SIA "ExpressCredit"

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 01.01.2015.-30.06.2015.

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

Translation from Latvian

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Information on the Company

Name of the Company	ExpressCredit 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	NACE2 64.92 Other credit granting
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders (till 16.06.2015.)	Express Holdings SIA (51.00%) Hapsalas Street 1 k-1-17, Riga, Latvia AE Consulting SIA (24.50%) Posma Street 2, Riga, Latvia Ebility SIA (24,50%) Raunas Street 44 k-1, Riga, Latvia
Names and addresses of shareholders (from 16.06.2015.)	Lombards24.lv SIA (67.54962%) Hapsalas Street 1 k-1-17, Riga, Latvia AE Consulting SIA (32.45038%) Posma Street 2, Riga, Latvia
Names and positions of Board members	Agris Evertovskis - Chairman of the Board Kristaps Bergmanis - Member of the Board Didzis Admidins - Member of the Board Edgars Bilinskis – Member of the Board till 16.06.2015.
Names and positions of Council members	Ieva Judinska-Bandeniece – Chairman of the Council Uldis Judinskis - Deputy Chairman of the Council Ramona Tiltina - Member of the Council
Financial period	1 January – 30 June 2015

Information on the Subsidiary

Subsidiary	ExpressInkasso SIA (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	22.10.2010
Number, place and date of registration of the subsidiary Address of the subsidiary	40103211998; Riga, 27 January 2009 Raunas Street 44 k-1; Riga, LV - 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.1 Financial support services except insurance and pension accrual

Information on the Company (continued)

Subsidiary	Banknote SIA (before SIA Rigas pilsetas lombards) (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	19.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 6 December 1991
Address of the subsidiary	Raunas Street 44 k-1; Riga, LV - 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	NACE2 64.92 Other credit granting
Name and address of the auditor	SIA "Potapovica un Andersone" Certified Auditors' Company Licence Nr. 99 Udens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor Kristine Potapovica Certificate Nr. 99

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 2015 and its profit and cash flows for the period from 1 January to 30 June 2015.

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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Agris Evertovskis
Chairman of the Board

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Kristaps Bergmanis
Member of the Board

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Didzis Admidins
Member of the Board

Riga, 27 August 2015

Management report

The Group's operations during the reporting period have been successful. Total revenues for the fiscal period increased by 22% compared to the period from 1 January to 30 June 2014, and totalled 8 932 793 *euro.*

Due to implementation of the chosen business strategy, the following financial ratios were achieved in the first half of 2015:

- In the first half of 2015 the Loan portfolio of the Group unchanged;
- the Group's assets as at 30 June 2015 equal 12.2 million euro;
- net profit of the first half of 2015 amounts to 1 012 233 euro (in the same period in 2014 481 999 euro).

During the reporting period, on 12 February 2015 the Parent company and the Riga City Council has signed a contract on purchase of 569 148 (100%) shares of SIA "Banknote" (till 30.04.2015. SIA "Rigas pilsetas lombards") which were auctioned by the former owner. The purchase price of 880 000 euro was fully paid on 18 February 2015. On 23 February 2015 the transaction was registered in the Companies' Register.

Branches

In the period from 1 January to 30 2015 the Group continued the work on development of the branch network, loan volume increase, and IT system development. As at 30 June 2015 the Group had 97 branches in 38 cities in Latvia (31.12.2014 93 branches in 38 cities).

Risk management

The Group is not exposed to significant foreign exchange rate risk because basic transaction currency is euro. Significant amount of funding of the Group consist of fixed coupon rate bonds, so that the Group is not significantly exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk.

Post balance sheet events

The Parent Company's shareholders have decided on the profit of 2014 1 309 562 *euro* to pay out in dividends, respecting the restrictions applied to debt securities emissions.

Except for the above, there are no other subsequent events since the last date of the reporting period, which would have a significant effect on the financial position of the Company as at 30 June 2015.

Future prospects

In 2015 the Group plans to strengthen its market leadership and improve the branch network. It is planned that the Group's portfolio and profit dynamics will have an upward trend compared to 2014 results.

