AS "Moda Kapitāls"

ANNUAL REPORT 2013

prepared in accordance with EU approved
International Financial Reporting Standards

CONTENTS

MANAGEMENT

Names and positions of the Council members	Andris Banders - member of the Council Inese Kanneniece - member of the Council Aleksandrs Sirmais - member of the Council Verners Skrastiņš - member of the Council Diāna Zvīne - member of the Council
Names and positions of the Board members	Ilvars Sirmais - member of the Board Guntars Zvīnis - member of the Board

REPORT OF THE MANAGEMENT

Type of operations

The basic activity of AS Moda Kapitāls (further - Company) is issuing of short-term loans against a pledge of movable and immovable property and trading of a wide range of home appliances, electronics and items made of precious metals.

Performance during the financial year and financial situation of the Company

In 2013 AS Moda Kapitāls opened two new branches - in Cesis and Riga. Locations of branches were changed in some cities and their new locations are considered to be geographically more advantageous for the present Company's clients, as well as give an advantage for the attraction of new clients.
The Company's management analyzes the current overall situation in the market of non-bank lenders to be able to objectively evaluate the additional openings of new branches and their potential profitability.
In 2014 planned to open an additional branch, which will be located in the city where the Company is already successfully running. At the same time the Company is working on a project where existing and new customers will be given the opportunity to receive a part of AS Moda kapitāls services with remote access, in our opinion, it will enable more successfully to attract new customers.

Continuously are being improved the qualification of employees and improved the system of the Company's customer service, as well as will continue improvement and modernization of branches premises, developing assortment of goods for sale.

In 2013 was observed moderate increase in customer activity and demand for AS Moda Kapitāls services rendered and it continued to increase gradually. At the same time growing the circle of clients who regularly use the Company's services, as concluding loans, as well as purchasing traded commodities. There is a trend that customers more responsibly assess the need for credit and showing greater interest in the purchase of various goods.

Compared with the previous year, in a large part of the Company's branches are observed further development, which suggests that also in 2014 turnover will increase. As in previous years, major attention is being paid to the payment discipline of clients and individual work with clients, in order the delayed payment problem would be solved through co-operation. Work on offering of a higher quality loan services to clients continued.

Foreign subsidiaries and representation offices

Currently thirty pawnshop branches are operating in: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis (two branches), Dobele, Daugavpils (two branches), Gulbene, Jēkabpils (two branches), Jelgava, Krāslava, Kuldīga, Liepāja, Limbaži, Madona, Ogre, Rēzekne, Riga (two branches), Saldus, Talsi, Valmiera, Ventspils, Tukums, Preiļi, Ludza, Valka, and an office in Riga.

Events after the end of financial year

During the time period from the last day of the financial year, no significant events have occurred that would significantly affect the financial condition of the Company at 31 December 2013.

Future development plans

We forecast that in 2014 sales will continue to increase moderately and the year will be closed with a profit.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

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

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 5 to page 28 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

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

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 Ls	2012 Ls
Revenue	(1)	1 058 278	1 125 636
Finance income	(1)	1 031 013	1 057 119
Cost of sales	(2)	(879 542)	(994 471)
Finance costs	(3)	(269 673)	(248 695)
Gross profit		**940 076**	**939 589**
Distribution expenses	(4)	(635 150)	(576 606)
Administrative expenses	(5)	(254 665)	(256 396)
Other income	(6)	20 469	10 449
Other expenses	(7)	(49 873)	(19 544)
Profit before tax		**20 857**	**97 492**
Corporate income tax	(9)	(4 035)	(4 873)
Net profit		**16 822**	**92 619**
Other comprehensive income / (loss)		**-**	**-**
Total comprehensive income		**16 822**	**92 619**

Notes on pages 10 to 28 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2013. Ls	31.12.2012. Ls
ASSETS			
Non-current assets			
Intangible assets	(10)	30 802	33 411
Property, plant and equipment	(10)	556 741	536 527
Other non-current assets		100	100
Total non-current assets:		**587 643**	**570 038**
Current assets			
Inventories	(11)	499 981	435 437
Loans and trade receivables	(12)	1 813 984	1 861 959
Other current assets	(13)	114 662	106 810
Corporate income tax	(9)	5 233	5 272
Cash and cash equivalents	(14)	219 571	85 338
Total current assets:		**2 653 431**	**2 494 816**
Total assets		**3 241 074**	**3 064 854**

EQUITY AND LIABILITIES		31.12.2013. Ls	31.12.2012. Ls
Equity			
Share capital	(16)	300 000	300 000
Revaluation reserves of non-current assets	(10)	93 675	93 675
Retained earnings		1 063	49 241
Total equity:		**394 738**	**442 916**
Liabilities:			
Non-current liabilities:			
Borrowings	(17)	2 336 376	2 108 120
Deferred income tax liabilities	(9)	38 000	36 692
Total non-current liabilities:		**2 374 376**	**2 144 812**
Current liabilities:			
Borrowings	(17)	315 447	343 430
Trade and other payables	(18)	156 513	133 695
Total current liabilities:		**471 960**	**477 126**
Total liabilities:		**2 846 336**	**2 621 938**
Total equity and liabilities:		**3 241 074**	**3 064 854**

