AS Moda Kapitāls

Unaudited Condensed Interim Financial Statements
for the period 01.01.2015. - 30.06.2015.

CONTENTS

MANAGEMENT

Names and positions of the Council members	Andris Banders - Chairmen 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 basic activity of AS Moda Kapitāls (further - Company) is issuing of short-term loans against a pledge of movable and immovable property.

Performance during the financial year and financial situation of the Company

In the first half of 2015 AS Moda Kapitāls has merged two existing branches in Daugavpils.

Taking into account increasing competition and current market situation, the Company's priority will not be launching new branches but to increase the effectiveness of operation and profitability of the existing branches.

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

In the first half of the 2015 there was no significant overall customer growth activity and demand for AS Moda Kapitāls services rendered, but at the same time growth in customer activity was observed concerning to trade of goods. There is growing base of clients who regularly use the Company's services, both in borrowing and the purchase of goods traded.

During the first half of the 2015 the process that changed the Company's loan portfolio structure has continued. 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.

Compared with the previous year, in most of the Company's branches further development of both the loan portfolio and income growth is observed. 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.

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 forecast that 2015 will be concluded at a loss.

During the second half of the 2015 the online shop will be opened, which according to company’s estimates will increase revenue from trade of goods and will extend the customer base.

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 June 2015.

Company's branches

Currently there are twenty-seven branches: Aizkraukle, Alūksne, Balvi, Bauska, Cēsis, Dobele, Daugavpils, Gulbene, Jēkabpils (two branches), Jelgava, Krāslava, Kuldīga, Liepāja, Limbaži, Madona, Ogre, Rēzekne, Rīga, Saldus, Talsi, Valmiera, Ventspils, Tukums, Preiļi, Ludza un Valka.

Guntars Zvīnis
Member of the Board

Riga, 28 August 2015

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the condensed interim financial statements in accordance with IAS 34 Interim Financial Reporting. The financial statements give a true and fair view of the financial position of the Company as at 30 June 2015, and the results of its operations and cash flow for the period then ended.

The Management certifies that proper accounting methods were applied to preparation of these condensed interim financial statements on page 6 to page 17 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 condensed interim 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, 28 August 2015

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2015- 30.06.2015 EUR	01.01.2014- 30.06.2014 EUR
Revenue	456,709	418,886
Finance income	679,796	697,508
Cost of sales	(368,127)	(301,442)
Finance costs	(214,290)	(203,114)
Gross profit	**554,088**	**611,838**
Distribution expenses	(435,845)	(477,475)
Administrative expenses	(190,440)	(179,202)
Other income	16,069	10,715
Other expenses	(2,291)	(23,152)
Loss before Income tax	**(58,419)**	**(57,276)**
Corporate income tax	8,414	(2,570)
Net loss for the period	**(50,005)**	**(59,846)**
Other comprehensive income	-	-
Total comprehensive loss for the period	**(50,005)**	**(59,846)**

Notes on pages 10 to 17 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 28 August 2015

STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2015. EUR	31.12.2014. EUR
ASSETS			
Non-current assets			
Intangible assets		6,641	22,675
Property, plant and equipment	(1)	698,233	740 343
Other non-current assets		142	142
Total non-current assets:		**705,016**	**763,160**
Current assets			
Inventories		895,114	1,003,405
Loans and trade receivables	(2)	2,667,605	2,536,875
Other current assets		38,506	42,720
Corporate income tax		1,600	6,436
Cash and cash equivalents		142,838	75,422
Total current assets:		**3,745,663**	**3,664,858**
Total assets:		**4,450,679**	**4,428,018**

EQUITY AND LIABILITIES		30.06.2015. EUR	31.12.2014. EUR
Equity			
Share capital		426,862	426,862
Revaluation reserves of non-current assets	(1)	133,288	133,288
Retained earnings/ (accumulated deficit)		(179,484)	(129,479)
Total equity:		**380,666**	**430,671**
Liabilities:			
Non-current liabilities:			
Borrowings	(3)	32,466	52,862
Deferred income tax liabilities		14,758	23,172
Total non-current liabilities:		**47,224**	**76,034**
Current liabilities:			
Borrowings	(3)	3,884,825	3,797,652
Trade and other payables		137,964	123,661
Total current liabilities:		**4,022,789**	**3,921,313**
Total liabilities:		**4,070,013**	**3,997,347**
Total equity and liabilities:		**4,450,679**	**4,428,018**

Notes on pages 10 to 17 are an integral part of these financial statements.