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Agris Evertovskis
Chairman of the Board

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Kristaps Bergmanis
Member of the Board

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Didzis Admidins
Member of the Board

Riga, 27 August 2015

Profit or loss account for the half year ended 30 June 2015

	01.01.2015.-30.06.2015.	01.01.2014.-30.06.2014.
	EUR	EUR
Net sales	4 064 765	3 422 668
Cost of sales	(3 108 772)	(2 430 006)
Interest income and similar income	4 868 028	3 903 596
Interest expenses and similar expenses	(599 278)	(595 512)
Gross profit	**5 224 743**	**4 300 746**
Selling expenses	(2 803 681)	(2 647 062)
Administrative expenses	(1 070 880)	(911 843)
Other operating income	349 739	19 120
Other operating expenses	(401 774)	(129 143)
Profit before taxes	**1 298 147**	**631 818**
Corporate income tax for the reporting period	(285 914)	(149 819)
Current period's profit	**1 012 233**	**481 999**
Earnings per share	**2.37**	**1.61**

Notes on pages from 11 to 21 are integral part of these financial statements.

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Agris Evertovskis
Chairman of the Board

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Kristaps Bergmanis
Member of the Board

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Didzis Admidins
Member of the Board

Riga, 27 August 2015

Balance sheet as at 30 June 2015

Assets	**Notes**	**30.06.2015.**	**31.12.2014.**
Long term investments		**EUR**	**EUR**
Fixed assets and intangible assets	1	372 872	393 949
Goodwill		310 852	-
Loans and receivables	4	371 251	462 610
Loans to shareholders and management	2	1 093 532	1 295 066
Participating interest in subsidiaries		-	-
Deferred tax asset		117 420	117 420
Total long-term investments:		**2 265 927**	**2 269 045**
Current assets			
Finished goods and goods for sale	3	2 222 409	1 345 338
Loans and receivables	4	5 926 218	5 829 700
Receivables from affiliated companies		490 930	208 873
Other debtors		166 839	80 676
Deferred expenses		30 940	30 089
Cash and bank		1 129 695	1 197 718
Total current assets:		**9 967 031**	**8 692 394**
Total assets		**12 232 958**	**10 961 439**
Liabilities			
Shareholders' funds:			
Share capital		426 861	426 861
Prior years' retained earnings		1 986 823	295 703
Current period's profit		1 012 233	1 401 563
Total shareholders' funds:		**3 425 917**	**2 124 127**
Creditors:			
Long-term creditors:			
Bonds issued	5	5 982 029	6 471 466
Other borrowings	6	572 997	596 676
Total long-term creditors:		**6 555 026**	**7 068 142**
Short-term creditors:			
Bonds issued	5	991 838	992 436
Other borrowings	6	32 098	30 341
Trade creditors and accrued liabilities		833 261	454 441
Taxes and social insurance	7	394 818	291 952
Total short-term creditors:		**2 252 015**	**1 769 170**
Total liabilities and shareholders’ funds		**12 232 958**	**10 961 439**

Notes on pages from 11 to 21 are integral part of these financial statements.

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Agris Evertovskis
Chairman of the Board

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Member of the Board

Riga, 27 August 2015

Statement of changes in equity of the Parent Company's for the period from 1 January to 30 June 2015

	Share capital EUR	Prior years' retained earnings EUR	Current period's profit EUR	Total EUR
As at 31 December 2013	**426 862**	**1 016 585**	**379 117**	**1 822 564**
Dividends paid	-	(1 100 000)	-	(1 100 000)
Profit transfer	-	379 117	(379 117)	-
Denomination of the share capital	(1)	1	-	-
Profit for the year	-	-	1 401 563	1 401 563
As at 31 December 2014	**426 861**	**295 703**	**1 401 563**	**2 124 127**
Dividends paid	-	-	-	-
Profit transfer	-	1 401 563	(1 401 563)	-
Banknote SIA, (subsidiary company from 19.02.2015.)		289 557	-	289 557
Profit for the period	-	-	1 012 233	1 012 233
As at 30 June 2015	**426 861**	**1 986 823**	**1 012 233**	**3 425 917**

Notes on pages from 11 to 21 are integral part of these financial statements.

