

SIA "ExpressCredit"
ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2016
AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Translation from Latvian

EXPRESSCREDIT SIA
ANNUAL ACCOUNTS AND CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 47.79 Retail sale of second-hand goods in stores
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders (from 30.10.2013)	Lombards24.lv, SIA (till 05.05.2015. Express Holdings, SIA) (51.00% - till 18.06.2015, 67.55% from 18.06.2015 till 23.12.2015, 65.86% from 23.12.2015 – 29.12.2016, 65.9942% from 29.12.2016), Raunas street 44k-1, Riga, Latvia AE Consulting, SIA (24.50% till 18.06.2015, 32.45% - from 18.06.2015 – 23.12.2015, 31.64% - from 23.12.2015 – 29.12.2016, 31.5058% from 29.12.2016), Posma street 2, Riga, Latvia Private individuals (2.5% - from 23.12.2015)
Ultimate parent company	AS EA investments, reģ. Nr. 40103896106 Raunas street 44k-1, 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
Names and positions of Council members	Ieva Judinska-Bandeniece – Chairperson of the Council Uldis Judinskis - Deputy Chairman of the Council Ramona Miglane - Member of the Council
Responsible person for accounting	Santa Šoldre - Chief accountant
Financial year	1 January - 31 December 2016
Name and address of the auditor	SIA Potapoviča un Andersone Certified Auditors' Company Licence Nr. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor Kristīne Potapoviča Certificate No. 99

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Information on the Subsidiaries

Subsidiary	SIA ExpressInkasso (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	22.10.2010
Number, place and date of registration of the subsidiary	40103211998; Riga, 27 January 2009
Address of the subsidiary	Raunas Street 44 k-1; Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.1 Financial support services except insurance and pension accrual
Subsidiary	SIA MoneyMetro (from 30.04.2015. līdz 29.07.2016. SIA Banknote, till 30.04.2015 – SIA Rīgas pilsētas lombards) (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217, Riga, 06 December 1991
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia (till 30.04.2015 – Kalēju street 18/20, Riga)
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services
Subsidiary	SIA EC Finance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	01.12.2015
Number, place and date of registration of the subsidiary	40103950614, Riga, 01 December 2015
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.20 Activities of holding companies
Subsidiary	SIA EC Investments (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	06.11.2015
Number, place and date of registration of the subsidiary	40103944745, Riga, 06 November 2015
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.20 Activities of holding companies

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Statement of management's responsibility

The management of SIA „ExpressCredit” group is responsible for the preparation of the 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 31 December 2016 and its profit and cash flows for 2016.

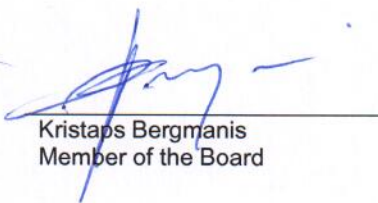
The management of the parent company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence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



Agris Evertovskis
Chairman of the Board



Kristaps Bergmanis
Member of the Board



Didzis Admiņiņš
Member of the Board

Riga, 21 April 2017

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Management report

The Group's operations during the period has been successful. In 2016 the new amendments to legislation came into force, which led to significantly lower interest rates on consumer loans. Consequently, in line with expectations, total revenues in the period fell by 14.8% against 2015 and reached 15 423 987 euro.

The Group's strategy in year 2016 included the increase in loan portfolio and reduction of the cost base.

According to the strategy, substantial investments were made in the Group's "Banknote" product and brand awareness. During the period a new consumer credit brand "MoneyMetro" was developed and implemented in three branches of the Group. Facilitated demand for the Group's lending services resulted in increase of the loan portfolio.

In 2016 Group invested in IT development and carried out business process optimization, which helped to develop lending services and provide cost reduction. In addition, the work on the training of personnel was carried out in order to improve and maintain high quality and efficient customer service.

By implementing strategy and all the measures the following financial results of the Group were achieved:

- during 2016 net loan portfolio increased by 77% to 11.5 million euro;
- the Group's total assets at 31 December 2016 was 16 million euro;
- Consolidated profit of 2016 was 960 717 euro (in 2015 EUR 1,436,086 euro).

Compared with the 2015 second half results of 2016 the consolidated profit for the period was 30% higher and amounted to 0.65 million Euro (2015 second half of the year 0.5 million).

The Group's loan portfolio growth has been funded from the profits, from the cooperation with the mutual lending platform, as well as at the end of 2016 the Group issued closed new bond issue in the amount of 5 million euro.

Branches

During the period from 1 January 2016 to 31 December, continued to work on the branch network efficiency. As at 31 December 2016 the Group had 91 branches in 39 cities in Latvia (31.12.2015. - 96 branches in 40 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

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 31 December 2016.

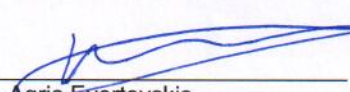
On 19 January 2017, SIA ExpressCredit made a contribution in the 100% share capital of subsidiary in Bulgaria in the amount of EUR 500 000. Subsidiary established in order to obtain authorization for pawnshop and consumer lending. The company has not yet decided on a specific start-up time and volume.

Future prospects

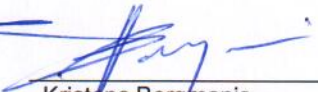
In 2017 the Company plans to strengthen its market leading position by investing in IT development, improving the branch network, investing in brand and product visibility and enhancing customer service quality. It is planned that the Group's loan portfolio will increase, and profit dynamics will be higher than 2016 results.

Distribution of the profit proposed by the Group

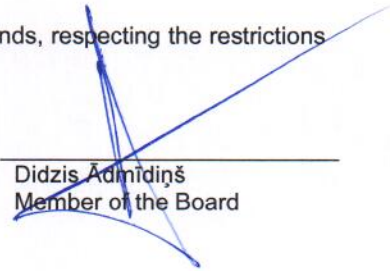
The Parent Company's board recommends the profit of 2016 to pay out in dividends, respecting the restrictions applied to debt securities emissions.



Agris Evertovskis
Chairman of the Board



Kristaps Bergmanis
Member of the Board



Didzis Admiņiņš
Member of the Board

Riga, 21 April 2017

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Corporate governance statement

The corporate governance report of SIA "ExpressCredit" for 2016 has been prepared in accordance with the Riga Stock Exchange Corporate Governance principles issued in 2005 and recommendations as to their implementation.

The corporate governance report has been prepared by the Board and reviewed by the Council of SIA "ExpressCredit".

The corporate governance principles have been tailored to match the needs of SIA "ExpressCredit" as closely as possible, and in 2016 SIA "ExpressCredit" complied with most of the principles. Having regard to the "comply or explain" principle, the report presents the information on the principles which have not been complied with or have been complied with partly by SIA "ExpressCredit" and the circumstances causing non-compliance in 2016.

The report will be submitted to AS NASDAQ OMX Riga (hereinafter – the Stock Exchange) concurrently with the audited financial statements SIA "ExpressCredit" for 2016 for publishing on the website of the Stock Exchange: <http://www.baltic.omxnordicexchange.com/>, and the website of SIA „ExpressCredit” <http://www.expresscredit.lv> in the section "For investors" in Latvian and English.



Agris Evertovskis
Chairman of the Board



Kristaps Bergmanis
Member of the Board



Didzis Admīdiņš
Member of the Board

Riga, 21 April 2017

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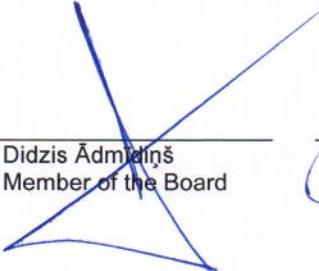
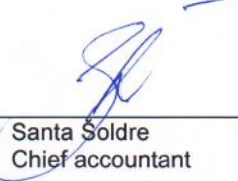
Profit or loss account for the year ended 31 December 2016

		Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Net sales	(1)	4 795 253	4 796 333	7 691 132	8 124 967
Cost of sales	(2)	(3 449 335)	(3 449 335)	(5 629 077)	(6 039 408)
Interest income and similar income	(3)	10 298 728	10 627 654	9 547 347	9 974 805
Interest expenses and similar expenses	(4)	(1 396 899)	(1 396 128)	(1 161 072)	(1 161 962)
Gross profit		10 247 747	10 578 524	10 448 330	10 898 402
Selling expenses	(5)	(5 720 376)	(5 923 936)	(5 163 687)	(5 327 877)
Administrative expenses	(6)	(1 989 331)	(2 005 892)	(2 663 375)	(2 738 289)
Other operating income	(7)	135 651	37 332	49 816	60 588
Other operating expenses	(8)	(1 454 053)	(1 482 195)	(1 118 598)	(1 185 869)
Profit before taxes		1 219 638	1 203 833	1 552 486	1 706 955
Corporate income tax for the reporting year	(9)	(226 027)	(244 763)	(206 856)	(220 676)
Deferred tax	(9)	1 647	1 647	26 185	26 185
Current year's profit		995 258	960 717	1 371 815	1 512 464
Earnings per share		0.67	0.64	3.21	3.54
Diluted earnings per share		0.67	0.64	3.21	3.54

Comprehensive income statement for 2016

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Current year's profit	995 258	960 717	1 371 815	1 512 464
Other comprehensive income	-	-	-	-
Total comprehensive income	995 258	960 717	1 371 815	1 512 464

Notes on pages from 12 to 36 are integral part of these financial statements.

