AS Moda Kapitāls

ANNUAL REPORT 2014

prepared in accordance with EU approved International Financial Reporting Standards

CONTENTS

MANAGEMENT

Names and positions of the Council members	Andris Banders - member of the Council Inese Kanneniece - member of the Council Aleksandrs Sirmais - member of the Council Verners Skrastiņš - member of the Council Diāna Zvīne - member of the Council
Names and positions of the Board members	Ilvars Sirmais - member of the Board Guntars Zvīnis - member of the Board

REPORT OF THE MANAGEMENT

Type of operations

The principal activity of AS Moda Kapitals (further - Company) is issuance of short-term loans against a pledge of movable property, real estate and issuance of consumer loans, as well as trading of precious metals and little-used wide range of home appliances and electronics.

Performance during the financial year and financial situation of the Company

In 2014 AS Moda Kapitals has closed two branches - in Cesis and Riga. Locations of branches were changed in some cities. New locations are considered to be geographically more advantageous for the present Company's clients, as well as give an advantage for the attraction of new clients.

Given the increasing competition and the current market situation, the company's priority is not the opening of new branches, but the improvement of branch operations and increasing of profitability.

During January 2015 two branches in Daugavpils were reorganized combining the two branches. Hereafter customer service of both branches is continued in one branch.

Compared with the previous year, in most of the Company's branches further development is observed. Loyal customer base that continue actively to use the Company's services has stabilized in most of the branches. As in previous years, major attention is being paid to the payment discipline of clients and individual work with clients, in order the delayed payment problem would be solved through co-operation. Work on offering of a higher quality loan services to clients continued. Trading of household appliances and jewelry is taking increasingly important place in the Company's operations.

During 2014, there was no significant overall customer growth activity observed. Moderate growth in customer activity was observed in trade of precious metals and domestic goods as well as consumer loans. At the same time there is growing base of clients who regularly use the Company's services, both in borrowing and the purchase of goods traded.

A process that changed the Company's loan portfolio structure already started in 2nd half of 2013 and continued in 2014. There was a decrease in the share of micro loan portfolio, i.e. loans against movable collateral, which has led to a negative impact of the company's financial results and income. The company predicts that a similar situation could persist in the future; therefore, consumer lending is being developed more actively. Consumer lending had its impact on the company's financial performance already in 2nd half of 2014 and we expect that it will provide results in 2015 as well.

Results of 1st half of 2014 led to reorganization of the Company's personnel structure by optimizing the number of employees, while also making improvements to the Company's economic activity. Reorganization and results of improvement is reflected also in Company's significant financial ratios comparing 1st and 2nd half of 2014.

There is continuous improves the qualification of employees and improvements in the Company's customer service system. Improvements and modernization of branch premises continues by development of the range of goods for sale.

Company's branches

Currently there are twenty-eight branches: Aizkraukle, Alūksne, Balvi, Bauska, Cesis, Dobele, Daugavpils, Gulbene, Jekabpils (two branches), Jelgava, Kraslava, Kuldiga, Liepaja, Limbazi, Madona, Ogre, Rezekne, Riga, Saldus, Talsi, Valmiera, Ventspils, Tukums, Preili, Ludza, Valka and office in Riga.

Future prospects and future development

We expect that 2015 sales will be about the same level as in 2014. Taking into account the changes in the structure of the loan portfolio, that has affected the company's financial ratios. We expect that 2015 will be modest profitability. At the same time we believe that 2014 the Company's reorganization will have a positive impact on 2015 financial results.

Significant events since the year end

During the time period from the last day of the financial year till singing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 31 December 2014.

Result for the reporting year

The board recommends that the 2014 losses are charged to the profit for next year.

Guntars Zvīnis
Member of the Board

Riga, 29 April 2015

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted the EU. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 6 to page 26 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Guntars Zvīnis
Member of the Board

Riga, 29 April 2015

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 EUR	2013 EUR
Revenue	(1)	1 090 211	1 505 794
Finance income	(1)	1 427 100	1 466 999
Cost of sales	(2)	(890 017)	(1 251 476)
Finance costs	(3)	(416 513)	(383 710)
Gross profit		**1 210 781**	**1 337 607**
Selling expenses	(4)	(919 464)	(903 736)
Administrative expenses	(5)	(369 704)	(362 355)
Other income	(6)	24 563	29 124
Other expenses	(7)	(108 065)	(70 963)
Profit or loss before tax		**(161 889)**	**29 677**
Corporate income tax	(9)	30 897	(5 741)
Net profit or loss		**(130 992)**	**23 936**
Other comprehensive income / (loss)		**-**	**-**
Total comprehensive income		**(130 992)**	**23 936**

Notes on pages 10 to 26 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 29 April 2015

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2014. EUR	31.12.2013. EUR
ASSETS			
Non-current assets			
Intangible assets	(10)	22 675	43 827
Property, plant and equipment	(10)	740 343	736 042
Other non-current assets		142	142
Total non-current assets:		**763 160**	**780 011**
Current assets			
Inventories	(11)	1 003 405	810 331
Loans and receivables	(12)	2 536 875	2 667 389
Other current assets	(13)	42 720	34 034
Corporate income tax	(9)	6 436	7 445
Cash and cash equivalents	(14)	75 422	312 423
Total current assets:		**3 664 858**	**3 831 622**
Total assets		**4 428 018**	**4 611 633**

