AS “CAPITALIA”

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Translation from Latvian

Contents

Information on the parent company:

Name of the Company	AS CAPITALIA
Legal status of the Company	Join-stock company (from 17.03.2014) Limited liability company (till 17.03.2014).
Number, place and date of registration	40003933213, Commercial register Riga, 21.07.2007
Operations as classified by NACE classification code system	64.99 Other financial service activities, except insurance and pension funding 70.22 Business and management consultancy
Address	Krišjāņa Barona Street 13/15-51, Riga, LV-1011, Latvia
Information on subsidiary and associate	Capitalia kreditai UAB (100%), Musninku g. 22-39, Vilnius, Lietuva, from 3.06.2013. CH1 SIA (25%), Krišjāņa Barona Street 13/15-51, Riga, LV-1011, Latvia, from 31.10.2014.
Names and addresses of shareholders	Physical person, resident of the Republic of Latvia (100%)
Names and positions of Council members	Mārtiņš Krūtainis – Chairman of the Council from 17.03.2014 Andrejs Strods – Deputy Chairman of the Council from 17.03.2014 Jānis Dubrovskis – Member of the Council from 17.03.2014
Names and positions of Board members	Juris Grišins – Chairman of the Board from 17.03.2014 (Member of the Board till 17.03.2014)
Financial year	1 January 2014 – 31 December 2014
Name and address of the auditor	SIA Potapoviča un Andersone Certified Auditors' Company, license Nr. 99 Ūdens street 12-45, Riga, LV-1007, Latvia Responsible Certified Auditor: Anna Temerova – Allena Certificate Nr. 154.

Management report

Company's performance during the reporting period

AS Capitalia has been established to provide financial advisory, financing and asset management services.

During 2014 AS Capitalia performed active operating activity expanding its micro lending activity, thus growing the net turnover and asset base. During the reporting period, by successfully placing bonds in NASDAQ Riga stock exchange, the Company gained access to further financing. Through reorganization two limited liability companies – SIA Capitalia Investīciju Pārvalde and SIA Capitalia Konsultācijas II, were merged into AS Capitalia. As a result of reorganization, the equity of AS Capitalia was increased. In August 2014 AS Capitalia started implementation of state micro lending support program, administered by Latvian Guarantee agency. Along with increase of the equity capital, Company finalized reorganization from limited liability to joint stock company.

AS Capitalia daughter company in Lithuania finished the year with EUR 110 thousand turnover and EUR 2 thousand profit. Total assets of the daughter company at the end of 2014 were 410 thousands. In the reporting year Capitalia reported growth of consolidated turnover by 130% reaching EUR 394 thousands. Company's assets grew from EUR 786 thousands to 1,412 thousands. Total of 153 loans were issued to businesses for the amount of EUR 1.6 millions. Average size of loans issued by Capitalia were EUR 10.4 thousands with average term of 12.6 months.

Despite the growth of total assets and income, AS Capitalia suffered EUR 78 thousand losses for the reporting year. Significant portion to the losses (18%) contributed corporate income tax. As a result of listing of the bonds in NASDAQ Riga, AS Capitalia will be able in the future to fully deduct all interest expenses for the calculation of the corporate income tax. Furthermore, a number of non-recurring expenses in 2014 were associated with the preparation and organization of the bond listing process. Significant impact on the profitability of the Company is attributed to increase of provision for potential loan losses – EUR 79 thousands. Majority of such provisions were made for loans issued in period of 2010 - 2013. Equity capital to total assets constituted 16,5% (including subordinated capital from Latvian Guarantee agency). It can be expected that until the end of the first half of 2015, equity capital will exceed 20% of the assets due to expected income for the period and attraction of further financing from Latvian Guarantee agency.

Company's risk exposure

Macroeconomic risks

AS Capitalia has active operations in Latvia and Lithuania. Main macroeconomic risks of AS Capitalia's operations are related to economic conditions in the abovementioned countries, as well as legislative framework implemented by both governments. Following the end of rapid economic growth in 2007, Baltic economies experienced rapid contraction as well worsening of overall economic indicators. The credit ratings of Latvia and Lithuania, as set by leading international agencies such as Moody's Investors Service, Standart & Poor's and Fitch Ratings, have significantly deteriorated. Economic growth has restarted in 2011 and in 2013 GDP was 3,6% in Latvia and 3,3% in Lithuania. Although since economies of Latvia and Lithuania have undergone significant recoveries and are among the fastest growing economies in the European Union, future negative effects can be caused by geopolitical uncertainties in the region. Worsening of macroeconomic situation can cause problems to AS Capitalia clients to pay in a timely manner, worsening financial situation of AS Capitalia. Some of the clients can suffer financial difficulties regarding EU sanctions towards Russia, thus potentially impacting their ability to pay obligations towards AS Capitalia and as a result worsening financial situation of AS Capitalia.

Changes in legislation

AS Capitalia has active operations in Latvia and Lithuania. Main macroeconomic risks of AS Capitalia's operations are related to economic coniditions in the abovementioned countries, as well as legislative framework implemented by both governments. Following the end of rapid economic growth in 2007, Baltic economies experienced rapid contraction as well worsening of overall economic indicators. The credit ratings of Latvia and Lithuania, as set by leading intenational agencies such as Moody's Investors Service, Standart & Poor's and Fitch Ratings, have significantly deteriorated. Economic growth has restarted in 2011 and in 2013 GDP was 3,6% in Latvia and 3,3% in Lithuania. Although since economies of Latvia and Lithuania have undergone significant recoveries and are among the fastest growing economies in the European Union, future negative effects can be caused by geopolitical uncertainties in the region. This risk includes potential changes in tax appropriation and withholding regulations.

Credit risk

Credit risk relates to risk that AS Capitalia clients don't perform their obligations in due time. Management of credit risk is conducted in accordance with internal loan monitoring and management procedures of AS Capitalia.

Management report (continued)

Statement on internal control procedures

The Board confirms that internal control procedures are effective and that risk management and internal controls through out the whole reporting year have been performed according to these internal control procedures.

Proposed distribution of profits

Losses of the current financial year shall be covered by profit of future periods.

Post balance sheet events

There are no significant post balance sheet events, which would have an impact on the Company's financial position as at 31 December 2014 or which would need to be additionally disclosed in 2014 financial statements.

Future plans

In 2015 the Company is planning to continue active operations in financing, management consulting and asset management areas, especially expanding financing of legal entities, including offering new financing and derivative products.