Notes on pages 10 to 28 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 29 April, 2014

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earnings	Total
	Ls	Ls	Ls	Ls
31.12.2011.	**300 000**	**93 675**	**4 622**	**398 297**
Calculated dividends	-	-	(48 000)	(48 000)
Net profit	-	-	92 619	92 619
Other compehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**92 619**	**92 619**
31.12.2012.	**300 000**	**93 675**	**49 241**	**442 916**
Calculated dividends	-	-	(65 000)	(65 000)
Net profit	-	-	16 822	16 822
Other compehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**16 822**	**16 822**
31.12.2013.	**300 000**	**93 675**	**1 063**	**394 738**

CASH FLOW STATEMENT

	Notes	2013 Ls	2012 Ls
Cash flow from operating activities			
Profit before corporate income tax		20 857	97 492
Adjustments for:			
depreciation and amortization	(10)	73 219	49 214
loss / (profit) from disposal of property, plant and equipment		11 973	(3 085)
Changes in working capital			
inventories		(64 544)	(223 100)
receivables		40 162	(88 938)
liabilities		20 313	30 385
Cash flow from operating activities		**101 980**	**(138 032)**
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	(10)	(102 797)	(202 311)
Net cash flow generated from investing activities from continuing operations		**(102 797)**	**(202 311)**
Cash flow from financing activities			
Proceeds from bond issuance		-	463 851
Loans received	(17)	455 649	804 694
Borrowings repaid	(17)	(237 767)	(805 025)
Dividends paid		(65 000)	(39 496)
Paid on finance lease agreements		(17 828)	(48 000)
Net cash flow generated from financing activities from continuing operations		**135 053**	**376 024**
Net increase / (decrease) in cash and cash equivalents		**134 236**	**35 681**
Cash and cash equivalents at the beginning of the financial year		**85 337**	**49 657**
Cash and Cash equivalents at the end of the financial year	(14)	**219 573**	**85 338**

Notes on pages 10 to 28 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

AS Moda Kapitals (further - Company) main activity is the issuing of short-term loans against pledge of movable and immovable property. AS Moda Kapitals is a joint stock company founded and operating in Latvia. Registered address of the Company is at Ganibu dambis 40A-34, Riga, LV-1005.

The current financial year of the Company is from 1 January 2013 up to 31 December 2013.

These financial statements were authorized for issue by the Board of Directors of the Company on 29 April 2014, and Member of the Board Guntis Zvīnis signed these for and on behalf of the Board of Directors.

The auditor of the Company is SIA Roedl & Partner.

II. ACCOUNTING POLICIES

(1) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS).

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the following notes.

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). The Company has elected to present the 'Statement of comprehensive income' in one statement.

In some cases IAS 1 determined requirement to present a statement of financial position of the earliest comparative period. The latter so far has not been applicable to the Company.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Company. Critical estimates and judgments are represented in Note (18) to accounting policies.

a) Standards, amendments and interpretations effective in the current year and have an impact on the Company's financial statements

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather describes how to measure fair value where fair value is required or permitted. The Company presented additional disclosures in the financial statements.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013).
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The amendments have no significant impact on Company's financial statements.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendment (effective for annual periods beginning on or after 1 January 2013).
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments have no significant impact on Company's financial statements.

b) Standards, amendments and interpretations, that have an impact on the Company, but which are not yet effective and has not early adopted by the Company

IFRS 9, Financial Instruments Part 1: Classification and Measurements(effective for annual periods beginning on or after 1 January 2015, not yet adopted by the EU).
The IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Company is considering the impact of the standard on the Company's financial statements.

IAS 36, Recoverable amount disclosures for non-financial assets - Amendment (effective for annual periods beginning on or after 1 January 2014).
The amendment remove the requirements to disclose the recoverable amount when a cash generated unit contains goodwill or indefinite lived intangible assets but there has been no impairment. The Company does not expect, that this amendment to have significant impact on the financial statements.

IAS 39, Novation of derivatives and continuation of hedge accounting - Amendment (effective for annual periods beginning on or after 1 January 2014).
The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedge instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of law or regulation, if specific condition are met. The Company does not apply hedge accounting, consequently, the Company does not expect, that this amendment to have significant impact on the financial statements.

c) Standards, amendments and interpretations, which are not yet effective and not yet endorsed by the EU

IFRS 9, Financial instruments: Classification and Measurement, IFRIC 21 - Levies (effective for annual periods beginning on or after 1 January 2014).

