

Limited Liability Company
TWINO
Consolidated Financial Statements
for the year ended 31 December, 2016

Table of contents

	Page
Information on the Company	3
Report of the Management	4
Financial statements	
Consolidated Statement of profit or loss	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Cash Flows	10
Consolidated Statement of Changes in Equity	11
Notes to the Consolidated Financial Statements	12
Independent auditor's report	37

General information

Name of the Company	<i>SIA TWINO</i>
Legal status of the Company	<i>Limited liability company</i>
Registration number, place and date	<i>40103919184, Riga, August 5, 2015</i>
Registered office and mailing address	<i>41 Mukusalas street, Riga, Latvia, LV-1004</i>
Business activity	<i>Other credit granting (NACE 64.92)</i>
Managing Director	<i>Armands Broks</i>
Members of the board	<i>Armands Broks, chairman of the Board from 12.10.2016</i> <i>Jevgeņijs Kazaņins, member of the Board from 02.11.2015 to 30.11.2016</i> <i>Elīna Puļķe, member of the Board from 04.04.2016 to 11.10.2016</i>
Reporting period	<i>01.01.2016 – 31.12.2016</i>
Shareholder	<i>to 12.10.2016*</i> <i>SIA Finabay</i> <i>41 Mūkusalas iela, Riga, LV-1004</i> <i>Equity share: 100%</i> <i>from 12.10.2016</i> <i>Armands Broks</i> <i>Equity share: 100%</i> <i>*on 12.10.2016, as a result of reorganization, SIA TWINO took over its parent company SIA Finabay</i>
Auditor	<i>BDO Audit SIA</i> <i>Certified audit company</i> <i>Licence No. 176</i> <i>Stirnu street 6, Garkalne</i> <i>Adazu county, Latvia, LV-2164</i> <i>Certified auditor in charge:</i> <i>Gunta Darkevica</i> <i>License No 165</i>

Management report

Business profile

SIA TWINO (hereinafter – the Company) was founded on 5 August 2015. The Company is primarily engaged in the development and management of a peer-to-peer lending platform *twino.eu* (hereinafter – the *twino.eu* platform).

The Company and its subsidiaries form a group (hereinafter – the Group) and its management has prepared the consolidated financial statements for the period from 1 January 2016 to 31 December 2016.

The Group was established for the purpose of uniting and aiding development of peer-to-peer lending companies as a single body incorporating the *twino.eu* platform and consumer lending companies in several countries. Through the *twino.eu* platform, the Group offers investors a free of charge opportunity to earn premium returns on investments by acquiring assignment rights on consumer loans issued by Group companies, thus serving as a uniting party between individuals who have financial resources and are willing to invest them and borrowers who seek to borrow. Group's business model is based on earning the profits from the spread between the interest and commissions earned on the loans issued and expenses consisting of interest payments to investors and operational costs. The Company acts as a holding company, a fundraising centre, and a competence centre for its subsidiaries.

Company's operations and financial performance in the reporting period

Regional development

In 2016, the Group started operating in Kazakhstan and also acquired companies in Denmark, Spain, Poland, and the Czech Republic. For regional development purposes, in September 2016, a reorganisation of the Company was carried out. As a result, the Company became the parent of several entities in Latvia, Poland, Mexico, and Georgia, who were engaged in consumer lending. At the end of 2016, the sole shareholder of the Group, Armands Broks, increased the Company's share capital by contributing into it his share ownership in a Russian company OOO Ezaem (50% of all the shares).

The Company's share capital is EUR 7.7 million. At the end of the reporting period, the Group's equity totalled EUR 16.5 million. The Group has issued private bonds of EUR 201 thousand with an interest rate of 12%.

Performance indicators

The *twino.eu* platform is one of the major peer-to-peer lending platforms offering a buyback guarantee in Continental Europe. During the reporting period, the *twino.eu* platform attracted 4,924 investors who acquired assignment rights totalling EUR 86.4 million with an average annual yield above 12%.

In the reporting period, the Group's consumer lending companies issued loans amounting to EUR 211.3 million, of which 40.2% were issued in Georgia, 36.1% - in Poland and 18.2% - in Russia.