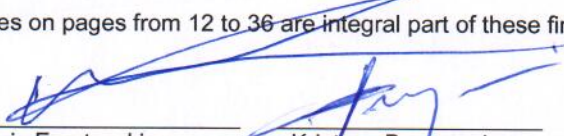
 <hr/> Agris Evertovskis Chairman of the Board	 <hr/> Kristaps Bergmanis Member of the Board	 <hr/> Didzis Admiņš Member of the Board	 <hr/> Santa Soldre Chief accountant
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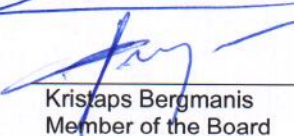
Riga, 21 April 2017

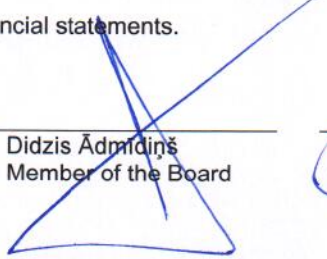
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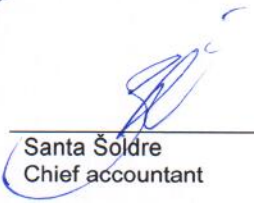
Balance sheet as at 31 December 2016		Parent company	Group	Parent company	Group
	Notes	31.12.2016. EUR	31.12.2016. EUR	31.12.2015. EUR	31.12.2015. EUR
Assets					
Long term investments					
Fixed assets and intangible assets, goodwill	(10)	423 115	581 905	516 180	643 796
Loans and receivables	(15)	964 108	964 108	545 068	545 068
Loans to shareholders and management	(12)	1 216 601	1 216 601	875 267	875 267
Participating interest in subsidiaries	(11)	885 828	-	888 828	-
Other investments		-	20	-	-
Deferred tax asset	(13)	145 252	145 252	143 605	143 605
Total long-term investments:		3 634 904	2 907 886	2 968 948	2 207 736
Current assets					
Goods for sale	(14)	700 715	700 715	1 138 410	1 138 410
Loans and receivables	(15)	9 619 773	10 591 251	6 126 947	6 455 956
Receivables from affiliated companies	(16)	330 821	169 146	435 490	105 855
Other debtors	(17)	248 337	249 958	102 075	297 436
Deferred expenses	(18)	74 666	92 741	33 192	35 163
Assets held for sale	(11)	1 000	1 000	-	-
Cash and bank	(19)	1 127 231	1 279 410	439 271	493 591
Total current assets:		12 102 543	13 084 221	8 275 385	8 526 411
Total assets		15 737 447	15 992 107	11 244 333	10 734 147
Liabilities					
Shareholders' funds:					
Share capital	(20)	1 500 000	1 500 000	426 861	426 861
Prior years' retained earnings		78 216	345 348	279 540	387 704
Current year's profit		995 258	960 717	1 371 815	1 512 464
Total shareholders' funds:		2 573 474	2 806 065	2 078 216	2 327 029
Creditors:					
Long-term creditors:					
Bonds issued	(21)	5 213 760	5 213 760	5 489 648	5 489 648
Other borrowings	(22)	1 292 032	1 292 032	666 741	666 741
Total long-term creditors:		6 505 792	6 505 792	6 156 389	6 156 389
Short-term creditors:					
Bonds issued	(21)	1 017 773	1 017 773	1 016 271	1 016 271
Other borrowings	(22)	4 847 977	4 847 977	384 846	384 846
Accounts payable to affiliated companies	(23)	7 376	181	772 709	18 985
Trade creditors and accrued liabilities	(24)	713 488	735 137	675 450	681 271
Taxes and social insurance	(25)	71 567	79 182	160 452	149 356
Total short-term creditors:		6 658 181	6 680 250	3 009 728	2 250 729
Total liabilities and shareholders' funds		15 737 447	15 992 107	11 244 333	10 734 147

Notes on pages from 12 to 36 are integral part of these financial statements.


Agris Evertovskis
Chairman of the Board


Kristaps Bergmanis
Member of the Board


Didzis Ādmiņš
Member of the Board


Santa Šoldre
Chief accountant

Riga, 21 April 2017

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Statement of changes in equity of the Parent Company's for the year ended 31 December 2016

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2014	426 861	279 540	1 309 562	2 015 963
Dividends paid	-	(1 309 562)	-	(1 309 562)
Profit transfer	-	1 309 562	(1 309 562)	-
Profit for the year	-	-	1 371 815	1 371 815
As at 31 December 2015	426 861	279 540	1 371 815	2 078 216
Dividends paid	-	(700 000)	-	(700 000)
Profit transfer	873 139	498 676	(1 371 815)	-
Enlarged share capital	200 000	-	-	200 000
Profit for the year	-	-	995 258	995 258
As at 31 December 2016	1 500 000	78 216	995 258	2 573 474

Statement of changes in equity of the Group for the year ended 31 December 2016

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2014	426 861	295 703	1 401 563	2 124 127
Dividends paid	-	(1 309 562)	-	(1 309 562)
Profit transfer	-	1 401 563	(1 401 563)	-
Profit for the year	-	-	1 512 464	1 512 464
As at 31 December 2015	426 861	387 704	1 512 464	2 327 029
Dividends paid	-	(700 000)	-	(700 000)
Prior years' retained earnings of subsidiary sold	-	-	18 319	18 319
Profit transfer	873 139	657 644	(1 530 783)	-
Enlarged share capital	200 000	-	-	200 000
Profit for the year	-	-	960 717	960 717
As at 31 December 2016	1 500 000	345 348	960 717	2 806 065

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Cash flow statement for the year ended 31 December 2016

	Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Cash flow from operating activities				
Profit before extraordinary items and taxes	1 219 638	1 203 833	1 552 486	1 706 955
Adjustments for:				
a) fixed assets and intangible assets depreciation	233 036	234 023	237 959	245 730
b) accruals and provisions (except for provisions for bad debts)	570 492	640 283	238 706	238 706
c) write-off of provisions	(82 940)	(82 940)	-	-
d) cessation results	1 347 105	1 371 747	982 449	1 032 538
e) interest income	(10 298 728)	(10 627 654)	(8 853 994)	(9 272 220)
f) interest and similar expense	1 396 899	1 395 958	1 118 598	1 165 893
g) (profit)/ loss on fixed assets disposal	(3 804)	(3 804)	(961)	35 811
h) other adjustments	17 091	33 409	24 867	24 867
Loss before adjustments of working capital and short-term liabilities	(5 601 211)	(5 835 145)	(4 699 890)	(4 821 720)
Adjustments for:				
a) (increase)/ decrease in consumer loans issued (core business) and other debtors	(6 502 259)	(6 544 325)	(1 436 010)	(1 020 785)
b) stock (increase)/decrease	520 635	520 635	(401 626)	(235 253)
c) trade creditors' (decrease)/ increase	936	65 857	144 098	83 607
Gross cash flow from operating activities	(11 581 899)	(11 792 978)	(6 393 428)	(5 994 151)
Corporate income tax payments	(211 168)	(218 776)	(349 888)	(394 407)
Interest income	10 254 557	10 545 467	8 950 345	9 368 570
Interest paid	(1 400 376)	(1 395 958)	(1 101 448)	(1 148 743)
Net cash flow from operating activities	(2 938 886)	(2 862 245)	1 105 581	1 831 269
Cash flow from investing activities				
Acquisition of affiliated, associated or other companies shares or parts	-	-	(886 000)	(849 233)
Earnings from the disposal of shares in subsidiaries	2 000	2 000	-	-
Acquisition of fixed assets and intangibles	(144 438)	(174 365)	(249 510)	(267 655)
Proceeds from sales of fixed assets and intangibles	8 272	8 272	10 631	10 631
Loans issued/repaid (other than core business of the Company) (net)	292 565	343 709	196 470	278 599
Net cash flow from investing activities	158 399	179 616	(928 409)	(827 658)
Cash flow from financing activities				
Proceeds of the capital share investment	200 000	200 000	-	-
Loans received and bonds issued (net)	10 529 796	10 529 796	3 884 400	3 884 400
Redemption/purchase of bonds	(1 250 000)	(1 250 000)	(1 000 000)	(1 000 000)
Loans repaid	(5 252 083)	(5 252 083)	(2 450 019)	(3 222 728)
Finance lease payments	(59 266)	(59 265)	(59 848)	(59 848)
Dividends paid	(700 000)	(700 000)	(1 309 562)	(1 309 562)
Net cash flow from financing activities	3 468 447	3 468 448	(935 029)	(1 707 738)
Net cash flow of the reporting year	687 960	785 819	(757 857)	(704 127)
Cash and cash equivalents at the beginning of the reporting year	439 271	493 591	1 197 128	1 197 718
Cash and cash equivalents at the end of reporting year	1 127 231	1 279 410	439 271	493 591

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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). The financial statements are prepared based on historic cost method. In cases when reclassification not affecting prior year profit and equity is made, the relevant explanations are provided in the notes to the financial statements.