IAS 19, Defined benefit plans: Employee contributions - Amendment (effective for annual periods beginning on or after 1 July 2014).

Improvements to IFRS issued in 2012 (effective for annual periods beginning on or after 1 July 2014).

Improvements to IFRS issued in 201 3 (effective for annual periods beginning on or after 1 July 2014).

(2) Reclassification of comparatives

To improve the analysis of the financial statements' data in 2013 the Company has made the reclassification of items in the statement of financial positions and in the income statement. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Name of items reclassified	2012 Adjusted Name of line item	2012 Prior adjustments Name of line item	Amount Ls
Real estate - loan collateral owned by the Company	Inventory	Investment properties	109 478
Corporate income tax assets	Corporate income tax	Other receivables	5 272
Interest income, income from penalties, fines	Financial income	Net sales	1 057 119
Interest paid on loans and bonds	Finance costs	Cost of sales	248 695
The cost of the Company's sales centers (branches) including personnel costs, rent of premises and maintenance costs, depreciation of fixed assets, licenses expenses, non-deductible VAT and other sales costs	Distribution expenses	Cost of sales	564 427
Interest paid on finance lease obligations	Administrative expenses	Finance costs	1 237

Reclassification of comparatives (continuation)

Name of items reclassified	2012 Adjusted Name of line item	2012 Prior adjustments Name of line item	Amount Ls
Interest paid on finance lease obligations	Other current assets	Interest paid on finance lease obligations	15 913
Other receivables	Other current assets	Other receivables	5 054
Deferred expenses	Other current assets	Deferred expenses	18 148
Accrued income	Other current assets	Accrued income	67 695
Advances from customers	Trade and other payables	Advances from customers	2 618
Trade payables	Trade and other payables	Trade payables	15 897
Taxes and social insurance payments	Trade and other payables	Taxes and social insurance payments	23 697
Other liabilities	Trade and other payables	Other liabilities	21 585
Accrued liabilities	Trade and other payables	Accrued liabilities	69 898

(3) Foreign currencies

(a) Functional and presentation currency
Items shown in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Financial statements are presented in Latvian lat (Ls), which is the Company's functional and presentation currency.

In accordance with the Riga Stock Exchange requirements all balances are presented in Euro (EUR). For the purposes of disclosures translation is performed applying the official exchange rate adopted by the Bank of Latvia EUR / LVL (1 EUR = LVL 0.702804) for the period from 1 January 2012 to 31 December 2013.

(b) Transactions and balances
All foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement for the period.

Exchange rates used at the year-end are as follows:

	31.12.2013. Ls	31.12.2012. Ls
1 USD	0,531	0,544
1 EUR	0,702804	0,702804

(4) Segment disclosure

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

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(5) Revenue recognition

Income is recognised to such extent, for which substantial measurement is feasible and there is a reason to consider that the Company will gain economic advantage related thereof. Income is evaluated in the fair value of remuneration received, less sale discounts and the value added tax. The Company assesses its income gaining operations according to certain criteria, in order to establish whether it acts as the parent company or a representation. The Company considers that in all income gaining operations it acts as the parent company. Before income recognition the following preconditions shall be fulfilled:

Sales of goods
Sales income shall be recognised if the Company has transferred to the customer significant risks related to the goods ownership and remunerations, usually at the moment of delivery of goods.

Mediation income
The Company gains income from mediation services for pledged goods. Mediation services refer to the Company basic type of operations, so these income is included in the income statement as revenue. Income from such services are gained when the Company sells to a client the respective pledged goods.

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

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

(6) Intangible assets

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

	Years
Licenses and patents	3-5

(7) Property, plant and equipment (PPE)

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

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

Property, plant and equipment (PPE) (continuation)

	Years
Buildings	20 - 30
Computer equipment	3 - 5
Other machinery and equipment	4 - 10

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

(8) Impairment of non-financial assets

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

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

(9) Lease-to-buy (financial lease)

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in the statement of comprehensive income by method to produce a constant periodic rate of interest on the remaining balance of the liability.

(10) Inventories

The inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realizable value.

(11) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual obligations of the financial instrument.

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

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

The Company categorises its financial assets, except derivative financial instruments if any, under loans and receivables. The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

The Company's financial liabilities include borrowings, trade and other payables and obligations arising from derivative financial instruments (if formed).

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed (including transaction costs) or determinable payments that are not quoted in an active market. They are included in current assets, except financial assets with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Upon recognition loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and recoverable value. The changes of the provision are recognised in the statement of comprehensive income. Loans and receivables carrying amount is reduced through the use of the provision account. Loss of the provision are recognized in the statement of comprehensive income as other operating expenses. When a loan or receivable is uncollectible, it is written off against the provision account for loans and receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

Borrowings

Borrowings are recognised initially at the amount of proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is gradually recognised in profit and loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(13) Share capital and dividends

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

(14) Employee benefits

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

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

(15) Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15% tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the year-end and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

(16) Fair value estimation

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

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

(17) Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board and the Council, their close relatives and companies, in which they have a significant influence or control. Also companies located in ultimate control or significant influence by the controlling member are related parties.

