SIA "ExpressCredit"

ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2016
AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(UNAUDITED)

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

Translation from Latvian

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Information on the Company

Name of the Company	ExpressCredit SIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders (from 30.10.2013)	Lombards 24.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)
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
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

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% till 01.02.2016., from 01.02.2016. – 0%)
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

Statement of management`s responsibility

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

Based on the information available to the Board of the parent company of the Group, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 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 Ādmīdiņš Member of the Board

Riga, 28 February 2017

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 13.2% against 2015 and reached 15 081 843 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 985 355 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 Ādmīdiņš Member of the Board

Riga, 28 February 2017

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	4 795 262	5 229 052	7 691 132	8 124 967
Cost of sales	(3 449 335)	(3 913 294)	(5 629 077)	(6 040 951)
Interest income and similar income	9 524 593	9 852 791	9 547 347	9 974 805
Interest expenses and similar expenses	(1 396 899)	(1 396 128)	(1 161 072)	(1 161 962)
Gross profit	**9 473 621**	**9 772 421**	**10 448 330**	**10 896 859**
Selling expenses	(5 718 546)	(5 915 003)	(5 163 687)	(5 326 334)
Administrative expenses	(1 990 120)	(2 012 946)	(2 663 375)	(2 738 289)
Other operating income	925 662	834 092	49 816	60 588
Other operating expenses	(1 453 685)	(1 457 437)	(1 118 598)	(1 185 869)
Profit before taxes	**1 236 932**	**1 221 127**	**1 552 486**	**1 706 955**
Corporate income tax for the reporting year	(226 291)	(237 419)	(206 856)	(220 676)
Deferred tax	1 647	1 647	26 185	26 185
Current year's profit	**1 012 288**	**985 355**	**1 371 815**	**1 512 464**
Earnings per share	**0.67**	**0.66**	**3.21**	**3.54**

Comprehensive income statement for 2016

	2016 EUR	2016 EUR	2015 EUR	2015 EUR
Current year's profit	**1 012 288**	**985 355**	**1 371 815**	**1 512 464**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**1 012 288**	**985 355**	**1 371 815**	**1 512 464**

Notes on pages from 11 to 24 are integral part of these financial statements.

Agris Evertovskis
Chairman of the Board

Kristaps Bergmanis
Member of the Board

Didzis Ādmīdiņš
Member of the Board

Riga, 28 February 2017

Balance sheet as at 31 December 2016	**Notes**	**Parent company 31.12.2016. EUR**	**Group 31.12.2016. EUR**	**Parent company 31.12.2015. EUR**	**Group 31.12.2015. EUR**
Assets					
Long term investments					
Fixed assets and intangible assets	(1)	423 115	581 905	516 180	643 796
Loans and receivables	(4)	964 108	964 108	545 068	545 068
Loans to shareholders and management	(2)	1 192 134	1 192 134	875 267	875 267
Participating interest in subsidiaries	(3)	885 828	20	888 828	-
Deferred tax asset		145 252	145 252	143 605	143 605
Total long-term investments:		**3 610 437**	**2 883 419**	**2 968 948**	**2 207 736**
Current assets					
Finished goods and goods for sale		700 715	700 715	1 138 410	1 138 410
Loans and receivables	(4)	9 619 773	10 591 251	6 126 947	6 455 956
Receivables from affiliated companies		362 338	200 664	435 490	105 855
Other debtors		288 680	290 301	102 075	297 436
Deferred expenses		43 466	61 540	33 192	35 163
Assets for sale	(2)	1 000	1 000		
Cash and bank		1 127 240	1 279 419	439 271	493 591
Total current assets:		**12 143 212**	**13 124 890**	**8 275 385**	**8 526 411**
Total assets		**15 753 649**	**16 008 309**	**11 244 333**	**10 734 147**

Liabilities					
Shareholders' funds:					
Share capital	(5)	1 500 000	1 500 000	426 861	426 861
Prior years' retained earnings		78 215	345 347	279 540	387 704
Current year's profit		1 012 288	985 355	1 371 815	1 512 464
Total shareholders' funds:		**2 590 503**	**2 830 702**	**2 078 216**	**2 327 029**
Creditors:					
Long-term creditors:					
Bonds issued	(6)	5 213 760	5 213 760	5 489 648	5 489 648
Other borrowings	(7)	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	(6)	1 017 773	1 017 773	1 016 271	1 016 271
Other borrowings	(7)	4 847 977	4 847 977	384 846	384 846
Accounts payable to affiliated companies		7 692	497	772 709	18 985
Trade creditors and accrued liabilities		713 489	735 138	675 450	681 271
Taxes and social insurance	(8)	70 423	70 430	160 452	149 356
Total short-term creditors:		**6 657 354**	**6 671 815**	**3 009 728**	**2 250 729**
Total liabilities and shareholders' funds		**15 753 649**	**16 008 309**	**11 244 333**	**10 734 147**

Notes on pages from 11 to 24 are integral part of these financial statements.

