

SIA "EXPRESSCREDIT"

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2014.-30.06.2014.

PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EU

Translation from Latvian

“ EXPRESSCREDIT SIA
UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD 01.01.2014.-30.06.2014.
(TRANSLATION FROM LATVIAN)

SATURS

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Information on the Group

Name of the Company	ExpressCredit SIA (till 25.06.2012 - Lombards24.LV SIA)
Legal status of the Company	Limited liability company
Number, place and date of registration	4010325854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	Credit facility services, pledging NACE2 64.92 Other credit granting
Address	Raunas street 44, Riga, LV-1039 Latvia
Names and addresses of shareholders (from 30.10.2013)	SIA Express Holdings (51%) Hāpsalas street 1 k-1-17, Riga, Latvia SIA Ebility (24,50%) Raunas street 44 k-1, Riga, Latvia SIA AE Consulting (24,50%) Posma street 2, Riga, Latvia
Names and positions of Board members	Agris Evertovskis – Chairman of the Board Edgars Bilinskis – Member of the Board Kristaps Bergmanis – Member of the Board Didzis Admidins - Member of the Board Ieva Judinska-Bandeniece – Chairman of the Council Uldis Judinskis - Deputy Chairman of the Council Ramona Tiltina - Member of the Council
Financial year	1 January - 30 June 2014
Subsidiary	SIA ExpressInkasso (parent company interest in subsidiary – 100%) (till 4.09.2013 – SIA Lombards 24)
Date of acquisition of the subsidiary	22.10.2010
Number, place and date of registration of the subsidiary	40103211998; Riga, 27 January 2009
Address of the subsidiary	Raunas Street 44 k-1; Riga, LV 1039
Operations as classified by NACE classification code system of the subsidiary	66.19 Financial support services except insurance and pension accrual

Interim management report

Group's performance during the reporting period

Group has worked successfully over the period from 1 January to 30 June 2014. Total revenue for the period increased by 23% over the corresponding period in 2013 and reached EUR 7 326 264.

Due to implementation of the chosen business strategy, the Group's financial indicators continued to improve in first half year of 2014:

- During the period, the Loan portfolio of the Group has increased significantly – by 32% - and reached EUR 6,5 million;
- As at 30 June 2014, the amount of the Group's assets equalled EUR 11.8 million ;
- Net profit for the first half of 2014 was EUR 481 999 (respective period of previous year EUR 353 575).

During the reporting period, according to the bond issue prospectus, SIA ExpressCredit has elected and registered Council of the Company in the Register of Enterprises of the Republic of Latvia.

Branches

During the period from 1 January to 30 June 2014 has continued the work on the branch network to increase efficiency, loan volume increase and IT systems development. As at end of the period, the Group had 96 branches in 38 Latvian cities (31.12.2013. - 93 branches in 38 cities in Latvian).

Group's risk exposure

The Group is not exposed to material foreign exchange risk because settlement takes place in euro. The Group has financed assets by bond issue at fixed interest rate, reducing exposure to significant variable interest rate risk. Accurate application of the prudent strategies has allowed the Group to successfully manage its financial risks, particularly, liquidity and credit risk.

Post balance sheet events

There are no subsequent events since the last date of the reporting period end, which would have a significant effect on the financial position of the Group as at 30 June 2014.

Future plans

Operational data and trends suggest that turnover and profit figures will be better in the second half of 2014 than the second half of year of 2013. The Company plans to finish the year with a profit in excess of 2013 results.

Agris Evertovskis
Chairman of the Board

Edgars Bilinskis
Member of the Board

Kristaps Bergmanis
Member of the Board

Didzis Admidins
Member of the Board

Riga, 26 August 2014

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Statement of management`s responsibility

The management of SIA „ExpressCredit” group is responsible for the preparation of the consolidated financial statements.

Based on the information available to the Board of the parent company of the Group, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2014 and its profit and cash flows for the period 01.01.2014.-30.06.2014..

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

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

The management report presents fairly the Group's business development and operational performance.

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Consolidated comprehensive income statement for 01.01.2014.-30.06.2014.

	01.01.2014.- 30.06.2014. (unaudited) EUR	01.01.2013.- 30.06.2013. (unaudited) EUR
Net sales	3 422 668	2 578 742
Cost of sales	(2 430 006)	(1 780 010)
Interest income and similar income	3 903 596	3 360 835
Interest expenses and similar expenses	(595 512)	(637 519)
Gross profit	4 300 746	3 522 048
Selling expenses	(2 647 062)	(2 305 521)
Administrative expenses	(911 843)	(599 835)
Other operating income	19 120	5 720
Other operating expenses	(129 143)	(37 701)
Profit before taxes	631 818	584 711
Corporate income tax for the reporting year	(149 819)	(231 136)
Deferred tax		-
Current year's profit	481 999	353 575
Earnings per share	1.61	1.18

Notes on pages from 10 to 15 are integral part of these financial statements.