Guntars Zvīnis
Member of the Board

Riga, 28 August 2015

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earnings/ (accumulated deficit)	Total
	EUR	EUR	EUR	EUR
01.01.2014.	**426,862**	**133,288**	**1,513**	**561,663**
Net profit or loss	-	-	(130,992)	(130,992)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**(130,992)**	**(130,992)**
31.12.2014.	**426,862**	**133,288**	**(129,479)**	**430,671**
Net profit or loss	-	-	(50,005)	(50,005)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income	**-**	**-**	**(50,005)**	**(50,005)**
30.06.2015.	**426,862**	**133,288**	**(179,484)**	**380,666**

CASH FLOW STATEMENT

	Notes	01.01.2015-30.06.2015 EUR	01.01.2014-30.06.2014 EUR
Cash flow from operating activities			
Profit/ (loss) before corporate income tax		(58,419)	(57,276)
Adjustments for:			
depreciation and amortization	(1)	55,918	52,399
loss / (profit) from disposal of property, plant and equipment		6,807	3,136
Interest payments		214,290	203,114
Changes in working capital			
inventories		108,291	(39,221)
receivables		(120,682)	(65,425)
liabilities		14,303	(29,872)
Cash flow from operating activities		**220,508**	**66,855**
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	(1)	(5,579)	(75,650)
Net cash flow generated from investing activities from continuing operations		**(5,579)**	**(75,650)**
Cash flow from financing activities			
Proceeds from bond issuance		15,000	435,000
Loans received, net	(3)	188,000	168,914
Borrowings repaid, net	(3)	(115,827)	(581,357)
Interest payments		(214,290)	(203,114)
Paid on finance lease agreements		(20,396)	(15,449)
Net cash flow generated from financing activities from continuing operations		**(147,513)**	**(196,006)**
Net increase / (decrease) in cash and cash equivalents		**(67,416)**	**(204,801)**
Cash and cash equivalents at the beginning of the financial year		**75,422**	**312,423**
Cash and Cash equivalents at the end of the financial year		**142,838**	**107,622**

Notes on pages 10 to 17 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.

These interim financial statements were authorized for issue by the Board of Directors of the Company on 28 August 2015, and Member of the Board Guntis Zvīnis signed these for and on behalf of the Board of Directors.

II. ACCOUNTING POLICIES

(1) Basis of preparation

These interim financial statements covers the period from 1 January 2015 till 30 June 2015. Interim financial statements are prepared in accordance with International Accounting Standard No.34 (IAS) Interim Financial Statements. These interim financial statements shall be read together with the Company's latest annual financial statements for the period ended 31 December 2014, that have been prepared in accordance with International Financial Reporting Standards, as endorced by EU.

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in their financial statements as at and for the year ended 31 December 2015.

New Standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these interim financial statements. Those which may be relevant to the Companyt are set out below. The Comapny does not plan to adopt these standards early.

(i) *IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)*

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(ii) Annual Improvements to IFRSs

The improvements introduce six amendments to six standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. None of these amendments are expected to have a significant impact on the financial statements of the Company.

(2) Foreign currencies

(a) Functional and presentation currency

Items shown in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Financial statements are presented in euro (EUR), which is the Company’s functional and presentation currency.

(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:

	30.06.2015.	**31.12.2014.**
	EUR	**EUR**
1 USD	1.1189	1.2141

(3) 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.

(4) 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:

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

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

(5) 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 derecognized 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 derecognized 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 categories its financial assets, except derivative financial instruments if any, under loans and receivables. The categorization depends on the purpose for which the financial assets were acquired. Management determines the categorization 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 reorganization, 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.

III. OTHER NOTES

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

	Land and buildings	Leasehold Improvement	Other PPE	Advances and development costs	Total
	EUR	EUR	EUR	EUR	EUR
Cost/ revaluation					
31.12.2014.	357,995	6,669	673,583	16,900	1,055,147
Acquired	-	-	2,797	2,782	5,579
Reclassified	-	-	7,911	(7,911)	-
Disposed	-	(1,030)	(18,224)	(997)	(20,251)
30.06.2015.	357,995	5,639	666,067	10,774	1,040,475
Depreciation					
31.12.2014.	(41,424)	(2,665)	(270,715)	-	(314,804)
Calculated	(5,918)	(613)	(33,354)	-	(39,885)
Disposed	-	1,030	11,417	-	12,447
30.06.2015.	(47,342)	(2,248)	(292,652)	-	(342,242)
Net carrying amount					
31.12.2014.	**316,571**	**4,004**	**402,868**	**16,900**	**740,343**
30.06.2015.	**310,653**	**3,391**	**373,415**	**10,774**	**698,233**

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 noncurrent 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.