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 come into force in 2016, but do not apply to the Company's operations and have no impact on these financial statements:

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)
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)
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)
Amendments to IAS 27 "Separate financial statements" on the equity method (effective for annual periods beginning on or after 1 January 2016)
Amendments to IAS 1 "Presentation of financial statements" regarding disclosure initiative effective for annual periods beginning on or after 1 January 2016)
Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016)

Annual improvements 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments include changes that affect 4 standards:

- 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"

The following new and amended IFRS and interpretations come into force in 2015, but do not apply to the Company's operations and have no impact on these financial statements:

Amendments to IAS 19 "Employee benefits plans" regarding defined benefit plans (endorsed by EU for annual periods beginning on or after 1 February 2015).

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 February 2015). These amendments include changes that affect 6 standards:

- IFRS 2 "Share-based payment"
- IFRS 3 "Business Combinations"
- IFRS 8 "Operating segments"
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"
- IAS 24 "Related party disclosures"

The following new and amended IFRS and interpretations are published and come into force in financial periods on or after 2017 or not yet endorsed by EU:

IFRS 9 "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard - IAS 39. Main changes of the standard affect that companies will further present their own credit risk impact of changes into other incomes position that is estimated in fair value, calculated in profit or loss.

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Notes (continued)

Accounting policies (continued)

(a) Basis of preparation (continued)

The following new and amended IFRS and interpretations are published and come into force in financial periods on or after 2017 or not yet endorsed by EU (continued):

IFRS 9 "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are (continued):

- IFRS 9 introduces a new model for recognition of value reductions – the expected credit loss (ECL) model. The model has three level approach, based on changes in financial assets credit quality, comparing with initial measurements. New changes in practise will mean initial credit loss recognition equal to 12-month ECL even if financial assets do not contain signals of value loss. If significant growth of credit risk occurs, value loss measurements have to be done by using lifetime ECL. The model includes some operational simplifications for trade receivables, contract assets and lease receivables.
- Credit risk management requirements are improved for credit management systems matching purposes. The standard allows to choose accounting policies between IFRS 9 and IAS 39 because IFRS 9 has not yet regulated for measuring restrictions of macro risks.

IFRS 9 will be effective for annual periods of Parent company and Group after its endorsing by EU. The Board estimates no influence on financial reports of Parent company and Group according to changes in IFRS 9, comparing to current classification of expected credit loss and financial instruments.

Amendment to IFRS 10, Consolidated Financial Statements, and IAS 28 Investments in Associates and Joint Ventures (not yet endorsed in the EU).

IFRS 16 "Leasing" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 12, "Income taxes", recognition of Deferred Tax Assets for Unrealized Losses (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).

Amendments to IAS 7 "Statement of Cash Flows" (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018).

Annual improvements 2016. These amendments include changes that affect 3 standards:

- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU)
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU)
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU)
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU)
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU)

Board of the Parent company and Group decided not to initiate new standards and interpretations before endorsing them in 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.

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Notes (continued)
Accounting policies (continued)

(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 irrespectively 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) Consolidation principles

The consolidated financial statements have been prepared under the cost method. The companies included in the consolidation are the Group's parent company and the subsidiaries in which the Group's parent company holds, directly or indirectly, more than a half of the voting rights, or the right to control their financial and operating policies is acquired otherwise. Where the Group owns more than a half of the share capital of another company without controlling the company, the respective company is not consolidated. The subsidiaries of the Group are consolidated from the moment the Group has taken over control, and the consolidation is terminated when the control cease to exist. Where the date of the share purchase agreement or the date of the decision of shareholders on making further investments is fundamentally different from the date of on which share ownership changes or the registration date as recorded in the Register) of Enterprises, the date of agreement shall be considered the date of the share purchase or the date of the investment, unless the agreement provides otherwise. The Group's all inter-company transactions and balances and unrealised profit on transactions between group companies are eliminated; unrealised losses are eliminated as well, except for the cases when the expenses are not recoverable. Where necessary, the accounting and measurement methods applied by the Group's subsidiaries have been changed to bring them in compliance with the Group's accounting and measurement methods.

In these statements the minority interest in the share capital of the Group's consolidated subsidiaries and their income statement have been presented separately.

(d) 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 and similar 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, irrespectively 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”.

(e) Foreign currency translation

(e1) 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.

(e2) 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:

	31.12.2016	31.12.2015
	EUR	EUR
1 USD	1.05410	1.08870

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Notes (continued)
Accounting policies (continued)

(f) 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.

(g) 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.

(h) Intangible assets (including goodwill) 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.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net fair value of share of equity acquired. The recognised goodwill is reassessed at least on an annual basis to make sure no permanent diminution in value has occurred. In case such diminution in value is identified, the diminution in value is recognised in the income statement of the respective year.

(i) 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.

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Notes (continued)

Accounting policies (continued)

(j) 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).

(k) 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.

(l) 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.

(m) 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".

(n) 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.

From October 2015 SIA "ExpressCredit" has started issuance of pledged loans (except pledges in the form of golden and silver articles) with new lending conditions, that assume 10% commission in case of loan default and subsequent sale of the pledge, i.e., the revenues received by SIA "ExpressCredit" from the sale of the pledge, decreased by the VAT portion. The pledges are made available for sale after 30 days of default, however, they continue to hold the status of the pledge and the loan recipient has the rights to buy out the pledge before the sale. In the financial statements these pledges are classified as loans issued. In case a surplus originates upon a sale of the pledge and the related costs (loan issued, interest and penalties accrued, intermediary and holding commissions), the surplus is recognised as the liability of the company to the loan recipient. The liability expires, if the loan recipient does not claim the amount due within the 10 year term as defined in Article 1895 of the Civil Code. If the loan recipient has not claimed the surplus within the legally defined time limits, SIA "ExpressCredit" recognises the income. Such income is outside VAT legislation and is not VAT taxable.

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.

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Notes (continued)

Accounting policies (continued)

(n) Trade and other receivables (continued)

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 the Company calculates the provision required based on prior experience of loan volumes that turn out to be doubtful and the statistics of recoverability of such debts. The provision for interest accrued is made in accordance with the provisioning policies set by the management making sure that cash flows from interest receivable are excluded from cash flows 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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 last 6 months by the number of accrued but unused annual leave days the end of the reporting year. The company separates the vacation provisions paid out till the date of annual report preparation and treats them as CIT deductible in the reporting period.

(s) 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.

(t) 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.

(u) 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.

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Notes (continued)

Accounting policies (continued)

(v) Financial risk management

(v1) 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.

(v1.1) 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.

(v1.2) 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.

(v1.3) 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.

(v1.4) 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.

(v1.5) 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.

(v1.6) 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.

(v2) 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.

(v3) Fair value

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

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Notes (continued)

Accounting policies (continued)

(v) **Financial risk management** (continued)

(v4) Management of the capital structure

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

	Parent company 31.12.2016 EUR	Group 31.12.2016 EUR	Parent company 31.12.2015 EUR	Group 31.12.2015 EUR
Loan and lease liabilities	12 371 542	12 371 542	7 557 506	7 557 506
Cash and bank	(1 127 231)	(1 279 410)	(439 271)	(493 591)
Net debts	11 244 311	11 092 132	7 118 235	7 063 915
Equity	2 573 473	2 806 064	2 078 216	2 327 029
Liabilities / equity ratio	4.81	4.41	3.64	3.25
Net liabilities / equity ratio	4.37	3.95	3.43	3.04

(w) 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 its 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.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

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Notes (continued)

(1) Net sales

Net revenue by type of revenue

	Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Income from sales of goods	2 162 766	2 163 846	5 472 927	5 503 519
Income from sales of gold scrap	1 958 284	1 958 284	1 947 151	2 350 149
Income from sales of vehicles	19 523	19 523	64 014	64 014
Other income, loan and mortgage realization and storage commissions	654 680	654 680	207 040	207 285
	4 795 253	4 796 333	7 691 132	8 124 967

Net revenue by geographical markets and type of operation

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Sales of product in Latvia	2 182 289	2 183 369	5 536 941	5 567 533
Sales of product to EU	-	-	-	-
Sales of gold scrap in Latvia	1 958 284	1 958 284	1 947 151	2 350 149
Sales of services in Latvia	654 680	654 680	207 040	207 285
Sales of services in EU	-	-	-	-
	4 795 253	4 796 333	7 691 132	8 124 967

(2) Cost of sales

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Cost of pledges taken over	3 436 835	3 436 835	5 610 314	6 020 600
Goods and accessories purchased	12 500	12 500	18 763	18 808
	3 449 335	3 449 335	5 629 077	6 039 408

*In 2015 there has been made reclassification of net book values of debtors debts sold of Group in amount of 1 543 EUR, excluding from costs of sales and including in selling expenses of the Group.

