principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding, and for other basic lending risks (for example, liquidity risk) and costs (for example, servicing or administrative costs) associated with holding a financial asset for a period of time, as well as a profit margin. These are

consistent with features of a basic lending arrangement. Considering that the Group acquires terminated private consumer debt claims and similar assets, the Group management assesses that all these debts meet the SPPI test conditions.

For debt investments that meet the SPPI test criteria, the accounting policy is determined as follows:

- The business model for a portfolio of financial assets is to manage it and evaluate its performance on a fair value basis, and as the Group is primarily focused on fair value information and uses that information to assess the assets' performance and makes decisions, those portfolios are measured at FVTPL. The requirements regarding the documents and policies to demonstrate such a business model are similar to those in IAS 39, as described above in section *Accounting under IAS 39, Financial instruments: Recognition and Measurement* (up to 31 December 2017).

The Group's business model is determined to meet the designation criteria under IAS 39 (as explained above) and thus also under IFRS 9, the debt receivable portfolios are classified as voluntary designation to FVTPL.

The Group's financial assets are classified as financial assets at fair value through profit or loss. 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 IFRS 9 (until 2017: 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 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios".

Change in fair value of acquired debt receivable portfolios includes gains and losses arising from the fair value revaluation of acquired debt receivable portfolios. The acquired debt receivable portfolios are designated as at fair value through profit or loss by the Group upon initial recognition. 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.

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.

Accounting policy applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

a. Financial assets
Financial assets are classified as financial assets at FVTPL, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at FVTPL, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and available-for-sale financial assets (rental guarantees).

Trade and other receivables
Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently are measured at amortised cost less a provision for impairment.

Cash and cash equivalents
Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Acquired debt receivable portfolios
According to IAS 39 (valid up to 31 December 2017) a financial asset at fair value through profit or loss (FVTPL) is a financial asset that is either:

- Classified as held for trading (i.e. acquired for the purpose of selling in the near term),
- Is a contingent consideration in a business combination, or
- Is designated by the entity as FVTPL upon initial recognition when doing so results in more relevant information, because it either:
  a) Eliminates or reduces accounting mismatch, or
  b) "A group of financial assets, financial liabilities or both is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel, for example the entity's board of directors and chief executive officer."

The Group meets the following criteria, thus recognises and measures the acquired debt receivable portfolios recognised as acquired financial assets at fair value through profit or loss:

- The documentation of risk management/ investment strategy is of sufficient detail,
- The above documentation existed before 1 January 2016; and throughout the periods when debt portfolios were acquired and held,
- The Group is able to demonstrate that the management decisions, including those related to remuneration, were based on the fair value information; and
- The fair value of the portfolios can be reliably measured.

In addition, the Group is also able to provide evidence of underlying principles, documentation and strategies related to the portfolios to prove the business model as described above.

Under the method described above, the acquired debt receivable portfolios recognised as financial assets are carried at fair value, with all changes in fair value recognised in profit or loss.

Impairment
The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the consolidated income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

For debt securities, if any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement.

b. Financial liabilities
Liabilities within the scope of IAS 39 are classified as financial liabilities at FVPL or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method. The fair value of a noninterest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as a finance cost over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated statement of financial position.

k) Subordinated convertible loans

The subordinated convertible loans represent compound financial instrument that from the issuer's perspective, contain both a liability and an equity component. According to IAS 32 (IAS 32.28 – 32.31), the Company recognises (see also Note 13):

(1) a financial liability to reflect the obligation to transfer cash for repayment of nominal amount and interest, and

(2) equity component for the conversion option granted.

On initial recognition, the Company first measures the liability component of the compound instrument at its fair value. The equity component is measured as the residual amount that results from deducting the fair value of the liability component from the initial carrying amount of the instrument as a whole. This method is consistent with the requirements for initial measurement of a financial liability in IFRS 9, and the definitions in IAS 32 and the framework of an equity instrument as a residual interest.

The initial classification of the liability and equity components is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when the option's exercise might appear to have become economically advantageous to some holders. The entity's contractual obligation to make future payments remains outstanding until it is extinguished through conversion, the instrument's maturity or some other transaction that may eventually occur within the contracts.

Subsequently, the liability is measured at amortised cost in accordance with IFRS 9.4.2.1. The effective interest rate is the same rate as was used for discounting to determine the fair value of the liability at recognition. The equity component is excluded from the scope of IFRS 9, and it is not remeasured after initial recognition.

l) 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.

m) 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.

n) 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 if so determined in the articles of association of an entity. 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.

o) 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.

p) 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.

q) Fair value measurement of acquired debt receivable portfolios

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 3 "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.

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 information 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 the acquired debt receivable portfolios. Please refer to Note 3 "Financial risk management" and Note 9 "Acquired debt receivable portfolios" for more details.

3. 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 (management board) 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 2018, 31 December 2017 and 1 December 2017.

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 raised.

As of 31.12.2018, 31.12.2017 and 01.01.2017 the Group had following interest-bearing loan obligations with variable interest rates from which the interest rate risk would arise:

As at	**Note**	**31.12.2018**	**31.12.2017**	**01.01.2017**
Bank loans	16	676 181	1 010 839	749 035
Finance lease	16	194 684	195 731	61 875
Total *(Note 16)*		**870 865**	**1 206 570**	**810 910**

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 liabilities would change 1 basis points, which is 1%. In case Euribor rate is below 0%, then it is considered as equal to 0%, but for Euribor rate fluctuations above 0% the Euribor rate change effect is as described below:

	Increase/ decrease in basis points	**Effect of profit before tax**
31.12.2018	+1%	10 387
	-1%	-10 387
31.12.2017	+1%	10 087
	-1%	-10 087
01.01.2017	+1%	10 099
	-1%	-10 099

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 risk at the reporting date.