Agris Evertovskis
Chairman of the Board

Kristaps Bergmanis
Member of the Board

Didzis Ādmīdiņš
Member of the Board

Riga, 28 February 2017

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)	-
Profit for the year	200 000			200 000
As at 31 December 2016	**1 500 000**	**78 215**	**1 012 288**	**2 590 503**

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	Prior years' retained earnings of subsidiary sold	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)
Profit transfer	873 139	657 644	(1 512 464)	(18 319)	-
Profit for the year	200 000				200 000
As at 31 December 2016	**1 500 000**	**253 032**	**985 355**	**-**	**2 830 702**

Notes on pages from 11 to 24 are integral part of these financial statements.

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	**1 236 932**	**1 313 442**	**1 552 486**	**1 706 955**
Adjustments for:				
a) fixed assets depreciation	198 405	199 220	237 959	245 730
b) accruals and provisions (except for provisions for bad debts)	590 622	590 622	238 706	238 706
c) write-off of provisions	205 317	205 317	-	-
d) cessation results	1 876 337	1 876 337	982 449	
e) interest income	(9 524 593)	(9 604 578)	(8 853 994)	(9 272 220)
f) interest and similar expense	1 396 899	1 396 915	1 118 598	1 165 893
g)(profit)/ loss on fixed assets disposal	11 864	11 864	(961)	35 811
h) other adjustments	(31 102)	(31 102)	24 867	24 867
Loss before adjustments of working capital and short-term liabilities	**(4 039 319)**	**(4 041 963)**	**(4 699 890)**	**(5 854 258)**
Adjustments for:				
a) (increase)/ decrease in consumer loans issued (core business) and other debtors	(5 539 462)	(5 541 962)	(1 436 010)	11 753
b) stock increase	(294 354)	(294 354)	(401 626)	(235 253)
c) trade creditors' (decrease)/ increase	(777 199)	(705 975)	144 098	83 607
Gross cash flow from operating activities	**(10 650 333)**	**(10 584 253)**	**(6 393 428)**	**(5 994 151)**
Corporate income tax payments	(211 290)	(218 898)	(349 888)	(394 407)
Interest income	9 411 717	9 491 720	8 950 345	9 368 570
Interest paid*	(1 396 729)	(1 396 729)	(1 101 448)	(1 148 743)
Net cash flow from operating activities	**(2 846 635)**	**(2 708 160)**	**1 105 581**	**1 831 269**
Cash flow from investing activities				
Acquisition of affiliated or associated companies shares or parts	-	(20)	(886 000)	(849 233)
Earnings from the disposal of shares in subsidiaries	2 000	2 000	-	-
Acquisition of fixed assets and intangibles	(130 835)	(162 824)	(249 510)	(267 655)
Proceeds from sales of fixed assets and intangibles	61 260	61 260	10 631	10 631
Loans issued/repaid (other than core business of the Company) (net)	(398 964)	(398 964)	196 470	278 599
Net cash flow from investing activities	**(466 539)**	**(498 548)**	**(928 409)**	**(827 658)**
Cash flow from financing activities				
Loans received and bonds issued (net)	200 000	200 000	-	-
Redemption/purchase of bonds	10 529 796	10 529 796	3 884 400	3 884 400
Loans repaid	(1 250 000)	(1 250 000)	(1 000 000)	(1 000 000)
Finance lease payments	(4 721 623)	(4 721 623)	(2 450 019)	(3 222 728)
Dividends paid	(57 030)	(57 030)	(59 848)	(59 848)
Net cash flow from financing activities	**4 001 142**	**4 001 142**	**(935 029)**	**(1 707 738)**
Net cash flow of the reporting year	**687 969**	**794 434**	**(757 857)**	**(704 127)**
Cash and cash equivalents at the beginning of the reporting year	**439 271**	**484 985**	**1 197 128**	**1 197 718**
Cash and cash equivalents at the end of reporting year	**1 127 240**	**1 279 419**	**439 271**	**493 591**

Notes on pages from 11 to 24 are integral part of these financial statements.