(3) Interest income and similar income

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Interest income on loans issued against pledge	3 092 740	3 092 740	3 460 979	3 648 291
Interest income on pledges realization*	834 440	834 440	30 376	30 376
Interest income on loans to the vehicle pledges	70 799	70 799	177 465	177 465
Interest income on mortgage loans	23 327	23 327	37 536	37 536
Interest income on unsecured loans	6 233 252	6 527 638	5 937 341	6 177 487
Accrued interest income	44 170	78 710	(96 350)	(96 350)
	10 298 728	10 627 654	9 547 347	9 974 805

* Interest income on mortgage realization separated from interest income on loans issued against pledge.

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(4) Interest expenses and similar expenses

	Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Bonds' coupon expense	904 891	904 891	1 057 803	1 057 803
Interest expense on lease	6 726	6 726	5 051	5 051
Interest expense on other borrowings	485 112	484 341	97 694	98 493
Net loss on foreign exchange	170	170	524	615
	1 396 899	1 396 128	1 161 072	161 962

(5) Selling expenses

	Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Salary expenses	2 157 638	2 217 421	2 028 651	2 132 013
Social insurance	505 974	520 077	476 522	497 899
Provisions for unused annual leave and bonuses	12 606	17 908	35 154	35 154
Rental expense	818 199	831 348	807 882	862 600
Utilities expense	210 879	212 793	212 177	217 766
Non-deductible VAT	207 357	220 005	226 589	256 598
Communication expenses	63 887	65 224	57 867	60 903
Maintenance expenses	51 068	53 871	59 297	82 941
Depreciation of fixed assets	193 937	195 264	237 959	245 494
Security expenses	24 222	24 312	26 674	27 076
Goods and fixed assets write-off	209 785	209 785	227 132	250 987
Advertising	397 702	406 395	390 989	408 858
Business trip expenses	6 488	6 488	7 527	8 778
Provisions for doubtful debtors and illiquid stocks	634 848	704 639	117 300	(55 903)
Transportation expenses	79 446	79 446	81 636	81 636
Renovation expenses	60 597	60 784	41 736	41 736
Other expenses	85 743	98 176	128 595	173 341
	5 720 376	5 923 936	5 163 687	5 327 877

* In 2015 there has been made reclassification of net book values of debtors debts sold of Group in amount of 1543 EUR, excluding from costs of sales and including in selling expenses of the Group.

(6) Administrative expenses

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Salary expenses	1 279 135	1 279 135	1 854 083	1 868 545
Social insurance	300 183	300 183	338 100	343 628
Provisions for unused annual leave and bonuses	(56 831)	(56 831)	48 783	48 783
Office rent	49 536	49 536	55 544	55 554
Office expenses	33 480	33 480	39 552	44 476
Bank commission	103 913	106 288	29 062	30 988
Audit expense	13 500	15 759	12 500	12 500
Communication expenses	20 214	20 214	17 509	17 573
State fees and duties, licence expense	24 455	26 878	34 354	64 666
Legal advice	37 588	39 834	29 542	32 428
Information database subscriptions, maintenance	128 398	132 644	156 968	162 129
Membership fees in professional organizations	41 296	41 496	26 084	26 084
Other administrative expenses	14 464	17 276	21 294	30 935
	1 989 331	2 005 892	2 663 375	2 738 289

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(7) Other operating income

	Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Income from the cession	-	-	4 320	4 320
Income from the dividends	92 315	-	-	-
Other income	43 336	37 332	45 496	56 268
	135 651	37 332	49 816	60 588

(8) Other operating expenses

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Fines	2 688	2 688	1 608	1 754
Other expenses	19 337	19 337	56 848	57 215
Goods written-off above trade loss norm	38 423	38 423	59 362	59 362
Donations	46 500	50 000	32 000	35 000
Losses from cession	1 347 105	1 371 747	968 780	1 032 538
	1 454 053	1 482 195	1 118 598	1 185 869

(9) Corporate income tax for the reporting year

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Deferred corporate income tax charge (see Note 13)	(1 647)	(1 647)	(26 185)	(26 185)
Corporate income tax charge for the current year	226 027	244 763	206 856	220 676
	224 380	243 116	180 671	194 491

Corporate income tax differs from the theoretically calculated tax amount:

Profit before taxation	1 219 638	1 203 833	1 552 486	1 706 955
Theoretically calculated tax at a tax rate of 15 %	182 946	180 575	232 873	256 043
Expenses not deductible for tax purposes	80 959	105 041	(25 002)	(31 802)
Donations	(39 525)	(42 500)	(27 200)	(29 750)
	224 380	243 116	180 671	194 491

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(10) Intangible and fixed assets of the Parent company

	Concessions, patents, trademarks and similar rights EUR	Other intangible assets EUR	Other fixed assets and inventory EUR	Advances EUR	Leasehold improvements EUR	Total EUR
Cost						
31.12.2015	33 902	-	905 693	46 858	325 971	1 312 424
Additions	6 637	10 000	55 088	59 109	13 604	144 438
Disposals	-	-	(61 260)	-	-	(61 260)
31.12.2016	40 539	10 000	899 521	105 967	339 575	1 395 602
Depreciation						
31.12.2015	14 188	-	549 506	-	232 550	796 244
Charge for 2016	9 200	556	184 180	-	39 099	233 035
Disposals	-	-	(56 792)	-	-	(56 792)
31.12.2016	23 388	556	676 894	-	271 649	972 487
Net book value						
31.12.2016	17 151	9 444	222 627	105 967	67 926	423 115
Net book value						
31.12.2015	19 714	-	356 187	46 858	93 421	516 180

As at 31 December 2016 the residual value of the fixed assets acquired under the terms of financial lease was 164 557 euro (31.12.2015: 179 293 euro). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

Intangible and fixed assets of the Group

	Concessions, patents, trademarks and similar rights EUR	Other intangible assets EUR	Other fixed assets and inventory EUR	Advances EUR	Goodwill EUR	Leasehold improvements EUR	Total EUR
Cost							
31.12.2015.	33 902	-	905 693	46 858	127 616	325 971	1 440 040
Additions	6 637	25 034	67 056	59 109	-	18 764	176 600
Disposals	-	-	(61 260)	-	-	-	(61 260)
31.12.2016.	40 539	25 034	911 489	105 967	127 616	344 735	1 555 380
Depreciation							
31.12.2015	14 188	-	549 506	-	-	232 550	796 244
Charge for 2016	9 200	850	184 701	-	-	39 272	234 023
Disposals	-	-	(56 792)	-	-	-	(56 792)
31.12.2016.	23 388	850	677 415	-	-	271 822	973 475
Net book value							
31.12.2016	17 151	24 184	234 074	105 967	127 616	72 913	581 905
Net book value							
31.12.2015	19 714	-	356 187	46 858	127 616	93 421	643 796

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(11) Parent Company's investments in subsidiaries

The Parent company is the sole shareholder of the subsidiary SIA "ExpressInkasso" (100%), of the subsidiary SIA "MoneyMetro" (100%), of the subsidiary SIA "EC Finance" (100%) and of the subsidiary SIA "EC Investments" (100%). On 1 February 2016 was signed an agreement for selling 100% shares of the subsidiary SIA "EC Investments". 1 000 shares with a nominal value 1 EUR per each, which are not yet paid (payment term is agreed as 31.12.2017.), are recognized in the Balance sheet item "Assets held for sale" (see point C of the current note).

a) participating interest in subsidiaries

Name	Acquisition price of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2016.	31.12.2015.	31.12.2016.	31.12.2015.
	EUR	EUR	%	%
SIA ExpressInkasso	2 828	2 828	100	100
SIA MoneyMetro from 23.02.2015	880 000	880 000	100	100
SIA EC Finance from 01.12.2015.	3 000	3 000	100	100
SIA EC Investments from 06.11.2015.	-	3 000	100	100
	885 828	888 828		

b) information on subsidiaries

Name	Address	Shareholders' funds		Profit/ (loss) for the period	
		31.12.2016. EUR	31.12.2015. EUR	2015 EUR	2015 EUR
SIA ExpressInkasso	Raunas street 44k-1, LV-1039 Riga, Latvia	233 209	203 306	122 218	92 315

Basic operations of SIA ExpressInkasso are debt collection services.

SIA MoneyMetro (from 30.04.2015. till 29.07.2016. SIA Banknote, till 30.04.2015– SIA Rīgas pilsētas lombards)

754 712	819 039	(64 327)	(39 847)
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Basic operation of SIA MoneyMetro is providing consumer lending services.

SIA EC Finance from 01.12.2015. Raunas street 44k-1,
LV-1039 Riga, Latvia

2 883	3 000	(117)	-
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Basic operations of SIA EC Finance are activities of holding companies.

SIA EC Investments from 06.11.2015 Raunas street 44k-1,
LV-1039 Riga, Latvia

N/A	(15 319)	N/A	(18 319)
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Basic operations of SIA EC Investments are activities of holding companies.

c) assets held for sale

On 01.02.2016. the agreement was signed for selling 3 000 (three thousand) shares (100%) with nominal value 1 EUR per each of SIA EC Investments. The price for purchase is agreed in amount of 3 000 EUR. On 30.12.2016. the part of payment in amount of 2 000 EUR is received. The remaining part of payment in amount of 1 000 EUR is agreed to be paid until 31.12.2017. Changes in the Company's composition of participants will be made no later than 31.12.2017.

