Riga, August 1, 2017

AS "Moda Kapitāls"

Unaudited condensed interim financial report for the period from 01.01.2017 to 30.06.2017

Prepared in accordance with International
Financial Reporting Standards as adopted in EU

CONTENTS

GENERAL INFORMATION

Name of the company	Moda Kapitāls
Legal status of the company	Joint Stock Company
Registration number, place and date of registration	LV 40003345861, Riga, June 9, 1997
Registered office	Ganību dambis 40A-34, Rīga, LV-1005
Shareholders	Andris Banders (14.75%), Guntars Zvīnis (24,75%), Ilvars Sirmais (24,75%), Verners Skrastiņš (21%), MK Investīcijas, SIA (14,75%)
Board Members	Guntars Zvīnis Ilvars Sirmais
Supervisory Board Members	Verners Skrastiņš - head of the Council Andris Banders - deputy of the head of the Council Inese Kanneniece - meber of the Council Diāna Zvīne - member of the Council Aleksandrs Sirmais - member of the Council
Financial period	from 01.01.2017 to 30.06.2017

MANAGEMENT REPORT

Type of operations

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

Performance during the financial year and financial situation of the Company

In the first half of 2017 there was no change for AS "Moda Kapitāls" branch structure and there is no plan to change it in 2017 either.
Given the current market situation in non-bank loan sector, the company's priority is not the opening of new branches, but the improvement of branch operations and increasing of profitability.

There is continuous improvement of the qualification of employees and improvements in the Company's customer service system. In order to improve the quality of the services provided, Company is doing continuous staff rotation and recruitment of new employees. Improvement and modernization of branch premises continues. The Company actively expands its range of goods for sale by offering to its customers different types of used household appliances and electrical items.

In the first half of 2017 as well as in previous years there was no significant overall customer growth activity and demand for AS “Moda Kapitāls” provided loan services rendered. By analyzing the statistical data of 2017 it is been observed that several types of loans have been increased, others decreased. In 2017 the turnover growth was observed in loans against a pledge of movable property and in consumer loans. Not in all Company’s branches loan increase or decrease is observed under identical loan forms. Depending on the branch there is a different type of increase or decrease in the loan type segments which is observed in each branch. Several branches have significant changes in the structure of the loan portfolio, but in general, the proportional distribution of the structure of the company's loan portfolio is similar to situation on 31 December 2016.

The Company issues loans only in their branches. Company estimates that substantial proportion of the company's loan portfolio will be consumer loans without collateral.

In 2017 customer interest in purchase of slightly used household appliances objects and used gold products continued to increase. Accordingly there is an increase in the customer base that regularly uses the company's services - both customer loans and sale of existing merchandise.
As in previous years, major attention is being paid to the payment discipline and individual work with clients, solving delayed payment problem through co-operation.

Future prospects and future development

We expect that 2017 sales will be about the same level as in 2016. According to the company's plan, in 2017 we plan to significantly improve the results of trade and increase the trade of goods offer.Given that the development of this segment is associated with additional expenses, it will have a negative impact on the company's 2017 results, but will give a positive effect
The Company plans to resume gain profit from operating activities in the secon part of 2018.

Significant events since the year end

During the time period from the last day of the financial period till singing of this report, no significant events have occurred that would have significantly affected the financial position of the Company at 30th June, 2017.

Company’s branches

On June 30th, 2017 The Company provides its services in twenty-seven branches that are located in twenty-six mojor Latvian cities: 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 and Valka.

Guntars Zvīnis ______________________ August 1st, 2017
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Ilvars Sirmais ______________________
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STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the interim financial statements in accordance with International Accounting Standard (IAS) No 34 "Interim Financial Reporting" as adopted the EU. These financial statements give a true and fair view of the financial position of the Company at June 30, 2017, and results of its operations and cash flow.

