

**AS Moda Kapitāls**

Unaudited Condensed Interim Financial Statements  
for the period 01.01.2016. - 30.06.2016.

AS Moda Kapitāls  
Unaudited Condensed Interim Financial Statements  
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**MANAGEMENT**

Names and positions of the Council members

Andris Banders – Chairman of the Council  
Inese Kanneniece – Member of the Council  
Aleksandrs Sirmāis - Member of the Council  
Verners Skrastiņš - Member of the Council  
Dīāna Zvīne - Member of the Council

Names and positions of the Board members

Ilvars Sirmāis – Member of the Board  
Guntars Zvīnis - Member of the Board

## **REPORT OF THE MANAGEMENT**

### **Type of operations**

The principal activity of AS Moda Kapitāls (further - Company) is issuance of short-term loans against a pledge of movable property, transport, real estate and issuance of consumer loans.

### **Performance during the financial year and financial situation of the Company**

During the first half of the 2016 the priority of AS Moda Kapitāls was improvement of branch operations and increasing of profitability.

Major attention is being paid to the improvement of employees' qualification. The new employee training program and maintenance and control system of professional expertise has been developed. We expect that the implementation and further development of new system will improve customer service culture that will make a positive impact on the flow of customers in company's branches.

During the first half of the 2016 there was a slight increase in demand for AS Moda Kapitāls services rendered. The increase observed for issued short-term loans against a pledge of movable property and for consumer loans. At the same time slight increase 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.

In December 2015 the online shop [www.emoda.lv](http://www.emoda.lv) was launched. During the first half of the 2016 the increase of [emoda.lv](http://www.emoda.lv) customer activity was observed. As well as the number of purchase transactions increased. Established platform gives its contribution on the flow of customers in company's branches.

Compared with the previous year, in some 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, that 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 2016 sales will be about the same level as in 2015. The Company recognised substantial provisions of impairment for loans in 2014 and 2015. Such amount of the provisions of impairment for loans is not expected. We believe that financial results 2016 will be better than in 2015.

### **Significant events since the year end**

During the time period from the last day of the financial year till signing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 30 June 2016.

### **Company's branches**

Currently there are twenty-seven branches: Aizkraukle, Aluksne, 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 and Valka.

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Guntars Zvīnis  
Member of the Board

Riga, 30 August 2016

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**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 2016, 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 18 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.

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Guntars Zvīnis  
Member of the Board

Riga, 30 August 2016

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**STATEMENT OF COMPREHENSIVE INCOME**

	<b>01.01.2016- 30.06.2016 EUR</b>	<b>01.01.2015- 30.06.2015 EUR</b>
Revenue	565,037	456,709
Finance income	663,802	679,796
Cost of sales	(467,039)	(368,127)
Finance costs	(210,091)	(214,290)
<b>Gross profit</b>	<b><u>551,709</u></b>	<b><u>554,088</u></b>
Distribution expenses	(399,021)	(435,845)
Administrative expenses	(158,242)	(190,440)
Other income	26,925	16,069
Other expenses	(3,528)	(2,291)
<b>Profit or (loss) before income tax</b>	<b><u>17,843</u></b>	<b><u>(58,419)</u></b>
Corporate income tax	(3,679)	8,414
<b>Net profit or (loss)</b>	<b><u><u>14,164</u></u></b>	<b><u><u>(50,005)</u></u></b>
<b>Other comprehensive income or (loss)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income or (loss)</b>	<b><u><u>14,164</u></u></b>	<b><u><u>(50,005)</u></u></b>

Notes on pages 10 to 18 are an integral part of these financial statements.

