

LocalTapiola Finance Ltd

Report of the Board of Directors and
financial statements for 2018
business ID: 2856773-8



LÄHITAPIOLA

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REPORT OF THE BOARD OF DIRECTORS

LocalTapiola Finance Ltd (LocalTapiola Finance) is part of the LocalTapiola group of insurance companies, the leading parent company of which is LocalTapiola General Mutual Insurance Company. LocalTapiola General's financial statements, which cover the consolidated financial statements for the group of insurance companies, have been published at LocalTapiola's website at www.lahitapiola.fi.

LocalTapiola Finance Ltd 2018

LocalTapiola Finance operates as the finance company of LocalTapiola Group in vehicle financing with dealerships and importers as the main distribution channel. In addition to vehicle financing, LocalTapiola Finance works in strong cooperation with the LocalTapiola Group companies, also offering LocalTapiola's customers and partners expertise in and financing solutions for machinery and equipment financing. LocalTapiola Finance was founded in 2017, and its financial activities started in February 2018.

During this first financial period, LocalTapiola Finance clearly exceeded the targets set, making a profit which was significantly better than anticipated. The most significant factors in view of expectations were a better finance income level and a higher than expected finance volume while costs remained within budget.

Events after the financial period

There were no significant events after the financial period.

Future prospects

We are in a position to start the new year with a balance sheet which is greater than planned, as a consequence of the foundation period which did extremely well and of new sales which were higher than anticipated. We aim at controlled growth of the finance portfolio in a challenging market. The uncertainty prevalent in the vehicle market brought about by the discussion on vehicle tax and propulsion as well as the current slight uncertainty in the interest financing market inject a challenging component into the operating environment, but we see this as a slight hindrance which will pass and believe that LocalTapiola Finance's strong growth will continue in 2019.

Managing Director

Arttu Nykänen started as LocalTapiola Finance's Managing Director on 12 November 2018, and Hannu Heliö serves as Deputy Managing Director.

Auditor

KPMG Oy Ab serves as the company's auditor, and the principal auditor appointed by KPMG Oy Ab is Mikko Haavisto, Authorised Public Accountant.

Personnel

At the end of the financial period, the number of personnel at LocalTapiola Finance was 22.

Board of Directors

LocalTapiola Finance's Board of Directors is made up of five members. The Board members shall have wide-ranging and complementary professional expertise and experience as well as the skills in the business operations of a finance company that are necessary taking the quality and scope of the company's operations into consideration. The following served as Board members:

Jari Sundström, Chair of the Board of Directors
Matti Kiviniemi, Deputy Chair of the Board of Directors
Ari Lagerström
Mika Sutinen
Teemu Toivanen

Proposal by the Board of Directors to the Annual General Meeting

The Board of Directors proposes that the loss for the financial period, -2,254,489.32, be recognised in the company's profit and loss account.

FINANCIAL STATEMENTS 1 JULY 2017–31 DECEMBER 2018

LocalTapiola Finance Ltd primary financial statements

Balance sheet

		31 December 2018
ASSETS		
Receivables from credit institutions	1	11 947 061,26
Receivables from the public and public-sector entity	2	127 510 594,13
Leasing assets	3	8 296 117,82
Intangible assets	4, 5	2 991 822,70
Tangible assets	5, 6	
Other tangible assets		10 230 204,55
Other assets	7	1 330 312,95
Accrued income and prepaid expenses	8	2 307 134,57
Assets, total		164 613 247,98
LIABILITIES		
Liabilities		
Loans to Group companies	9	145 001 604,17
Other liabilities	10	
Trade payables		101 647,12
Other liabilities		914 759,51
Accrued expenses and advances received	11	858 726,50
Liabilities, total		146 876 737,30
Capital and reserves		
Share capital	12	3 998 200,00
Unrestricted funds	12	
Invested unrestricted equity fund	12	15 992 800,00
Profit (loss) for previous financial periods	12	0,00
Profit (loss) for the financial period	12	-2 254 489,32
Capital and reserves, total		17 736 510,68
Liabilities, total		164 613 247,98

Profit and loss account

	1 July 2017–31 December 2018	
Interest income	13	2 585 268,29
Net income from leasing activities	14	113 318,13
Interest expenses	15	-312 143,53
NET INTEREST INCOME		2 386 442,89
Commissions and fees	16	241 566,26
Commission expenses	17	-22 465,08
Other operating income		
Operating expenses		
Personnel costs		
Salaries and other short-term benefits	18	-2 094 629,68
Social security costs	18	
Pension costs	18	-388 474,50
Other social security costs	18	-71 822,81
Other administrative expenses	18	-1 588 134,33
Amortisation and impairments on tangible and intangible assets	19	-278 865,68
Other operating expenses	20	-333 108,59
Credit losses	21	-104 997,80
OPERATING PROFIT (LOSS)		-2 254 489,32
Income taxes		0,00
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		-2 254 489,32