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Juris Grišins
Chairman of the Board

Riga, April 27, 2015

Statement of management responsibility

Management of AS Capitalia is responsible for preparation of year 2014 annual report.

Management of the Company declares that in accordance with the information in their possession, consolidated financial statements have been prepared in accordance with accounting transaction documentation and with the International Financial Reporting Standards as adopted by EU and give a true and fair view of the Company's assets, liabilities and the financial position as at 31 December 2014 and year 2014 financial results, cash flows and changes in equity.

Management of the Company confirms that an appropriate and consistent accounting policies and management estimates are used. Management of the Company confirms that the financial statements are prepared using precaution principle as well as the going concern assumption.

Management of the Company confirms its responsibility for providing proper accounting records, as well as asset monitoring, control and conservation policies. The Company's management is responsible for detection and prevention of the error, inaccuracy and /or fraud. The Company's management is responsible for the Company's activities to be carried out in compliance with the legislation of the Republic of Latvia and the Republic of Lithuania.

The management report includes a fair view of the development of the Company's business and financial results.

Statement on corporate governance

AS Capitalia year 2014 Corporate governance report has been prepared on the basis of NASDAQ OMX Riga "Corporate governance principles and recommendation on their implementation" issued in 2010.

The Corporate governance report has been prepared by the board of AS Capitalia and reviewed by the council of AS Capitalia.

Corporate governance principles have been tailored to the operations of AS Capitalia and in year 2014 Company has followed these set principles. In accordance to "comply or explain" principles, Corporate governance report informs about those clauses that the Company does not comply with or complies to partially, providing explanations as to reasons of non-compliance in year 2014.

The Corporate governance report is submitted to NASDAQ Riga at the same time with submission of year 2014 individual annual report of AS Capitalia and consolidated annual report of AS Capitalia, published in webpage of NASDAQ Riga (www.nasdaqbaltic.com), as well as AS Capitalia (www.capitalia.lv) in Latvian and English languages.

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Juris Grišins
Chairman of the Board

Riga, April 27, 2015

Statement of comprehensive income for the year ended 31 December 2014

	Notes	2014 EUR	2013 EUR
Net sales	1	24 430	16 280
Cost of sales	2	(133 393)	(24 207)
Interest income and similar income	3	277 835	152 649
Interest expenses and similar expenses	4	(130 774)	(113 581)
Gross profit		**38 098**	**31 141**
Selling expenses	5	(39 866)	(46 753)
Administrative expenses	6	(66 605)	(49 382)
Other operating income	7	10 651	48 600
Other operating expenses	8	(5 650)	(10 596)
Losses before taxes		**(63 372)**	**(26 990)**
Corporate income tax for the reporting year	9	(14 193)	(6 231)
Current year's loss		**(77 565)**	**(33 221)**
Comprehensive income statement			
Current year's losses		**(77 565)**	**(33 221)**
Other comprehensive income		-	-
Total comprehensive losses for the period		**(77 565)**	**(33 221)**

Notes on pages from 11 to 30 are integral part of these financial statements.

Juris Grišins
Chairman of the Board

Riga, April 27, 2015

Balance sheet as at 31 December 2014

	Notes	31.12.2014. EUR	31.12.2013. EUR
Assets			
Long term investments			
Fixed assets	10	13 309	16 245
Participating interest in subsidiaries	11	2 903	2 903
Participating interest in associated company	12	6 250	-
Receivables from affiliated companies	14	391 277	144 761
Loans and receivables	13	213 907	40 774
Loans to shareholders and management	16	56 403	-
Total long-term investments:		**684 049**	**204 683**
Current assets			
Receivables from affiliated companies	14	3 746	-
Receivables from associated companies	14	57 990	-
Loans and receivables	13	547 366	407 932
Other debtors	15	5 212	3 833
Loans to shareholders and management	16	28 875	14 727
Other securities and equity participation	12	5 691	5 691
Cash and bank	17	46 482	153 758
Total current assets:		**695 362**	**585 941**
Total current assets		**1 379 411**	**790 624**
Liabilities and shareholders' funds			
Shareholders' funds:			
Share capital	18	226 490	123 790
Other reserves	18	(10 679)	(39 676)
Prior years' retained earnings		(10 271)	22 950
Current year's profit / (losses)		(77 565)	(33 221)
Total shareholders' funds:		**127 975**	**73 843**
Liabilities:			
Long-term liabilities:			
Bonds issued	19	915 728	-
Other borrowings	20	55 418	111 425
Deferred tax liabilities	9	290	616
Total long-term liabilities:		**971 436**	**112 041**
Short-term liabilities:			
Bonds issued	19	22 333	-
Other borrowings	20	204 091	577 482
Accounts payable to affiliated companies	21	3 266	3 266
Trade creditors and accrued liabilities	22	10 810	8 392
Taxes and social insurance	23	13 362	5 387
Deferred income		26 138	10 213
Total short-term liabilities:		**278 000**	**604 740**
Total liabilities and shareholders' funds		**1 379 411**	**790 624**

Notes on pages from 11 to 30 are integral part of these financial statements.

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Juris Grišins
Chairman of the Board

Riga, April 27, 2015

Statement of changes in equity for the year ended 31 December 2014

	Share capital	**Other reserves**	**Retained earnings (losses)**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
As at 31 December 2012	**2 846**	**-**	**22 950**	**25 796**
Increase in share capital	32 726	-	-	**32 726**
Increase in capital and reserves (reorganization)	88 218	(39 676)	-	**48 542**
Total comprehensive losses for the period	-	-	(33 221)	**(33 221)**
As at 31 December 2013	**123 790**	**(39 676)**	**(10 271)**	**73 843**
Increase in capital and reserves (reorganization)	102 700	28 998	-	**131 698**
Total comprehensive losses for the period	-	-	(77 565)	**(77 565)**
As at 31 December 2014	**226 490**	**(10 679)**	**(87 836)**	**127 975**

Notes on pages from 11 to 30 are integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2014