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Guntars Zvīnis  
Member of the Board

Riga, 30 August 2016

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**STATEMENT OF FINANCIAL POSITION**

	Notes	30.06.2016. EUR	31.12.2015. EUR
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Intangible assets		53,528	44,739
Property, plant and equipment	(1)	529,464	587,128
Other non-current assets		142	142
<b>Total non-current assets:</b>		<b>583,134</b>	<b>632,009</b>
<b>Current assets</b>			
Inventories	(2)	1,171,031	1,105,387
Loans and trade receivables	(3)	2,201,154	2,212,807
Other current assets		32,196	44,086
Cash and cash equivalents		196,480	285,218
<b>Total current assets:</b>		<b>3,600,861</b>	<b>3,647,498</b>
<b>Total assets:</b>		<b>4,183,995</b>	<b>4,279,507</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital		426,862	426,862
Revaluation reserves of non-current assets	(1)	133,288	133,288
Retained earnings/ (accumulated deficit)		(225,553)	(239,717)
<b>Total equity:</b>		<b>334,597</b>	<b>320,433</b>
<b>Liabilities:</b>			
<b>Non-current liabilities</b>			
Borrowings	(4)	3,326,852	3,339,172
Deferred income tax liabilities		5,891	7,049
<b>Total non-current liabilities:</b>		<b>3,332,743</b>	<b>3,346,221</b>
<b>Current liabilities:</b>			
Borrowings	(4)	379,631	494,631
Trade and other payables		137,024	118,222
<b>Total current liabilities:</b>		<b>516,655</b>	<b>612,853</b>
<b>Total liabilities:</b>		<b>3,849,398</b>	<b>3,959,074</b>
<b>Total equity and liabilities:</b>		<b>4,183,995</b>	<b>4,279,507</b>

Notes on pages 10 to 18 are an integral part of these financial statements.

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Guntars Zvīnis  
Member of the Board

Rīga, 30 August 2016

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**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Revaluation reserves of non-current Assets	Retained earnings/ (accumulated deficit)	Total
	EUR	EUR	EUR	EUR
<b>01.01.2015.</b>	<b>426,862</b>	<b>133,288</b>	<b>(129,479)</b>	<b>430,671</b>
Net profit or (loss)	-	-	(110,238)	(110,238)
Other comprehensive income/ (loss)	-	-	-	-
<b>Total comprehensive income or (loss)</b>	<b>-</b>	<b>-</b>	<b>(110,238)</b>	<b>(110,238)</b>
<b>31.12.2015.</b>	<b>426,862</b>	<b>133,288</b>	<b>(239,717)</b>	<b>320,433</b>
Net profit or (loss)	-	-	14,164	14,164
Other comprehensive income/ (loss)	-	-	-	-
<b>Total comprehensive income or (loss)</b>	<b>-</b>	<b>-</b>	<b>14,164</b>	<b>14,164</b>
<b>30.06.2016.</b>	<b>426,862</b>	<b>133,288</b>	<b>(225,553)</b>	<b>334,597</b>



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**CASH FLOW STATEMENT**

	Notes	01.01.2016- 30.06.2016 EUR	01.01.2015- 30.06.2015 EUR
<b>Cash flow from operating activities</b>			
Profit/ loss before corporate income tax		17,743	(58,419)
<u>Adjustments for:</u>			
depreciation and amortization	(1)	49,111	55,918
loss / (profit) from disposal of property, plant and equipment		(191)	6,807
changes in provisions		6,556	-
interest payments		210,091	214,290
<u>Changes in working capital</u>			
Inventories		(65,644)	108,291
Receivables		22,535	(120,682)
Liabilities		8,418	14,303
<b>Cash flow from operating activities</b>		<b>248,719</b>	<b>220,508</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(265)	(5,579)
Income from sales of fixed assets	(1)	219	-
<b>Net cash flow from investing activities</b>		<b>(46)</b>	<b>(5,579)</b>
<b>Cash flow from financing activities</b>			
Proceeds from bond issuance		-	15,000
Loans received	(4)	-	188,000
Borrowings repaid	(4)	-	(115,827)
Interest payments		(115,000)	(214,290)
Paid on finance lease agreements		(210,091)	(20,396)
<b>Net cash flow generated from financing activities from continuing operations</b>		<b>(337,411)</b>	<b>(147,513)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(88,738)</b>	<b>(67,416)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>285,218</b>	<b>75,422</b>
<b>Cash and Cash equivalents at the end of the financial year</b>		<b>196,480</b>	<b>142,838</b>

Notes on pages 10 to 18 are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **I. GENERAL INFORMATION**

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

These interim financial statements were authorized for issue by the Board of Directors of the Company on 30 August 2016, and Member of the Board Guntars 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 2016 till 30 June 2016. 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 2015, that have been prepared in accordance with International Financial Reporting Standards, as endorsed 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 2016, and have not been applied in preparing these interim financial statements. The Company does not plan to adopt these standards early.