EQUITY AND LIABILITIES		31.12.2014. EUR	31.12.2013. EUR
Equity			
Share capital	(16)	426 862	426 862
Revaluation reserves of non-current assets	(10)	133 288	133 288
Retained earnings/ (accumulated deficit)		(129 479)	1 513
Total equity:		**430 671**	**630 213**
Liabilities:			
Non-current liabilities:			
Borrowings	(17)	52 862	3 324 365
Deferred income tax liabilities	(9)	23 172	54 069
Total non-current liabilities:		**76 034**	**3 378 434**
Current liabilities:			
Borrowings	(17)	3 797 652	514 344
Trade and other payables	(18)	123 661	157 192
Total current liabilities:		**3 921 313**	**671 536**
Total liabilities:		**3 997 347**	**4 049 970**
Total equity and liabilities:		**4 428 018**	**4 611 633**

Notes on pages 10 to 26 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 29 April 2015

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earning/ (accumulated deficit)	Total
	EUR	EUR	EUR	EUR
31.12.2012.	**426 862**	**133 288**	**70 064**	**630 213**
Calculated dividends	-	-	(92 486)	(92 486)
Net profit	-	-	23 936	23 936
Other compehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**23 936**	**231 936**
31.12.2013.	**426 862**	**133 288**	**1 513**	**561 663**
Calculated dividends	-	-	-	-
Net profit or loss	-	-	(130 992)	(130 992)
Other compehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**(130 992)**	**(130 992)**
31.12.2014.	**426 862**	**133 288**	**(129 479)**	**430 671**

CASH FLOW STATEMENT

	Notes	2014 EUR	2013 EUR
Cash flow from operating activities			
Profit/ loss before corporate income tax		(161 889)	29 677
Adjustments for:			
depreciation and amortization	(10)	117 888	104 181
loss / (profit) from disposal of property, plant and equipment		2 086	17 036
changes in provisions		101 199	-
interest payments		416 513	383 710
Changes in working capital			
inventories		(204 844)	(91 838)
receivables		37 189	57 145
liabilities		(23 660)	28 901
Corporate income tax paid		(3 781)	-
Cash flow from operating activities		**280 701**	**528 812**
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	(10)	(103 123)	(146 267)
Net cash flow generated from investing activities from continuing operations		**(103 123)**	**(146 267)**
Cash flow from financing activities			
Proceeds from bond issuance		435 000	-
Loans received, net	(17)	-	310 018
Borrowings repaid, net	(17)	(418 045)	-
Dividends paid		-	(92 487)
Interest payments		(416 513)	(383 710)
Paid on finance lease agreements		(15 021)	(25 367)
Net cash flow generated from financing activities from continuing operations		**(414 579)**	**(191 546)**
Net increase / (decrease) in cash and cash equivalents		**(237 001)**	**190 999**
Cash and cash equivalents at the beginning of the financial year		**312 423**	**121 424**
Cash and Cash equivalents at the end of the financial year	(14)	**75 422**	**312 423**

Notes on pages 10 to 26 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

AS Moda Kapitals (further - Company) main activity is the issuing of short-term loans against pledge of movable and immovable property. AS Moda Kapitals is a joint stock company founded and operating in Latvia. Registered address of the Company is at Ganibu dambis 40A-34, Riga, LV-1005.

The current financial year of the Company is from 1 January 2014 up to 31 December 2014.

These financial statements were authorized for issue by the Board of Directors of the Company on 29 April 2015, and Member of the Board Guntis Zvīnis signed these for and on behalf of the Board of Directors.

The auditor of the Company is SIA Taxlink audit.

II. ACCOUNTING POLICIES

(1) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS).

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the following notes.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Company. Critical estimates and judgments are represented in Note (18) to accounting policies.

a) Standards, amendments and interpretations effective in the current year and have no impact on the Company's financial statements

IAS 27 Separate Financial Statements (Amended)
IAS 28 Investments in Associates and Joint Ventures (Amended)
IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10 Consolidated Financial Statements IFRS 11 Joint Arrangements
IFRS 12 Disclosures of Interests in Other Entities
IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amended).

b) Standards issued but not yet effective and not early adopted

Standards that have been issued but are not yet in force or which has been approved by the EU and which have not been applied before the effective date.

The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amended IAS 1 Presentation of financial statements: Disclosure Initiative (the amendment is effective for annual periods beginning on or after 1 January 2016).

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization. The amendment is effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS. 16 Fixed Assets and IAS. 41 Agriculture: Bearer plants (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 19 Employee Benefits (the amendments are effective for annual periods beginning on or after 1 February 2015).
IFRS 9 Financial Instruments (the amendments are effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the consolidation exception (the amendments are effective for annual periods beginning on or after 1 January 2016).

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the amendments are effective for annual periods beginning on or after 1 January 2016).

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations (the amendment is effective for annual periods beginning on or after 1 January 2016).

IFRS 14 Regulatory Deferral Accounts (the amendment is effective for annual periods beginning on or after 1 January 2016).

IFRS 15 Revenue from Contracts with Customers (the standard is effective for annual periods beginning on or after 1 January 2017).

The Company is in the process of assessing the impact of the guidance on the financial position or performance of the Company. The Company plan to adopt the above mentioned standards and interpretations on their effectiveness date.