	Notes	2014 EUR	2013 EUR
Cash flow from operating activities			
Losses before extraordinary items and taxes		**(63 372)**	**(26 990)**
Adjustments for:			
- fixed assets depreciation		6 712	6 221
- changes in provisions (excluding provision for doubtful debts)		860	602
- interest income		(277 835)	(156 382)
- interest and similar expense		130 774	113 580
- net loss on disposal of sale non-current assets		-	(27 010)
- net loss on sale of securities		840	5 071
Operating losses before working capital changes		**(202 021)**	**(84 908)**
Adjustments for:			
- increase/(decrease) in trade and other debtors		(1 079)	16 201
- increase in consumer loans issued		(546 344)	(491 600)
- trade creditors' increase		4 421	(6 343)
Cash generated from operations		**(745 023)**	**(566 650)**
Interest paid		(91 248)	(113 581)
Interest received		274 424	148 979
Corporate income tax payments		(8 135)	(1 458)
Net cash flow from operating activities		**(569 982)**	**(532 710)**
Cash flow from investing activities			
Purchase of fixed assets		(2 936)	(1 867)
Purchase of shares		(3 750)	(14 177)
Proceeds from sale of shares		-	15 651
Proceeds from sale of non-current assets held for sale		-	27 500
Net loans issued / (loans received)		(10 500)	87 105
Net cash flow from investing activities		**(17 186)**	**114 212**
Cash flow from financing activities			
Proceeds from stock and bond issues		-	32 726
Net borrowings / loans repaid		480 597	527 554
Overtaken cash (reorganization)		890	2 880
Finance lease payments		(1 595)	(4 683)
Net cash flow from financing activities		**479 892**	**558 477**
Net cash flow of the reporting year		**107 276**	**139 979**
Cash and cash equivalents at the beginning of the reporting year	17	**153 758**	**13 779**
Cash and cash equivalents at the end of reporting year	17	**46 482**	**153 758**

Notes on pages from 11 to 30 are integral part of these financial statements.

Notes to the financial statements

Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements cover the year from January 1, 2014 to December 31, 2014.

As a result of requirements of the local law regarding conversion to euro currency, all items in the financial statements are denominated in Latvia's national currency – euros (EUR). Comparative financial results as of December 31, 2013 are recalculated from lats to euros based on official exchange rate of 1 EUR = 0.702804 LVL, rounding such figures up to the nearest euro.

Statement of compliance
These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis of consolidation
Financial statements reflect standalone results of operations of AS Capitalia. Consolidated financial statement of AS Capitalia and its daughter companies are reported in consolidated annual report of the Company.

(b) Summary of significant accounting policies

(b1) Foreign currency translation

- ***Functional and presentation currency***

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statement items are denominated in euro (EUR), which is the Company's functional and presentation currency.

- ***Transactions and balances***

Company's monetary assets and liabilities in foreign currencies are recalculated in accordance to the official currency exchange rate as of the last calendar date of the reporting period. Transactions and sections of the financial statements, where operating currency differs from the functional currency, are re-evaluated to presentation currency based on the following principles:

(a) Assets and liabilities are re-evaluated based on the currency exchange rate as of end of financial reporting period;
(b) Income and expenses that are portrayed in the profit and loss statement are re-evaluated based on the exchange rate at the time of transaction or average exchange rate during the reporting period;
(c) Differences that are result of the fluctuations of the currency exchange are recognized in a separate entry of the consolidated financial statements.

At the balance sheet date the rates set by the Bank of Latvia and European Central Bank were:

	31.12.2014. EUR	**31.12.2013. Ls**
1 EUR	-	0.702804
1 LTL	3.4528	3.4528

(b2) Investment in associated companies

- ***Investments in daughter companies***

Ownership in daughter companies (that is, companies where Capitalia holds more than 50% of the shares or which it controls by other means) is accounted for according to cost method. Investments in daughter companies initially are recognized at their initial cost value, deducting losses from value reduction. If some events or circumstances indicate that investment in the daughter company can be impaired, the respective accounting value of the daughter company is re-evaluated based on future cash flows methods that rely on budgets and business plans that are approved by the board of the Company.

Company recognizes income from the investment in the daughter companies in the amount that the Company receives respective share of the profit of the daughter company after the initial investment date. Received income that exceeds such share of profit is to be treated as reduction of the investment amount and initial investment amount is correspondingly reduced.

- ***Investment in associated companies***

In the financial statements the investments in associated companies are carried at equity method. Associate company is such company, in which the Company has significant control.

Under this method the value of the investment at the balance sheet date comprises the value of the equity of the associated company corresponding to the share of investment and the book value of the positive goodwill arising at the acquisition of the investment. Goodwill related to participation in associated company is reported in assets and is not amortized. Potential decrease of the value of goodwill is not validated separately.

Notes to the financial statements (continued)
Accounting policies (continued)
(b) Summary of significant accounting policies (continued)

Profit and loss statement reflects part of the associated company's operating results. If there are any amendments that are recognized in the associated company's consolidated income statement, the Company recognizes these amendments in proportion to its investment amount in the company, and, if such amendments are recognized, reports them to consolidate financial statements. Profit and loss of transactions between the Company and associated companies are excluded based on the Companys proportional investment in the associated company. Financial statements of the associated companies are prepared for the same reporting period as those of the mother company. If necessary corrections are made to align accounting principles of the daughter company to Company's accounting principles.

Based on equity method's principles, Company determines if it is necessary to reflect change in the value of Company's investment in associated company. At each date of financial statements the Company evaluates if there is any objective evidence that would indicate that investment value in the associated company could have reduced. If there is such evidence, Company determines the amount of value reduction, which is calculated as difference between the value in the financial statements and market value of the investment, and recognizes such difference in the profit and loss statement.

If the Company losses significant control in the associated company, any Company's remaining investments in the associated company are to be recognized at their market value. Difference between the value in the financial statements and market value of the investment is calculated and recognized in the profit and loss statement.

(b3) ***Recognition of revenue***

- ***Net sales***
Net revenue represents the total value of goods sold and services provided during the year net of value added tax

- ***Interest income***
The Company presents interest income in the section of the Profit and loss account prior to calculation of gross profit, as this income is related to the basic activities of the Company – charging interest for loans issued in return to pledge held as security or loans issued on other conditions. Interest income is recognized using accruals principle. Interest income is not recognized from the moment the recoverability of principal is considered doubtful. Penalty interest is recognized on a cash basis.

- ***Other income***
Other income is recognized based on accruals principle.

- ***Penalties and similar income***
For issued loans that are under default with initiated collection procedure penalties and similar income is recognized based on cash principle.

(b4) Segments
A geographical segment provides products or services within a particular economic environment that is subject to other economic environments characterized by different risks and benefits. A business segment is a share of assets and operations, providing products and services that are subject to other business segments of different risks and benefits.

(b5) Taxes
The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian tax legislation. Deferred tax is provided for using liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment at different rates and tax losses carried forward to the future taxation periods. Deferred tax assets are recognized only to the extent that recovery is probable.