(18) Critical accounting estimates and judgments

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgments applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the land and building and determination of their useful life period, determination of revaluation regularity, as well as recoverable amount of receivables and inventories as disclosed in the relevant notes.

Critical accounting estimates and judgments (continuation)

a) Revaluation of land and buildings

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

The Management believes that assets must be revaluated at least once in 5 years or earlier if any indicators show the potential material changes in market values. By the management estimates, in the reporting year the factors that indicate a potentially significant changes in the value of those assets has not been identified, and, as a result, fair value measurement procedures has not been made. The total carrying amount of land and buildings as at 31 December 2013 is Ls 230 805 (31.12.2012 - Ls 239 123).

b) Recoverability of receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on amount and structure of receivables is disclosed in Note (12) of the financial statements.

III. OTHER NOTES

(1) Segment Information and net sales

(a) Operation and reportable segment

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

(b) Geographical markets

The Company operates only in Latvia. Currently thirty pawnshop branches are operating in: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis (two branches), Dobele, Daugavpils (two branches), Gulbene, Jēkabpils (two branches), Jelgava, Krāslava, Kuldīga, Liepāja, Limbaži, Madona, Ogre, Rēzekne, Riga (two branches), Saldus, Talsi, Valmiera, Ventspils, Tukums, Preiļi, Ludza, Valka, and an office in Riga.

(c) Revenue

	2013 Ls	2012 Ls
Income from sales of pledged assets	802 760	1 047 573
Income from other goods sales	255 518	78 063
	1 058 278	**1 125 636**

(d) Finance income

Interest income on loans	922 210	958 883
Income from penalties, fines	115 830	86 386
Calculated, but not received interest	(7 027)	11 850
	1 031 013	**1 057 119**

(2) Cost of sales

Value of sold pledges	677 809	936 288
Goods purchased for sales purposes	201 733	58 183
	879 542	**994 471**

(3) Finance costs

Interest paid on loans and bonds	269 673	248 695
	269 673	**248 695**

(4) Distribution expenses

Personnel costs	335 001	307 343
Rent of premises and maintenance costs	118 953	99 751
Depreciation of property, plant and equipment	69 294	50 231
Other costs	38 959	28 422
Non-deductible VAT	34 414	30 291
Write-off of low value inventory and fixed asset	11 903	5 056
Advertising expenses	10 100	12 179
License expenses	10 000	43 333
Other distribution expenses	6 526	-
	635 150	**576 606**

(5) Administrative expenses

	2013 Ls	2012 Ls
Personnel costs	154 874	161 618
Transport costs	37 152	41 919
Professional service costs	20 513	12 567
Communication expenses	16 610	14 790
Office expenses	8 552	9 217
Bank changes	4 616	4 045
Donations	2 602	3 620
Representation costs	2 367	2 588
Leasing interest	2 120	1 237
Business trip expenses	1 815	999
Other administrative expenses	3 444	3 796
	254 665	**256 396**

(6) Other income

Insurance income	14 158	-
Net gain on disposal and sales of property, plant and equipment	102	5 653
Other income	6 209	4 796
	20 469	**10 449**

(7) Other expenses

Other expenses	28 934	11 292
Provisions for doubtful receivables	16 772	2 972
Loss from purchase - sale of foreign currency	2 391	5 280
Real estate tax	1 776	-
	49 873	**19 544**

(8) Expenses by Nature

Purchase cost of goods sold	879 541	994 471
Personnel costs	489 875	468 961
Interest paid on credits, borrowings	269 673	248 695
Rent of premises and maintenance costs	127 506	108 968
Depreciation of property, plant and equipment	69 294	50 231
Transport costs	37 152	41 919
Non-deductible VAT	34 414	30 291
Other expenses	181 448	152 176
	2 088 903	**2 095 712**

(9) Corporate income tax

a) Components of corporate income tax	**2013 Ls**	**2012 Ls**
Changes in deferred income tax	1 308	(1 399)
Corporate income tax according to the tax return	2 727	6 272
	4 035	**4 873**

b) Reconciliation of accounting profit to income tax charges

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

Corporate income tax (continuation)