Cash flow statement for the period from 1 January to 30 June 2015

	30.06.2015. EUR	30.06.2014. EUR
Cash flow from operating activities		
Profit before extraordinary items and taxes	**1 298 147**	**631 818**
Adjustments for:		
a) fixed assets depreciation	121 407	118 883
b) accruals and provisions (except for provisions for bad debts)	100 154	106 335
d) cessation results	(29 560)	-
e) interest income	(4 868 028)	(3 903 596)
f) interest and similar expense	585 183	595 512
g) write-off fixed and intangible assets	(1 347)	28 986
h) other adjustments	290 418	-
Loss before adjustments of working capital and short-term liabilities	**(2 503 626)**	**(2 422 062)**
Adjustments for:		
a) increase in consumer loans issued (core business) and other debtors	83 738	(1 721 731)
b) stock increase	(618 533)	(305 159)
c) trade creditors' decrease	578 156	32 462
Gross cash flow from operating activities	**(2 460 265)**	**(4 416 490)**
Corporate income tax payments	(153 494)	(89 700)
Interest income	4 742 385	3 682 267
Net cash flow from operating activities	**2 128 626**	**(823 923)**
Cash flow from investing activities		
Acquisition of fixed assets and intangibles	(480 995)	(96 540)
Proceeds from sales of fixed assets and intangibles	5 843	28 605
Loans issued (other than core business of the Company) (net)	(531 387)	113 224
Assets held for sale	-	(19 809)
Acquisition of the shares of the subsidiary	(310 852)	
Net cash flow from investing activities	**(1 317 391)**	**25 480**
Cash flow from financing activities		
Loans received and bonds issued (net)	-	853 952
Redemption of bonds	(500 000)	-
Loans repaid	182 900	-
Finance lease payments	(21 923)	(17 035)
Interest paid	(540 235)	(493 303)
Net cash flow from financing activities	**(879 258)**	**343 614**
Net cash flow of the reporting period	**(68 023)**	**(454 829)**
Cash and cash equivalents at the beginning of the reporting year	**1 197 718**	**790 889**
Cash and cash equivalents at the end of reporting period	**1 129 695**	**336 060**

Notes on pages from 11 to 21 are integral part of these financial statements.

Notes

Accounting policies

(a) Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Having regard to the EU's approval procedure, these Notes also list the standards and interpretations that are not yet approved for application by the EU because the said standards and interpretations, if approved, may affect the Company's financial statements in future periods. The valuation of assets and liabilities and net profit data of the company have not been affected in the result of transfer of IFRS.

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

The following new and amended IFRS and interpretations became effective in 2014 (including those which have not yet been adopted by the EU) and are applicable for the preparation of financial statements for the year ended 31 December 2014. None of these standards apply directly due to the nature of the operations of the Group.

• 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);
• 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 IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective 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);
• IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014).

Standards issued but not yet effective:
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).

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).

Notes (continued)
Accounting policies (continued)
(a) Basis of preparation (continued)

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.

(b) Accounting principles applied
The items in the financial statements have been measured based on the following accounting principles:
a) It is assumed that the company will continue as a going concern;
b) The measurement methods applied in the previous reporting year have been used;
c) The measurement of the items has been performed prudently meeting the following criteria:
 - Only profits accruing up to the balance sheet date have been included in the report;
 - All possible contingencies and losses arising in the reporting year or the previous year have been recognised, even if they became known in the period between the balance sheet date and the issuance of the annual report;
 - All impairment and depreciation charges have been calculated and recognised irrespectively of whether the company has operated profitably or not during the reporting year;
d) All income and expenses relating to the accounting year irrespective of the date of the payments made or the dates of receipt or payment of invoices have been recognised. Revenues are matched with expenses in the reporting year.
e) Assets and liabilities are presented at their gross amounts;
f) The opening balances of the reporting period reconcile with the closing balances of the previous reporting period;
g) All items which may materially affect the assessment or decision-making of the users of the financial statements are presented, immaterial items have been aggregated and their breakdown is presented in the Notes;
h) Business transactions are presented based on their economic substance rather than their legal form.

Asset and liability recognition is performed on historical cost basis. All financial assets and liabilities are classified as held to maturity or loans and receivables.