Notes

Accounting policies

(a) Basis of preparation

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

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 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 (effective for annual periods beginning on or after 1 July 2014, 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, 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"

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 January 2015). The amendments include changes that affect 3 standards:
• IFRS 3 "Business combinations"
• IFRS 13 "Fair value measurement" and
• IAS 40 "Investment property"

A number of new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2016, and do not relate to the Company's operations or are not endorsed by the European Union:

IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)
Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)
Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)
Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" on depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)
Amendments to IAS 27 "Separate financial statements" on the equity method (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)
Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)
Amendments to IAS 1 "Presentation of financial statements" regarding disclosure initiative effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU)

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

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU)

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU)

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

Notes (continued)
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 irrespective of the date of the payments made or the dates of receipt or payment of invoices have been recognised. Revenues are matched with expenses in the reporting year.
e) Assets and liabilities are presented at their gross amounts;
f) The opening balances of the reporting period reconcile with the closing balances of the previous reporting period;
g) All items which may materially affect the assessment or decision-making of the users of the financial statements are presented, immaterial items have been aggregated and their breakdown is presented in the Notes;
h) Business transactions are presented based on their economic substance rather than their legal form.

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

(c) 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

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

- Other income

Other income is recognised based on accruals principle.

- Penalties and similar income

Of collection exists, is recognised based on cash principle.

- Expenses

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

(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

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 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.

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.

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.

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 (e).

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	(1 127 240)	(1 279 419)	(439 271)	(493 591)
Net debts	**11 244 302**	**11 092 123**	**7 118 235**	**7 063 915**
Equity	2 590 503	2 830 702	2 078 216	2 327 029
Liabilities / equity ratio	**4.78**	**4.37**	**3.64**	**3.25**
Net liabilities / equity ratio	**4.34**	**3.92**	**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.

Notes (continued)

(1) Intangible and fixed assets of the Parent company

	Concessions, patents, trademarks and similar rights	Other intangible assets	Other fixed assets and inventory	Advances	Leasehold improvements	Total
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**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 2015	9 200	556	184 180	-	39 099	233 037
Disposals	-	-	(56 792)	-	-	(56 792)
31.12.2016	**23 388**	**556**	**676 894**	**-**	**271 649**	**972 489**
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	Other intangible assets	Other fixed assets and inventory	Advances	Goodwill	Leasehold improvements	Total
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**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	184 180	-	-	39 272	233 502
Disposals	-	-	(56 271)	-	-	-	(56 271)
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**

Notes (continued)

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

	Loans to members EUR
Cost	
31.12.2015.	**875 267**
Loans issued	533 595
Loans repaid	(216 728)
31.12.2016.	**1 192 134**
Net book value as at 31.12.2016	**1 192 134**
Net book value as at 31.12.2015	**875 267**

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. All loans are denominated in euro.

(3) 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%) and of the subsidiary SIA "EC Finance" (100%). The Parent company in 01.02.2016. sold 100% of the subsidiary SIA "EC Investments". The payment maturity for unpaid part of shares is in amount of EUR 1 000, recognized in position of Assets for sale.

Participating interest in subsidiaries

Name	**Acquisition price of subsidiaries**		**Participating interest in share capital of subsidiaries**	
	31.12.2016. EUR	**31.12.2015. EUR**	**31.12.2016. %**	**31.12.2015. %**
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 till 01.02.2016.	-	3 000	0	100
	888 828	**2 846**		

(4) 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.

Notes (continued)

Loans and receivables (continued)

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 this 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 1.5 times higher than the carrying value, therefore provisions for overdue loans are not made. All pledges, for which loan payments are delayed, becomes the Group's property and are realized in the Group's stores.

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**

(5) Share Capital

The Parent Company's share capital on 29 December 2016 has been increased, and 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).

(6) Bonds issued

	31.12.2016. EUR	31.12.2016. EUR	31.12.2015. EUR	31.12.2015. 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	**6 505 919**	**6 505 919**	**7 463 902**	**7 463 902**

As at the date of signing of the annual report the Parent company of the Group has registered secured bonds (ISIN LV0000801280) with the Latvia Central Depository on the following terms – number of financial instruments 5 000 with the nominal value of 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 19.12.2016.: 774, Nominal value 1 000 euro per each with the total nominal value of 774 000 *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.

Notes (continued)

Bonds issued (continued)

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 secured amount of each pledge – in the total value of the pledge 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.

(7) 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.