(2) Reclassification of comparatives

To improve the analysis of the financial statements' data in 2014 the Company has made the reclassification of items in the statement of financial positions and in the income statement. Reclassification does not have the impact on the financial results. The previous year comparatives have been reclassified accordingly and are comparable.

Name of items reclassified	2013 Adjusted Name of line item	2013 Prior adjustments Name of line item	Amount EUR
Advances paid (Real estate – loan collateral owned by the Company)	Inventory	Advances and development costs (Property, plant and equipment)	56 129
Accrued interest payments	Loans and trade receivables	Other receivables	86 323
Short-term loans secured with pledges (accrued interest payments)	Short-term loans secured with pledges	Accrued liabilities	65 503

(3) Foreign currencies

(a) Functional and presentation currency

On 1 January 2014 Latvian Republic joined the Eurozone and the Latvian lats, which was previously the Company's functional currency was changed to the euro. As a result, with effect from January 1, 2014 the Company's financial accounting is carried out in euros and the financial statements are prepared by and presented in euro. Prior period comparable data is converted into euro using the official exchange rate of LVL 0,702804 against EUR 1.

(b) Transactions and balances

The company's functional currency and presentation currency is the Latvian national currency Euro (EUR). Foreign currency transactions are translated into euro at the European Central Bank's official exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the European Central Bank's official exchange rate at the period end. Exchange rate differences arising from foreign currency transactions or financial assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in profit or loss in net worth.

Exchange rates used at the year-end are as follows:

	31.12.2014.	**31.12.2013.**
	EUR	**Ls**
1 USD	1,2141	0,531
1 EUR	-	0,702804

(4) Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(5) Revenue recognition

Income is recognised to such extent, for which substantial measurement is feasible and there is a reason to consider that the Company will gain economic advantage related thereof. Income is evaluated in the fair value of remuneration received, less sale discounts and the value added tax. The Company assesses its income gaining operations according to certain criteria, in order to establish whether it acts as the parent company or a representation. The Company considers that in all income gaining operations it acts as the parent company. Before income recognition the following preconditions shall be fulfilled:

Sales of goods

Sales income shall be recognised if the Company has transferred to the customer significant risks related to the goods ownership and remunerations, usually at the moment of delivery of goods.

Mediation income

The Company gains income from mediation services for pledged goods. Mediation services refer to the Company basic type of operations, so these income is included in the income statement as revenue. Income from such services are gained when the Company sells to a client the respective pledged goods.

Interest income and expense

For all financial instruments booked in their amortised acquisition value and financial assets, for which interest is calculated and which are classified as available for sale, the interest income and expenses are registered using the effective interest rate, namely, the rate which actually discounts the estimated monetary income through the whole useful life period of the financial instrument or - depending on the circumstances may be - a shorter time period until the balance sheet value of the respective financial asset or liability is reached.

Other income

Income from penalties charged from clients is recognised at the moment of receipt. Penalties mainly consist of fines imposed on clients for the delay in payment.

(6) Intangible assets

Intangible assets, in general, consist of licenses and patents. Intangible assets are recognised at the cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

	Years
Licenses and patents	3-5

(7) Property, plant and equipment (PPE)

Buildings are recognised at their fair value on the basis of assessment made by independent valuator from time to time less accumulated depreciation. Accumulated depreciation is liquidated as of revaluation date, net sum is charged to the revaluated cost. Land is recognised at their fair value on the basis of assessment made by independent valuator from time to time. Other assets are recognised at their acquisition value less accumulated depreciation. Acquisition value includes the costs directly related to acquisition of the asset.

Subsequent costs are recognised in the asset's carrying amount or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are recognised as an expense during the financial period when they are incurred.

Increase in value arising on revaluation is recognised in equity under "Revaluation reserve of non - current assets", but decrease that offsets a previous increase of the same asset' s value (net of deferred tax) recognised in the said reserve is charged against that reserve; any further decrease is recognised in other comprehensive income for the year incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

Property, plant and equipment (PPE) (continuation)

	Years
Buildings	20 - 30
Computer equipment	3 - 5
Other machinery and equipment	4 - 10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the financial year.

(8) Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, if any, is allocated to such cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Companie's latest budget.

An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. A reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: (a) its recoverable amount (if determinable) and (b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

(9) Lease-to-buy (financial lease)

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in the statement of comprehensive income by method to produce a constant periodic rate of interest on the remaining balance of the liability.

(10) Inventories

The inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realizable value.

(11) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual obligations of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

The Company categorises its financial assets, except derivative financial instruments if any, under loans and receivables. The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

The Company's financial liabilities include borrowings, trade and other payables and obligations arising from derivative financial instruments (if formed).

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed (including transaction costs) or determinable payments that are not quoted in an active market. They are included in current assets, except financial assets with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Upon recognition loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and recoverable value. The changes of the provision are recognised in the statement of comprehensive income. Loans and receivables carrying amount is reduced through the use of the provision account. Loss of the provision are recognized in the statement of comprehensive income as other operating expenses. When a loan or receivable is uncollectible, it is written off against the provision account for loans and receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

Borrowings

Borrowings are recognised initially at the amount of proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is gradually recognised in profit and loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(13) Share capital and dividends

Ordinary shares are classified as equity. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, when shareholders of the Company approve the dividends.