(b6) Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(b7) Financial assets

- ***Initial recognition and measurement***

Financial assets are classified either as assets available for sale, or loans or debtor receivables. Classification of the financial assets is determined by the Company at the moment of their initial recognition. All financial assets are recognized at their market value with addition of the direct transaction costs. Purchase and sale transactions are reported at the value on the transaction date.

Financial assets of the Company are cash, short term deposits, debtors, advances, issued loans and other receivables

Notes to the financial statements (continued)
Accounting policies (continued)
(b) Summary of significant accounting policies (continued)

- ***Subsequent measurement***

Subsequent measurement of the value of the financial assets is dependent on their classification:

Loans and receivables
Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments, and which are not quoted in the public markets. Loans are carried at amortized cost where cost is defined as the fair value of cash consideration given to originate those loans, as well as any discounts and premiums, as well as payments and costs associated to the loans.

Amortization of the factual interest rate of the loans and receivables is recognized in the profit and loss statement's section "Other interest income and similar income". Losses from impairment of the loans are recognized in the profit and loss statement's section ""Cost of sales".

- ***Derecognition***

The financial assets (or depending on the circumstances some parts of the financial asset or some similar financial asset Company) are derecognized if:

- Right to receive cash flow from the financial product has ended;
- Company has given its rights to cash flow from the financial asset or has assumed responsibility to transfer all cash flows that it collected in the name of third parties without significant delays, or if (a) Company has not transferred all risks and returns based on the ownership of the financial assets, or (b) Company has not transferred nor kept all risks and returns related to ownership of the financial assets, bet has given over control of such assets;
- If Company has kept all risks and returns in relation to the ownership of the financial asset, Company continues to recognize financial asset. This policy is similarly applied to equity capital instruments;
- If Company has concluded options sale or purchase agreements on the financial instruments and if the agreement terms are identical the transaction is assumed to be future transaction. Equity capital instrument is recognized in the financial statements of that party, which has kept risks and rewards related to the financial instrument.

- ***Impairment of financial assets***

At the end of each reporting period, Company evaluates if there is objective for reduction of the value of financial assets or financial asset Company. Value of financial assets or Company of financial assets is reduced only in case if there is objective evidence that such decrease of value has occurred as a result of one or more loss events that occurred after initial recognition of the assets, and if such loss event has left reasonably significant effect on the future cash flows of the financial asset or the financial asset Company. Evidence that the value reduction has occurred includes information on the debtor or debtor Company's significant financial problems, interest rate and principal payment delays, probability that debtors will initiate bankruptcy proceedings or other financial reorganization; decrease of value has also occurred if observable information indicates, for example, unfavourable changes in the repayment of obligations or other economic conditions that influence repayment of the obligations

Financial assets at amortized value
In relation to financial assets that are reported at amortized value, Company firstly evaluates if objective evidence for decrease of value exists in relation to each separate significant financial asset individually or asset Company in relation to the financial assets that are not significant each individually. If Company determines that individually valued financial assets, significant or not, such evidence for value reduction is not existent, it includes these assets in the financial asset Company with similar credit risk and determines if in relation to such Company as such is any evidence for value reduction. Assets, whose potential value reduction is evaluated individually and who have been recognized with value decrease losses or who are continued to be recognized with value decrease losses are not included in the asset Company for the purposes of impairment of the fair value.

The Company assesses at each balance sheet date whether there is objective evidence that loans are impaired. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from collateral discounted at the original effective interest rate.

Notes to the financial statements (continued)
Accounting policies (continued)
(b) Summary of significant accounting policies (continued)

Reduction of the value of the financial asset is done using impairment account and the resulting losses are recognized in the profit and loss statement. Interest rate income is continued to be accrued in line with decreased accounting value, using interest rate that is used for discounting of future cash flows in order to determine value of the impairment losses. Interest income is accounted in the profit and loss statement as part of financial income. Loans together with accrued impairments are written off when recovery of such assets cannot be reasonably assessed and all collaterals are liquidated and proceeds returned to the Company. If in the following reporting period estimated losses from the impairment of the assets increase or decrease as a result of such events that occurred after the recognition of the impairment losses, previously recognized losses are increased or decreased by correcting impairment account.

(b8) Financial liabilities

- ***Initial recognition and measurement***

In accordance to IAS Nr. 39 financial liabilities are classified either as financial liabilities at their amortized value or as financial instrument derivatives that are used as risk management instruments. The Company determined financial classification at the moment of initial recognition. All liabilities are recognized at their market value with addition of the direct transaction costs if such liabilities are loans.

The Company's financial liabilities are amounts due to suppliers, employees as well as other creditors and received loans.

- ***Subsequent measurement***

Subsequent measurement of the value of the financial liabilities is dependent on their classification:

Financial liabilities at amortized value
After initial recognition financial liabilities are accounted in their amortized acquisition cost using effective interest rate method. Amortized acquisition costs is calculated taking into account any discounts and premiums related to acquisition, as well as any costs and payments that are part of the factual interest rate. Factual interest rate is reflected in the section "Interest expense and similar expenses" of the profit and loss statement.

- ***Derecognition***

Financial liabilities are derecognized if the liabilities as derived from in the concluded agreement have ended or have been cancelled or their term has expired. If existing financial obligations are replaced by other financial obligations of the same lender with significantly different terms or existing terms are significantly amended, then in case of such changes initial recognition of liabilities is ended and new liability is recognized. Difference between the both accounting values is recognized in the profit and loss statement.

(b9) Fair value of financial assets and liabilities
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities) the Company establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate and may require the application of management's judgement and estimates. Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Notes to the financial statements (continued)
Accounting policies (continued)
(b) Summary of significant accounting policies (continued)

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any) are not presented separately and are included in the carrying values of related items on the balance sheet.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(b10) Intangible assets and fixed assets
All intangible assets and fixed assets are initially measured at cost. Intangible assets and fixed assets are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation or amortization is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	Depreciation (years)
Intangible assets	3
Other assets	3 - 5

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually. Fixed asset and intangibles recognition is terminated in case of its liquidation or when no future benefits are expected in connection with the utilization of the respective asset. Any profit or loss connected with the termination of recognition (calculated as difference between the disposal gains and net book value as at the moment of derecognition), is recognized in the profit or loss account in the period when derecognition occurs. Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repairs and maintenance costs are charged to profit and loss account in the period when the respective costs are incurred

(b11) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits with a maturity term of up to 90 days.