(c) Recognition of revenue and expenses

- *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 recognised using accruals principle. Interest income is not recognised from the moment the recoverability of principal is considered doubtful. Penalty interest is recognised on a cash basis.

- *Other income*

Other income is recognised based on accruals principle.

- *Penalties and similar income*

Of collection exists, is recognised based on cash principle.

- ***Expenses***

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment. Expenses related to financing of loans is recognised in the period of liability origination and included in the profit and loss items „Interest and similar expenses".

(d) Foreign currency translation

(d1) 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.

(d2) Transactions and balances
All transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of the respective period. At the balance sheet date the rates set by the Bank of Latvia were:

	30.06.2015.
	EUR
1 USD	1.1133

Notes (continued)
Accounting policies (continued)

(e) Financial instruments – key measurement terms
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 Group 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.

Amortised cost is the amount at which the financial instrument was recognised 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 amortisation 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 amortised 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 amortised 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 Group 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.

(f) 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 recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(g) 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 amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Buildings	20
Constructions	5
Intangibles	3 - 5
Other fixed assets	3 - 5
Low value inventory (worth over 71 EUR)	3

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 utilisation 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 recognised 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.

(h) Investments in the associated companies
In the financial statements the investments in associated companies are carried at equity method. 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.

At the year-end the amount of the reported item is increased or decreased by reference to the Company's share in the profit or loss of the associated company during the year (in the post-acquisition period), or other changes in equity, as well as by the reduction of the goodwill arising at acquisition to its recoverable amount. Unrealised profit on inter-company transactions is excluded. Profit distribution is presented in the year following the reporting year in which the shareholders adopt a decision on profit distribution.

(i) Impairment of assets
Intangible assets which are not put into operation or which do not have a useful life are not amortised; their value is reviewed annually. The value of the assets subject to depreciation or amortisation is reviewed whenever any events or circumstances support that their carrying value may not be recoverable. Impairment losses are recognised in the amount representing the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use. In order to determine impairment, assets are grouped based on the smallest group of assets that independently generates cash flow (cash generating units).

Notes (continued)
Accounting policies (continued)

(j) 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.

(k) Inventories
Inventories are stated at the lower of cost or market price. Inventories are measured using the weighted FIFO method. The Company assesses at each balance sheet date whether there is objective evidence that inventories are impaired and makes provisions for slow-moving or damaged inventories. Inventories loss is recognised in the period such loss is identified, writing off the relevant inventory values to the period profit and loss account.

(l) Seized assets
Collateral is repossessed following the foreclosure on loans that are in default. Seized assets are measured at the lower of cost or net realisable value and reported within “Inventories”.

(m) Trade and other receivables
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 amortised cost where cost is defined as the fair value of cash consideration given to originate those loans. All loans and receivables are recognised when cash is advanced to borrowers and derecognised 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.

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 (for non-secured consumer loans with the term of repayment up to 2 years) provisions are made based on the payment delay analysis at following rates:

Days of delay	Provision made
0	0.3%
1-15	6%
16-30	18%
31-60	32%
61-90	42%
91-180	47%
181-360	67%
360-720	92%
721+	100%

Provisions for interest income debts is made in accordance with the policies set by the management of the Company. In accordance with the provisioning policy for unsecured short term (up to 30 days) loans, the provisions are calculated based on the incurred loss method. In accordance with this method, the loans outstanding for 4 and more months are evaluated for recoverability using discounted cashflow analysis (applicable to expected cashflows from principal, interest and penalty payments) and ratio of inflowing assets to the gross balance sheet values of the respective loans and interest accrued. The provision is calculated for the principal outstanding over 4 months as the difference between the balance sheet value of principal and interest accrued and expected decrease of the balance sheet value in the result of future cashflows. The provision for interest accrued is made in accordance with the provisioning policies set by the management making sure that cashflows from interest receivable are excluded from cashflows used as the basis for principal recoverability testing.

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.

(n) 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.

Notes (continued)
Accounting policies (continued)

(o) 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.

(p) 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 recognised only to the extent that recovery is probable.

(q) 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.