	Note	31.12.2018	31.12.2017	1.01.2017
Cash and cash equivalents	11	6 503 465	1 356 865	643 483
Trade and other receivables	10	987 650	624 211	443 262
Acquired debt receivable portfolios	9	42 177 530	22 382 455	12 278 110
		49 668 645	**24 363 531**	**13 364 855**

The bank account balances presented as part of the cash and cash equivalents of the Group are divided according to the credit ratings of banks (Moody's long-term) as follows:

Rating	Note	31.12.2018	31.12.2017	1.01.2017
Aa2		6 317 221	1 278 252	326 082
Baa1		88 638	48 010	316 948
Aa3		21 560	2 124	0
Ba1		11 276	10 365	0
Total	**11**	**6 438 695**	**1 338 751**	**643 030**

The Group management assesses that there is no need for an impairment for cash and cash equivalents because the Group holds its liquid assets in banks with very good ratings. Trade and other receivables are originated from ordinary operating activities and no significant impairment risks are considered by Group management for these balances.

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, 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 below are shown at the carrying amounts because they do not differ materially from the discounted amounts.

As at	Liability	Note	Less than 1 year	From 1 to 5 years	TOTAL
31.12.2018	Loans and borrowings	16	13 527 032	30 195 955	**43 722 987**
	Subordinated convertible loans	13	660 000	7 400 000	**8 060 00**
	Trade and other payables	15	596 933	0	**596 933**
31.12.2017	Loans and borrowings	16	4 775 505	14 282 513	**19 058 019**
	Subordinated convertible loans	13	440 000	5 100 000	**5 540 000**
	Trade and other payables	15	503 133	0	**503 133**
01.01.2017	Loans and borrowings	16	4 788 135	5 506 688	**10 294 822**
	Trade and other payables	15	375 373	0	**375 373**

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. The Group's capital includes borrowings and equity. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors the equity ratio calculated by dividing equity by total assets, target is to keep the ratio above 30%. The Group's equity includes issued share capital, legal reserve, subordinated convertible loan (see Note 13) and retained earnings.

	31.12.2018	**31.12.2017**	**1.01.2017**
Total equity*	15 737 406	9 759 115	4 731 740
Total assets	52 199 261	26 245 100	13 720 503
Capital Ratio	**30.15%**	**37.18%**	**34.49%**

**Subordinated convertible loans are considered as equity for financial ratios, according to contractual terms*

Fair value

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 the PlusPlus management. The recognition and measurement of the acquired debt receivable portfolios is in accordance with requirements of IFRS 9 (2017: IAS 39) and IFRS 13, including among others the following:

- Upon initial recognition the acquired debt receivable portfolios are designated by the Group 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 the Group documented risk management or investment strategy.
- Information about the acquired debt receivable portfolios is provided internally on that basis to the Group's key management personnel, and among others to the entity's board of directors and chief executive officer (CEO).
- 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 the Group 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 Group upon initial recognition. Subsequently the acquired debts receivables 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 Group.

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 for timing and amount and probability of expected remaining collections. 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. The collection curves are developed based on historical experience with similar portfolios and adjusted by the current strategy applied on management of portfolios. Based on the collection curves the timing of expected remaining collection is allocated over periods. ERC of majority of portfolios is periodized over 60- to 120-month periods since balance sheet date.

The Group has used the weighted average discount rate, which is developed based on specifics of each single acquired debt receivable portfolios, 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. The back-testing consist of analytical comparison of the historical ERC assessments with the actually realised ERC increase and cash collected. The back-testing analysis results are used for improvement of preciseness of forecasts of ERC (amounts, probability and timing).

The input information comprises considerations related to ERC amounts (portfolio management strategy and legislative proceedings affecting the ERC quantitative development), probability (detailed structure of each single portfolio, economical and legislative environment, historical experience with similar portfolios) and timing (legislative requirements, expected timing for selected strategical proceedings, historical experience with similar portfolios). 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 continuously 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, for example by closing lifetime, justified shorter collection period estimations, or by 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 (PD) x loss given default (LGD) - (PD x LGD). The following six categories are used: payment schedules, legal proceedings, bailiff proceedings, debt collection in progress, unstructured fresh portfolios, and other proceedings. Each category comprises several specific statuses according to the stage of each single debt receivable claim in portfolio according to management proceedings applied to this single debt receivable claim. The coefficients are applied on portfolio level. As a result, the ERC is calculated by multiplying the total nominal amount of acquired debt receivables in a portfolio at evaluation date by a coefficient adjusted by the unlikely collectible amounts. 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 coefficient development calculation, each of these criteria has the 50 per cent weight. The coefficient varies depending on specifics of each specific portfolio and by the different categories and stages in between 0.0 to 1.4 as a rule.

For fresh new acquired portfolios during the initial restructuring period the fair value model is not applied. Initial restructuring is performed during first quarter since acquisition of a portfolio. During second quarter the fair value model is applied proportionally according to restructuring process performance by using a sliding scale (80% of restructuring activities planned for two first quarters are expected to be completed by the end of 4th month since acquisition, and 90% by the end of 5th month since acquisition). For portfolios aged 6 months and older since acquisitions the fair value model is applied by regular quarterly evaluations.