The Management certifies that proper accounting methods were applied to preparation of these 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 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 ______________________ August 1st, 2017

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STATEMENT OF COMPREHENSIVE INCOME

	01.01.2017-30.06.2017	01.01.2016-30.06.2016
	EUR	EUR
Net turnover	670 322	565 037
Finance income	587 997	663 802
Cost of sales	-576 054	-467 039
Finance costs	-210 429	-210 091
Gross profit	**471 836**	**551 709**
Selling costs	-397 312	-399 021
Administrative expenses	-148 731	-158 242
Other income	34 583	26 925
Other expenses	-39 742	-3 528
Profit or loss before corporate income tax	**-79 366**	**17 843**
Corporate income tax	-9 029	-3 679
Net profit or loss	**-88 395**	**14 164**
Other comprehensive income / (loss)	164	0
Total comprehensive income	**-88 231**	**14 164**

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

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STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	01.01.2017-30.06.2017 EUR	31.12.2016 EUR
Non-current assets			
Intangible assets		59 522	51 359
Fixed assets		555 991	597 061
Other non-current assets		142	142
Total non-current assets	1	**615 655**	**648 562**
Current assets			
Inventories	2	1 332 089	1 123 520
Loans and receivables	3	2 120 994	2 137 805
Other current assets		39 755	41 695
Cash and its equivalents		71 203	240 394
Total current assets		**3 564 041**	**3 543 414**
TOATAL ASSETS		**4 179 696**	**4 191 976**

EQUITY AND LIABILITIES	Notes	01.01.2017-30.06.2017 EUR	31.12.2016 EUR
Equity			
Share capital		426 862	426 862
Revaluation reserves of non-current assets	1	155 166	156 093
Retained earnings/ (accumulated deficit)		-362 800	-274 405
Total equity		**219 228**	**308 550**
Liabilities			
Non-current liabilities			
Borrowings	4	3 336 780	3 323 152
Deferred income tax liabilities		63 300	54 435
Total non-current liabilities:		**3 400 080**	**3 377 587**
Current liabilities			
Borrowings	4	419 316	369 317
Trade and other payables		141 072	136 522
Total current liabilities		**560 388**	**505 839**
Total liabilties		**3 960 468**	**3 883 426**
TOTAL EQUITY AND LIABILITIES		**4 179 696**	**4 191 976**

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

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CASH FLOW STATEMENT

	Notes	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Cash flow from operating activities			
Profit/ loss before corporate income tax		**-79 366**	**17 843**
Adjustments for:			
Depreciation and amortization	1	45 925	49 111
loss / (profit) from disposal of fixed assets		34 515	-191
Changes in provisions			6 556
Interest payments		210 429	210 091
Changes in working capital:			
Inventories		-208 569	-65 644
Receivables		18 751	22 535
Liabilties		4 550	8 418
		26 235	**248 719**
Corporate income tax paid		0	0
Cash flow from operating activities		**26 235**	**248 719**
Cash flow from investing activities			
Acquisition of fixed assets and intangible investments	1	-14 712	-265
Income from the sale of fixed assets and intangible investments		10 000	219
Net cash flow from investing activities		**-4 712**	**-46**
Cash flow from financing activities			
Loans received, neto	4	70 000	0
Borrowings repaid, neto	4	-5 000	-115 000
Interest payments		-210 429	-210 091
Payments for financial leasing contracts		-1 371	-12 320
Net cahs flow from financing activities		**-146 800**	**-337 411**
Net increase / (decrease) in cash and cash equivalents		**-125 277**	**-88 738**
Cash and cash equivalents at beginning of the period		**196 480**	**285 218**
Cash and cash equivalents at the end of the period		**71 203**	**196 480**

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

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves of non-current assets	Retained earning/ (accumulated deficit)	Total
	EUR	EUR	EUR	EUR
Balance at 31.12.2015	**426 862**	**61 820**	**-168 249**	**320 433**
Recognized gain from asset appreciation in the result of revaluation		96 454		**96 454**
Deferred income tax liabilities attributable to the revaluation reserve			-14 455	**-14 455**
Depreciation of fixed assets attributable to the revaluation reserve		-2 181		**-2 181**
Profit for the financial year			**-91 701**	**-91 701**
Balance at 31.12.2016	**426 862**	**156 093**	**-274 405**	**308 550**
Recognized gain from asset appreciation in the result of revaluation		0		**0**
Deferred income tax liabilities attributable to the revaluation reserve		164		**164**
Depreciation of fixed assets attributable to the revaluation reserve		-1 091		**-1 091**
Profit for the financial period			-88 395	**-88 395**
Balance at 30.06.2017	**426 862**	**155 166**	**-362 800**	**219 228**