(r) Borrowings
Initially borrowings are recognised at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost which is determined using the effective interest method. The difference between the proceeds received, net of transaction costs and the redemption value of the borrowing is gradually recognized in the profit and loss account over the term of the borrowing.

(s) 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.

(t) Payment of 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.

(u) Financial risk management

(u1) Financial risk factors
The activities of the Company expose it 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. 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.

(u1.1) 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. No further risk prevention mechanisms are used on the account that the overall currency risk has been assessed as low.

(u1.2) 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 oreder to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

(u1.3) 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.

(u1.4) 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.

Notes (continued)
Accounting policies (continued)
(u) Financial risk management (continued)

(u1.5)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.

(u1.6) 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.

(u2) 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.

(u3) Fair value
The carrying value of financial assets and liabilities approximates their fair value. See also note (e).

(u4) 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, issued bonds and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	30.06.2015 EUR	31.12.2014 EUR
Loans, bonds and lease liabilities	7 578 962	8 090 919
Cash and bank	(1 129 695)	(1 197 718)
Net debts	**6 449 267**	**6 893 201**
Equity	3 425 917	2 124 127
Liabilities / equity ratio	**2.21**	**3.81**
Net liabilities / equity ratio	**1.88**	**3.25**

(v) 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. Actual results may differ from these estimates.

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 review the useful lives of it's fixed assets at the end of each reporting period. The management makes estimates and uses assumptions with respect to the useful lives of fixed assets. These assumptions may change and the calculations may therefore change.
- The Company review the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. Impairment loss is recognised in the amount equalling the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of an asset's fair value less the costs to sell and the value in use. The Company is of the view that considering the anticipated volumes of services no material adjustments due to impairment are required the asset values.
- In measuring inventories the management relies on its expertise, past experience, background information, and potential assumptions and possible future circumstances. In assessing the impairment of the value of inventories consideration is given to the possibility to sell the item of inventories and the net realisable value.
- The Company's management, based on estimates, makes provisions for the impairment of the value of 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.

(w) 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.

Notes (continued)
Accounting policies (continued)

(x) 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.

(y) Contingencies
Contingent liabilities are not recognised 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 recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(z) Earnings per share
Earnings per share are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year.

Notes (continued)

(1) Intangible and fixed assets of the Parent company and the Group

	Concessions, patents, trade marks and similar rights	Land and buildings	Other fixed assets and inventory	Leasehold improvements	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
31.12.2014	17 084	1 423	698 085	103 468	820 060
Banknote SIA (from 19.02.2015.)	193 769	-	211 106	-	404 875
Additions	1 739	-	48 319	14 572	64 630
Advance payment for fixed assets	-	-	11 490	-	11 490
Disposals	-	-	(33 418)	-	(33 418)
30.06.2015	**212 592**	**1 423**	**935 582**	**118 040**	**1 267 637**
Depreciation					
31.12.2014	11 463	1 423	413 225	-	426 111
Banknote SIA (from 19.02.2015.)	184 273	-	187 400	-	371 673
Charge for 2015	3 209	-	96 202	21 996	121 407
Disposals	-	-	(24 426)	-	(24 426)
30.06.2015.	**198 945**	**1 423**	**672 401**	**21 996**	**894 765**
Net book value 31.12.2014	**5 621**	**-**	**284 860**	**103 468**	**393 949**
Net book value 30.06.2015	**13 647**	**-**	**263 181**	**96 044**	**372 872**

As at 30 June 2015 the residual value of the fixed assets acquired under the terms of financial lease was 105 095 *euro* (31.12.2014: 109 782 *euro*). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

(2) The Group's loans to shareholders and management

	Loans to members
	EUR
Cost	
31.12.2014.	1 295 066
Loans issued	904 189
Calculated interest on the loan	28 815
Loans repaid	(1 102 637)
Loan interest received	(31 901)
31.12.2014.	**1 093 532**
Net book value as at 36.06.2015	**1 093 532**
Net book value as at 31.12.2014	**1 295 066**

Interest on borrowing is 3.50% per annum. The loan maturity - 31 December 2017 (including the loan principal amount and accrued interest). The Company's management has assessed the recoverability of the loans and is convinced that a provision is not necessary. All loans are denominated in euro.