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

The preparation of the consolidated financial information 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 at balance sheet dates:

	As at	Notes	Carrying value	Total	Level 1	Level 2	Level 3
Assets measured at fair value							
Acquired debt receivable portfolios	31.12.2018	9	42 177 530	42 177 530	0	0	42 177 530
Acquired debt receivable portfolios	31.12.2017	9	22 382 455	22 382 455	0	0	22 382 455
Acquired debt receivable portfolios	1.01.2017	9	12 278 110	12 278 110	0	0	12 278 110

Weighted average discount rate and estimated remaining collection (ERC) forecast sensitivity

The weighted average discount rate is developed based on specifics of each single acquired debt receivable portfolios and comparative reconciliation for discount rate analysis research is performed on the following assumptions and input information:

- Unlevered beta (peer group median unlevered beta, source: Damodaran).
- Effective tax rate (weighted average of corporate income tax (CIT) on markets where the Group is operating: Estonia, Latvia, Lithuania).
- Debt/Equity ratio (peer group median debt/equity ratio, based on public information of selected peer group: Intrum Justitia AB, Hoist Finance AB, B2Holding ASA, Axactor AB, Arrow Global Group PLC, KRUK S.A., DDM Debt AB).
- Risk-free rate, calculated as average of interest rates during last twelve months (LTM) of 10-year risk free government bonds applicable for markets where the Group is operating, source: ECB).
- Equity risk premium (size premium by total assets compared to EU companies (source: Duff & Phelps 2016).
- Industry company specific risk premium (professional judgement).
- Credit spread for the company (industry related cost of debt, industry risk based on stock market returns deviations + global default spread, source: Damodaran).

As at 31 December 2018 the Group manages 250 portfolios. There are 17 different curves used for allocating ERC over lifetime of portfolios. During 1st year the expected return from portfolios according to used curves amount from 10% to 30% of total ERC, for 2nd to 3rd year from 10% to 25%, for 4th to 5th year from 10% to 20%, for 6th to 10th year from 0% to 15%.

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 information 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 discount rate would change or ERC forecast would change by deviations as indicated below:

Sensitivity analysis

Discount rate in model 31.12.2018	Estimated remaining collection % of ERC used in model for 31.12.2018		
	90%	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	35 092 667	38 572 987	42 053 307
Discount rate plus 2.0 percentage points	36 115 052	39 708 970	43 302 889
Discount rate plus 1.0 percentage points	37 194 958	40 908 866	44 622 773
Discount rate used for 31.12.2018: 10.88%	38 336 755	**42 177 530**	46 018 304
Discount rate less 1.0 percentage points	39 545 224	43 520 273	47 495 322
Discount rate less 2.0 percentage points	40 825 595	44 942 907	49 060 219
Discount rate less 3.0 percentage points	42 183 602	46 451 804	50 720 005

Discount rate in model 31.12.2017	Estimated remaining collection % of ERC used in model for 31.12.2017		
	90%	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	18 821 871	20 652 403	22 482 935
Discount rate plus 2.0 percentage points	19 314 321	21 199 569	23 084 817
Discount rate plus 1.0 percentage points	19 832 712	21 775 559	23 718 407
Discount rate used for 31.12.2017: 11.51%	20 378 918	**22 382 455**	24 385 992
Discount rate less 1.0 percentage points	20 954 978	23 022 522	25 090 066
Discount rate less 2.0 percentage points	21 563 119	23 698 234	25 833 349
Discount rate less 3.0 percentage points	22 205 772	24 412 292	26 618 813

Discount rate in model 01.01.2017	Estimated remaining collection % of ERC used in model for 01.01.2017		
	90%	**100%**	**110%**
	Sensitivity of fair value due to changes in discount rate and ERC		
Discount rate plus 3.0 percentage points	10 274 960	11 276 646	12 278 333
Discount rate plus 2.0 percentage points	10 559 186	11 592 453	12 625 721
Discount rate plus 1.0 percentage points	10 859 227	11 925 832	12 992 438
Discount rate used for 31.12.2016: 11.89%	11 176 277	**12 278 110**	13 379 943
Discount rate less 1.0 percentage points	11 511 640	12 650 736	13 789 831
Discount rate less 2.0 percentage points	11 866 745	13 045 297	14 223 849
Discount rate less 3.0 percentage points	12 243 156	13 463 531	14 683 907

4. 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 3 “Financial risk management” and Note 9 “Debt receivables”.

5. Group structure and changes in the Group

AS PlusPlus Capital is the parent company of the Group. As at 31 December 2018, 31 December 2017 and 1 January 2017 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

Subsidiary	Country of incorporation	Field of activity	Ownership interest		
			31.12.2018	31.12.2017	1.01.2017
PlusPlus Invest OÜ	Estonia	Property investments	100%	100%	100%
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	-	-	100%
PlusPlus Inkasso OÜ*	Estonia	Management of acquired debt receivable portfolios	-	-	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%	100%	-
Forward View OÜ**	Estonia	Business development, computer programming	100%	100%	-