	EUR
Participating interest in SIA EC Investments shares as at 31.12.2015.	3 000
Paid part of SIA EC Investments shares	(2 000)
Assets held for sale 31.12.2016.	1 000

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

	Loans to members EUR
Cost	
31.12.2015.	875 267
Loans issued	1 007 840
Loans repaid	(666 506)
31.12.2016.	<u>1 216 601</u>
Net book value as at 31.12.2016	<u>1 216 601</u>
Net book value as at 31.12.2015	<u>875 267</u>

Interest on borrowing is 0% – 2.67% per annum. The loan maturity - 31 December 2018 (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. Loans are not secured. Loans are denominated in euro.

(13) Deferred tax asset of the Parent company and the Group

	2016 EUR	2015 EUR
Deferred tax asset at the beginning of the reporting year	143 605	117 420
Increase of deferred tax asset during the reporting year (see Note 9)	1 647	26 185
Deferred tax asset at the end of the reporting year	<u>145 252</u>	<u>143 605</u>

Deferred tax has been calculated from the following temporary differences between assets and liabilities values for financial and tax purposes:

	31.12.2016. EUR	31.12.2015. EUR
Temporary difference on fixed assets depreciation	3 504	10 946
Temporary difference on provisions for unused annual leave and bonuses	-	(42 195)
Temporary difference on provisions for slow moving and obsolete stock	(148 756)	(112 356)
Deferred tax asset	<u>(145 252)</u>	<u>(143 605)</u>

(14) Goods for sale of the Parent company and the Group

	31.12.2016. EUR	31.12.2015. EUR
Goods for sale and pledges taken over	742 486	1 155 443
Gold scrap	189 478	297 156
Provision for obsolete stock and inventory impairment	(231 249)	(314 189)
	<u>700 715</u>	<u>1 138 410</u>

a) Age analysis of stock

	31.12.2016. EUR	31.12.2015. EUR
Outstanding for 0-180 days	355 372	535 910
Outstanding for 181-360 days	208 003	441 564
Outstanding for more than 360 days	368 589	475 125
Total stock	<u>931 964</u>	<u>1 452 599</u>

b) Provision for obsolete stock

	2016 EUR	2015 EUR
Provisions for obsolete stock at the beginning of the year	314 189	162 451
Written-off	(337 146)	(635 893)
Additional provisions	254 206	787 631
Provisions for obsolete stock at the end of the year	<u>231 249</u>	<u>314 189</u>

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(15) Loans and receivables

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Long-term loans and receivables				
Debtors for loans issued against pledge	55 955	55 955	156 022	156 022
Debtors for loans issued without pledge	908 153	908 153	389 046	389 046
Long-term loans and receivables, total	964 108	964 108	545 068	545 068
Short-term loans and receivables				
Debtors for loans issued against pledge	1 808 673	1 808 673	2 535 083	2 535 083
Debtors for loans issued against pledge, for realization	673 763	673 763	-	-
Debtors for loans issued without pledge	7 863 648	8 870 377	3 791 853	4 120 862
Interest accrued	554 721	589 261	510 551	510 551
Provisions for bad and doubtful trade debtors	(1 281 032)	(1 350 823)	(710 540)	(710 540)
Short-term loans and receivables, total	9 619 773	10 591 251	6 126 947	6 455 956
Loans and receivables	10 583 881	11 555 359	6 672 015	7 001 024

All loans are issued in euro.

Long term receivables for the loans issued don't exceed 5 years.

In 30 June 2016 and 1 December 2016 were concluded contracts with SIA "ExpressInkasso" about cession of bad receivable amounts. The carrying value of the claim amount - accordingly EUR 1 202 890 and EUR 673 446, the amount of compensation according to the independent evaluators' assessment - accordingly EUR 360 868 and EUR 168 363. Loss from impairment of the issued loans within the Group were recognised in the current year. As at 30 June 2016 and 17 October 2016 the subsidiary company SIA "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 - accordingly EUR 235 827 and EUR 205 384, the amount of compensation - accordingly EUR 231 698 and EUR 204 411. Losses from these transactions were recognised in the current year.

The claims in amount of EUR 2 538 391 (31.12.2015: EUR 2 233 622) 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 EUR 4 235 140, which is 1.67 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 are realized in the Group's stores.

a) Age analysis of claims against debtors for loans issued:

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Receivables not yet due	7 858 894	8 491 645	5 306 083	5 307 491
Outstanding 1-30 days	1 520 508	1 577 284	440 750	440 750
Outstanding 31-90 days	1 077 219	1 103 429	480 773	480 773
Outstanding 91-180 days	869 553	871 591	566 021	566 021
Outstanding for 181-360 days	224 905	415 356	509 602	704 883
Outstanding for more than 360 days	313 834	446 877	79 326	211 646
Total claims against debtors for loans issued	11 864 913	12 906 182	7 382 555	7 711 564

b) Provisions for bad and doubtful trade and other receivables

	Parent company 2016 EUR	Group 2016 EUR	Parent company 2015 EUR	Group 2015 EUR
Provisions for bad and doubtful receivables at the beginning of the year	710 540	710 540	676 893	676 893
Written-off	(36 001)	(36 001)	(4 945)	(4 945)
Additional provisions	606 493	676 284	38 592	38 592
Provisions for bad and doubtful receivables at the end of the year	1 281 032	1 350 823	710 540	710 540

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(16) Receivables from affiliated companies

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Debts for goods and fixed assets sold, prepayment	20 949	107	1 408	1 408
ExpressCreditEesti OU liability for loan issued and loan interest	-	-	5 031	5 031
SIA Banknote (prev. A.Kredits) liability for loan issued, loan interest and services delivered	150 613	150 613	99 379	99 379
SIA ExpressInkasso debt for the assigned rights of claim	-	-	289 113	-
Liabilities of the Parent company's board for the loan issued and loan interest	18 426	18 426	37	37
SIA EC Investments liability for loan issued and loan interest	-	-	40 522	-
SIA MoneyMetro liability for loan issued, loan interest and debt for the assigned rights of claim	48 518	-	-	-
Subsidiaries debts for dividends	92 315	-	-	-
	330 821	169 146	435 490	105 855

The interest rate on loans to related parties – 2.67-4.23 %. All loans and other claims denominated in euro.

Age analysis of receivables from affiliated companies

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Receivables not yet due	309 552	168 736	386 309	43 340
Outstanding for 1-180 days	21 269	410	49 181	62 515
Outstanding for 181-360 days	-	-	-	-
Outstanding for more than 360 days	-	-	-	-
Total receivables from affiliated companies	330 821	169 146	435 490	105 855

(17) Other debtors

	31.12.2016. EUR	31.12.2016. EUR	31.12.2015. EUR	31.12.2015. EUR
Loans to employees and other third parties	3 916	3 916	16 513	16 513
Guarantee deposit	63 576	65 197	64 074	86 305
Other debtors	182 929	182 929	23 572	196 702
Provisions for bad and doubtful other debtors	(2 084)	(2 084)	(2 084)	(2 084)
	248 337	249 958	102 075	297 436

a) Provisions for bad and doubtful other debtors

	2016 EUR	2015 EUR
Provisions for bad and doubtful other debtors at the beginning of the year		
Written-off		2 084
Additional provisions	(1 408)	(149)
Provisions for bad and doubtful other debtors at the end of the year	2 084	2 084

b) Parent company other debtors by currency, translated into EUR:

	31.12.2016. EUR	31.12.2016. %	31.12.2015. EUR	31.12.2015. %
EUR	228 497	91.17	103 351	99.22
Provisions EUR	(2 084)	-	(2 084)	-
CZK	1 104	0.45	-	-
USD	12 270	4.94	808	0.78
PLN	8 550	3.44	-	-
Total other debtors	248 337	100%	102 075	100%

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(17) **Other debtors (continued)**

Group other debtors by currency, translated into EUR:

	31.12.2016. EUR	31.12.2016. %	31.12.2015. EUR	31.12.2015. %
EUR	230 118	91.23	296 753	99.08
Provisions EUR	(2 084)	-	(2 084)	-
CZK	1 104	0.44	-	-
USD	12 270	4.91	2 767	0.92
PLN	8 550	3.42	-	-
Total other debtors	249 958	100%	297 436	100%

c) **Age analysis of other debtors**

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Repayable upon request	129 672	131 293	64 074	86 305
Receivables not yet due	87 926	87 926	35 910	204 858
Outstanding for 1-30 days	873	873	-	-
Outstanding for 31-90 days	435	435	-	-
Outstanding for 91-180 days	29 151	29 151	-	4 182
Outstanding for 181-360 days	-	-	515	515
Outstanding for more than 360 days	2 364	2 364	3 660	3 660
Provisions	(2 084)	(2 084)	(2 084)	(2 084)
Total other debtors	248 337	249 958	102 075	297 436

(18) **Deferred expenses**

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Insurance	4 521	4 521	6 942	6 942
License for lending services and debt recovery services	14 350	28 575	15 051	16 192
Prepayment for rent and other costs	55 795	59 645	11 199	12 029
Total deferred expenses	74 666	92 741	33 192	35 163

(19) **Cash and bank**

	31.12.2016. EUR	31.12.2016. EUR	31.12.2015. EUR	31.12.2015. EUR
Cash at bank	897 966	999 688	255 599	289 924
Cash in hand	229 265	279 722	183 672	203 667
	1 127 231	1 279 410	439 271	493 591

All the Parent company's and the Group's cash is in euro.