	2013	2012
	Ls	**Ls**
Profit before taxes	20 857	97 492
Theoretically calculated tax at 15% tax rate	**3 129**	**14 624**
Tax effects on:		
Non-deductible expenses for tax purposes	1 756	1 164
Tax relief for reinvested profits	(167)	(45)
Tax discounts for donations	(682)	(10 870)
Total corporate tax charge	**4 035**	**4 873**

c) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	36 692	38 091
Deferred tax changes charged to the income statement	1 308	(1 399)
Deferred tax liabilities (asset) at the end of the financial year	**38 000**	**36 692**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2013.	31.12.2012.
	Ls	**Ls**
Temporary difference on depreciation of PPE and intangible assets	42 985	39 186
Gross deferred tax liabilities	**42 985**	**39 186**
Temporary difference on accruals for annual leave	(2 512)	(2 494)
Temporary differences on accrued liabilities	(2 473)	-
Gross deferred tax assets	**(4 985)**	**(2 494)**
Net deferred tax liability (assets)	**38 000**	**36 692**

The Company offsets the deferred tax assets and the deferred tax liabilities only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax is related to the same taxation authority. The offset amounts are as follows:

	31.12.2013.	31.12.2012.
	Ls	**Ls**
Deferred tax assets:		
deferred tax asset to be recovered within a year	(4 985)	(2 494)
	(4 985)	(2 494)
Deferred tax liabilities:		
deferred tax liabilities to be recovered within a year	4 438	11 627
deferred tax liabilities to be recovered after more than a year	38 547	27 559
	42 985	39 186
Net deferred tax liabilities (assets)	**38 000**	**36 692**

The movement of deferred tax assets and liabilities during the reporting year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation of PPE	Accruals for unused annual leave	Other accrued liabilities	Total
	Ls	**Ls**	**Ls**	**Ls**
31.12.2011	**40 136**	**(2 045)**	**-**	**38 091**
Charged / (credited) to income statement	(950)	(449)	-	(1 399)
31.12.2012	**39 186**	**(2 494)**	**-**	**36 692**
Charged / (credited) to income statement	3 799	(18)	(2 473)	1 308
31.12.2013	**42 985**	**(2 512)**	**(2 473)**	**38 000**

(10) Intangible assets and Property, plant and equipment (PPE)

	Intangible assets - licences	Property, plant and equipment				
		Lands and buildings	Leasehold improvements	Other PPE	Advances and development costs	Total PPE
	Ls	Ls	Ls	Ls	Ls	Ls
31.12.2011						
Initial cost/ revaluated	39 195	251 600	4 712	211 091	9 572	476 975
Accumulated depreciation	(5 237)	(4 159)	(598)	(78 130)	-	(82 887)
Net book value	**33 958**	**247 441**	**4 114**	**132 961**	**9 572**	**394 088**
2012						
Opening net book value	33 958	247 441	4 114	132 961	9 572	394 088
Acquired	2 021	-	131	180 246	21 934	202 311
Disposed	-	-	-	(29 283)	(8 096)	(37 379)
Reclassified	-	-	1 686	2 833	(4 519)	-
Depreciation	(2 568)	(8 318)	(1 577)	(12 598)	-	(22 493)
Closing book value	**33 411**	**239 123**	**4 354**	**274 159**	**18 891**	**536 527**
31.12.2012						
Initial cost/ revaluated	41 216	251 600	6 529	364 887	18 891	641 907
Accumulated depreciation	(7 805)	(12 477)	(2 175)	(90 728)	-	(105 380)
Net book value	**33 411**	**239 123**	**4 354**	**274 159**	**18 891**	**536 527**
2013						
Opening net book value	33 411	239 123	4 354	274 159	18 891	536 527
Acquired	106	-	5 782	68 863	28 047	102 692
Disposed	-	-	(922)	(8 553)	-	(9 475)
Reclassified	-	-	-	-	(7 039)	(7 039)
Depreciation	(2 715)	(8 318)	(2 267)	(55 379)	-	(65 964)
Closing book value	**30 802**	**230 805**	**6 947**	**279 090**	**39 899**	**556 741**
31.12.2013						
Initial cost/ revaluated	41 322	251 600	11 389	425 197	39 899	728 085
Accumulated depreciation	(10 520)	(20 795)	(4 442)	(146 107)	-	(171 344)
Net book value	**30 802**	**230 805**	**6 947**	**279 090**	**39 899**	**556 741**

Intangible assets and Property, plant and equipment (PPE) (continuation)

a) Revaluation of land and building and fair value techniques used

As at 31 December 2004 the Company made first revaluation of real estate. As a result of revaluation, a revaluation reserve of non-current assets in the amount of 37 620 LVL was booked, where 15% of the reserve was attributed to deferred corporate income tax liabilities. Initially calculated revaluation reserve was corrected in 2011 decreasing it by 7 777 Ls to 28 843 Ls.

In June 2011 certified real estate valuator M. Vilnitis who was appointed by the Board of Company, appraised the market value of real estate classified under Land & Buildings. As a result of revaluation a revaluation reserve of non-current assets was increased by 77 158 Ls, where 15% or 11 574 Ls of the reserve was attributed to the liabilities of deferred corporate income tax liabilities. The valuation was determined by two valuation techniques:

1) Under market approach (with the effect of 50% to estimated fair value) the recent market transactions for the similar assets has been used. Sales prices of comparable properties are adjusted for differences in key attributes such as property size, location, technical conditions of the buildings. The most significant input into this valuation is price per square meter.