(14) Employee benefits

Short-term employee benefits, including salaries, social security contributions and bonuses are included in the statement of profit or loss on an accrual basis.

The Company pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included in the staff costs.

(15) Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15% tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the year-end and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

(16) Fair value estimation

In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments unless there is information on market prices.

(17) Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board and the Council, their close relatives and companies, in which they have a significant influence or control. Also companies located in ultimate control or significant influence by the controlling member are related parties.

(18) Critical accounting estimates and judgments

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgments applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the land and building and determination of their useful life period, determination of revaluation regularity, as well as recoverable amount of receivables and inventories as disclosed in the relevant notes.

a) Revaluation of land and buildings

Management of the Company determines fair value of the assets based on assessment made by independent certified valuators in accordance with the property valuation standards and based on observable market price as well as future cash flow and construction costs methods.

The Management believes that assets must be revaluated at least once in 5 years or earlier if any indicators show the potential material changes in market values. By the management estimates, in the reporting year the factors that indicate a potentially significant changes in the value of those assets has not been identified, and, as a result, fair value measurement procedures has not been made. The total carrying amount of land and buildings as at 31 December 2014 is EUR 316 571 (31.12.2013 - EUR 328 406).

b) Recoverability of receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on amount and structure of receivables is disclosed in Note (12) of the financial statements.

III. OTHER NOTES

(1) Segment Information and net sales

(a) Operation and reportable segment

Core activity of the Company is the issuing of short-term loans against pledge of movable and immovable property and the realization of the pledged property. As the Company's other business lines, including other commodity trade is irrelevant, the Company has only one operation and reportable segment. Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(b) Geographical markets

Currently there are twenty-eight branches: Aizkraukle, Alūksne, Balvi, Bauska, Cesis, Dobele, Daugavpils, Gulbene, Jekabpils (two branches), Jelgava, Kraslava, Kuldiga, Liepaja, Limbazi, Madona, Ogre, Rezekne, Riga, Saldus, Talsi, Valmiera, Ventspils, Tukums, Preili, Ludza, Valka and office in Riga.

(c) Revenue

	2014 EUR	2013 EUR
Income from sales of pledged assets	797 489	1 142 225
Income from other goods sales	292 722	363 569
	1 090 211	**1 505 794**

(d) Finance income

Interest income on loans	1 212 914	1 312 187
Income from penalties, fines	172 090	164 811
Accrued interest	42 096	(9 998)
	1 427 100	**1 466 999**

(2) Cost of sales

Cost of sold pledges	611 637	964 436
Cost of goods purchased for resale	278 380	287 040
	890 017	**1 251 476**

(3) Finance costs

Interest on loans and bonds	416 513	383 710
	416 513	**383 710**

(4) Selling expenses

Personale costs	458 400	476 664
Rent of premises and maintenance costs	167 118	169 255
Depreciation of property, plant and equipment	117 888	98 596
Non-deductible VAT	57 803	48 966
License expenses	14 229	14 229
Advertising expenses	14 225	14 371
Write-off of low value inventory and fixed asset	6 811	16 937
Other distribution expenses	82 990	64 718
	919 464	**903 736**

(5) Administrative expenses

	2014 EUR	2013 EUR
Personnel costs	230 742	220 366
Transport costs	54 759	52 863
Communication expenses	25 683	23 634
Professional service costs	25 425	29 187
Office expenses	18 766	12 169
Leasing interest	3 855	3 016
Bank changes	3 744	6 568
Representation costs	3 685	3 368
Donations	421	3 702
Business trip expenses	623	2 582
Other administrative expenses	2 001	4 900
	369 704	**362 355**

(6) Other income

Net gain in accordace with cession agreement	5 000	-
Insurance income	-	20 145
Net gain on disposal and sales of property, plant and equipment	2 484	144
Other income	19 315	8 835
	24 563	**29 124**

(7) Other expenses

Provisions for inventories (real estate – loan collateral owned by the Company, see Note 11)	11 771	14 230
Provisions for impairment of loans (see Note 12)	89 429	7 114
Provisions for doubtful receivables	1 991	2 520
Real estate tax	4 111	2 527
Loss from purchase - sale of foreign currency	32	3 402
Other expenses	731	41 170
	108 065	**70 963**

(8) Expenses by Nature

Purchase cost of goods sold	860 027	1 251 476
Personnel costs	689 142	697 030
Interest paid on credits, borrowings	416 513	383 710
Rent of premises and maintenance costs	167 118	169 255
Depreciation of property, plant and equipment	117 888	98 596
Transport costs	54 759	52 863
Non-deductible VAT	57 803	48 966
Other expenses	340 513	270 344
	2 703 763	**2 972 240**

(9) Corporate income tax

a) Components of corporate income tax	2014 EUR	2013 EUR
Changes in deferred income tax	(30 897)	1 861
Corporate income tax according to the tax return	-	3 880
	(30 897)	**5 741**