(b12) Debtors
Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. Loans are carried at amortized cost where cost is defined as the fair value of cash consideration given to originate those loans. All loans and receivables are recognized when cash is advanced to borrowers and derecognized on repayments. The Company has granted consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their debts. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms.

The Company assesses at each balance sheet date whether there is objective evidence that loans are impaired. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from collateral discounted at the original effective interest rate. The assessment of the evidence for impairment and the determination of the amount of allowances for impairment or its reversal requires the application of management's judgement and estimates. Management’s judgements and estimates consider relevant factors including but not limited to, the identification of non-performing loans (loan repayment schedule compliance), the estimated value of collateral (if taken) as well as other relevant factors affecting loan and recoverability and collateral values. These judgements and estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known. The Management of the Company have made their best estimates of losses based on objective evidence of impairment and believe those estimates presented in the financial statements are reasonable in light of available information.

When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

Notes to the financial statements (continued)
Accounting policies (continued)
(b) Summary of significant accounting policies (continued)

The provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

In accordance with the provisioning policy developed by the Company, the following provisions are made for the doubtful loans:

Days late	Provision amount
0-14	0%
15-30	10%
31-90	30%
91-180	80%
181+	100%

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount.

From debtors that are late on payment more than 31 days any further payments for the principles of accounting are first classified as repayment of the principal, then interest rate payments and lastly as late payment penalties and other penalties.

(b13) Finance lease
Where the property, plant and equipment are acquired under a finance lease arrangement and the Company takes over the related risks and rewards, the property, plant and equipment items are measured at the value at which they could be purchased for an immediate payment. Leasing interest is charged to the profit and loss in the period in which it arises.

(b14) Operating leases

Company is a lessor
The type of lease in which the lessor retains a significant part of the risks and rewards pertaining to ownership, is classified as operating lease. Lease payments and prepayments for a lease (net of any financial incentives received from the lessor) are charged to the profit and loss under a straight-line method over the lease term.

(b15) Provisions for unused annual leave
The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the reporting year by the number of accrued but unused annual leave days the end of the reporting year.

(b16) Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(b17) Dividends
Dividends due to the shareholders are recognized in the financial statements as a liability in the period in which the shareholders approve the disbursement of dividends.

(b18) Related parties
Related parties include the shareholders, members of the Board of the parent company of the Company, their close family members and companies in which the said persons have control or significant influence.

(b19) Subsequent events
Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Notes to the financial statements (continued)
Accounting policies (continued)

(c) Significant assumptions and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Latvian law requires the management to rely on estimates and assumptions that affect the reported amounts of assets and liabilities and off-balance sheet assets and liabilities at the date of financial statements, as well as the revenues and expenses reporting in the reporting period. Although these estimates are made based on the best information available to the management as well as current situations and activities, actual results may differ from these estimates. Significant assumption and estimates are described in the relevant sections of this financial statement report and its notes.

The following judgements and key assumptions concerning the future are critical, and other causes of inaccuracies in the calculations as at the date of financial statements, with a significant risk of causing a material change in the balance sheet value of assets and liabilities within the next financial year:

- The Company's management, based on estimates, makes provisions for the impairment of the value of loans and receivables. The Company's management is of the opinion that the provisions for receivables presented in the financial statements accurately reflect the expected cash flows from these receivables and that these estimates have been made based on the best available information;
- The Company is composed with caution savings potential future payment obligations in cases where disputes the validity of such legal obligation, or there are legal disputes about the amount of such liabilities.

(d) Financial risk management

(d1) Financial risk factors
The activities of the Company are exposed to different financial risks:
(u1.1) foreign currency risk;
(u1.2) credit risk;
(u1.3) operational risk;
(u1.4) market risk;
(u1.5) liquidity risk;
(u1.6) 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. Chairman of the board is responsible for risk management. Chairman of the board identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Company.

(d1.1) Foreign exchange risk
The Company operates mainly in the local market and its exposure to foreign exchange risk is low. With the current income-expense structure additional monitoring procedures for currency risk monitoring are not deemed necessary.

(d1.2) 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.

Company has the following concentration of the credit risk in relation to loan to daughter company:

	31.12.2014 EUR	**31.12.2013 EUR**
Loan to daughter company	395 023	144 761
Total issued loan amount	761 273	448 706
Concentration of credit risk	**52%**	**32%**

Company issues loans that are secured with collateral as well as non-collateralised loans.

	31.12.2014 EUR	**%**
Loans with collateral	360 499	41%
Loans without collateral	475 633	59%
Total loans	**836 132**	**100%**

Notes to the financial statements (continued)
Accounting policies (continued)
(d) Financial risk management (continued)

(d1.3) Operating 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.

(d1.4) 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 cash flows, diversifying the product range and fixing funding resource interest rates.

(d1.5) 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.

(d1.6) Cash flow and 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.

(d2) Accounting for derivative financial instruments
The Company does not actively use derivative financial instruments in its operations.

(d3) Fair value
The carrying value of financial assets and liabilities approximates their fair value.

Hierarchy of assets and liabilities fair value
In order to determine and account the fair value of assets and liabilities, the Company uses the following hierarchy of the fair value determination:

First level. Price quotations in active public market;
Second level. Other methods that use data, which is directly or indirectly observable and which has important impact on the fair value;
Third level. Other methods that use data that have significant impact on the registered fair value, which is not based on market data.

First level. Includes cash and cash equivalents. Cash and cash equivalents are short term assets (shorter than 1 year). Company assumes that fair value of these assets is close to accounting value;
Second level. Includes financial instrument derivatives;
Third level. Includes investments in real estate, debtors and receivables, other financial assets, loans and other assets. Debtors, receivables and other loans, other financial assets and other assets are short term assets and liabilities (shorter than 1 year).

Company assumes that the value of these assets is close to their accounting value.

Notes to the financial statements (continued)
Accounting policies (continued)
(d) Financial risk management (continued)

(d4) Management of the capital structure
In order to ensure the continuation of the Company's activities, while maximizing the return to shareholders 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:

	31.12.2014	31.12.2013
	EUR	EUR
Liabilities net	1 200 836	692 173
Cash	46 482	153 758
Net debt	**1 154 354**	**378 400**
Equity capital	127 975	73 843
Liabilities / equity ratio	**9.38**	**9.37**
Net liabilities / equity ratio	**9.02**	**7.29**

(e) Changes in accounting principles and reporting

The following new and amended IFRS and interpretations became effective in 2014. None of these standards apply directly due to the nature of the operations of the Company.