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

6. Property, plant and equipment

	Property	Vehicles	Equipment	Prepayments	TOTAL
Cost as at 1 January 2017	**0**	**184 558**	**14 159**	**222 501**	**421 218**
Accumulated depreciation as at 1 January 2017	0	-144 099	-3 461	0	**-147 560**
Residual value as at 1 January 2017	**0**	**40 459**	**10 698**	**222 501**	**273 658**
Acquisitions	983 716	171 956	249 825	104 368	**1 509 865**
Reclassifications	170 001	52 500	0	-222 501	**0**
Depreciation	0	-33 709	-27 949	0	**-61 658**
Disposals	0	-301	-2 297	-61 500	**-64 098**
Cost as at 31 December 2017	**1 153 717**	**375 206**	**257 971**	**42 868**	**1 829 762**
Accumulated depreciation as at 31 December 2017	-40 565	-144 301	-27 694	0	**-212 560**
Residual value as at 31 December 2017	**1 113 152**	**230 905**	**230 277**	**42 868**	**1 617 202**
Acquisitions	0	51 200	93 877	0	**145 077**
Reclassifications	0	0	42 868	-42 868	**0**
Depreciation	-57 684	-36 196	-59 445	0	**-153 325**
Disposals	0	0	0	0	**0**
Cost as at 31 December 2018	**1 153 717**	**426 406**	**394 717**	**0**	**1 974 840**
Accumulated depreciation as at 31 December 2018	-98 249	-180 497	-87 139	0	**-365 885**
Residual value as at 31 December 2018	**1 055 468**	**245 909**	**307 578**	0	**1 608 955**

Net book value	**Property**	**Vehicles**	**Equipment**	**Prepayments**	**TOTAL**
At 1 January 2017	**0**	**40 459**	**10 698**	**222 501**	**273 658**
At 31 December 2017	**1 113 152**	**230 905**	**230 277**	**42 868**	**1 617 202**
At 31 December 2018	**1 055 468**	**245 909**	**307 578**	**0**	**1 608 955**

There were no material fully depreciated property, plant and equipment in the Group as at 31 December 2018, 31 December 2017 and 1 January 2017.

7. Intangible assets

	Computer software	Total
Cost as at 1 January 2017	**59 159**	**59 159**
Accumulated depreciation as at 1 January 2017	-29 248	**-29 248**
Residual value as at 1 January 2017	**29 911**	**29 911**
Acquisitions	115 413	**115 413**
Depreciation	-17 727	**-17 727**
Cost as at 31 December 2017	**174 572**	**174 572**
Accumulated depreciation as at 31 December 2017	-46 975	**-46 975**
Residual value as at 31 December 2017	**127 597**	**127 597**
Acquisitions	202 095	**202 095**
Depreciation	-45 470	**-45 470**
Cost as at 31 December 2018	**376 667**	**376 667**
Accumulated depreciation as at 31 December 2018	-92 445	**-92 445**
Residual value as at 31 December 2018	**284 222**	**284 222**

Net book value	**Computer software**	**Total**
At 1 January 2017	**29 911**	**29 911**
At 31 December 2017	**127 597**	**127 597**
At 31 December 2018	**284 222**	**284 222**

There were no material fully amortised intangible assets in the Group as at 31.12.2018, 31.12.2017 and 01.01.2017.

8. Investments

	31.12.2018	31.12.2017	1.01.2017
Investment in shares	240 000	0	0
Prepayment for shares	300 000	0	0
Total	**540 000**	**0**	**0**

Investment in shares consist of 10% investment in an entity registered in Estonia with the purpose to develop credit issuance activities. The prepayment for shares is related to the same investment transaction. As at composition of the current financial statements the abovementioned investment transaction is still in process.

9. Acquired debt receivable portfolios

	31.12.2018	31.12.2017	01.01.2017
Acquired debt receivable portfolios	42 177 530	22 382 455	12 278 110
Total, including:	**42 177 530**	**22 382 455**	**12 278 110**
Current:	*7 817 303*	*4 926 617*	*2 659 710*
Non-current:	*34 360 227*	*17 455 838*	*9 618 400*

	2018	2017
As at 1 January	**22 382 455**	**12 278 110**
Acquisitions of acquired debt receivable portfolios	13 416 658	7 383 614
Proceeds from acquired debt receivable portfolios	-6 357 501	-4 003 248
Change in fair value of acquired debt receivable portfolios (Note 9)	12 735 918	6 723 979
As at 31 December	**42 177 530**	**22 382 455**

Change in fair value by countries	**2018**	**2017**
Estonia	3 256 669	1 307 349
Latvia	5 021 600	3 241 437
Lithuania	4 457 649	2 175 193
Change in fair value total	**12 735 918**	**6 723 979**

Revenues by field of activity	**2018**	**2017**
Operating revenues (Note 19)	12 750 716	6 782 750
including fair value changes	*12 735 918*	*6 723 979*
Including other services	*14 798*	*58 771*
Other operating income	9 405	2 045
Total revenues by field of activity	**12 760 121**	**6 784 795**

The total estimated remaining collections (ERC) according to scenarios (conservative, moderate and target scenarios) and by aging of portfolios at period ends were as follows:

Estimated remaining collection (ERC) as at:	**Conservative scenario**	**Moderate scenario***	**Target scenario**
Total 31.12.2018, including:	**60 451 744**	**67 168 604**	**73 885 465**
Restructured portfolios (over 6 months since acquisition)	46 353 438	51 503 821	56 654 203
New portfolios (fair value model sliding scale applied)	11 640 443	12 344 461	13 048 479
Fresh new portfolios (fair value model not applied)	2 457 862	3 320 323	4 182 783
Total 31.12.2017, including:	**32 388 992**	**35 987 769**	**39 586 546**
Restructured portfolios (over 6 months since acquisition)	22 183 520	24 648 355	27 113 191
New portfolios (fair value model sliding scale applied)	6 891 372	7 311 215	7 731 058
Fresh new portfolios (fair value model not applied)	3 314 100	4 028 199	4 742 297
Total 01.01.2017, including:	**18 213 533**	**20 237 259**	**22 260 985**
Restructured portfolios (over 6 months since acquisition)	13 134 211	14 593 567	16 052 925
New portfolios (fair value model sliding scale applied)	3 452 112	3 661 733	3 871 353
Fresh new portfolios (fair value model not applied)	1 627 210	1 981 959	2 336 707

**Moderate scenario has been used for recognition of acquired debt receivable portfolios in accounting according to fair value model and discount rate model applied for recognition of the fair value of acquired debt receivable portfolios in accordance with new standard IFRS 9 in force since 1 January 2018.*

As at 31 December 2018 the Group has acquired 250 debt portfolios (31.12.2017: 128 and 01.01.2017: 60). Total residual claim balance value of acquired debt receivable portfolios as at 31 December 2018 amounted to EUR 139 million (31 December 2017: EUR 74 million), comprising of 37 thousand single claims (2017: 22 thousand).

The Group has acquired debt receivable 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. The Group has hitherto been solely focusing on claims against private persons.

The Group 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 Group's priority is to offer debtors a mutually beneficial agreement to overcome problems arising from overdue obligations. The Group 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.

The aging of estimated remaining collection of the acquired debt receivable portfolios by vintages is as follows:

	31.12.2018	31.12.2017	1.01.2017
Estimated remaining collection (ERC) by vintage			
Debt receivable portfolios acquired in 2010	406 865	438 427	577 831
Debt receivable portfolios acquired in 2011	767 574	915 376	991 320
Debt receivable portfolios acquired in 2012	603 581	722 968	816 767
Debt receivable portfolios acquired in 2013	2 485 829	2 729 763	2 993 803
Debt receivable portfolios acquired in 2014	700 004	773 175	902 566
Debt receivable portfolios acquired in 2015	1 318 955	1 557 586	2 140 333
Debt receivable portfolios acquired in 2016	9 302 046	10 217 517	11 814 639
Debt receivable portfolios acquired in 2017	16 639 817	18 632 957	0
Debt receivable portfolios acquired in 2018	34 943 933	0	0
Total ERC as at 31 December	**67 168 604**	**35 987 769**	**20 237 259**
Fresh new portfolios, ERC not applied for fair value model	-3 320 323	-4 028 199	-1 981 959
Total ERC applied for fair value model as at 31 December	**63 848 281**	**31 959 570**	**18 255 300**

10. Trade and other receivables

	31.12.2018	31.12.2017	1.01.2017
Prepaid and refundable taxes (Note 17)	3 218	5 712	35 740
Other assets	102 209	102 209	0
Prepayments	97 439	136 770	52 079
Other receivables	882 223	516 290	407 522
Total, including:	**1 085 089**	**760 981**	**495 341**
Current:	*1 040 089*	*715 981*	*450 341*
Non-current:	*45 000*	*45 000*	*45 000*

Prepayments as at 31.12.2018, 31.12.2017 and 01.01.2017 include prepayments for operating activities (including prepayments for rent, media, services and other similar activities). Other assets consist of acquired collateral assets related to acquired debt receivable portfolios, which are expected to be realised within current business cycle. Other receivables are related to other operating services except for portfolio management.

Trade and other receivables include receivables against related parties as at 31 December 2018 for 413 651 euros (31.12.2017: 357 949 euros, and 01.01.2018: 270 930 euros, see more detailed info in Note 24).

11. Cash and cash equivalents

	31.12.2018	31.12.2017	1.01.2017
Cash at bank	6 438 695	1 338 751	154
Cash on hand	64 770	18 114	643 329
Total	**6 503 465**	**1 356 865**	**643 483**

12. Share capital

	Ordinary shares		
	31.12.2018	31.12.2017	1.01.2017
Share capital	1 000 000	1 000 000	63 912
Number of ordinary shares	10 000	10 000	10 000
Nominal value per share	100	100	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 2018		31 December 2017		1 January 2017	
Shareholder	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**	**Number of shares held**	**Percentage**
Mirje Trumsi	7 100	71%	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%
Peeter Piho	400	4%	0	0%	0	0%
Total	**10 000**	**100%**	**10 000**	**100%**	**10 000**	**100%**

Shareholdings are owned directly (46% by Mirje Trumsi) and through entities PPC Holding OÜ (Mirje Trumsi 25% shareholding) and Teddy Invest OÜ (Peeter Piho 4% shareholding).

13. Subordinated convertible loans

	31.12.2018	31.12.2017	1.01.2017
Subordinated convertible loans in equity	1 284 589	906 037	0
Subordinated convertible loans in liabilities	5 002 597	3 247 665	0
Total of convertible subordinated loans by split-accounting	**6 287 186**	**4 153 702**	**0**
Difference of discounted cash flows in interest expense (Note 23)	-287 186	-153 702	0
Total	**6 000 000**	**4 000 000**	**0**

As at 31 December 2018 the convertible subordinated loans raised in amount of EUR 6 million (2017: EUR 4 million) are recognised according to split-accounting method by equity and liability components, the details of recognition principles are disclosed in Note 2.5. section k.