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Balance sheet as at 30 June 2013

	Note	30.06.2014. EUR	31.12.2013. EUR
<u>Assets</u>			
Long term investments			
Fixed assets and intangible assets	1	419 760	449 822
Loans and receivables	4	760 479	297 709
Loans to shareholders and management	2	2 130 565	1 942 057
Deferred tax asset		26 787	26 787
Total long-term investments:		3 337 591	2 716 375
Current assets			
Finished goods and goods for sale	3	1 337 347	1 012 380
Loans and receivables	4	5 736 027	4 602 466
Receivables from affiliated companies		194 241	512 979
Other debtors		780 912	755 229
Short term loans to shareholders and management		24 917	-
Deferred expenses		22 476	29 094
Cash and bank		336 060	790 889
Total current assets:		8 431 980	7 703 037
<u>Total assets</u>		11 769 571	10 419 412
<u>Liabilities</u>			
Shareholders' funds:			
Share capital		426 861	426 861
Prior years' retained earnings		1 395 703	1 016 586
Current year's profit		481 999	379 117
Total shareholders' funds:		2 304 563	1 822 564
Creditors:			
Long-term creditors:			
Bonds issued	5	6 459 040	3 108 191
Other borrowings	6	262 854	753 094
Total long-term creditors:		6 721 894	3 861 285
Short-term creditors:			
Bonds issued	5	987 619	984 967
Other borrowings	6	951 745	894 130
Accounts payable to affiliated companies		-	2 091 469
Trade creditors and accrued liabilities		511 947	407 220
Taxes and social insurance		291 803	357 777
Total short-term creditors:		2 743 114	4 735 563
<u>Total liabilities and shareholders funds</u>		11 769 571	10 419 412

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Statement of changes in equity for the period 01.01.2014.-30.06.2014.

	Share capital	Prior years'	Current year's	Total
	EUR	retained earnings	profit	EUR
	EUR	EUR	EUR	EUR
As at 31 December 2012	426 861	278 120	821 552	1 526 533
Dividends paid	-	(83 086)	-	(83 086)
Profit transfer	-	821 552	(821 552)	-
Profit for the year	-	-	379 117	379 117
As at 31 December 2013	426 861	1 016 586	379 117	1 822 564
Dividends paid	-	-	-	-
Profit transfer	-	379 117	(379 117)	-
Profit for the year	-	-	481 999	481 999
As at 30 June 2014	426 861	1 395 703	481 999	2 304 563

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Cash flow statement for the period 01.01.2014.-30.06.2014.

	01.01.2014.- 30.06.2014. (unaudited)	01.01.2013.- 30.06.2013. (unaudited)
	EUR	EUR
Cash flow from operating activities		
Profit before extraordinary items and taxes	631 818	578 138
<u>Adjustments for:</u>		
a) fixed assets depreciation	117 592	101 645
b) intangible assets amortisation	1 291	1942
c) accruals and provisions (except for provisions for bad debts and obsolete stock)	106 335	-
d) write-off of provisions	-	(6 334)
f) interest income	(3 903 596)	(3 360 835)
g) interest and similar expense	595 512	637 519
h) write-off fixed and intangible assets	28 986	4 126
Loss before adjustments of working capital and short-term liabilities	(2 422 062)	(2 037 226)
<u>Adjustments for:</u>		
a) increase in consumer loans issued and other debtors	(1 721 731)	(3 043 040)
b) stock increase	(305 159)	(173 364)
c) trade creditors' increase / (decrease)	32 462	250 259
Gross cash flow from operating activities	(4 416 490)	(5 003 371)
Corporate income tax payments	(89 700)	(23 703)
Interest income	3 682 267	3 269 451
Net cash flow from operating activities	(823 923)	(1 757 623)
Cash flow from investing activities		
Acquisition of fixed assets and intangibles	(96 540)	(176 551)
Proceeds from sales of fixed assets and intangibles	28 605	-
Loans issued (other than core business of the Company) (net)	113 224	(15 528)
Assets held for sale	(19 809)	-
Net cash flow from investing activities	25 480	(192 079)
Cash flow from financing activities		
Loans received and bonds issued (net)	853 952	2 517 914
Finance lease payments	(17 035)	(7 456)
Dividends paid	-	-
Interest paid	(493 303)	(475 350)
Net cash flow from financing activities	343 614	2 035 108
Net cash flow of the reporting year	(454 829)	85 406
Cash and cash equivalents at the beginning of the reporting year	790 889	142 589
Cash and cash equivalents at the end of reporting year	336 060	227 995