Notes to the financial statements

Notes to the balance sheet items

	2018
1. Receivables from credit institutions	
From Finnish credit institutions	
Repayable on demand	11,947,061.26
2. Receivables from the public and public-sector entities	
Companies	26,777,224.77
Households	100,733,369.36
Receivables from the public and public-sector entities, total	127,510,594.13
3. Leasing assets	
Advance payments	-8,657.87
Machinery and equipment	8,304,775.69
Leasing assets, total	8,296,117.82
4. Intangible assets	2,991,822.70
5. Tangible assets	
Tangible assets	291,790.71
Other tangible assets	9,938,413.84
Tangible assets, total	10,230,204.55
6. Changes in tangible and intangible assets during the financial period	
Intangible assets	
Acquisition cost 1 Jan.	0.00
Increases	3,149,287.06
Decreases	0.00
Acquisition cost 31 Dec.	3,149,287.06
Accumulated amortisation and impairments 1 Jan.	
Accumulated amortisation of decreases	0.00
Planned amortisation and depreciation during the financial period	-157,464.36
Accumulated amortisation and impairments 31 Dec.	-157,464.36
Book value 31 Dec.	2,991,822.70
Tangible assets	
Acquisition cost 1 Jan.	0.00
Increases	389,054.28
Decreases	0.00
Acquisition cost 31 Dec.	389,054.28
Accumulated amortisation and impairments 1 Jan.	
Accumulated amortisation of decreases	
Planned amortisation and depreciation during the financial period	-97,263.57
Accumulated amortisation and impairments 31 Dec.	-97,263.57

Book value 31 Dec.	291,790.71
7. Other assets	1,330,312.95
8. Accrued income and prepaid expenses	2,307,134.57
9. Loans to Group companies	145,001,604.17
10. Other liabilities	
Trade payables	101,647.12
Other liabilities	914,759.51
Other liabilities, total	1,016,406.63
11. Accrued expenses and advances received	858,726.50
12. Capital and reserves	
Share capital	3,998,200.00
Invested unrestricted equity fund	15,992,800.00
Profit (loss) for the financial period	-2,254,489.32
Capital and reserves, total	17,736,510.68

Notes to the profit and loss account items

2018

13. Interest income

Interest income on receivables from the public and public-sector entities 2,585,268.29

14. Interest expenses

Interest expenses 312,143.53

15. Net income from leasing activities

Leasing income 737,459.12

Leasing depreciation -624,140.99

Net income from leasing activities 113,318.13

16. Commissions and fees

241,566.26

17. Commission expenses

22,465.08

18. Administrative expenses

Salaries and other short-term benefits 2,094,629.68

Pension costs 388,474.50

Other social expenses 71,822.81

Personnel costs, total 2,554,926.99

Other administrative expenses 1,588,134.33

Operating expenses, total 4,143,061.32

19. Amortisation and impairments on tangible and intangible assets

Planned amortisation and depreciation 254,727.93

Impairments 24,137.75

Amortisation and impairments, total 278,865.68

20. Other operating expenses

Rental expenses 171,104.31

Other expenses 162,004.28

Total 333,108.59

21. Credit losses

Credit losses on receivables 5,874.57

Credit loss provisions 99,123.23

Credit losses returned 0.00

Total 104,997.80

22. Rental liabilities

Amount due in the financial period started	159,867.72
Amount due in following years	1,485,581.61

23. Number of personnel at end of financial period**22****24. Related party transactions**

The company has no related party transactions that would have been concluded on terms other than ordinary commercial terms.

25. Fees paid to the auditor

Audit	14,880.00
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Accounting principles

LocalTapiola Finance Ltd's financial statements and report of the Board of Directors have been prepared in accordance with the Finnish Accounting Act and Decree; the Act on Investment Services; the Act on Credit Institutions; the Ministry of Finance's decree on the financial statements, consolidated financial statements and report of the Board of Directors of credit institutions and investment firms; the regulations and instructions of the Financial Supervisory Authority; and the general guidelines of the Accounting Board.

General information

LocalTapiola Finance Ltd is owned by LocalTapiola General Mutual Insurance Company and the regional non-life insurance companies part of LocalTapiola Group. LocalTapiola Finance Ltd's (business ID 2856773-8) domicile is Helsinki and its address is Tietotie 9, 01530 Vantaa, Finland.

The Board of Directors approved the financial statements for 1 July 2017–31 December 2018 in its meeting on 21 February 2019.

Summary of key accounting principles

The **receivables from credit institutions** item includes deposits made with credit institutions. Receivables to be repaid no later than within one day of cancellation are considered receivables repayable on demand. Negotiable receivables from credit institutions are not recognised in the balance sheet item.

Receivables from the public and public-sector entities are loans receivable carried at amortised cost less realised credit losses and impairment losses.

Leasing assets are recognised under financial claims at the present value of the minimum lease payments of the contract plus residual value. The lease payments received reduce the amount receivable.

In **intangible assets**, the design expenses of IT systems acquired for value have been activated as other long-term expenditure and amortised over 10 years from commissioning or a shorter economic period of utilisation.

The **tangible assets** balance sheet item comprises equipment presented in the balance sheet at acquisition cost less planned amortisation and depreciation. The annual amortisation rate of equipment is 25% of net expenditure excluding consignment items and items written down, which are not amortised.

Impairment losses on loans and other receivables. For each receivable, the company evaluates whether there is evidence of any impairment of the asset. At the same time, the future cash flows allocated to the receivable, the coverage of the collateral and the customer's repayment ability are all assessed. Impairment losses are deducted from the receivables to which they are allocated on the balance sheet. Collected items already recognised as credit losses and reversals of impairments are recognised as decreases of impairment losses.

Liabilities are carried at amortised cost.

Interest revenue and interest expenses are calculated and amortised using the effective interest method, taking account of the items included in the effective interest calculation.

Under **commissions and fees and commission expenses**, commissions are recognised when the service or separate measure has been carried out.

Signatures to the report of the Board of Directors and financial statements of 31 December 2018

In Vantaa, 21 February 2019

Jari Sundström
Chair of the Board of Directors

Matti Kiviniemi

Ari Lagerström

Mika Sutinen

Teemu Toivanen

Arttu Nykänen
Managing Director

Auditor's note

A report has been issued today on the audit performed.

In Turku, 25 February 2019

KPMG Oy Ab

Mikko Haavisto
Authorised Public Accountant

Audit report