Corporate income tax (continuation)

b) Reconciliation of accounting profit to income tax charges

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2014 EUR	2013 EUR
Profit or loss before taxes	(161 889)	29 678
Theoretically calculated tax at 15% tax rate	**(24 283)**	**4 452**
Tax effects on:		
Non-deductible expenses for tax purposes	(6 274)	2 498
Tax relief for reinvested profits	-	(238)
Tax discounts for donations	(340)	(970)
Total corporate tax charge	**(30 897)**	**5 742**

c) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	54 069	52 208
Deferred tax changes charged to the income statement	(30 897)	1 861
Deferred tax liabilities (asset) at the end of the financial year	**23 172**	**54 069**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2014. EUR	31.12.2013. EUR
Temporary difference on depreciation of PPE and intangible assets	38 701	41 169
Temporary difference on revaluation reserve	19 993	19 993
Gross deferred tax liabilities	**58 695**	**61 162**
Temporary difference on accruals for annual leave	(3 831)	(3 574)
Tax loss carried forward	(9 576)	-
Temporary differences on accruals	(22 116)	(3 519)
Gross deferred tax assets	**(35 522)**	**(7 093)**
Net deferred tax liability (assets)	**23 172**	**54 069**

The Company offsets the deferred tax assets and the deferred tax liabilities only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax is related to the same taxation authority. The offset amounts are as follows:

The movement of deferred tax assets and liabilities during the reporting year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation of PPE EUR	Accruals for unused annual leave EUR	Accruls/ Tax loss carried forward EUR	Total EUR
31.12.2012.	**55 757**	**(3 548)**	**-**	**52 209**
Charged / (credited) to income statement	5 405	(26)	(3 519)	(1 860)
31.12.2013.	**61 162**	**(3 574)**	**(3 519)**	**54 069**
Charged / (credited) to income statement	(2 467)	(257)	(28 173)	30 897
31.12.2014.	**58 695**	**(3 831)**	**(31 692)**	**23 172**

(10) Intangible assets and Property, plant and equipment (PPE)

	Intangible assets - licences	Property, plant and equipment				
		Lands and buildings	Leasehold improvements	Other PPE	Advances and development costs	Total PPE
	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2012						
Initial cost/ revaluated	58 645	357 995	9 290	519 187	26 879	913 351
Accumulated depreciation	(11 106)	(17 753)	(3 095)	(129 094)	-	(149 942)
Net book value	**47 539**	**340 242**	**6 195**	**390 093**	**26 879**	**763 409**
2013						
Opening net book value	47 539	340 242	6 195	390 093	26 879	763 409
Acquired	151	-	8 226	97 983	39 908	146 117
Disposed	-	-	(1 309)	(12 170)	-	(13 479)
Reclassified	-	-	-	-	(66 145)	(66 145)
Depreciation	(3 863)	(11 836)	(3 226)	(78 797)	-	(93 859)
Closing book value	**43 827**	**328 406**	**9 886**	**397 109**	**642**	**736 043**
31.12.2013						
Initial cost/ revaluated	58 796	357 995	16 207	605 000	642	979 844
Accumulated depreciation	(14 969)	(29 589)	(6 321)	(207 891)	-	(243 801)
Net book value	**43 827**	**328 406**	**9 886**	**397 109**	**642**	**736 043**
2014						
Opening net book value	43 827	328 406	9 886	397 109	642	736 043
Acquired	9 180	-	1 030	76 226	16 687	93 943
Disposed	-	-	-	(2 087)	-	(2 087)
Reclassified	-	-	-	429	(429)	-
Depreciation	(30 332)	(11 385)	(6 913)	(68 808)	-	(87 556)
Closing book value	**22 675**	**316 571**	**4 003**	**402 869**	**16 900**	**740 343**
31.12.2014						
Initial cost/ revaluated	67 976	357 995	17 237	679 568	16 900	1 071 700
Accumulated depreciation	(45 301)	(41 424)	(13 234)	(276 699)	-	(331 357)
Net book value	**22 675**	**316 571**	**4 003**	**402 869**	**16 900**	**740 343**

A number of assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the year was EUR 58 thousand.

Intangible assets and Property, plant and equipment (PPE) (continuation)

a) Revaluation of land and building and fair value techniques used

As at 31 December 2004 the Company made first revaluation of real estate. As a result of revaluation, a revaluation reserve of non-current assets in the amount of 53 528 EUR was booked, where 15% of the reserve was attributed to deferred corporate income tax liabilities. Initially calculated revaluation reserve was corrected in 2011 decreasing it by 11 066 EUR to 41 040 EUR.

In June 2011 certified real estate valuator M. Vilnitis who was appointed by the Board of Company, appraised the market value of real estate classified under Land & Buildings. As a result of revaluation a revaluation reserve of non-current assets was increased by 109 786 EUR, where 15% or 16 468 EUR of the reserve was attributed to the liabilities of deferred corporate income tax liabilities. The valuation was determined by two valuation techniques:

b) Under market approach (with the effect of 50% to estimated fair value) the recent market transactions for the similar assets has been used. Sales prices of comparable properties are adjusted for differences in key attributes such as property size, location, technical conditions of the buildings. The most significant input into this valuation is price per square meter.

c) Under income approach (with the effect of 50% to estimated fair value) the expected cash flow has been estimated based on the rental income for the similar properties. The projected future rental income less operational running costs and necessary investments has been discounted to present value. The most significant inputs into this valuation are rental price per square meter, discount rate representing the time value for money and risk premium, reversion or multiplier exit (exit multiple)

		Range used	
Valuation technique	**Unobservable inputs (3rd level)**	**min- max**	**weighted average**
Income approach	discount rate	10%	10%
	exit multiple	9%	9%

Total revaluation surplus of property, plant and equipment on 31 December 2014 was EUR 156 809 (31.12.2013 - EUR 156 809). Revaluation amount less the attributable deferred income tax liabilities is recognizes in equity under "Revaluation reserve of non-current assets".