(8) Taxes and social insurance payments

Parent company's taxes and social insurance

	VAT EUR	Corporate income tax EUR	Real estate tax* EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Natural resource tax EUR	Total EUR
Liabilities 31.12.2015.	**22 302**	**(95 487)**	**-**	**104**	**99 425**	**130 576**	**3 532**	**-**	**160 452**
Charge for 2016	169 212	226 291	269	1 280	1 166 119	659 155	13 340		**2 235 666**
Penalties calculated for 2016	87	122				1435			**1 645**
Transferred to other taxes	432	110			745	(1 287)			**-**
Paid in 2016	(182 927)	(211 400)	(269)	(1 305)	(1 174 886)	(743 005)	(13 548)		**(2 327 341)**
Liabilities/ (overpaid) 31.12.2016.	**9 106**	**(80 364)**	**-**	**79**	**91 403**	**46 875**	**3 324**	**-**	**70 423**

Notes (continued)

Taxes and social insurance payments (continued)

Group's taxes and social insurance

	VAT EUR	Corporate income tax EUR	Real estate tax* EUR	Business risk charge EUR	Social insurance EUR	Payroll tax EUR	Vehicles tax EUR	Natural resource tax EUR	Total EUR
Liabilities 31.12.2015.	**21 396**	**(104 491)**	**-**	**101**	**100 489**	**131 098**	**3 532**	**14**	**152 139**
Charge for 2016	169 406	237 419	269	1 306	1 186 499	670 551	13 340		**2 278 790**
Penalties calculated for 2016	88	122				1 435			**1 645**
Transferred to other taxes	446	110			745	(1 287)			**-**
Paid in 2016	(182 156)	(219 008)	(269)	(1 328)	(1 192 745)	(753 091)	(13 548)	(14)	**(2 362 145)**
Liabilities / (overpaid) 31.12.2016.	**9 180**	**(85 848)**	**-**	**79**	**94 988**	**48 707**	**3 324**	**-**	**70 429**

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

(9) 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 Ādmīdiņš, 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
"ALPS Investments", AS (previously „Dotcom Enterprises", AS), reg. No. 40103684497	X	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	X	X
''Tigo.lv" SIA, (lliquidated 27.05.2016), reg. No. 40103653497	N/A	X
''PH investīcijas", SIA, reg. No. 42103057909	X	X
Didzis Ādmīdiņš, p.c. 051084-11569	N/A	X
"EA investments", AS, reg. No. 40103896106	N/A	N/A

All the transactions have been performed at market rates.

Notes (continued)

Related party transactions (continued)

	2016 EUR	2015 EUR
<u>Parent company transactions with</u>:		
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	24 343	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	-
Subsidiaries		
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 recieved	-	63 606
Fixed assets sold	2 910	-

	2016 EUR	2015 EUR
Parent company's transactions with:		
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	8 0000	1 868 500
Loans repaid	8 0000	1 868 500
Loans issued	2 107 400	1 969 900
Loan repayment received	1 391 000	1 975 050
Interest paid	268	11 923
Interest received	92 112	7 059
Services delivered	-	-
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	83 909	84 174
Services delivered	1 030	10 790
Goods sold	-	800
Goods received	-	20 636
Fixed assets received	-	702
Fixed assets sold	-	-

Notes (continued)

Related party transactions (continued)

<u>Group's transactions with</u>:		
Owners of the parent company		
Cession of loans	-	338 925
Loans received	9 500	-
Loans repaid	9 500	-
Loans issued	992 265	1 649 189
Loan repayment received	663 237	2 100 749
Interest paid	-	-
Interest received	24 343	76 610
Dividends paid	700 000	1 309 562
Services received	2 210	4 925
Services delivered	120	-
Goods sold	-	24 951
Fixed assets sold	6 797	268
Investment in Shares	200 020	-
Companies and individuals under common control or significant influence		
Loans received	8 7000	1 868 500
Loans repaid	8 7000	1 868 500
Loans issued	2 110 400	1 969 900
Loan repayment received	1 394 000	1 999 603
Interest paid	268	11 923
Interest received	92 136	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	86 087	84 174
Services delivered	1 030	10 790
Goods sold	-	800
Goods received	-	20 636
Fixed assets received	-	702
Fixed assets sold	-	-

(10) Guarantees issued

As at 31 December 2016 the Parent company has issued guarantees to the owners of the Company and other related companies for the purchase of cars under the terms of financial lease. The total amount guaranteed as at 31.12.2016 - EUR 164 557.

(11) Subsequent events

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

SIA "ExpressCredit" made a contribution of 100% share capital 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 either a specific start-up time or volume.