#### **(2) Foreign currencies**

##### **(a) Functional and presentation currency**

The company's functional currency and presentation currency is the Latvian national currency Euro (EUR).

##### **(b) Transactions and balances**

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:

	<b>30.06.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
1 USD	1,1102	1,0887

#### **(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.

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**(3) Revenue recognition (continuation)**

*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) 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:

	<b>Years</b>
Licenses and patents	3 - 5

**(5) Property, plant and equipment**

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:

	<b>Years</b>
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.

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**(6) 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.

**(7) 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.

**(8) 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.

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**(9) 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.

**(10) 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.

**(11) 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 valuers 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 reporting date is EUR 281 031 (31.12.2015 - EUR 286 594).

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.

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**III. OTHER NOTES**

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

	<b>Property, plant and equipment</b>					<b>Total PPE</b>
	<b>Intangible assets - licences</b>	<b>Land and buildings</b>	<b>Leasehold improvements</b>	<b>Other PPE</b>	<b>Advances and development costs</b>	
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Initial cost/ revaluated</b>						
31.12.2015.	67,977	336,651	17,237	645,192	12,060	1,011,140
Acquired	-	-	-	265	-	265
Reclassified	11 098	-	-	-	(11,098)	-
Disposed	-	-	-	(1,745)	-	(1,745)
30.06.2016.	<u>79,075</u>	<u>336,651</u>	<u>17,237</u>	<u>643,712</u>	<u>962</u>	<u>998,562</u>
<b>Depreciation</b>						
31.12.2015.	(23,238)	(50,057)	(14,186)	(359,769)	-	(424,012)
Calculated	(2,309)	(5,563)	(336)	(40,903)	-	(46,802)
Disposed	-	-	-	1,716	-	1,716
30.06.2016.	<u>(25,547)</u>	<u>(55,620)</u>	<u>(14,522)</u>	<u>(398,956)</u>	<u>-</u>	<u>(469,098)</u>
<b>Net carrying amount</b>						
<b>31.12.2015.</b>	<b><u>44,739</u></b>	<b><u>286,594</u></b>	<b><u>3,051</u></b>	<b><u>285,423</u></b>	<b><u>12,060</u></b>	<b><u>587,128</u></b>
<b>30.06.2016.</b>	<b><u>53,528</u></b>	<b><u>281,031</u></b>	<b><u>2,715</u></b>	<b><u>244,756</u></b>	<b><u>962</u></b>	<b><u>529,464</u></b>

**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.

	<b>30.06.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
<b>(2) Inventories</b>		
Real estate - loan collateral owned by the Company *	391,006	405,803
Advances paid (Real estate – loan collateral owned by the Company)	80,225	81,497
Provision for inventories ((Real estate – loan collateral owned by the Company)	(36,000)	(36,000)
Goods purchased for sales purposes	237,473	284,428
Advances for goods	27,549	9,405
Provisions for slow moving and damaged goods	(13,611)	(13,611)
Other collateral owned by the Company	484,389	373,865
	<b><u>1,171,031</u></b>	<b><u>1,105,387</u></b>

\* 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.

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(3) Loans and trade receivables	30.06.2016. EUR	31.12.2015. EUR
Short term loans secured with pledges	2,031,421	2,091,230
Provisions for impairment for loans secured with pledges	(141,185)	(141,185)
Consumer loans (Short-term loans without pledge)	238,263	203,951
Provisions for impairment of short-term loans not secured with pledges	(59,421)	(59,421)
Accrued interest payments	132,076	118,232
	<u>2,201,154</u>	<u>2,212,807</u>

**Issued short-term loans interest rates:**

	01.01.2016- 30.06.2016 %	2015 %
Loans against hand pledge till 427 EUR	144 - 252	144 - 252
Loans against hand pledge over 427 EUR	108 – 252	72 – 252
Loans against transport, which remains available to customers	30 - 60	30 - 60
Loans against real estate	24 – 84	24 - 84