2) Under income approach (with the effect of 50% to estimated fair value) the expected cash flow has been estimated based on the rental income for the similar properties. The projected future rental income less operational running costs and necessary investments has been discounted to present value. The most significant inputs into this valuation are rental price per square meter, discount rate representing the time value for money and risk premium, reversion or multiplier exit (exit multiple)

Valuation technique	**Unobservable inputs (3rd level)**	**Range used**	
		min- max	**weighted average**
Income approach	discount rate	10%	10%
	exit multiple	9%	9%

Total revaluation surplus of property, plant and equipment on 31 December 2013 was Ls 110 206 (31.12.2012 - Ls 110 206). Revaluation amount less the attributable deferred income tax liabilities is recognizes in equity under “Revaluation reserve of non-current assets”.

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

b) Other notes

All fixed assets - real estate of the Company are pledged under conditions of the agreement of the Mortgage and Commercial pledge as the security for loans in favour of the credit institutions (see Note (19)).

(11) Inventories	**31.12.2013. Ls**	**31.12.2012. Ls**
Goods purchased for sales purposes	205 383	170 754
Real estate - loan collateral owned by the Company	166 709	109 478
Other collateral owned by the Company	137 889	155 205
	(10 000)	-
	499 981	**435 437**

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

(12) Loans and trade receivables	31.12.2013. Ls	31.12.2012. Ls
Short-term loans secured with pledges	1 422 253	1 506 987
Client debts brought to court	351 725	333 204
Short-term loans not secured with pledges	53 809	30 571
Provisions for impairment of trade receivables	(13 803)	(8 803)
	1 813 984	**1 861 959**

Client debts brought to court		
Short-term loans secured with pledges	343 156	310 343
Short-term loans not secured with pledges	8 569	22 861
	351 725	**333 204**

In the item 'Client debts brought to court' are indicated only the principal amount of loans. Possible additional penalty and interest income that may arise in a positive result of a judgment, the Company accounted for as contingent asset.

From 100 (31.12.2012: 50) customer receivables, that are transferred to court, 64 (31.12.2012: 44) are secured by real estate collateral, the remaining 36 debts in the amount of 8.5 thousand Ls (31.12.2012 - Ls 22 thousand) are not secured by collateral. One property that is the subject of proceedings, the approximate value of the collateral is less than the loan principal amount of 15 thousand Ls. In all other cases of legal proceedings, the Company is secure that will recover loan principal amount. The average cover of pledge against the loan balance value is 1.03 (31.12.2012 - 1,26).

Movement in provisions for impairment of accounts receivable:

	2013 Ls	2012 Ls
Provisions at the beginning of the year	8 803	7 603
Created/(reduced) provisions	5 000	1 200
Provisions at the end of the year	**13 803**	**8 803**

Issued short-term loans interest rates:

	2013 % per year	2012 % per year
Loans against hand pledge till 300 Ls	60 - 240	132- 240
Loans against hand pledge over 300 Ls	60 - 180	132- 180
Loans against transport, which remains available to customers	30 - 180	144- 240
Loans against transport that comes into the Company's storage	-	60 - 144
Loans against real estate	24 - 96	30 - 120

(13) Other current assets	31.12.2013. Ls	31.12.2012. Ls
Financial assets:		
Accrued interest payments	60 668	67 695
Other receivables, net	4 398	904
Settlements for services	2 970	763
Overpaid taxes	15	3 387
	68 051	72 749
Non-financial assets		
Settlements for inventories	30 076	15 913
Deferred expenses	16 535	18 148
	46 611	34 061
	114 662	**106 810**

(14) Cash and cash equivalents	31.12.2013. Ls	31.12.2012. Ls
Cash at bank on current accounts	122 426	20 313
Cash on hand	97 145	65 024
	219 571	**85 338**

(15) Financial instruments by catergory

All financial assets of the Company amounting at the year end to Ls 2 091 606 (31.12.2012 - Ls 2 081 046) fell under the category of loans and receivables.

All financial liabilities of the Company amounting to Ls 2 808 836 (31.12.2012 - Ls 2 585 245) fee under the category of other financial liabilities, there are no liabilities at fair value through profit or loss.

(16) Share capital

As by 31 December 2013, the share capital has been completely paid. It consists of 6 000 shares with the nominal value of 50 LVL and the total value of 300 000 LVL.