(2) Loans and trade receivables

	30.06.2015. EUR	31.12.2014. EUR
Short-term loans secured with pledges	2,182,556	2,081,837
Client debts brought to court	269,129	285,447
Provisions for impairment of client debts brought to court	(68,418)	(68,418)
Consumer loans (Short-term loans not secured with pledges)	185,581	150,241
Provisions for impairment of short-term loans not secured with pledges	(40,651)	(40,651)
Accrued interest payments	139,408	128,419
	2,667,605	**2,536,875**

Issued short-term loans interest rates:

	2015 % per year	2014 % per year
Loans against hand pledge till 427 EUR	48 - 252	144 - 252
Loans against hand pledge over 427 EUR	36 - 180	72 – 252
Loans against transport, which remains available to customers	24 - 84	30 - 60
Loans against real estate	18 - 84	24 - 84

(3) Borrowings

	Note	30.06.2015. EUR	31.12.2014. EUR
Non-current			
Finance lease liabilities	e)	32,466	52,862
		32,466	**52,862**
Current			
Non-convertible bonds	b)	3,385,374	3,370,374
Bank borrowings	c)	-	32,827
Other loans	d)	470,000	365,000
Finance lease liabilities	e)	29,451	29,451
		3,884,825	**3,797,652**
Borrowings total:		**3,917,291**	**3,850,514**

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.

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.

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

	2015		2014	
	number of bonds	**EUR**	**number of bonds**	**EUR**
At beginning of the year	3,295	3,295,000	2,860	2,860,000
Issued during the year	15	15,000	435	435,000
At the end of the year	**3,310**	**3,310,000**	**3,295**	**3,295,000**

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 310,653.

	2015 EUR	2014 EUR
At beginning of the year	32,827	82,872
Borrowings received in the year	63,000	308,000
Repaid borrowings in the year	(95,827)	(358,045)
At the end of the year	-	**32,827**

d) Other loans

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note (4)). Borrowing interest rates range from 6% to 10% per year

	2015	2014
	EUR	EUR
At beginning of the year	365,000	733,000
Borrowings received in the year	125,000	143,100
Repaid borrowings in the year	(20,000)	(511,100)
At the end of the year	**470,000**	**365,000**

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:	30.06.2015.	31.12.2014.
	EUR	EUR
Payable within 1 year	28,761	31,633
Payable from 2 to 5 years	35,884	54,817
Finance lease gross liability	**64,645**	**86,450**
Future finance costs	(2,727)	(4,137)
Present value of finance lease liability	**61,918**	**82,313**

(4) Transactions with related parties

In 2015 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: Trezors SIA and Lielie rīta buļļi SIA.

Loans balances and interest expenses

	Loans balances		Interest expenses	
	30.06.2015	31.12.2014	01.01.2015-30.06.2015	2014
	EUR	EUR	EUR	EUR
Orheja SIA	-	-	-	976
Trezors SIA	10,000	15,000	563	1,985
Lielie rīta buļļi SIA	160,000	50,000	5,940	3,400
Premium Finance Group SIA	-	-	-	1,167
	170,000	**65,000**	**6,503**	**7,528**
	-	-		
The non-current part of the loans	170,000	65,000		
The current part of the loans	**170,000**	**65,000**		

(5) Financial and capital risk management

The Company's activity is exposed to various financial risks including credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position.

(a) Market risk

(i) Interest rate risk

The Company is exposed to interest rate risk as the part of the liabilities are interest-bearing borrowings with the variable interest rate (Note (3)), as well as the Company's interest bearing assets have fixed interest rate.

	30.06.2015. EUR	31.12.2014. EUR
Financial liabilities with variable interest rate	61,918	115,140
Open position, net	**61,918**	**115,140**

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	30.06.2015. EUR	31.12.2014. EUR
Loans and trade receivables	2,667,605	2,536,875
Other current assets	38,506	42,720
Cash and cash equivalents	142,838	75,422
	2,848,949	**2,655,017**

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 much 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 2.

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.

(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.

(5) Financial and capital risk management (continuation)

(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.

	30.06.2015. EUR	31.12.2014. EUR
Total borrowings	3,917,291	3,850,514
Cash and cash equivalents	(142,838)	(75,422)
Net debt	3,774,453	3,775,092
Equity	380,666	430,671
Total capital	4,155,119	4,205,763
Total assets	4,450,679	4,428,018
Net debt to equity	992%	877%
Equity ratio on total assets	9%	10%

(6) Events after balance sheet date

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