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

Guntars Zvīnis ______________________ August 1st, 2017

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Ilvars Sirmais ______________________

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NOTES TO THE FINANCIAL STATEMENTS

(1) 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 auditor of the Company is SIA “DONOWAY ASSURANCE”.

Reporting period

The reporting period is from	01.01.2017	to	30.06.2017

(2) ACCOUNTING POLICIES

Basis of preparation

These interim financial statements cover the period from 1 January 2017 to 30 June 2017. The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Statements". These condensed financial statements for the interim period are to be read together with the financial statements of AS Moda Kapitāls for the year ended 31 December 2016 that has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing these condensed interim financial statements, the Company has applied accounting policies that are consistent with those accounting policies that the Company has used in preparing its financial statements for the year ended 31 December 2016.

Several new standards, their additions and interpretations entered into force after January 1, 2017. They are not appropriate for the preparation of this interim financial report. The company does not intend to apply these standards before the set time.

Foreign currencies

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.

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 this income is included in the income statement as net turnover. 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.

Intangible assets and fixed 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:

Intangible assets:	Years
Licenses and patents	3-5

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:

Fixed assets:	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.

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.

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.

Financial instruments

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

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.

Corporate 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.

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.

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.

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. Last evolution of land and buildings was carried out in 2016 on preparation of financial statements.

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 (14) of the financial statements.

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

		Intangible assets - licences	Fixed assets				
			Lands and buildings	Leasehold improvements	Other fixed assets	Advances and development costs	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR
Initial value	**01.01.2017**	**79 076**	**442 411**	**16 207**	**650 729**	**961**	**1 110 308**
Acquired		10 477		888	4 625	11 341	**16 854**
Disposed				-1 626	-12 930		**-14 556**
Reclassified			-2 932				**-2 932**
Overvalued							**0**
Initial value	**30.06.2017**	**89 553**	**439 479**	**15 469**	**642 424**	**12 302**	**1 109 674**
Accumulated depreciation	**01.01.2017**	**27 717**	**61 182**	**13 832**	**438 233**	**0**	**513 247**
Calculated depreciation		2 314	7 469	896	36 337		**44 702**
Depreciation of disposed fixed assets				-1 626	-2 640		**-4 266**
Accumulated depreciation	**30.06.2017**	**30 031**	**68 651**	**13 102**	**471 930**	**0**	**553 683**
The residual value	**01.01.2017**	**51 359**	**381 229**	**2 375**	**212 496**	**961**	**597 061**
The residual value	**30.06.2016**	**59 522**	**370 828**	**2 367**	**170 494**	**12 302**	**555 991**

Revaluation of fixed assets 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:

In November 2016 certified real estate valuator A. Vedike 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 96 364 EUR, where 15% or 14 455 EUR of the reserve was attributed to the liabilities of deferred corporate income tax liabilities.

Other Notes

All of the Company's fixed assets - real estate is mortgaged under the Mortgage and Commercial pledge agreements as security for loans in favor of the lending bank (see Note 17).

(2) Inventories

	30.06.2017	31.12.2016
	EUR	EUR
Real estate - loan collateral owned by the Company	347 582	358 957
Advances paid (Real estate – loan collateral owned by the Company)	48 795	54 221
Provision for inventories - loan collateral owned by the Company	-59 062	-59 062
Goods purchased for sales purposes	171 493	202 253
Advances for goods	13 965	18 374
Provisions for goods	-10 269	-10 269
Other collateral owned by the Company	819 585	559 046
Total	**1 332 089**	**1 123 520**

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.