The conversion maturity dates of the convertible subordinated loans are 1 July 2021 and 29 December 2022 respectively, the interest rates are 9.5% - 11.0%, currency is euro, and no collaterals nor pledges are set.

14. Distributions made and proposed

No dividends were declared for 2018 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 2018 the maximum possible income tax liability that could arise upon the payment of all the retained earnings as dividends would be 1 670 044 EUR (31.12.2017: 901 083 EUR, 01.01.2017: 933 566 EUR) and therefore 6 680 176 EUR could be paid out as net dividends (31.12.2017: 3 604 330 EUR, 01.01.2017: 3 734 262 EUR).

15. Trade and other payables

	31.12.2018	31.12.2017	1.01.2017
Trade payables	193 544	92 619	115 893
Payables to employees	234 209	128 902	46 545
Taxes payable (Note 17)	184 964	110 382	56 315
Interest payable	169 023	252 704	169 536
Other payables	157	28 908	43 399
Total	**781 897**	**613 515**	**431 688**

The trade and other payables include payables to related parties (see Note 24) as at 31 December 2018 for 47 409 euros (31.12.2017: 0 euros, and 01.01.2017: 150 000 euros). Trade and other payables are due in the course of normal operating cycle of the Group (normally within twelve months).

16. Interest-bearing loans and borrowings

	31.12.2018	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	17 746 900	7 254 300	10 492 600	10% - 13%	2019 - 2021
Bank loans	676 181	42 478	633 703	2.75%*	2019 - 2022
Other loans	18 641 535	2 864 535	15 777 000	6% - 9.5%	2019 - 2021
Finance lease	194 684	40 912	153 772	2% - 5%	2020 - 2022
Capitalised expense	-1 579 342	-731 552	-847 790	9% - 13%	2019 - 2022
Total obligation	**35 679 958**	**9 470 673**	**26 209 285**		

	31.12.2017	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	14 065 900	2 179 200	11 886 700	9% - 13%	2018 – 2020
Bank loans	1 010 839	334 658	676 181	2.75%* - 12.5%**	2018 – 2022
Other loans	600 000	600 000	0	11% - 13%	2018
Finance lease	195 731	42 450	153 281	2% - 5%	2020 – 2022
Total obligation	**15 872 470**	**3 156 308**	**12 716 162**		

	01.01.2017	Due in 12 months	Due in 1-5 years	Interest rate	Maturity date
Bonds	5 657 100	1 563 143	4 093 957	10% - 13%	2017 – 2019
Bank loans	749 035	749 035	0	12.5%**	2018
Other loans	2 089 064	1 489 064	600 000	13% - 16%	2017 – 2018
Finance leases	61 875	43 108	18 767	2% - 5%	2017 – 2020
Total obligation	**8 557 074**	**3 844 350**	**4 712 724**		

**2.75% + 6-months Euribor, **12.75% + 6-months Euribor*

Main covenant for issued secured and unsecured bonds and loans is equity ratio (total equity / total assets), which shall be maintained at all times at 30% or higher (see Note 3 section "Capital management" for more details of equity ratio at 31 December 2018 and at year-ends of comparative periods). The equity ratio is compliant with the requirements according to covenants set in financing agreements as at 31 December 2018 and 2017 (See Note 3).

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	**31.12.2018**	**31.12.2017**	**01.01.2017**
Carrying amount	245 909	230 905	35 922
Total	**245 909**	**230 905**	**35 922**

Carrying amount of assets pledged as collateral	**31.12.2018**	**31.12.2017**	**01.01.2017**
Carrying amount	42 177 530	22 382 455	12 278 110
Total	**42 177 530**	**22 382 455**	**12 278 110**

PlusPlus has issued secured and unsecured bonds and raised loans from banks. Bonds are secured by pledged collaterals consisting mainly of acquired debt receivable portfolios. Bank loan liabilities are secured by a commercial pledge for assets in amount of EUR 1 755 000 (and till 31 December 2017 additionally: by mortgages on five real estate properties in total amount of EUR 1 150 000, and by personal suretyships of four private persons related to the Group).

In 2018, the following changes occurred in interest bearing loans and borrowing balances:

Interest bearing loans and borrowings	**Balance as at 31.12.2017**	**Loans raised during period**	**Loan repaid during period**	**Balance as at 31.12.2018**
Bonds	14 065 900	9 448 600	-5 767 600	17 746 900
Bank loans	1 010 839	0	-334 658	676 181
Finance lease	195 731	62 696	-63 743	194 684
Other loans	600 000	19 591 535	-1 550 000	18 641 535
Capitalised expense	0	-1 919 143	339 801	-1 579 342
Total	**15 872 470**	**27 183 688**	**-7 376 200**	**35 679 958**

17. Tax liabilities and prepayments

	31.12.2018		**31.12.2017**		**1.01.2017**	
	Tax prepayment	**Tax liabilities**	**Tax prepayment**	**Tax liabilities**	**Tax prepayment**	**Tax liabilities**
Value added tax	0	1 560	495	2 550	0	6 273
Personal income tax	0	64 076	0	33 131	0	17 218
Income tax from fringe benefits	0	2 807	0	3 668	0	954
Social security tax	0	109 009	0	67 104	0	30 061
Pension tax	0	3 661	0	2 364	0	928
Unemployment tax	0	3 781	0	2 060	0	881
Prepayment account balance	3 218	0	5 217	0	35 740	0
Total tax liabilities and prepayments (Notes 10 and 15)	**3 218**	**184 894**	**5 712**	**110 877**	**35 740**	**56 315**

18. 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:

	31.12.2018	31.12.2017	1.01.2017
Within one year	60 236	60 236	29 600
After one year but not more than five years	301 180	301 180	148 000

Considerations related to potential tax audit

Estonia
The tax authorities have neither started nor performed any tax audits or individual case audits in any of the Group companies. The tax authorities have the right to verify the company's tax records up to 5 years from the time of filing the tax return and upon finding errors, impose additional taxes, interest and fines. The management estimates that there are not any circumstances, which may lead the tax authorities to impose additional significant taxes on the Group.