(3) Stock of the Parent company and the Group

	30.06.2015.	31.12.2014.
	EUR	EUR
Goods for sale and pledges taken over	2 099 055	1 158 319
Gold scrap	329 544	349 470
Gross value of stock	(206 190)	(162 451)
	2 222 409	**1 345 338**

Notes (continued)

(3a) Provision for obsolete stock

	2015	2014
	EUR	**EUR**
Provisions for obsolete stock at the beginning of the year	162 451	113 604
Written-off	-	(33 852)
Additional provisions	43 739	82 699
Provisions for obsolete stock at the end of the year	**206 190**	**162 451**

(4) Loans and receivables

	30.06.2015.	31.12.2014.
	EUR	**EUR**
Long-term loans and receivables		
Debtors for loans issued against pledge	229 929	321 288
Debtors for loans issued without pledge	141 322	141 322
Long-term loans and receivables, total	**371 251**	**462 610**
Short-term loans and receivables		
Debtors for loans issued against pledge	2 109 413	1 975 203
Debtors for loans issued without pledge	3 964 056	3 924 489
Interest accrued	615 051	606 901
Provisions for bad and doubtful trade debtors	(762 302)	(676 893)
Short-term loans and receivables, total	**5 926 218**	**5 829 700**
Loans and receivables	**6 297 469**	**6 292 310**

Long term receivables for the loans issued don't exceed 5 years.
In 30 June 2015 were concluded contract with SIA "ExpressInkasso" about cession of bad reicavbles amount. The carrying value of the claim amount 543 792 euro, the amount of compensation according to the independent evaluators' assessment 163 138 euro. As at 27 may 2015 the subsidiary company "ExpressInkasso" signed a contract with a third party for the bad receivable amounts cession. The carrying value of the claim in the subsidiary's balance sheet 210 830 euro, the amount of compensation 203 733 euro. Losses from this transaction was recognised in the current year.

The claims in amount of 2 339 342 euro (31.12.2014: 2 296 491 euro) are secured by the value of the collateral. Claims against debtors for loans issued against pledge is secured by pledges, whose fair value is about 1.5 times higher than the carrying value, therefore provisions for overdue loans are not made. All pledges, for which loan payments are delayed, becomes the Group's property and and are realized in the Group's stores.

(5) Bonds issued

	30.06.2015. EUR	31.12.2014. EUR
Bonds issued	6 000 000	6 500 000
Bonds commission	(17 971)	(28 534)
Total long-term part of bonds issued	**5 982 029**	**6 471 466**
Bonds issued	1 000 000	1 000 000
Bonds commission	(22 161)	(24 867)
Interest accrued	13 999	17 303
Total short-term part of bonds issued	**991 838**	**992 436**
Bonds issued, total	**7 000 000**	**7 500 000**
Interest accrued, total	**13 999**	**17 303**
Bonds commission, total	**(40 132)**	**(53 401)**
Bonds issued net	**6 973 867**	**7 463 902**

As at the date of signing of the annual report the Parent company of the Group has registered secured bonds (ISIN LV0000801280) with the Latvia Central Depository on the following terms – number of financial instruments 5 000 with the nominal value of 800 *euro*, with the total nominal value of 4 000 000 *euro*. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount is repaid once in a quarter in the amount of 50 *euro* per bond. The maturity of the bonds – 25 November 2018. On 28 March 2014 the public quotation of the bonds with NASDAQ OMX Riga Baltic Securities list was started.

As at the date of signing of the annual report the Parent company of the Group has registered secured bonds (ISIN LV0000801322) with the Latvia Central Depository on the following terms – number of financial instruments 3 500 with the

Notes (continued)

nominal value of 1000 *euro*, with the total nominal value of 3 500 000 *euro*. Coupon rate - 15%, coupon is paid once a month on the 25th date. The principal amount is to be repaid once in a quarter in the amount of 125 *euro* per bond starting 25 March 2019. The maturity of the bonds – 25 December 2020. On 14 April 2014 the public quotation of the bonds with NASDAQ OMX Riga Baltic Securities list was started.

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.