(20) **Share capital**

The Parent Company's share capital has been increased on 29 December 2016, and as at 31.12.2016, it consists of 1 500 000 ordinary shares, each of them with a nominal value of EUR 1 (31.12.2015.: 426 861 shares with a nominal value of EUR 1).

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(21) Bonds issued

	Parent company 31.12.2016.	Group 31.12.2016.	Parent company 31.12.2015.	Group 31.12.2015.
	EUR	EUR	EUR	EUR
Bonds issued	5 224 000	5 224 000	5 500 000	5 500 000
Bonds commission	(10 240)	(10 240)	(10 352)	(10 352)
Total long-term part of bonds issued	5 213 760	5 213 760	5 489 648	5 489 648
Bonds issued	1 000 000	1 000 000	1 000 000	1 000 000
Bonds commission	(13 203)	(13 203)	(18 182)	(18 182)
Interest accrued	30 976	30 976	34 453	34 453
Total short-term part of bonds issued	1 017 773	1 017 773	1 016 271	1 016 271
Bonds issued, total	6 224 000	6 224 000	6 500 000	6 500 000
Interest accrued, total	30 976	30 976	34 453	34 453
Bonds commission, total	(23 443)	(23 443)	(28 534)	(28 534)
Bonds issued net	6 231 533	6 231 533	6 505 919	6 505 919

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 400 *euro*, with the total nominal value of 2 000 000 *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 bonds (ISIN LV0000801322) with the Latvia Central Depository on the following terms – number of financial instruments 3 500 with the 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.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000802213) with the Latvia Central Depository on the following terms –number of securities issued: 5 000, number of securities situated on 31.12.2016.: 974, Nominal value 1 000 *euro* per each with the total nominal value of 974 000 *euro*, as at the date of signing of the annual report: 1 574 with a Nominal value 1 000 *euro* per each, and the total nominal value of 1 574 000 *euro*. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid on 25.10.2021. Issued bonds are not in public trade. Bonds are issued starting from 19.10.2016.

The bonds (ISIN LV0000801280) 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 pledge agreements have been concluded with the following persons/entities:

- Lombards24.lv, SIA, reg.Nr. 40103718685, pledge on SIA "ExpressCredit" shares, pledged number of shares - 989 913;
- AE Consulting, SIA, reg. Nr. 40003870736, pledge on SIA "ExpressCredit" shares, pledged number of shares - 472 587
- Kristaps Bergmanis, pledge on SIA "ExpressCredit" shares, pledged number of shares-: 15 000.00;
- Didzis Ādmīdiņš, pledge on SIA "ExpressCredit" shares, pledged number of shares -22 500.

Each pledge guarantees the claim in the total claim amount:

- with the Parent company on 100% shares of SIA "EkspressInkasso";
- with a subsidiary SIA "EkspressInkasso" 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.

	Gross future minimum payments 31.12.2016 EUR	NPV of future minimum payments 31.12.2016 EUR	Interest expenses* 31.12.2016 EUR	Gross future minimum payments 31.12.2015 EUR	NPV of future minimum payments 31.12.2015 EUR	Interest expenses 31.12.2015 EUR
Term:						
up to one year	1 839 693	1 000 000	839 693	1 915 833	1 000 000	915 833
2 – 5 years	6 858 484	5 224 000	1 634 484	7 760 781	5 500 000	2 260 781
	8 698 177	6 224 000	2 474 177	9 676 614	6 500 000	3 176 614

*Interest expenses are calculated by base sum of bonds issued at a nominal value on 31.12.2016. As at the date of signing of the annual report the bonds are issued in a total nominal value of 6 624 000 EUR (1 000 000 EUR of them are repayable in a term up to one year) with future interest expenses in amount of 2 890 282 EUR (917 860 EUR of them are repayable in a term up to one year).

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Notes (continued)

(22) Other borrowings

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Long-term finance lease	113 074	113 074	166 741	166 741
Other long-term loans	1 178 958	1 178 958	500 000	500 000
Total other long-term loans	1 292 032	1 292 032	666 741	666 741
Short-term finance lease	51 483	51 483	54 846	54 846
Other short-term loans	4 796 494	4 796 494	330 000	330 000
Total other short-term loans	4 847 977	4 847 977	384 846	384 846
Total other loans	6 140 009	6 140 009	1 051 587	1 051 587

The Parent company has acquired fixed assets on finance lease. As at 31 December 2016 the interest rate was set as 3 M Euribor + 5.5% and 6M Euribor + 3-3.5%.

The Parent company has received loans from private individuals and legal entities. The interest is charged from 11% to 15 % p.a. The loans are received without security granted.

Total future minimum lease payments – present value and interest expense for Parent company other borrowings and borrowings from affiliated companies:

	Gross future minimum payments 31.12.2016 EUR	NPV of future minimum payments 31.12.2016 EUR	Interest expenses 31.12.2016 EUR	Gross future minimum payments 31.12.2015 EUR	NPV of future minimum payments 31.12.2015 EUR	Interest expenses 31.12.2015 EUR
Term:						
up to one year	5 490 134	4 847 977	642 157	490 549	384 846	105 703
2 – 5 years	1 487 705	1 292 032	195 673	699 255	666 741	32 514
	6 977 839	6 140 009	837 830	1 189 804	1 051 587	138 217

Total future minimum lease payments – present value and interest expense for Group other borrowings and borrowings from affiliated companies:

	Gross future minimum payments 31.12.2016 EUR	NPV of future minimum payments 31.12.2016 EUR	Interest expenses 31.12.2016 EUR	Gross future minimum payments 31.12.2015 EUR	NPV of future minimum payments 31.12.2015 EUR	Interest expenses 31.12.2015 EUR
Term:						
up to one year	5 490 134	4 847 977	642 157	490 549	384 846	105 703
2 – 5 years	1 487 705	1 292 032	195 673	699 255	666 741	32 514
	6 977 839	6 140 009	837 830	1 189 804	1 051 587	138 217

(23) Accounts payable to affiliated companies

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Debt to SIA MoneyMetro for permanent share purchase, realized goods and fixed assets	-	-	755 013	-
Accrued liabilities for facilities management and utilities to SIA Banknote	-	-	889	889
Loan from AS Naudasklubs	-	-	16 550	16 550
Interest accrued on AS Naudasklubs	-	-	257	257
Debt for the services provided by the SIA AE Consulting	-	181	-	1 289
Debt for received payments of the assigned rights of claim to SIA ExpressInakso	7 376	-	-	-
Total liabilities to related parties	7 376	181	772 709	18 985

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Notes (continued)

(24) Trade creditors and accrued liabilities

	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR	Parent company 31.12.2015. EUR	Group 31.12.2015. EUR
Debts to suppliers	166 090	173 985	144 253	147 926
Salaries	153 442	160 042	166 172	168 162
Vacation liabilities*	239 440	244 742	283 675	283 675
Amounts due to loan recipients	96 738	96 738	35 991	35 991
Other liabilities	57 778	59 630	45 359	45 517
	713 488	735 137	675 450	681 271

* Reclassification from vacation accrual to vacation liabilities, calculated using accurate average earnings of employees on 31.12.2016.

a) Parent company's trade creditors by currency, translated into EUR:

	31.12.2016. EUR	31.12.2016. %	31.12.2015. EUR	31.12.2015. %
EUR	593 977	83.25	674 420	99.85
GBP	112 496	15.77	1 030	0.15
CZK	4 109	0.57	-	-
USD	2 906	0.41	-	-
Total trade creditors and accrued liabilities	713 488	100%	675 450	100%

Group's trade creditors by currency, translated into EUR:

	31.12.2016. EUR	31.12.2016. %	31.12.2015. EUR	31.12.2015. %
EUR	615 610	83.74	680 241	99.85
GBP	112 512	15.30	1 030	0.15
CZK	4 109	0.56	-	-
USD	2 906	0.40	-	-
Total trade creditors and accrued liabilities	735 137	100%	681 271	100%

b) Ageing analysis of trade creditors:

	31.12.2016. EUR	31.12.2016. EUR	31.12.2015. EUR	31.12.2015. EUR
Receivables not yet due	705 600	734 625	604 726	608 664
Outstanding for 1-30 days	7 888	512	70 724	72 607
Total trade creditors and accrued liabilities	713 488	735 137	675 450	681 271

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Notes (continued)

(25) Taxes and social insurance payments

Parent company's taxes and social insurance

	VAT	Corporate income tax	Real estate tax*	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Natural resource tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities									
31.12.2015.	22 302	(95 487)	-	104	99 425	130 576	3 532	-	160 452
Charge for 2016	171 129	226 027	269	1 280	1 165 330	660 648	13 340	-	2 238 023
Penalties calculated for 2016	30	122	-	-	-	1 804	-	-	1 956
Transferred to other taxes	432	110	-	-	745	(1 287)	-	-	-
Paid in 2016	(183 015)	(211 400)	(269)	(1 305)	(1 174 886)	(744 441)	(13 548)	-	(2 328 864)
Liabilities/ (overpaid) 31.12.2016.	10 878	(80 628)	-	79	90 614	47 300	3 324	-	71 567