Revaluation reserve can not be reclassified to other equity items, except at the disposal of assets, and paid to the shareholders as dividends.

b) Other notes

All fixed assets - real estate of the Company are pledged under conditions of the agreement of the Mortgage and Commercial pledge as the security for loans in favour of the credit institutions (see Note (17)).

(11) Inventories	**31.12.2014.** **EUR**	**31.12.2013.** **EUR**
Goods purchased for sales purposes	249 398	292 233
Real estate - loan collateral owned by the Company*	322 389	237 205
Other collateral owned by the Company	342 541	196 199
Advances paid (Real estate – loan collateral owned by the Company)	88 602	56 129
Advances for inventories	26 475	42 795
Provisions for inventories (real estate – loan collateral owned by the Company)	(26 000)	(14 230)
	1 003 405	**810 331**

*According to the loan agreements, failure to comply with terms of the contract, the Company is entitled to take over ownership of the pledged assets. These assets are held and available for sale.

Movement in provisions for impairment of inventories:

	2014 **EUR**	**2013** **EUR**
Provisions at the beginning of the year	**14 230**	-
Created/(reduced) provisions	11 770	14 230
Provisions at the end of the year	**26 000**	**14 230**

(12) Loans and trade receivables	31.12.2014. EUR	31.12.2013. EUR
Short-term loans secured with pledges	2 081 837	2 023 683
Client debts brought to court	285 447	500 460
Provisions for impairment of client debts brought to court*	(68 418)	-
Consumer loans (Short-term loans not secured with pledges)	150 241	76 563
Provisions for impairment of short-term loans not secured with pledges**	(40 651)	-
Accrued interest payments	128 419	86 323
Provisions for impairment of trade receivables	-	(19 640)
	2 536 875	**2 649 329**

Client debts brought to court		
Short-term loans secured with pledges	251 861	488 267
Consumer loans (Short-term loans not secured with pledges)	33 586	12 193
	285 447	**500 460**

In the item 'Client debts brought to court' are indicated only the principal amount of loans. Possible additional penalty and interest income that may arise in a positive result of a judgment, the Company accounted for as contingent asset.

Movement in provisions for impairment of accounts receivable:

	Individual impairment EUR	Collective impairment EUR	Total EUR
Provisions at the beginning of the year	-	**12 526**	**12 526**
Charged/(reduced) provisions in 2013	-	7 114	7 114
Provisions at the beginning of the year 2014	-	**19 640**	**19 640**
Charged/(reduced) provisions in 2014	84 069	5 360	89 429
Provisions at the end of the year	**84 069**	**25 000**	**109 069**

Issued short-term loans interest rates:

	2014 % per year	2013 % per year
Loans against hand pledge till 427 EUR	144 - 252	60 - 240
Loans against hand pledge over 427 EUR	72 - 252	60 - 180
Loans against transport, which remains available to customers	30 - 60	30- 180
Loans against real estate	24 - 84	24 – 96

Issued short-term loans quality anlysis:

	Short-term loans secured with pledges **EUR**	Consumer loans (Short-term loans not secured with pledges) **EUR**	**Total EUR**
Neither past due nor impaired loans	1 248 001	53 568	1 301 569
Past due but not impaired loans	965 337	53 345	1 018 682
less than 30 days	111 109	9 440	120 549
31 to 59 days	63 270	5 918	69 188
60 to 89 days	55 004	4 401	59 405
more than 90 days	735 954	33 586	769 540
Impaired loans	120 360	76 914	197 274
Total gross loans	**2 333 698**	**183 827**	**2 517 525**
Impairment allowance	(40 651)	(68 418)	(109 069)
Total net loans	**2 293 047**	**115 409**	**2 408 456**

* The gross amount of loans does not include accrued interest payments of EUR 128 419.

31.12.2014. **31.12.2013.**

(13) Other current assets

	EUR	EUR
Financial assets:		
Other receivables, net	16 350	6 259
Settlements for services	5 934	
Overpaid taxes	-	22
	22 284	10 507
Non-financial assets		
Prepaid expense	20 436	23 527
	42 720	**34 034**

Movement in provisions for impairment of other accounts receivable:

	2014 EUR	2013 EUR
Provisions at the beginning of the year	**10 382**	**7 862**
Created/(reduced) provisions	1 991	2 520
Provisions at the end of the year	**12 373**	**10 382**

(14) Cash and cash equivalents

	31.12.2014. EUR	31.12.2013. EUR
Cash at bank on current accounts	35 834	174 197
Cash on hand	39 588	138 226
	75 422	**312 423**

(15) Financial instruments by catergory

All financial assets of the Company amounting at the year end to EUR 2 634 581 (31.12.2013 - EUR 2 976 087) fell under the category of loans and receivables.

All financial liabilities of the Company amounting to EUR 3 974 175 (31.12.2013 - EUR 3 995 901) fee under the category of other financial liabilities, there are no liabilities at fair value through profit or loss.

(16) Share capital

As by 31 December 2014, the share capital has been completely paid. It consists of 6 000 shares with the nominal value of 71.14 (71.1435905316) EUR and the total value of 426 862 EUR.