- IFRS 10 “Consolidated financial statements” (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- IFRS 11 “Joint arrangements” (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- IFRS 12 “Disclosures of interests in other entities” (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, 11 and 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (revised in 2011) “Separate financial statements” (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- IAS 28 (revised in 2011) “Associates and joint ventures” (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 “Financial instruments: Presentation” on offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 “Impairment of assets” on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 “Financial instruments: Recognition and measurement” on novation of derivatives and hedge accounting (effective for annual periods beginning on or after 1 January 2014).

Certain new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2015, and are not endorsed by the European Union:

- Amendments to IAS 19 “Employee benefits plans” regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU).

Notes to the financial statements (continued)
Accounting policies (continued)
(e) Changes in accounting principles and reporting (continued)

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU):

- IFRS 2 “Share-based payment”;
- IFRS 3 “Business Combinations”;
- IFRS 8 “Operating segments”;
- IFRS 13 “Fair value measurement”;
- IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets”;
- Consequential amendments to IFRS 9 “Financial instruments”;
- IAS 37 “Provisions, contingent liabilities and contingent assets”, and
- IAS 39 “Financial instruments – Recognition and measurement”.

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU):

- *IFRS 1 “First time adoption”;*
- *IFRS 3 “Business combinations”;*
- *IFRS 13 “Fair value measurement”, and*
- *IAS 40 “Investment property”.*
- *Amendment to IFRS 11 “Joint arrangements” on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).*
- *Amendment to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets” on depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).*
- *Amendments to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” regarding bearer plants (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).*
- *IFRS 14 “Regulatory deferral accounts” (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).*
- *Amendments to IAS 27 “Separate financial statements” on the equity method (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).*
- *Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures” (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU).*

Annual improvements 2014 (effective for annual periods beginning on or after 1 July 2016, not yet endorsed in the EU):

- IFRS 5 “Non-current assets held for sale and discontinued operations”;
- IFRS 7 “Financial instruments: Disclosures” with consequential amendments to IFRS 1;
- IAS 19 “Employee benefits”;
- IAS 34 “Interim financial reporting”.
- IFRS 15 “Revenue from contracts with customers” (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).
- IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

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

Notes (continued)

(1) Net sales

Net sales by revenue types

	2014 EUR	2013 EUR
Income from fines	12 012	3 480
Income from management consulting	2 165	5 704
Income from marketing services	352	4 935
Other income	9 902	2 161
	24 430	**16 280**

Net sales by geographic markets

	2014 EUR	2013 EUR
Latvia	23 861	14 293
The European Union, with the exception of Latvia and Lithuania	569	1 987
	24 430	**16 280**

(2) Cost of sales

	2014 EUR	2013 EUR
Provision for doubtful debts, written-off receivables	78 540	8 803
Staff costs	31 719	6 120
Professional services costs	22 599	9 048
Other costs	535	236
	133 393	**24 207**

(3) Interest income and similar income

	2014 EUR	2013 EUR
Interest income from loans	272 297	55 189
Factoring revenue	4 415	3 618
Interest income from investment contracts	1 123	93 841
	277 835	**152 649**

(4) Interest expenses and similar charges

	2014 EUR	2013 EUR
Interest on loans received	130 471	113 117
Leasing interest	303	464
	130 774	**113 581**

(5) Selling expenses

	2014 EUR	2013 EUR
Advertising services and materials	17 170	22 721
Non-deductible VAT	14 265	11 659
Travel costs	369	9 772
Representation expenses	313	1 148
Other costs	7 749	1 453
	39 866	**46 753**

(6) Administrative expenses

	2014 EUR	2013 EUR
Office rent, utilities, security	21 702	23 156
Legal services	9 565	2 180
Depreciation of fixed assets, low value items	6 762	6 380
Annual report audit costs *	3 900	1 500
Accounting services	6 947	4 350
Communications costs	4 085	4 058
Travel expenses	3 615	3 022
Office expenses	2 679	2 458
Other costs	7 350	2 278
	66 605	**49 382**

* During the reporting period the Company has not received any other services from the auditors.

Notes (continued)

(7) Other operating income

	2014 EUR	2013 EUR
Income from office space lease	10 205	18 108
Proceeds from disposal of assets held for sale and long-term assets	-	27 010
Other income	446	3 482
	10 651	**48 600**

(8) Other operating expenses

	2014 EUR	2013 EUR
Bank charges	1 257	743
Loss from sale of securities	840	5 071
Donations	500	-
Paid fines and penalties	237	304
Net foreign exchange losses	62	1 336
Other costs	2 754	3 142
	5 650	**10 596**

(9) Corporate income tax for the reporting year

	2014 EUR	2013 EUR
Deferred corporate income tax	(326)	616
Current corporate income tax for the reporting year	14 519	5 615
	14 193	**6 231**

Corporate income tax differs from the theoretical amount:

	2014 EUR	2013 EUR
Losses before taxes	**(63 372)**	**(26 990)**
Theoretically calculated tax	(6 435)	(4 049)
Expenses which should not reduce the taxable income	20 628	16 996
Tax credit on undistributed profits	-	(153)
During the financial year used previously unrecognized deferred income tax assets	-	(6 563)
	14 193	**6 231**

Deferred tax liabilities

	2014 EUR	2013 EUR
Deferred tax liabilities at the beginning of year	616	-
Deferred tax liabilities increase / (decrease) in the reporting year	(326)	616
Deferred tax liabilities at the end of year	**290**	**616**

Deferred tax is calculated from the following temporary differences between assets and liabilities and their carrying amounts for corporate income tax calculation purposes:

	31.12.2014. EUR	**31.12.2013. EUR**
Depreciation of fixed assets temporary difference	509	706
Vacations pay reserve and bonuses temporary difference	(219)	(90)
Deferred tax liabilities	**290**	**616**

Notes (continued)

(10) Fixed assets

	Other fixed assets EUR
Cost	
31.12.2013.	**29 456**
Additions 2014	3 776
31.12.2014.	**33 232**
Depreciation	
31.12.2013	**13 211**
Calculated 2014	6 712
31.12.2014.	**19 923**
Net book value 31.12.2013.	**16 245**
Net book value 31.12.2014.	**13 309**

As of December 31, 2014 the residual value of fixed assets acquired under the terms of financial lease was EUR 9 066. Ownership of those fixed assets will be transferred to the Company only after settlement of all lease liabilities.