Latvia and Lithuania
The management estimates that there are not any circumstances, which may lead the tax authorities to impose additional significant taxes on the Group.

19. Operating revenue

Operating revenue by countries	2018	2017
Estonia	3 263 443	1 348 720
Latvia	5 021 600	3 241 437
Lithuania	4 465 673	2 192 593
Operating revenues total	**12 750 716**	**6 782 750**

Operating revenues by field of activity	2018	2017
Management of debt portfolios	12 735 918	6 723 979
Other services	14 798	58 771
Operating revenues total	**12 750 716**	**6 782 750**

20. Operating expenses

	2018	2017
Portfolio management costs	1 489 886	784 460
Consultations and compliance	204 731	339 016
Fees, taxes and insurance	133 975	86 034
Travel and transportation	130 842	63 978
Telecommunication and data	114 252	48 783
Premises and furnishings	113 585	99 553
Equipment and supplies	98 598	59 147
Marketing and development	64 051	4 081
Personnel and trainings	23 900	37 723
Professional services	75 116	124 850
Other miscellaneous operating expenses	8 666	29 609
Allowance for doubtful receivables	0	22 340
Total other expenses	**2 457 602**	**1 699 574**

21. Salary expense

	2018	2017
Wages and salaries	1 712 020	1 048 370
Social security costs	518 681	358 394
Total salary expense	**2 230 701**	**1 406 764**
Average number of employees	50	35

22. Finance income

	2018	2017
Interest income	391	58
Other finance income	23 912	10 106
Total finance income	**24 303**	**10 164**

23. Finance expense

	2018	2017
Interest expense on bonds	2 424 824	1 582 154
Interest expense on interest-bearing loans	1 134 248	224 615
Expenses directly related to financing activities (raised bonds and loans)	339 801	483 246
Discounted cash flows effect for subordinated convertible loans (Note 13)	133 484	153 702
Other finance expense	18 897	148 404
Total finance expense	**4 051 254**	**2 592 121**

24. 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.

	31.12.2018		31.12.2017		1.01.2017	
	Receivables	**Payables**	**Receivables**	**Payables**	**Receivables**	**Payables**
Holding entity	214 408	0	194 224	0	174 371	0
Management board and private investors with significant ownership interest; entities under their control or significant influence	199 243	47 409	163 725	0	96 559	150 000
Total	**413 651**	**47 409**	**357 949**	**0**	**270 930**	**150 000**

	2018		2017	
	Purchases	**Sales**	**Purchases**	**Sales**
Holding entity	0	138	0	138
Management board and private investors with significant ownership interest; entities under their control or significant influence	646 989	276	205 997	138
Total	**646 989**	**414**	**205 997**	**276**

Key management benefits

	2018	2017
Salaries and remuneration	279 203	297 060
Total	**279 203**	**297 090**

25. Subsequent events

During the period of preparation of the financial statements since balance sheet date 31 December 2018 there have been no significant subsequent events which would significantly affect the current financial statements.

26. Unconsolidated primary financial statements of the parent

Pursuant to the Accounting Act of the Republic of Estonia, information of the annual unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the annual report in conjunction with IAS 27, Consolidated and 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

	31.12.2018	31.12.2017 Restated	1.01.2017 Restated
Non-current assets			
Property, plant and equipment	238 516	201 828	92 961
Intangible assets	284 222	127 597	29 911
Financial investments	7 070 425	5 349 690	4 010 037
Acquired debt receivable portfolios	19 905 559	9 542 287	4 496 612
Trade and other receivables	11 813 000	5 400 000	2 407 200
Total non-current assets	**39 311 722**	**20 621 402**	**11 036 721**
Current assets			
Acquired debt receivable portfolios	4 973 612	3 100 217	1 251 249
Trade and other receivables	2 525 439	1 724 426	917 438
Cash and cash equivalents	5 880 197	1 057 701	427 569
Total current assets	**13 379 248**	**5 882 344**	**2 596 256**
Total assets	**52 690 970**	**26 503 746**	**13 632 977**
Equity			
Share capital	1 000 000	1 000 000	63 912
Statutory legal reserve	100 000	100 000	0
Subordinated convertible loan	1 284 589	906 037	0
Retained earnings	9 930 775	6 001 956	6 092 480
Total equity	**12 315 364**	**8 007 993**	**6 156 392**
Liabilities			
Non-current liabilities			
Subordinated convertible loans	5 002 597	3 247 665	0
Interest-bearing loans and borrowings	25 501 445	11 948 106	4 712 724
Total non-current liabilities	**30 504 042**	**15 195 771**	**4 712 724**
Current liabilities			
Trade and other payables	465 242	416 511	226 392
Interest-bearing loans and borrowings	9 406 322	2 883 471	2 537 469
Total current liabilities	**9 871 564**	**3 299 982**	**2 763 861**
Total equity and liabilities	**52 690 970**	**26 503 746**	**13 632 977**