(17) Borrowings		31.12.2013. Ls	31.12.2012. Ls
Non-current	**Note**		
Non-convertible bonds	b)	2 010 019	2 009 801
Bank borrowings	c)	8 816	29 913
Other loans	d)	269 174	-
Finance lease liabilities	e)	48 367	68 406
		2 336 376	**2 108 120**
Current			
Bank borrowings	c)	49 426	19 883
Other loans	d)	245 981	305 719
Finance lease liabilities	e)	20 040	17 828
		315 447	**343 430**
Borrowings total:		**2 651 823**	**2 451 550**

a) Fair value of borrowings

Considering that the variable interest rate is applied to loans from credit institutions and financial leasing agreements, fair value is not materially different from the carrying value. The management assesses, that also carrying value of other borrowings is not materially different from their fair value.

During the reporting and previous year with the Company's bonds were not made transactions for which is available public information to assess their market value.

b) Bonds

On 24 Novmber 2010 the Company issued 1 700 corporate bonds with nominal value of EUR 1 000 or totally EUR 1 700 000 (LVL 1 194 767). Coupon interest is set at 12% and maturity date is 25 October 2015. Coupon interest is payable quarterly. In the first half of 2011 the Company issued in addition 500 corporate bonds with nominal value of EUR 1 000 or totally EUR 500 000 (LVL 351 402). In 2012 the Company issued in addition 660 corporate bonds with nominal value of EUR 1 000 or totally EUR 660 000 (LVL 463 851), which is reflected in this report, taking into account with issuance of the bonds associated costs. In the Annual report, bonds are stated at its fair value taking into account listing expenses. In 2014 were issued in addition 450 corporate bonds with nominal value of EUR 1 000 or nominal value of EUR 450 000 (LVL 316 269).

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

Borrowings (continuation)

	2013		2012	
	number of bonds	**Ls**	**number of bonds**	**Ls**
At beginning of the year	2 860	2 010 019	2 200	1 545 950
Issued during the year	-	-	660	463 851
At the end of the year	**2 860**	**2 010 019**	**2 860**	**2 009 801**

c) Bank borrowings

The Company uses ABLV bank granted credit line with a maximum limit of EUR 65 000, with maturity date till February 2015 and interest rate of 5% + 6 months EURIBOR. The company also received a loan of EUR 200 000, with a maturity date until March 2015 and interest rate of 6.5% + 6 months EURIBOR.

Loans are secured by a mortgage on the Company's immovable properties with a total book value of Ls 230,805 (31.12.2012 - Ls 239 823).

	2013	**2012**
	Ls	**Ls**
At beginning of the year	49 796	68 603
Borrowings received in the year	187 297	(18 807)
Repaid borrowings in the year	(178 851)	-
At the end of the year	**58 242**	**49 796**

d) Other loans

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note (19)). Borrowing interest rates range from 6% to 9% per year.

	2013	**2012**
	Ls	**Ls**
At beginning of the year	305 719	406 924
Borrowings received in the year	268 352	685 013
Repaid borrowings in the year	(58 916)	(786 218)
At the end of the year	**515 156**	**305 719**

e) Finance lease liabilities

The Company has acquired fixed assets under finance lease. Interest payments are 2.5% + 3 M EURIBOR payable due on monthly basis.

In accordance with the agreements the minimum finance lease payments are:	**31.12.2013.**	**31.12.2012.**
	Ls	**Ls**
Payable within 1 year	20 040	17 828
Payable from 2 to 5 years	51 926	74 085
Finance lease gross liability	**71 966**	**91 913**
Future finance costs	(3 559)	(5 679)
Present value of finance lease liability	**68 407**	**86 234**

(18) Trade and other payables

	31.12.2013. Ls	31.12.2012. Ls
Accrued liabilities	53 956	53 273
Salaries	23 019	21 585
Accruals for unused annual leave	16 745	16 625
Advances from customers	15 999	2 618
Trade payables	14 474	15 897
Mandatory State social insurance contributions	13 079	11 047
Value Added Tax	8 923	7 073
Personal income tax	8 158	5 551
Other receivables	2 160	26
	156 513	**133 695**

The carrying values of trade and other payables approximate their fair values due to their short term nature. Trade and other payables carry no interest.

(19) Transactions with related parties

In 2013 the Company had economic transactions with the following entities that are directly or indirectly controlled by the Company's shareholders and members of the Board: Orheja SIA, Trezors SIA and Premium Finance Group SIA.