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

	30.06.2015. EUR	31.12.2014. EUR
Long-term finance lease	72 997	96 676
Other long-term loans	500 000	500 000
Total other long-term loans	**572 997**	**596 676**
Short-term finance lease	32 098	30 341
Other short-term loans	-	-
Interest accrued on other loans	-	-
Total other short-term loans	**32 098**	**30 341**
Total other loans	**605 095**	**627 017**

The Parent company has acquired fixed assets on finance lease. As at 30 June 2015 the interest rate was set as 3 M Euribor + 5.5% and 6M Euribor+3-4.5%. See Note 10 on residual values of fixed assets acquired under the finance lease conditions.

The Parent company has received loans from private individuals . The interest is charged15 % p.a. The loans are received without security granted.

(7) Group's taxes and social insurance

	VAT EUR	Corporate income tax EUR	Real estate tax* EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Total EUR
Liabilities 31.12.2014.	**33 980**	**69 238**	**-**	**100**	**86 961**	**99 560**	**2 112**	**291 951**
Banknote SIA (from 19.02.2015.)	3 081	(2 896)	-	-	1 915	(447)	-	1 653
Charge for 2015	315 379	285 914	269	672	584 246	328 818	6154	1 521 452
Penalties calculated for 2015	15	47	-	-	8	5 064	-	5 134
Paid in 2015	(322 971)	(153 541)	(269)	(673)	(571 704)	(370 540)	(5 674)	(1 425 372)
Liabilities 30.06.2015.	**29 484**	**198 762**	**-**	**99**	**101 426**	**62 455**	**2 592**	**394 818**

* Real estate tax payments are performed also for the leased premises in Riga, Gogoļa Street.

Notes (continued)

(8) Related party transactions

Related party	**Transactions in 1st half of 2015**	**Transactions in 1st half of 2014**
Parent company's owners		
„Lombards24.lv SIA (previously „Express Holdings" SIA), reg. No. 40103718685	N/A	N/A
„AE Consulting" SIA, reg. No. 40003870736	X	X
„Ebility" SIA, reg. No. 40103720891 (till 16.06.2015.)	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 (till 16.06.2015.)	X	X
Subsidiary		
ExpressInkasso"SIA (previously „Lombards24" SIA), reg. No. 40103211998	X	X
Banknote SIA, (previously „Rigas pilsetas lombards" SIA), reg. No. 4000040217	X	N/A
Other related companies		
ABS Holding LIMITED, C41264	N/A	X
„Infrastructure Investments" AS, reg. No. 40103242023	N/A	X
„Naudasklubs" SIA, reg. No. 40103303597	X	X
A.Kredīts" SIA, reg. No. 40103501494	X	X
„ExpressCreditEesti'' OU, reg. No. 12344733	X	X
„Tigo.lv" SIA , reg. No. 40103653497	X	X

All the transactions have been performed at market rates.

	1st half of 2015 EUR	**1st half of 2014 EUR**
Group's transactions with:		
Owners of the parent company (from 30.10.2013)		
Interest received	28 815	-
Loans issued	904 189	-
Loan repayment received	1 102 637	-
Services received	2 310	32 029
Companies and individuals under common control or significant influence		
Loans issued	36 900	193 840
Loan repayment received	31 400	-
Loans received	-	850 000
Loans repaid	-	850 000
Interest received	360	36 103
Interest paid	-	25 962
Other related companies		
Goods sold	160	5 190
Goods received	-	5 573
Fixed assets sold	-	32 000
Services received	39 831	47 688
Services delivered	6 020	13 560
Loans issued	799 220	135 359
Loan repayment received	38 265	495 000
Loans received	-	95 000
Loans repaid	-	2 159 600
Interest received	8 749	5 185
Interest paid	-	20 002

(9) Guarantees issued

As at 31 December 2015 the Parent company has issued guarantees to the owners of the Company and other related companies for the purchase of cars under the terms of financial lease. The total amount guarantees as at 30 June 2015 was 238 000 *euro*.

(10) Subsequent events

The Parent Company's shareholders have decided on the profit of 2014 1 309 562 *euro* to pay out in dividends, respecting the restrictions applied to debt securities emissions.

Except for the above, there are no other subsequent events since the last date of the reporting period, which would have a significant effect on the financial position of the Company as at 30 June 2015.