Unconsolidated statement of comprehensive income
for the year ended 31 December

	2018	2017 Restated
Operating revenue	7 419 907	3 735 879
Other revenue	9 405	2 045
Operating expenses	1 256 857	914 092
Salary expense	820 339	647 546
Depreciation and amortisation	89 280	108 754
Other expenses	2 334	2 762
Operating profit	**5 260 502**	**2 064 770**
Finance income	2 687 021	1 411 226
Finance expense	4 018 704	2 530 432
Profit before income tax	**3 928 819**	**945 564**
Net profit for the year	**3 928 819**	**945 564**
Total comprehensive income	**3 928 819**	**945 564**

Unconsolidated statements of cash flows
for the year ended 31 December

	2018	2017 Restated
Cash flows from operating activities		
Profit before income tax	3 928 819	945 564
Adjustments for non-cash items:		
Depreciation and amortisation	89 280	108 754
Changes in working capital:		
Change in trade and other receivables	-254 117	-612 770
Change in trade and other payables	-777 430	-604 194
Change in acquired debt receivable portfolios	-12 236 667	-6 894 643
Other adjustments:		
Interest expense	3 999 834	2 528 607
Other financial income and expense	-2 668 152	-1 406 355
Interests income	391	95
Net cash generated from operating activities	**-7 918 042**	**-5 934 942**
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-282 593	-306 307
Acquisition of subsidiaries	-50 000	-25 000
Loans raised	-6 298 000	-3 504 160
Repayments of loans raised	233 000	310 000
Interests received	121 000	93 000
Net cash used in investing activities	**-6 276 593**	**-3 432 467**
Cash flows from financing activities		
Loans received and bonds issued	27 918 987	10 832 000
Repayment of loans received and bonds issued	-7 397 998	-3 274 020
Repayment of financial lease liabilities	-44 726	-58 248
Interests paid	-3 459 132	-1 502 191
Proceeds from subordinated convertible loans	2 000 000	4 000 000
Net cash flows from (to) financing activities	**19 017 131**	**9 997 541**
Net increase in cash and cash equivalents	4 822 496	630 132
Cash and cash equivalents at the beginning of the year	**1 057 701**	**427 569**
Cash and cash equivalents at the end of the year	**5 880 197**	**1 057 701**

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

	Share capital	Legal reserve	Subordinated convertible loans	Retained earnings	Total
As at 1 January 2017, restated*	**63 912**	**0**	**0**	**6 092 480**	**6 156 392**
Increase of share capital by a bonus issue	936 088	0	0	-936 088	**0**
Transfer to statutory reserve capital	0	100 000	0	-100 000	**0**
Subordinated convertible loan	0	0	906 037	0	**906 037**
Total transactions with owners	**936 088**	**100 000**	**906 037**	**-1 036 088**	**906 037**
Net profit for the year	0	0	0	945 564	**945 564**
Total comprehensive income	**0**	**0**	**0**	**945 564**	**945 564**
As at 31 December 2017 Restated*	**1 000 000**	**100 000**	**906 037**	**6 001 956**	**8 007 993**
As at 1 January 2018 Restated*	**1 000 000**	**100 000**	**906 037**	**6 001 956**	**8 007 993**
Subordinated convertible loan	0	0	378 552	0	**378 552**
Total transactions with owners	**0**	**0**	**378 552**	**0**	**378 552**
Net profit for the year	0	0	0	3 928 819	**3 928 819**
Total comprehensive income	**0**	**0**	**0**	**3 928 819**	**3 928 819**
As at 31 December 2018	**1 000 000**	**100 000**	**1 284 589**	**9 930 775**	**12 315 364**

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

	31.12.2018	31.12.2017 Restated	1.01.2017 Restated
Parent company's unconsolidated equity	12 315 364	8 007 993	6 156 392
Less carrying amount of subsidiaries in the unconsolidated balance sheet	-7 070 425	-5 349 690	-4 010 037
Add carrying amount of subsidiaries under equity method	7 070 425	5 349 690	4 010 037
Total	**12 315 364**	**8 007 993**	**6 156 392**

Confirmation of the management board to the 2018 consolidated annual report

Hereby, we confirm the correctness of the information disclosed in the 2018 consolidated annual report of AS PlusPlus Capital.

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Karl Mitt

Tallinn, 10 April 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS PlusPlus Capital

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS PlusPlus Capital and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We audited the Group's consolidated financial statements that comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the consolidated annual report in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board 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, the Management Board 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 the Management Board 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

AS PricewaterhouseCoopers

Lauri Past
Auditor's certificate no.567

Rando Rand
Auditor's certificate no.617

10 April 2019

Profit allocation proposal

The Management Board of AS PlusPlus Capital proposes to the General Meeting of Shareholders to distribute the profit as follows (in euros):

Retained earnings as at 31.12.2018	8 350 220
Dividends	100 000
Retained earnings after allocation	8 250 220

Tallinn, 10 April 2019

Member of the Management Board
Mirje Trumsi

Member of the Management Board
Karl Mitt

Tallinn, 10 April 2019

Allocation of income according to EMTA classificators

The income of AS PlusPlus Capital for financial year 2018 is allocated according to EMTA classificators as follows:

Field of activity	EMTAK code	Income (EUR)	Income (%)	Main activity
Investments in bonds, securities and other similar financial vehicles	64301	7 419 907	100%	Yes

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