(11) Participating interest in subsidiaries and associated company

	Participating interest in subsidiaries EUR
value 31.12.2013	**2 903**
Purchase of shares in subsidiary	2 840
Subsidiaries parts for sale	(2 840)
value 31.12.2014.	**2 903**
Net book value 31.12.2013.	**2 903**
Net book value 31.12.2014.	**2 903**

	Participation shares in subsidiary purchase price		Participation shares in subsidiary carrying amount	
	31.12.2014. EUR	**31.12.2013. EUR**	**31.12.2014. EUR**	**31.12.2013. EUR**
Capitalia kreditai Utd. (Lietuva), 100%	2 903	2 903	2 903	2 903

Information on subsidiaries

		Equity		Profit for the year	
Name	**Adress**	**31.12.2014. EUR**	**31.12.2013. EUR**	**2014 EUR**	**2013 EUR**
Capitalia kreditai UAB	Musninku g. 22-39, Vilnius, Lietuva	7 007	4 854	2 153	1 937

Capitalia kreditai UAB primary activity is issuing loans to legal entities.

Notes (continued)

(12) Other securities and equity participation

Other securities and equity participation, short-term:	31.12.2014. EUR	31.12.2013. EUR
Money under management of AS Eko Investors	5 691	5 691
	5 691	**5 691**

AS Eko Investors manages the money through special purpose loans provided to the Company. Received loans are disclosed under "Other borrowings" the same as the carrying amount of targeted loans issued by AS Eko Investors.

Participating interest in associated company

	EUR
Value 31.12.2013.	**-**
Purchased in 2014	**6 250**
Value 31.12.2014.	**6 250**
Net book value 31.12.2013.	**-**
Net book value 31.12.2014.	**6 250**

Name	Participation shares in associated company purchase price		Participation shares in associated company carrying amount	
	31.12.2014. EUR	31.12.2013. EUR	31.12.2014. EUR	31.12.2013. EUR
CH1 Ltd.(Latvia)	**6 250**	**-**	**6 250**	**-**

In 2014 Company acquired 25% of CH1 Ltd. shares (through the process of reorganization when Capitalia Investīciju Pārvalde Ltd was merged with AS Capitalia).

Information on associated companies

Name	Address	Equity 31.12.2014. EUR	Loss for the year 2014 EUR
CH1 Ltd.	**Krišjāņa Barona Street 13/15-51, Riga, Latvia**	**3 188**	**(21 812)**

CH1 Ltd core business activity is conducting transactions with the real estate - real estate buying, selling and renting.

Notes (continued)

(13) Loans and receivables

	31.12.2014. EUR	31.12.2013. EUR
Debtors for loans issued against pledge	102 137	33 201
Debtors for loans issued without pledge	111 770	7 573
Long-term loans and receivables, total	**213 907**	**40 774**
Debtors for loans issued against pledge	258 362	229 790
Debtors for loans issued without pledge	363 863	187 570
Trade receivables	719	662
Provisions for bad and doubtful trade debtors	(75 578)	(10 090)
Short-term loans and receivables, total	**547 366**	**407 932**
	761 273	**448 706**

Loan repayment periods are from 1 to 36 months.

Loans and receivables by currency, EUR:

LVL	-	418 418
EUR	836 851	40 378
	836 851	**458 796**

Loans and receivables (gross) age analysis:

Debt does not exceed the payment deadline	662 982	401 157
Delayed from 1 - 30 days	27 436	41 071
Delayed from 31 - 90 days	18 318	14 419
Delayed from 91 - 180 days	23 670	2 149
Over 180 days past due	104 445	-
	836 851	**458 796**

Provisions for bad and doubtful loans and receivables:

	2014 EUR	2013 EUR
Provisions at the beginning of the year	10 090	-
Acquired (reorganization)	-	1 286
Additional provisions	65 488	8 804
Provisions at the end of the year	**75 578**	**10 090**

Net carrying value of loans and receivables approximates their fair value.

Notes (continued)

(14) Loans with related parties and associated companies

Loans with related parties and associated companies:	31.12.2014. EUR	31.12.2013. EUR
Loan to Capitalia kreditai Ltd	391 277	144 761
Long term part:	**391 277**	**144 761**
Capitalia kreditai Ltd interest accrued on borrowings	3 746	-
Short term part:	**3 746**	-
	395 023	**144 761**

In 2013 and 2014 the company has issued loan to Capitalia kreditiai Ltd in the maximum amount of 400 000 EUR at rate of 12% - 15%. Loan is to be repaid by the 1st of September, 2018.
The loan is denominated in EUR, interest payments have to be made till the 1st of September, 2018.
The loan to Capitalia kreditai Ltd is unsecured and Capitalia kreditai Ltd has made no late payments.

Receivables from associated companies

	31.12.2014. EUR	31.12.2013. EUR
Loan CH1 Ltd.	55 490	-
Other liabilities with CH1 Ltd.	2 500	
Short term part:	**57 990**	-
	57 990	**-**

In 2014 the company has issued loan to CH1 Ltd at the rate of 24% annually. Loan is to be repaid by the 15th of July, 2015. Loan to CH1 Ltd is unsecured. CH1 Ltd has made all payments on time.

(15) Other debtors

Lease security deposit	3 053	2 964
Other debtors	1 809	15
Prepaid expenses	350	854
	5 212	**3 833**

(16) Aizdevumi dalībniekiem un vadībai

Aizdevums Jurim Grišinam *	56 403	-
Ilgtermiņa daļa:	**56 403**	-
Aizdevums Jurim Grišinam *	14 727	-
Aizdevums Simonas Tamulionis	12 148	14 727
Citas prasības pret Juri Grišinu	2 000	-
Īstermiņa daļa:	**28 875**	**14 727**
	85 278	**14 727**

* In 2007 the Company has issued loan to Juris Grišins at the interest rate of 5.89% annually. Loan is to be repaid by the 1st of December, 2019.

Notes (continued)

(17) Cash and bank

	31.12.2014. EUR	31.12.2013. EUR
Cash in the bank	**46 482**	**153 758**

Cash in the bank by currency, EUR::

LVL	-	62 454
EUR	46 482	91 263
LTL	-	41
	46 482	**153 758**

(18) Share capital

On the 30th of September, 2013, Rinovus Ltd. and POScredit Ltd. were reorganized and merged with the Company. As the result of the merger, Company's capital was increased by Ls 62 000 (EUR 88 218). The resulting reserve from the merger amounting to Ls 27 884 (EUR 39 676) was included under "Other reserves". The reorganization was registered with LR Enterprise Register on 17th of March, 2014, with the decision Nr. 6-12/32167/2.