(17) Borrowings

	Note	31.12.2014. EUR	31.12.2013. EUR
Non-current			
Non-convertible bonds	b)	-	2 860 000
Bank borrowings	c)	-	12 545
Other loans	d)	-	383 000
Finance lease liabilities	e)	52 682	68 820
		52 682	**3 324 365**
Current			
Non-convertible bonds	b)	3 370 374	65 503
Bank borrowings	c)	32 827	70 327
Other loans	d)	365 000	350 000
Finance lease liabilities	e)	29 451	28 514
		3 797 652	**514 344**
Borrowings total:		**3 850 514**	**3 838 709**

a) Fair value of borrowings

Considering that the variable interest rate is applied to loans from credit institutions and financial leasing agreements, fair value is not materially different from the carrying value. The management assesses, that also carrying value of other borrowings is not materially different from their fair value.

During the reporting and previous year with the Company's bonds were not made transactions for which is available public information to assess their market value.

Borrowings (continuation)

b) Bonds

On 24 Novmber 2010 the Company issued 1 700 corporate bonds with nominal value of EUR 1 000 or totally EUR 1 700 000 (LVL 1 194 767). Coupon interest is set at 12% and maturity date is 25 October 2015. Coupon interest is payable quarterly. In the first half of 2011 the Company issued in addition 500 corporate bonds with nominal value of EUR 1 000 or totally EUR 500 000 (LVL 351 402). In 2012 the Company issued in addition 660 corporate bonds with nominal value of EUR 1 000 or totally EUR 660 000 (LVL 463 851), which is reflected in this report, taking into account with issuance of the bonds associated costs. In the Annual report, bonds are stated at its fair value taking into account listing expenses. In 2014 were issued in addition 450 corporate bonds with nominal value of EUR 1 000 or nominal value of EUR 450 000 (LVL 316 269).

Bonds are included in Baltic bond list of NASDAQ OMX Riga AS stock exchange.

	2014		2013	
	number of bonds	**EUR**	**number of bonds**	**EUR**
At beginning of the year	2 860	2 860 000	2 860	2 860 000
Issued during the year	450	450 000	-	-
Paid during the year	435	435 000	-	-
At the end of the year	**3 310**	**3 310 000**	**2 860**	**2 860 000**

c) Bank borrowings

The Company uses ABLV bank granted credit line with a maximum limit of EUR 65 000, with maturity date till February 2015 and interest rate of 5% + 6 months EURIBOR. The company also received a loan of EUR 137 000, with a maturity date until March 2015 and interest rate of 6.5% + 6 months EURIBOR.

Loans are secured by a mortgage on the Company's immovable properties with a total book value of EUR 316 569 (31.12.2013 - EUR 328 406).

	2014 EUR	**2013 EUR**
At beginning of the year	82 872	70 854
Borrowings received in the year	308 000	266 500
Repaid borrowings in the year	(358 045)	(254 482)
At the end of the year	**32 827**	**82 872**

d) Other loans

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note (19)). Borrowing interest rates range from 6% to 9% per year.

	2014 EUR	**2013 EUR**
At beginning of the year	733 000	435 000
Borrowings received in the year	143 100	381 830
Repaid borrowings in the year	(511 100)	(511 100)
At the end of the year	**365 000**	**733 000**

e) Finance lease liabilities

The Company has acquired fixed assets under finance lease. Interest payments are 2.5% + 3 M EURIBOR payable due on monthly basis.

In accordance with the agreements the minimum finance lease payments are:	**31.12.2014. EUR**	**31.12.2013. EUR**
Payable within 1 year	31 633	28 514
Payable from 2 to 5 years	54 817	73 884
Finance lease gross liability	**86 450**	**102 398**
Future finance costs	(4 137)	(5 064)
Present value of finance lease liability	**82 313**	**97 334**

(18) Trade and other payables

	31.12.2014. EUR	31.12.2013. EUR
Salaries	29 055	32 753
Accruals for unused annual leave	25 537	23 825
Value Added Tax	17 762	12 697
Mandatory State social insurance contributions	14 242	18 609
Trade payables	11 328	20 594
Accrued liabilities	12 722	11 269
Personal income tax	6 546	11 608
Deferred income	3 790	-
Advances from customers	896	22 765
Other receivables	1 783	3 072
	123 661	**157 192**

The carrying values of trade and other payables approximate their fair values due to their short term nature. Trade and other payables carry no interest.

(19) Transactions with related parties

In 2014 the Company had economic transactions with the following entities that are directly or indirectly controlled by the Company's shareholders and members of the Board: Orheja SIA, Trezors SIA and Premium Finance Group SIA.

(a) Loans balances and interest expenses

	Loans balances		Interest expenses	
	31.12.2014 EUR	31.12.2013 EUR	2014 EUR	2013 EUR
Orheja SIA	-	13 000	976	304
Trezors SIA	15 000	20 000	1 985	2 479
Lielie rita buLLi SIA	50 000	-	3 400	-
Premium Finance Group SIA	-	200 000	1 167	13 163
	65 000	**233 000**	**7 528**	**15 946**
The non-current part of the loans	-	33 000		
The current part of the loans	65 000	200 000		
	65 000	**233 000**		

(b) Remuneration to the management

	Remuneration to Council members		Remuneration to Board members	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Salaries	-	-	50 733	51 164
Social security contributions	-	-	11 968	12 325
Other costs	-	-	-	9
	-	**-**	**62 701**	**63 498**

(20) Operating leases - the Group as lessee

During the financial year was in effect a number of agreements of premises rent. Lease payments recognised as an expense during the reporting period amount to EUR 109 388 (2013: EUR 102 357). No sublease payments or contingent rent payments were made or received.