(a) Loans balances and interest expenses

	Loans balances		Interest expenses	
	31.12.2013 Ls	31.12.2012 Ls	2013 Ls	2012 Ls
Orheja SIA	9 136	-	214	1 181
Trezors SIA	14 056	24 598	1 742	2 105
Premium Finance Group SIA	140 561	-	9 251	-
	163 753	**24 598**	**11 207**	**3 286**
The non-current part of the loans	23 193	-		
The current part of the loans	140 561	24 598		
	163 753	**24 598**		

(b) Remuneration to the management

	Remuneration to Council members		Remuneration to Board members	
	2013 Ls	2012 Ls	2013 Ls	2012 Ls
Salaries	-	-	35 958	35 828
Social security contributions	-	-	8 662	8 631
Other costs	-	-	6	6
	-	**-**	**44 626**	**44 465**

(20) Operating leases - the Group as lessee

During the financial year was in effect a number of agreements of premises rent. Lease payments recognised as an expense during the reporting period amount to LVL 12 079 (2012: LVL 10 616). No sublease payments or contingent rent payments were made or received.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2013. Ls	31.12.2012. Ls
Within 1 year	12 079	10 616
	12 079	**10 616**

(21) Financial and capital risk management

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

(a) Market risk

(i) Foreign exchange risks

The Company's main financial assets and liabilities are denominated in Latvian lats (LVL) and Euro (EUR). Revenues are collected both in LVL and EUR. Daily purchases primarily are incurred in LVL and EUR.

At the end of the year the Company has an open position in euro, but considering that in 2014 held Latvian national currency changeover to euro at the current exchange rate, 0.702804 LVL/EUR, it do not lead to currency risk.

(ii) Interest rate risks

The Company is exposed to interest rate risk as the part of the liabilities are interest-bearing borrowings with the variable interest rate (Note (19)), as well as the Company's interest bearing assets have fixed interest rate.

	31.12.2013.	**31.12.2012.**
	Ls	**Ls**
Financial liabilities with variable interest rate	126 649	136 031
Open position, net	**126 649**	**136 031**

Taking into account insignificant proportion of financial liabilities with variable interest rate in total financial liabilities, possible changes of interest and interest rate does not leave significant effect on the Company's profit before tax.

(ii) Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate due to other market factors. The Company's management monitors the market fluctuations on a continuous basis and acts accordingly but does not enter into any hedging transactions.

(b) Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily cash, trade receivables and loans. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

Maximum exposure to credit risk	**31.12.2013.**	**31.12.2012.**
	Ls	**Ls**
Loans and trade receivables	1 813 984	1 861 959
Other current assets	114 662	106 810
Cash and cash equivalents	219 571	85 338
	2 148 217	**2 054 106**

Within the Company the credit risk is managed using centralized procedures and control. The main credit risk occurs in connection with outstanding loans issued. To reduce these risks the Company applies a conservative credit policy – the sum of issued loans is much smaller than the value of pledged movable and immovable property. Such policy allows the Company to reduce its credit risk to minimum. Information about the structure of the loan portfolio is provided in Note 12.

The Company is not subjected to income concentration risk because the Company gains income from many clients where the total payment of interest income or commission fees is formed by small sums.

Financial and capital risk management (continuation)

(c) Liquidity risk

Company pursues a prudent liquidity risk management and maintain a sufficient quantity of cash and ensure the availability of financial funds through bonds emission, loans provided by banks and related parties. Company's management monitors the operational forecasting of liquidity reserves, based on estimated cash flows.

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

On 31 December, 2013	**Total**	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
	Ls	**Ls**	**Ls**	**Ls**	**Ls**
Bonds	2 010 019	-	2 010 019	-	-
Loans from credit institutions	58 242	49 426	8 816	-	-
Other loans	515 155	245 981	269 174	-	-
Finance lease liabilities	68 406	20 040	20 073	31 852	-
Trade and other payables	156 513	156 513	-	-	-
	2 808 336	**471 960**	**2 308 083**	**31 852**	**-**

On 31 December, 2012	**Total**	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**
	Ls	**Ls**	**Ls**	**Ls**	**Ls**
Bonds	2 009 801	-	-	2 009 801	-
Loans from credit institutions	49 796	19 883	29 913	-	-
Other loans	305 719	305 719	-	-	-
Finance lease liabilities	86 235	17 828	20 040	67 301	-
Trade and other payables	133 695	133 695	-	-	-
	2 585 246	**477 125**	**49 953**	**2 077 102**	**-**

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

(d) Capital Management

According to the Latvian Commercial Law requirements if the Company's losses exceed half of the share capital, the Board is required to address shareholders to make decisions on Company's going concern. Equity of the Company meets the Latvian legal requirements. Company's management manages the capital structure on going concern basis. During the reporting period there were no changes in capital management objectives, policies or processes.

Company's management controls the net debt to equity (gearing ratio). In the reporting year, the figure has increased slightly till 597% (2012: 534%) due to loan growth. Taking into account a stable financial position and forecast cash flow in the reporting year the dividends were paid. Dividends paid exceeded the profit and, as a result of decreased amount of equity to total assets.

	31.12.2013.	**31.12.2012.**
	Ls	**Ls**
Total borrowings	2 651 822	2 451 551
Less cash and its equivalents	(219 571)	(85 338)
Net debt	2 432 252	2 366 213
Equity	394 738	442 916
Total capital	2 826 990	2 809 129
Total assets	3 241 074	3 064 854
Net debt to equity	616%	534%
Equity ratio on total assets	12%	14%