(3) Loans and trade receivables

	30.06.2017	31.12.2016
	EUR	EUR
Short-term loans secured with pledges	1 933 574	1 957 955
Provisions for impairment for loans secured with pledges	-163 640	-163 640
Consumer loans (Short-term loans without pledge)	285 194	268 017
Provisions for impairment of short-term loans not secured with pledges	-66 627	-66 629
Accrued interest payments	132 493	142 102
Total	**2 120 994**	**2 137 805**

	01.01.2017-30.06.2017	2016
	% per month	% per month
Loans against hand pledge	3-21%	3-21%
Loans against ore	3-21%	3-21%
Loans without collateral (consumer credit)	1,5-8,8%	1.5-8.8\%
Loans against transport	>2,5 %	>2.5%
Loans against real estate	>2%	>2%

(4) Borrowings

	Note	30.06.2017	31.12.2016
Non-current	**Note**	EUR	EUR
Non-convertible bonds	b)	3 310 000	3 310 000
Other loans	c)	25 000	10 000
Finance lease liabilities	d)	1 780	3 152
Total non-current		**3 336 780**	**3 323 152**
Current			
Non-convertible bonds	b)	53 297	53 297
Other loans	c)	350 000	300 000
Finance lease liabilities	d)	16 019	16 020
Total current		**419 316**	**369 317**
Borrowings total		**3 756 096**	**3 692 469**

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

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.

	01.01.2017-30.06.2017		**2016**	
	Number of bonds	EUR	Nubmer of bondds	EUR
At beginning of the reporting year	3 310	3 310 000	3 310	3 310 000
Issued during the year	0	0	0	0
At the end of the year	**3 310**	**3 310 000**	**3 310**	**3 310 000**

c) Other loans

During the reporting and previous years, the Company has received loans from related and unrelated parties (see Note (21)). Borrowing interest rates range from 6% to 10% per year.

	30.06.2017	**31.12.2016**
	EUR	EUR
At beginning of the year	**310 000**	**426 500**
Borrowings received in the year	**70 000**	
Repaid borrowings in the year	**-5 000**	-116 500
At the end of the year	**375 000**	**310 000**

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:

	30.06.2017	**31.12.2016**
	EUR	EUR
Payable within 1 year	16 305	16 309
Payable from 2 to 5 years	1 780	3 225
Finance lease gross liability	**18 085**	**19 534**
Future finance costs	-286	-1 733
Present value of finance lease liability	**17 799**	**17 801**

(5) Transactions with related parties

In 2017 and 2016 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, Lielie rīta buļļi SIA and Premium Finance Group SIA.

Loans and interest payments

	Loans balances		**Interest expense**	
	30.06.2017	**31.12.2016**	**2017**	**2016**
	EUR	EUR	EUR	EUR
Orheja SIA	50 000	0	2 150	0
Trezors SIA	25 000	10 000	0	1 763
Lielie rīta buļļi SIA (Reorganized in 2016 and added to Premium Finance Group SIA)	0	0	0	6 381
Total	**75 000**	**10 000**	**2 150**	**8 144**

The non-current part of the loans	25 000	10 000
The non-current part of the loans	50 000	0
	75 000	**10 000**

(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.

Market risk

a)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. The Company is not exposed to foreign exchange risk.

b) 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 (19)), as well as the Company's interest bearing assets have fixed interest rate.

	30.06.2017	**31.12.2016**
	EUR	EUR
	17 799	19 172
Financial liabilities with variable interest rate	**17 799**	**19 172**

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.

c) 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.

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	**30.06.2017**	**31.12.2016**
	EUR	EUR
Loans and trade receivables	2 120 994	2 137 805
Other current assets	39 755	52 695
Cash and cash equivalents	71 203	240 394
Total	**2 231 952**	**2 430 894**

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.

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.

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).

	30.06.2017	31.12.2016
	EUR	EUR
Total borrowings	3 756 096	3 692 469
Cash and its equivalents	-71 203	-240 394
Net debt	**3 684 893**	**3 452 075**
Equity	219 228	308 550
Total capital	**3 904 121**	**3 760 625**
Total assets	4 179 696	4 191 976
Net debt to equity	1681%	1119%
Equity ratio on total assets	5%	7%

(7) Events after balance sheet date

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