Group's taxes and social insurance

	VAT	Corporate income tax	Real estate tax*	Business risk charge	Social insurance	Payroll tax	Vehicles tax	Natural resource tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities									
31.12.2015.	18 613	(104 491)	-	101	100 489	131 098	3 532	14	149 356
Charge for 2016	171 323	244 763	269	1 306	1 185 710	672 044	13 340	-	2 288 755
Penalties calculated for 2016	30	122	-	-	-	1 804	-	-	1 956
Transferred to other taxes	446	110	-	-	745	(1 287)	-	(14)	-
Correction	2 783	-	-	-	-	-	-	-	2 783
Paid in 2016	(182 243)	(219 008)	(269)	(1 328)	(1 192 745)	(754 527)	(13 548)	-	(2 363 668)
Liabilities / (overpaid) 31.12.2016.	10 952	(78 504)	-	79	94 199	49 132	3 324	-	79 182

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

(26) Average number of employees

	2016	2015
Average number of employees during the reporting year of the Parent company	288	303
Average number of employees during the reporting year of the Group	<u>294</u>	<u>304</u>

(27) Management remuneration

	31.12.2016. EUR	31.12.2015. EUR
Board members' remuneration:		
· salary expenses	82 655	523 313
· social insurance	19 499	27 797
	<u>102 154</u>	<u>551 110</u>

Council members do not receive any remuneration for their work as council members. During the year loans in the amount of EUR 267 400 were issued to the board members. Loans in the amount of EUR 251 000 were repaid during the reporting period. Net loan principal outstanding as at 31.12.2016 – EUR 16 400. No other bonuses or incentive plans for the board members implemented.

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Notes (continued)

(28) Information by segments and turnover

Based on the nature of the services the Parent Company's operations can be divided as follows.

EUR	Sale of pledges taken over		Secured loans		Non-secured loans		Other activities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Assets	966 279	1 388 670	3 367 571	3 110 871	8 874 669	4 499 318	2 528 928	2 245 474	15 737 447	11 244 333
Liabilities of the segment	52 950	158 821	3 153 806	2 888 504	7 831 524	4 220 870	2 125 694	1 897 922	13 163 974	9 166 117
Income	691 238	1 866 919	4 675 986	3 888 086	6 136 910	5 773 917	140 512	80 480	11 644 646	11 609 402
Net performance of the segment	(136 240)	50 835	726 060	982 863	399 383	371 726	6 055	(33 609)	995 258	1 371 815
Net financial income (expenses)	(57)	(94)	(325 133)	(437 513)	(1 030 393)	(639 395)	(41 316)	(84 070)	(1 396 899)	(1 161 072)
Profit/(loss) before taxes	(166 954)	57 530	889 748	1 112 307	489 424	420 684	7 420	(38 035)	1 219 638	1 552 486
Corporate income tax	30 715	(6 695)	(163 690)	(129 445)	(90 041)	(48 957)	(1 365)	4 426	(224 380)	(180 671)
<i>Other information</i>										
Fixed assets and intangible assets (NBV)	141 038	172 060	141 038	172 060	141 038	172 060	-	-	423 115	516 180
Depreciation and amortisation during the reporting period	(64 646)	(79 320)	(64 646)	(79 320)	(64 646)	(79 319)	-	-	(193 937)	(237 959)
Loans issued	-	-	2 538 391	2 641 784	8 045 490	4 030 231	1 547 422	1 310 757	12 131 303	7 982 772
Loans received	-	-	2 820 497	2 629 374	7 432 949	3 802 918	2 118 095	1 897 923	12 371 542	8 330 215

Based on the nature of the services the Group's operations can be divided as follows.

EUR	Sale of pledges taken over		Secured loans		Non-secured loans		Other activities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Assets	966 279	1 388 670	3 367 571	3 138 031	10 176 812	5 002 272	1 481 445	1 205 174	15 992 107	10 734 147
Liabilities of the segment	51 374	157 819	3 097 552	2 637 906	8 809 503	3 874 983	1 227 613	1 736 410	13 186 043	8 407 118
Income	692 318	1 890 178	4 675 986	4 075 398	6 465 836	6 010 020	140 512	83 225	11 974 652	12 058 821
Net performance of the segment	(126 892)	143 976	754 290	1 045 292	405 210	357 696	(71 890)	(34 500)	960 717	1 512 464
Net financial income (expenses)	(57)	(117)	(298 582)	(437 502)	(1 060 490)	(639 667)	(36 999)	(84 676)	(1 396 128)	(1 161 962)
Profit/(loss) before taxes	(159 002)	162 490	945 167	1 179 708	507 750	403 693	(90 083)	(38 936)	1 203 833	1 706 955
Corporate income tax	32 111	(18 514)	(190 878)	(134 416)	(102 541)	(45 997)	18 192	4 436	(243 116)	(194 491)
<i>Other information</i>										
Fixed assets and intangible assets (NBV)	141 038	172 060	141 038	172 060	299 828	172 060	-	127 616	581 905	643 796
Depreciation and amortisation during the reporting period	(64 646)	(81 831)	(64 646)	(81 831)	(65 973)	(81 832)	-	-	(195 264)	(245 494)
Loans issued	-	-	2 538 391	2 641 784	9 016 968	4 359 240	1 385 747	981 122	12 941 106	7 982 146
Loans received	-	-	2 772 695	2 380 411	8 379 096	3 459 669	1 219 750	1 736 411	12 371 542	7 576 491

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Notes (continued)

(29) Rent and lease agreements

The Company has concluded 92 rental agreements effective as at 31.12.2016. The term of the agreements varies from 1 to 9 years. The following schedule summarises future lease payment liabilities in accordance with the agreements concluded.

	31.12.2016. EUR	31.12.2015. EUR
< 1 year	796 393	882 204
2 – 4 years	1 100 348	1 905 992
5 years and more	109 912	141 047
	2 006 653	2 929 243

(30) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period.

Related party	Transactions in 2016	Transactions in 2015
Parent company's owners		
"Lombards24.lv", SIA (previously „Express Holdings”, SIA), reg. No.40103718685	X	X
„AE Consulting”, SIA, reg. No. 40003870736	X	X
„Ebility”, SIA, reg. No. 40103720891	N/A	X
Didzis Ādmidiņš, p.c.. 051084-11569	X	N/A
Kristaps Bergmanis, p.c. 040578-13052	X	N/A
Companies and individuals under common control or significant influence		
Agris Evertovskis, p.c. 081084-10631	X	X
Edgars Bilinskis, p.c. 310782-10537	N/A	X
„Dotcom Enterprises”, AS (now “ALPS Investments”, AS), reg. No. 40103684497	N/A	X
Subsidiary		
“ExpressInkasso”, SIA, reg. No. 40103211998	X	X
“MoneyMetro”, SIA, reg. No. 40003040217	X	X
“EC Investments”, SIA, reg. No. 40103944745 till 01.02.2016.	X	X
“EC finance”, SIA, reg. No. 40103950614	X	X
Other related companies		
“Naudasklubs” SIA, reg. No. 40103303597	X	X
“Banknote” SIA, (previously “A.Kredīts”, SIA) reg. No. 40103501494	X	X
“ExpressCreditEesti” OU, reg. No. 12344733 till 27.10.2016.	X	X
“Tigo.lv” SIA, (liquidated 27.05.2016), reg. No. 40103653497	N/A	X
“PH investīcijas”, SIA, reg. No. 42103057909	N/A	X

All the transactions have been performed at market rates.

	2016 EUR	2015 EUR
Parent company transactions with:		
Owners of the parent company		
Cession of loans	-	320 547
Loans received	9 500	-
Loans repaid	9 500	-
Loans issued	992 265	1 649 189
Loan repayment received	663 237	2 069 749
Interest paid	-	-
Interest received	8 467	34 417
Dividends paid	700 000	1 309 562
Services received	2 210	3 455
Services delivered	120	-
Goods sold	6 797	24 951
Fixed assets sold	-	268
Investment in shares	200 000	-

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Notes (continued)

Related party transactions (continued)