Share capital that was registered and fully paid on 17th of March, 2014 is Ls 87 000 (EUR 123 790) and it consists of 87 000 shares, with nominal share value of Ls 1 (EUR 1.423) each.

On the 30th of September, 2014, Capitalia Konsultācijas II Ltd. and Capitalia Investīciju Pārvalde Ltd. were reorganized and merged with the Company. As the result of the merger, Company's capital was increased by EUR 102 700. The remaining reorganization result of EUR 28 998 was included under "Other reserves".

The Parent company of the Company has to cover the reorganization reserves before making any dividend payments.

Share capital denomination to *euro* is registered on 21st November, 2014.

As of 31st of December, 2014, issued and fully paid share capital of the Parent company of the Company is EUR 226 490 and it consists of 1 595 shares with a nominal value of EUR 142 each.

(19) Corporate bonds

In August, 2014 the Parent company of the Company emitted 1 000 bond securities at nominal value of EUR 1 000 and at initial listing price EUR 920 (effective annual yield of 15%). Coupon rate on the bonds is 12% per annum and it's paid quarterly. The securities are due on 25th of October, 2018.

	31.12.2014. EUR	31.12.2013. EUR
Securities nominal value	1 000 000	-
Impact of effective interest rate (discounting)	(84 272)	-
Long term part:	**915 728**	-
Accrued coupon interest payments at the period end	22 333	-
Short term part:	**22 333**	-
	938 061	**-**

Notes (continued)
(20) Other borrowings (continued)

(20) Other borrowings

Non-interest bearing loan within EU funds*	49 311	-
Loans without debtors guarantee, term 2 to 5 years	5 691	106 122
Financial lease, term 2 to 5 years	416	5 303
Long term part:	**55 418**	**111 425**
Non-interest bearing loan within EU funds	50 732	-
Loans with debtors guarantee – short term	-	230 439
Loans without debtors guarantee – short term	199 196	342 326
Financial lease – short term	4 895	4 717
Short term part:	**204 091**	**557 482**
	259 509	**668 907**

The interest rate on received borrowings is from 6% to 15% annually, term – 3 to 24 months.

* In 2014 the Company signed micro-loan portfolio loan management agreement with Latvian Guarantee Agency Ltd. According to the agreement Latvian Guarantee Agency Ltd provides state and EU financing to the small and medium businesses, providing non-interest bearing loan to AS Capitalia for purposes of issuing loan to boost competitiveness of small and medium enterprises in Latvia. Signed agreement has final loan repayment deadline on July 7, 2024.

The Company has purchased assets on financial lease terms. The interest rate, set on December 31, 2014, is 3M Euribor + 3.7%. The remaining value of the assets purchased in financial lease can be found in Note 10.

Other borrowings by currency, EUR:

LVL	-	54 558
EUR	259 509	634 349
	259 509	**688 907**

Other borrowings age analysis:

Debt does not exceed the payment deadline	**259 509**	**688 907**

(20) Other borrowings (continued)

Future minimum payments Present value of payments and interest expenses other borrowings:

Deadline:	**Future minimum payments, gross 31.12.2014 EUR**	**Minimum payments at the present value of net 31.12.2014 EUR**	**Interest expense 31.12.2014 EUR**	**Future minimum payments, gross 31.12.2013 EUR**	**Minimum payments at the present value of net 31.12.2013 EUR**	**Interest expense 31.12.2013 EUR**
less than one year	55 149	55 418	1	674 943	577 482	97 461
2 to 5 years	210 591	204 091	6 500	132 787	111 425	21 362
	265 740	**259 509**	**6 501**	**807 730**	**668 907**	**118 823**

Notes (continued)

(21) Accounts payable to affiliated companies

	31.12.2014. EUR	31.12.2013. EUR
Loan from SIA Capitalia Kredīti	3 266	3 266
	3 266	**3 266**

(22) Trade creditors and accrued liabilities

Debt for goods and services received	-	1 157
Accrued liabilities	6 013	2 685
Other creditors	1 985	2 648
Advance payment for the supply of goods	2 812	1 902
	10 810	**8 392**

(23) Taxes and social insurance

	Liabilities 31.12.2013 EUR	Calculated for 2014 EUR	Paid in 2014 EUR	Liabilities 31.12.2014 EUR
Corporate income tax	**1 831**	14 519	(8 135)	**8 215**
Value added tax	**3 113**	5 077	(7 945)	**245**
Statutory social insurance contribution	**160**	8 551	(7 652)	**1 059**
Personal income tax	**283**	14 865	(11 305)	**3 843**
Corporate risk fee	**-**	17	(17)	**-**
Total	**5 387**	**43 029**	**(35 054)**	**13 362**
Including:				
Liabilities	**5 387**			**13 362**
(Overpayment)	**-**			-

(24) Average number of the Company's employees

	2014	2013
Average number of the Company's employees":	**4**	**2**

(25) Management remuneration

	2014 EUR	2013 EUR
Board members' remuneration		
· salary expenses	7 119	2 673
· social insurance	1 679	645
· business risk charge	4	4
	8 802	**3 322**

Members of the council have not received remuneration for the reporting periods of 2013 and 2014.

Notes (continued)

(26) Related party transactions

	2014 EUR
Transactions with:	
Shareholder Juris Grišins	
Sale of shares	2 000
Loans issued	37 000
Loans repaid	28 500
Loans take over (reorganization)	14 727
Loans transfer (reorganization)	
Transactions with:	60 051
Parent company deals with subsidiary companies	
Loans issued	293 000
Loans repaid	45 219
Calculated interest	35 013
Members of the Council	
Accrued interest	5 980
Bond sale	109 480
Companies and individuals under common control or significant influence	
Received services	2 400
Services provided	19 152
Cession pay	134 488
Liabilities take over (reorganization)	14 727
Loans repaid, deleted (reorganization)	132 000
Loans issued, deleted (reorganization)	30 000
Calculated interest	3 140
Associated companies	
Loans issued	85 000
Loans repaid	31 200
Calculated interest	6 640
Contribution to the share capital	3 750
Other costs	2 500
Other related persons	
Accrued interest	2 134
Bond sale	22 080

Goods from affiliated companies and persons are sold and purchased, as well as the services received and delivered at market prices.

(25) 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 Company as at December 31, 2014.