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Notes

Accounting policies

(a) The general principles

These condensed interim financial statements cover the period of time from 1 January 2014 to 30 June 2014. The condensed interim financial statements are prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial Reporting". These condensed interim financial statements should be read in conjunction with the financial statements of the annual report of SIA „ExpressCredit“ for the year ended on 31 December 2013, that were prepared in accordance with the International Financial Reporting Standards as adopted in the European Union.

(b) Summary of significant accounting principles

The accounting principles used to prepare condensed interim financial statements are the same as used for the annual report of SIA „ExpressCredit“ 2013, for the year ended on 31 December 2013, that were prepared in accordance with the International Financial Reporting Standards as adopted in the European Union
Corporate Income Tax is calculated based on the tax calculation made on 30 June 2014.

(c) Financial risk management

(c1) Financial risk factors

The activities of the Company expose it to different financial risks:

- (c1.1) foreign currency risk;
- (c1.2) credit risk;
- (c1.3) operational risk;
- (c1.4) market risk;
- (c1.5) liquidity risk;
- (c1.6) cash flow and interest rate risk.

The Company's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Finance Director is responsible for risk management. The Finance Director identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Company.

(c1.1) Foreign exchange risk

The Company operates mainly in the local market and its exposure to foreign exchange risk is low. Foreign currency risk mainly arises from the fluctuation of the lats and the euro exchange rates at the time of settling of the liabilities or at the time of currency translation. The Finance Director performs analysis of net open positions of each foreign currency and monitors the currency conversion results. No further risk prevention mechanisms are used on the account that the overall currency risk has been assessed as low.

(c1.2) Credit risk

The Company has a credit risk concentration based on its operational specifics – issuance of loans against pledge, as well as issuance of non-secured loans that is connected with an increased risk of asset recoverability. The risk may result in short-term liquidity problems and issues related to timely coverage of short-term liabilities. The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

(c1.3) Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, crimes, etc) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk. Also self-assessment of the operational risk is carried out as well as systematic approval of new products is provided to ensure the compliance of the products and processes with the risk environment of the activity.

(c1.4) Market risk

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

(c1.5) Liquidity risk

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities, however, if required, the management of the Company is certain of financial support to be available from the owners of the Company.

(c1.6) Cash flow interest rate risk

As the Company has borrowings and finance lease obligations, the Company's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Company's interest payment related cash flows depend on the current market rates of interest. The risk of fluctuating interest rates is partly averted by the fact that a number of loans received have fixed interest rates set. Additional risk minimization measures are not taken because the available bank products do not provide an effective control of risks.

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c) Financial risk management (continued)

(c2) Accounting for derivative financial instruments

The Company does not actively use derivative financial instruments in its operations. Derivative financial instruments are initially recognized at fair value on the date of the contract, and are thereafter measured at fair value at the balance sheet date. Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if fair value is negative. Any gains or losses arising due to the changes in the fair value of the derivative financial instrument are not classified hedges and are recognized directly in the profit and loss.

(c3) Fair value

The carrying value of financial assets and liabilities approximates their fair value. See also note (e).

(c4) Management of the capital structure

In order to ensure the continuation of the Company's activities, while maximizing the return to stakeholders capital management, optimization of the debt and equity balance is performed. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	30.06.2014.	31.12.2013
	EUR	EUR
Loan and lease liabilities	8 661 258	7 831 851
Cash and bank	(336 060)	(790 889)
Net debts	8 325 198	7 040 962
Equity	2 304 563	1 822 564
Liabilities / equity ratio	3.76	4.30
Net liabilities / equity ratio	3.61	3.86

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Notes (continued)

(1) Intangible and Fixed asset

	Concessions, patents, trade marks and similar rights EUR	Land and buildings EUR	Other fixed assets and inventory EUR	Leasehold improvements EUR	Total EUR
Cost					
31.12.2013.	13 381	36 995	555 274	247 201	852 851
Additions	1 733	-	82 721	33 353	117 807
Disposals	-	(36 995)	(2 192)	-	(39 187)
30.06.2014.	15 114	-	635 803	280 554	931 471
Depreciation					
31.12.2013.	9 673	8 093	262 890	122 373	403 029
Charge for 2013	1 291	296	88 134	29 162	118 883
Disposals	-	(8 389)	(1 812)	-	(10 201)
30.06.2014.	10 964	-	349 212	151 535	511 711
Net book value 30.06.2014.	4 150	-	286 591	129 019	419 760
Net book value 31.12.2013.	3 708	28 902	292 384	124 828	449 822