(4) Borrowings		30.06.2016. EUR	31.12.2015. EUR
<b>Non-current</b>	<b>Note</b>		
Non-convertible bonds	b)	3,310,000	3,310,000
Other loans	c)	10,000	10,000
Finance lease liabilities	d)	6,852	19,172
		<u>3,326,852</u>	<u>3,339,172</u>
<b>Current</b>			
Non-convertible bonds	b)	53,297	53,297
Other loans	c)	301,500	416,500
Finance lease liabilities	d)	24,834	24,834
		<u>379,631</u>	<u>494,631</u>
<b>Borrowings total:</b>		<u>3,706,483</u>	<u>3,833,803</u>

**a) Fair value of borrowings**

Considering that the variable interest rate is applied to financial leasing agreements, fair value is not materially different from the carrying value. The management assesses, that also carrying value of non-convertible loans and 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**

11 November 2015, the Company made the refinancing of the bonds with a new bond issue. The total number of issued bonds under refinancing emission was 3310, denominations of bonds is 1 000 EUR, the coupon rate is 12%. Bond are maturing on 15 November 2020.

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

	2016		2015	
	number of bonds	EUR	number of bonds	EUR
At the beginning of the year	3,310	3,310,000	3,295	3,295,000
Issued during the year	-	-	15	15,000
At the end of the year	<u>3,310</u>	<u>3,310,000</u>	<u>3,310</u>	<u>3,310,000</u>

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**c) Other loans**

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note 5). Borrowing interest rates range from 6% to 10% per year.

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
At the beginning of the year	425,000	365,000
Borrowings received	-	125,000
Repaid borrowings	(115,000)	(65,000)
At the end of the year	<u><u>310,000</u></u>	<u><u>425,000</u></u>

**d) 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:	<b>30.06.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
Payable within 1 year	25,910	25,904
Payable from 2 to 5 years	6,879	19,835
Finance lease gross liability	<u>32,789</u>	<u>45,739</u>
Future finance costs	(1,103)	(1,733)
Present value of finance lease liability	<u><u>31,686</u></u>	<u><u>44,006</u></u>

**(5) Transactions with related parties**

During the reporting period and in year 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 rita buli SIA.

**Loan balances and interest expenses**

	<b>Loan balances</b>		<b>Interest expenses</b>	
	<b>30.06.2016</b>	<b>31.12.2015</b>	<b>01.01.2016- 30.06.2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Trezors SIA	10,000	10,000	500	1,082
Lielie rita buli SIA	-	115,000	1 990	12,468
	<u>10,000</u>	<u>125,000</u>	<u>2,490</u>	<u>13,550</u>
The non-current part of the loans	10,000	10,000		
The current part of the loans	-	115,000		
	<u>10,000</u>	<u>125,000</u>		



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**(6) 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 risk**

The Company's main financial assets and liabilities are in Euro (EUR). Revenues are collected in EUR. Daily purchases primarily are incurred in EUR. The Company is not exposed to foreign exchange risk.

**(ii) 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 4), as well as the Company's interest bearing assets have fixed interest rate.

	<b>30.06.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
Financial liabilities with variable interest rate	31,686	44,006
<b>Open position, net</b>	<b>31,686</b>	<b>44,006</b>

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.

**(iii) 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.

	<b>30.06.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
Maximum exposure to credit risk		
Loans and trade receivables	2,201,154	2,212,807
Other current assets	32,196	44,086
Cash and cash equivalents	196,480	285,218
	<b>2,429,830</b>	<b>2,542,111</b>

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 3.

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.

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**(6) 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.

**(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).

	<b>30.06.2016.</b>	<b>31.12.2015.</b>
	<b>EUR</b>	<b>EUR</b>
Total borrowings	3,706,483	3,833,803
Cash and cash equivalents	<u>(196,480)</u>	<u>(285,218)</u>
Net debt	3,510,003	3,548,585
Equity	334,597	320,433
Total capital (equity and net debt)	<u><u>3,844,600</u></u>	<u><u>3,869,018</u></u>
Total assets	4,183,995	4,279,507
Net debt to equity	1 049%	1 107%
Equity ratio on total assets	8%	7%

**(7) 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.