<u>Parent company's transactions with:</u>	2016	2015
Subsidiaries	EUR	EUR
Cession of loans	529 232	623 429
Loans received	41 888	199 00
Loans repaid	41 888	199 000
Loans issued	75 163	92 480
Loan repayment received	7 600	52 480
Interest paid	771	-
Interest received	18	-
Dividends paid	92 315	-
Services received	-	1 411
Services delivered	12 433	10 065
Goods sold	7 140	206
Goods delivered	-	3 570
Fixed assets received	-	63 606
Fixed assets sold	2 910	-
	2016	2015
	EUR	EUR
<u>Parent company's transactions with:</u>		
Subsidiaries		
Interest paid	771	2 500
Interest received	18	799
Shares received	-	6 000
Takeover of company independent parts	-	528 216
Companies and individuals under common control or significant influence		
Loans received	-	1 868 500
Loans repaid	-	1 868 500
Loans issued	267 400	1 969 900
Loan repayment received	251 000	1 975 050
Interest paid	-	11 923
Interest received	2 026	7 059
Services delivered	-	-
Bonds sold	-	385 219
Other related companies		
Loans received	-	16 900
Loans repaid	-	350
Loans issued	16 550	869 620
Loan repayment received	89 550	886 870
Interest paid	24 389	257
Interest received	79	20 289
Services received	3 622	84 174
Services delivered	64 631	10 790
Goods sold	1 030	800
Goods received	-	20 636
Fixed assets received	-	702
Fixed assets sold	-	-
<u>Group's transactions with:</u>		
Owners of the parent company		
Cession of loans	-	338 925
Loans received	-	-
Loans repaid	9 500	-
Loans issued	9 500	-
Loan repayment received	992 265	1 649 189
Interest paid	663 237	2 100 749
Interest received	-	-
Dividends paid	8 467	76 610
Services received	700 000	1 309 562
Services delivered	2 210	4 925
Goods sold	120	-
Fixed assets sold	-	24 951
Investment in Shares	6 797	268
	200 020	-

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Notes (continued)

Related party transactions (continued)

Group's transactions with:	2016	2015
Companies and individuals under common control or significant influence	EUR	EUR
Loans received	7 000	1 868 500
Loans repaid	7 000	1 868 500
Loans issued	267 400	1 969 900
Loan repayment received	251 000	1 999 603
Interest paid	-	11 923
Interest received	2 026	7 393
Bonds sold	-	385 219
Other related companies		
Loans received	-	16 900
Loans repaid	16 550	350
Loans issued	89 550	869 620
Loan repayment received	4 580	886 870
Interest paid	79	257
Interest received	3 622	20 289
Services received	115 109	84 174
Services delivered	1 030	10 790
Goods sold	-	800
Goods received	-	20 636
Fixed assets received	-	702
Fixed assets sold	-	-

(31) Guarantees issued, pledges


As at 31 December 2016 the Parent company has issued guarantees to other companies (only to legal entities) for the purchase of cars under the terms of financial lease. The total amount guaranteed as at 31.12.2016 - EUR 164 557. The guarantee is effective till 2021. For other information on guarantees issued/received and pledges given – see Note 21. Information about the Parent company's fixed assets acquired the terms of financial lease see in Note 10.

(32) Subsequent events


SIA "ExpressCredit" made a contribution of 100% shares in subsidiary located in Bulgaria in amount of EUR 500 000. Subsidiary is established in order to obtain authorization for pawnshops and consumer lending area in Bulgaria. The company has not decided a specific start-up time and volume.

As at the date of signing of the annual report the number of securities situated (ISIN LV0000802213): 1 574 with a Nominal value 1 000 *euro* per each, which accounts total Nominal value of 1 574 000 *euro* (on 31.12.2016.: 974 000 *euro*).

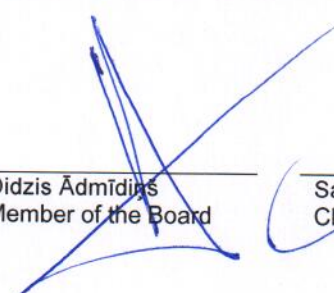
There are no other subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2016.




 Agris Evertovskis
 Chairman of the Board



 Kristaps Bergmanis
 Member of the Board



 Didzis Admīdins
 Member of the Board



 Santa Soldre
 Chief accountant

Riga, 21 April 2017

Independent Auditor's Report

To the shareholders of SIA "ExpressCredit"

Our Opinion on the Separate and Consolidated Financial Statements of SIA "ExpressCredit"

We have audited the accompanying separate financial statements and consolidated financial statements of SIA "ExpressCredit" ("the Company") and its subsidiaries ("the Group") set out on pages 8 to 36 of the accompanying consolidated annual report, which comprise:

- the separate and consolidated balance sheet as at 31 December 2016,
- the separate and consolidated profit and loss statement for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of SIA "ExpressCredit" and its subsidiaries as at 31 December 2016, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Audit matter

Recoverable values of loans issued

The net balance sheet value of loans and receivables amount to EUR 10 583 881 in the separate financial statements and EUR 11 555 359 in the consolidated financial statements of the Group.

Detailed information on this balance sheet item is included in Note 15 to the financial statements (financial information) and section (n) of the accounting policies (accounting principles and policies for bad debt provisioning).

The loans and receivables are included in the balance sheet in net realisable values and consist of the gross values of loan principal reclaimable, interest income accrued as at the balance sheet date net of provisions created in accordance with the bad debt provisioning

Audit procedures performed

Our audit procedures, amidst others, included the following:

- meeting with the financial management of the Parent company in order to discuss the specifics of the current market situation, expected profit levels and ratios of asset return;
- obtaining understanding of general principles applied to loan issuance and evaluating the adequacy of control procedures applied for the monitoring of borrowers;
- performing of detailed analytical procedures, comparing interest income volumes to the asset base of loans issued;
- on a random selection basis review of adequacy of ageing analysis of loans issued, as ageing analysis is the basis for application of provisioning procedures developed;

Audit matter

policies as developed by the management of the Group.

As the financing services offered by the Group are adjusted and developed to comply with the requirements of the varying market circumstances, then timely and efficient management decisions are needed in order to evaluate the adequacy of the provisioning policy determined and make required improvements in order to ensure that loans and receivables (inclusive of interest income accrued) are presented in the values that do not exceed net recoverable values of the respective assets

We consider this to be one of the key audit matters as loans and receivables represent material portion of assets both of the Parent company and the Group and the valuation of these assets involves significant decisions and judgements applied.

Completeness of income from crediting activities

Net sales of goods and related services presented in the financial statements of the separate financial statements amount EUR 4 795 253, and interest and similar income in the respective financial statements amount to EUR 10 298 728. The relevant income positions of the Group amount to EUR 4 796 333 and EUR 10 627 654 respectively.

Detailed information on the relevant income items is presented in Notes 1 and 3 to the financial statements (financial information) and section (d) of the accounting policies (income recognition principles description).

The Group has over 90 branches in 39 cities in Latvia and this requires implementation and maintenance of adequate and consistent income accounting and control procedures, that is why income recognition and control matters are considered to be one of the key audit matters.

Completeness and valuation of goods for sale

The value of goods for sale in the balance sheet both in separate and consolidated financial statements amounts to EUR 700 715, and consists of gross value of goods for sale of EUR 931 964 and provisions for slow moving items in the amount of EUR 231 249.

Detailed information on goods for sale is included in Note 14 to the financial statements (financial information) and section (l) of the accounting policies (accounting principles).

We consider this to be one of the key audit matters as goods for sale represent material part of the Group's assets and significant element of judgement is present in valuation of the respective asset.

Audit procedures performed

- comparing of adequacy and sufficiency of provisions made in prior periods with the actual repayment data for the loans provided for;
- performance of analytical calculations to test the consistency and adequacy of provisioning policy application;
- evaluating the loan repayment dynamics after the balance sheet date;
- evaluating the effects of the newly developed financial services to the income structure of the Group and the adequacy of the provisioning policy to the new type of services.

Our audit procedures, amidst others, included the following:

- meeting with the financial management of the Parent company in order to discuss the specifics of the current market situation, income structure of the Group, changes in the reporting period and chief material risks for ensurance of income recognition completeness;
- obtaining understanding of the adequacy of the accounting methods and control procedures applied;
- performance of detailed analytical procedures, reconciling cash movement to income recognised and data recorded by electronic cash register systems;
- in cases when income is received in the result of material one-off transactions, performed substantive tests of supporting documentation and accounting records;
- on a random selection basis performed tests of ageing of loans issued and income recognised on the respective loan base in accordance with the loan agreement provisions.

Our audit procedures, amidst others, included the following:

- evaluating of the results of operations of the internal control structures in stock-count performance and other control procedures performed;
- reviewed the results of the stock-counts;
- on a random selection basis participated in the year end stock counts, observing the stock-count procedures and performance;
- on a random selection basis tested the adequacy of costing of specific goods items;
- performing detailed analytical procedures reconciling the profit ratios on the sale of goods to the sales policies as developed by the management of the Group;
- review of the ageing analysis of goods for sale and evaluation of the adequacy of provisions made in accordance with the provisioning policies as developed by the management of the Group;
- evaluation of the ratios of goods turnover and analysis of these ratios taking into account operational specifics of separate branches.

Other Matter

Reporting on Other Information

The Group management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 6 of the accompanying separate and consolidated Annual report,
- the Statement on Management Responsibility, as set out on page 5 of the accompanying separate and consolidated annual report,
- the Statement of Corporate Governance, as set out on page 7 of the accompanying separate and consolidated annual report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated annual report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6., 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6., 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's separate and Group's consolidated financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

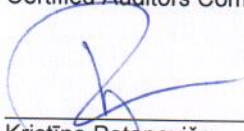
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The responsible certified auditor on the audit resulting in this independent auditors' report is Kristīne Potapoviča.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99



Kristīne Potapoviča
Responsible Certified Auditor
Certificate No. 99
Chairman of the Board

21 April 2017