(21) Financial and capital risk management

The Company’s activity is exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company’s financial position. The Company uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risks

The Company's main financial assets and liabilities are in Euro (EUR). Revenues are collected in EUR. Daily purchases primarily are incurred in EUR. Taking into account Latvian national currency conversion to the euro as at 1 January 2014 at an exchange rate 0.702804 LVL/ EUR, it does not lead to currency risk.

(ii) Interest rate risks

The Company is exposed to interest rate risk as the part of the liabilities are interest-bearing borrowings with the variable interest rate (Note (17)), as well as the Company’s interest bearing assets have fixed interest rate.

	31.12.2014. EUR	31.12.2013. EUR
Financial liabilities with variable interest rate	115 140	180 206
Open position, net	**115 140**	**180 206**

Taking into account insignificant proportion of financial liabilities with variable interest rate in total financial liabilities, possible changes of interest and interest rate does not leave significant effect on the Company's profit before tax.

(ii) Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate due to other market factors. The Company’s management monitors the market fluctuations on a continuous basis and acts accordingly but does not enter into any hedging transactions.

(b) Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily cash, trade receivables and loans. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

Maximum exposure to credit risk	31.12.2014. EUR	31.12.2013. EUR
Loans and trade receivables	2 536 875	2 667 389
Other current assets	42 720	34 034
Cash and cash equivalents	75 422	312 423
	2 655 017	**3 013 846**

Within the Company the credit risk is managed using centralized procedures and control. The main credit risk occurs in connection with outstanding loans issued. To reduce these risks the Company applies a conservative credit policy – the sum of issued loans is smaller than the value of pledged movable and immovable property. Such policy allows the Company to reduce its credit risk to minimum. Information about the structure of the loan portfolio is provided in Note 12.

The Company is not subjected to income concentration risk because the Company gains income from many clients where the total payment of interest income or commission fees is formed by small sums.

Financial and capital risk management (continuation)

(c) Liquidity risk

Company pursues a prudent liquidity risk management and maintain a sufficient quantity of cash and ensure the availability of financial funds through bonds emission, loans provided by banks and related parties. Company's management monitors the operational forecasting of liquidity reserves, based on estimated cash flows.

The following table shows the maturity structure of financial liabilities of the Company, that is based on non-discounted cash flows (excluding interest):

On 31 December, 2014	**Total EUR**	**<1 year EUR**	**1-2 years EUR**	**2-5 years EUR**	**>5 years EUR**
Bonds	3 370 374	3 370 374	-	-	-
Loans from credit institutions	32 827	32 827	-	-	-
Other loans	365 000	365 000	-	-	-
Finance lease liabilities	82 313	29 451	30 379	22 483	-
Trade and other payables	123 661	123 661	-	-	-
	3 974 175	**3 921 313**	**30 379**	**22 483**	**-**

On 31 December, 2013	**Total EUR**	**<1 year EUR**	**1-2 years EUR**	**2-5 years EUR**	**>5 years EUR**
Bonds	2 925 503	65 503	2 860 000	-	-
Loans from credit institutions	82 872	70 327	12 545	-	-
Other loans	733 000	350 000	383 000	-	-
Finance lease liabilities	97 333	28 514	28 561	40 258	-
Trade and other payables	157 192	157 192	-	-	-
	3 995 900	**671 536**	**3 284 106**	**40 258**	**-**

All loans and trade receivables are short - term, with a maturity 1 year or less.

(d) Capital Management

According to the Latvian Commercial Law requirements if the Company's losses exceed half of the share capital, the Board is required to address shareholders to make decisions on Company's going concern. Equity of the Company meets the Latvian legal requirements. Company's management manages the capital structure on going concern basis. During the reporting period there were no changes in capital management objectives, policies or processes.

Company's management controls the net debt to equity (gearing ratio).

	31.12.2014. EUR	**31.12.2013. EUR**
Total borrowings	3 850 514	3 773 203
Less cash and its equivalents	(75 422)	(312 421)
Net debt	3 775 092	3 460 782
Equity	430 671	561 662
Total capital	4 205 763	4 022 444
Total assets	4 428 018	4 611 633
Net debt to equity	877%	616%
Equity ratio on total assets	10%	12%

(22) Events after balance sheet date

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

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TAXLINK AUDIT

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INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Moda Kapitāls

Report on the Financial Statements

We have audited 2014 financial statements of AS Moda Kapitāls (the "Company"), which are set out on pages 6 through 26 of the accompanying 2014 Annual Report and which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted in European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Auditors' responsibility is to express an opinion on these financial statements based on audit. We conducted audit in accordance with International Standards on Auditing. Those standards require that auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of AS Moda Kapitāls as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted in European Union.

Report on Other legal and regulatory requirements

Furthermore, we have read the Management Report for the year ended 31 December 2014 (included on page 4 of the accompanying 2014 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2014.

SIA Taxlink audit
Licence No. 169

Armands Podoļskis
Member of the board
Latvian Certified Auditor
Certificate No. 191

Riga, 29 April 2015