As at 30 June 2014 the residual value of the fixed assets acquired under the terms of financial lease was 78 501 *euro* (31.12.2013: 69 960 *euro*). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

(2) Loans to shareholders and management

	Agris Evertovskis EUR	Edgars Bilinskis EUR	Total EUR
31.12.2013.	-	-	-
Issued in 2014	17 850	144 990	162 840
Loans interest	203	913	1 116
Loans repaid	-	(10 100)	(10 100)
30.06.2014.	18 053	135 803	153 856
	SIA AE Consulting EUR	SIA Ebility EUR	Total EUR
31.12.2013.	1 180 158	761 899	1 942 057
Issued in 2014	-	-	-
Loans interest	21 058	13 594	34 652
30.06.2013.	1 201 216	775 493	1 976 709

Interest on borrowing is 3.57% per annum.

The loan maturity - 31 December 2017.

(3) Stock

	30.06.2014. EUR	31.12.2013. EUR
Goods for sale and pledges taken over	1 071 825	783 109
Gold scrap	363 684	342 875
Provisions for slow moving stock and stock value decrease	(98 162)	(113 604)
	1 337 347	1 012 380

(3a) Provision for obsolete stock

	2014 EUR	2013 EUR
Provisions for obsolete stock at the beginning of the year	113 604	62 716
Written-off	(55 357)	(25 059)
Additional provisions	39 915	75 947
Provisions for obsolete stock at the end of the year	98 162	113 604

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Notes (continued)

(4) Loans and receivables

	30.06.2014.	31.12.2013.
	EUR	EUR
Long-term loans and receivables		
Debtors for loans issued against pledge	623 415	229 475
Debtors for loans issued without pledge	137 064	68 234
Long-term loans and receivables, total	760 479	297 709
Short-term loans and receivables		
Debtors for loans issued against pledge	1 742 175	1 666 949
Debtors for loans issued without pledge	4 216 487	3 028 785
Interest accrued	614 645	462 322
Provisions for bad and doubtful trade debtors	(837 280)	(555 590)
Short-term loans and receivables, total	5 736 027	4 602 466
Loans and receivables	6 496 506	4 900 175

On 31 May 2014 was concluded the agreement with SIA "ExpressInkasso about the cessation of the bad receivables in amount of EUR 135 074, the amount of compensation EUR 28 738.63. Losses from the cessation of the loans are recognized in the current year income statement.

Debtors balances in the total amount of EUR 2 365 590 (31.12.2013: EUR 1 896 424) are secured by the pledged object value.

As the debtors balances of loans issued against pledges are secured by pledges, the estimated value of which is approximately 1.5 times the balance sheet value of the debtors, then no provisions for debts overdue are made. All the pledges received for such debts become the property of the Group upon breach of the term of the repayment by the client and are available for sale in the Group's shops.

(5) Bonds issued

	30.06.2014.	31.12.2013.
	EUR	EUR
Bonds issued	6 500 000	3 160 000
Bonds commission	(40 960)	(51 809)
Total long-term part of bonds issued	6 459 040	3 108 191
Bonds issued	1 000 000	1 000 000
Bonds commission	(27 381)	(25 209)
Interest accrued	15 000	10 176
Total short-term part of bonds issued	987 619	984 967
Bonds issued, total	7 500 000	4 160 000
Interest accrued, total	15 000	10 176
Bonds commission, total	(68 341)	(77 018)
Bonds issued net	7 446 659	4 093 158

On 1 November 2013 the parent company signed bonds issue regulations with "Baltikums Bank" AS. As at the date of signing of these financial statements the bonds emission in the total value of 4 500 000 EUR has been placed, the number of financial instruments issued - 5 000 with the nominal value of EUR 9 00, and the total nominal value of EUR 4 500 000.00. The coupon rate – 14% p.a., coupon payable one a month (25 date). The principal is repayable on a monthly basis in the amount of EUR 50 of each bond. The maturity of the bonds issue: 25 November 2018.

On 11 December 2013 the parent company signed the bond issue regulations and registered it in Latvian Central Depository with the following conditions: number of financial instruments 3 500 at par value of EUR 1 000 with a total nominal value of 3 500 000.00 EUR. Coupon rate - 15%, coupon is paid out monthly at 25th date. Principal amount is amortized on a quarterly basis in amount of 125.00 EUR for each bond, starting with 25 March 2019. The complete maturity date of the principal amount is 25 December 2020. As at the date of signing of these financial statements the emission in the value of 3 000 000 EUR has been placed.

The bonds are secured by the commercial pledge of the total assets and shares of the Group, as well as future components of these assets. The bonds are also secured by the financial pledge of the cash assets and financial instruments (if existent) of the Group held at AS Reģionālā investīciju banka". The bond holders have the rights to recover their assets proportionately to their share of investment in case of pledge realisation if the parent company has breached the conditions of coupon payment or principal repayment.

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Notes (continued)

(5) Bonds issued (continued)

The following pledge agreements with the total pledge value of EUR 6 million are concluded. The secured amount of each pledge – in the total value of the pledge amount:

- with the parent company on 100% shares of SIA EkspressInkasso;
- with the parent company and its subsidiary on aggregate movable property and future components of these assets;
- with the parent company on aggregate movable property and future components of these assets. Leased vehicles are excluded from the pledge listing.

(6) Other borrowings

	30.06.2014.	31.12.2013.
	EUR	EUR
Long-term finance lease	57 979	47 818
Other long-term loans	204 875	705 276
Total other long-term loans	262 854	753 094
Short-term finance lease	20 522	15 317
Other short-term loans	917 286	874 048
Interest accrued on other loans	13 937	4 765
Total other short-term loans	951 745	894 130
Total other loans	1 214 599	1 647 224

The parent company has acquired fixed assets on finance lease. as at 30 June 2014 the interest rate was set as 3 M Euribor + 5.5% and 6M Euribor+3-4.5%.. See Note 1 on balance sheet values of fixed assets acquired under the finance lease conditions

The parent company has received loans from private individuals and legal entities. The interest is charged from 0 to 15 % p.a. The loans are received without security granted.

(7) Related party transactions

During the reporting period the Company had transactions with the following related parties.

Related party	Transactions in 2014	Transactions in 2013
Parent company (till 30.10.2013)		
„Infrastructure Investments” AS, reģ. Nr. 40103242023	X	X
Companies and individuals under common control or significant influence		
Agris Evertovskis, p.k. 081084-10631	X	X
Edgars Bilinskis, p.k.310782-10537	X	X
„AE Consulting”, SIA, reģ. Nr. 40003870736	X	X
„Ebility”, SIA, reģ. 40103720891	X	X
„Dotcom Enterprises”, AS, reģ. Nr. 40103684497	X	N/A
Subsidiary		
„ExpressInkasso”SIA (iepriekš „Lombards24” SIA), reģ. Nr. 40103211998,	X	X
Other related companies		
„ABS Holding LIMITED”, reģ. Nr. C41264, Malta	X	X
„Tigo.lv”, reģ. Nr. 40103653497	X	N/A
„Naudasklubs” SIA, reģ. Nr. 40103303597	X	X
„Inin 7” SIA, reģ. Nr. 42103059064	N/A	X
„A.Kredits” SIA, reģ. Nr. 40103501494	X	X
„ExpressCreditEesti” OU, reģ. Nr. 12344733	X	X
„PH investīcijas”, SIA, reģ. Nr. 42103057909	X	X

All the transactions have been performed at market rates.

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Notes (continued)

(7) Related party transactions (continued)

	2014	2013
	EUR	EUR
Transactions with:		
Parent company (till 30.10.2013)		
Interest paid	-	5 603
Loans received	-	35 571
Loans repaid	-	1 600 897
Dividends paid	-	42 373
Services delivered	32 029	-
Companies and individuals under common control or significant influence		
Cession of loans	-	1 942 056
Loans issued	193 840	480 818
Loans repaid	-	259 893
Loans received	850 000	-
Loans repaid	532 530	-
Dividends paid	-	40 711
Interest received	36 103	80 456
Interest paid	25 962	-
Other related companies		
Goods sold	5 190	17 127
Goods delivered	5 573	-
Fixed assets sold	32 000	141
Services received	47 688	89 075
Services delivered	13 560	15 474
Loans issued	135 359	511 182
Loan repayment received	495 000	310 634
Loans received	95 000	4 840 557
Loans repaid	2 159 600	4 893 557
Interest received	5 185	6107
Interest paid	20 002	990 248
Shares sold	-	2 846

(8) Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Group as at 30 June 2014.