During the reporting period, the Group, on average, employed 399 employees.

Financial indicators

At the end of the reporting period, the major part of the Group's assets consisted of loans to private individuals amounting to EUR 40.7million, of which EUR 36.7 million were current loans and EUR 4.0 million – non-current loans. The quality of these assets can be regarded as high – 58% of these loans were not overdue. At the end of the reporting period loan loss provisions for loans more than 1 day overdue amounted to 82% of such total loan portfolio.

The Group closed the reporting year with a loss of EUR 1.7 million, of which EUR 1.5 million are attributable to currency exchange rate fluctuations during the reporting period mainly due to the currency conversions of the loan portfolio in Georgia and Russia.

The financial results of the Group were affected by investment in entering new lending markets and introducing new products. The results of these products will become positive when the loan trading activities achieve sufficient economies of scale and portfolio growth becomes stable. The Group's aim is to start making a profit in the new markets and products within 12- 24 months period after their launch. In the long term, taking into consideration the spread between the average consumer loan portfolio yield and the average yield gained by the investors of *twino.eu* platform, after the value of such investments is realized, the Group's operational model will prove to be profitable.

Management report

Company's operations and financial performance in the reporting period (continued)

Financial indicators (continued)

In the reporting period, the Group's net turnover is EUR 36.5 million, of which 54% represented the sales in Georgia, 39% - in Poland, 2% - in Latvia and 5% - in other territories as well other operating income for the reporting period is EUR 3.3 million, while operating expenses amounted to EUR 38.9 million, of which financial expenses were EUR 1.8 million, administrative expenses - EUR 12.7 million and other net operating expenses - EUR 24.4 million, which mainly consisted of portfolio assignment transactions.

Financial risk management

Due to the specifics of its operations, the Group is exposed to various financial risks, including credit risk, liquidity risk and foreign currency risk. The Group has introduced procedures and processes for the assessment and mitigation of those risks. A detailed description of the financial risk management is provided in the section "Financial instruments and financial risks" in the notes to the financial statements.

Support projects and activities

During the reporting period, the Company provided financial support to several industry events at the head office location in Latvia and abroad, including TechChill 2016, Lendit Europe 2016, REB Forum 2016, etc.

The Group supported several public benefit initiatives aimed at enhancing the quality of education in Latvia and supporting new talent and entrepreneurs, including the Mission Possible, "KIM?", foundation TechHub Riga, SSE Riga Alumni Association, etc.

The Company played an active role in improving the reputation of Latvian start-up ecosystem and participated in non-governmental organisations – Startin.lv and the Alternative Financial Services Association of Latvia – both by supporting new entrepreneurs and organising study tours to various international events, e.g. "Latitude59" in Estonia and "Slush 2016" in Finland.

Subsequent events

In 2017, the Group's management focused on further strategic development. As a result, various efficiency-oriented steps were taken, operations in higher risk or lower yield markets were suspended or reduced to invest the released resources into high-potential markets – mostly in consumer loans originated in Kazakhstan and Russia which have become a requested investment target among the investors of the *twino.eu* platform.

Twino.eu platform

- Subsequent to the end of the reporting period, the *twino.eu* platform continued to demonstrate high growth rates, i.e., 6,477 new customers registered and were identified. From the last day of the reporting period until the date of the approval of these financial statements, assignment rights for EUR 177.1 million were bought, thereby collectively in total more than EUR 268 million.
- In spring of 2017, the Group's *twino.eu* platform introduced an additional guarantee for investors - Payment Guarantee, thereby ensuring improved cash flows for non-current loans with a maturity of more than two months placed on the Group's online platform. This type of guarantee offers investors a stable and foreseeable return on investments, because if a borrower delays in their loan repayment, the Group acts as a guarantor and makes the monthly payments to the investors on behalf of the borrower. The *twino.eu* platform was the first online lending platform in the world to provide investors with an opportunity to make high yield investments in assignment rights on loans generated in Kazakhstan and Russia. In 2017, unsecured consumer loans issued by the Group's subsidiaries, Zing Kazakhstan LLP (Kazakhstan) and OOO Ezaem (Russia), were listed on the Group's peer-to-peer lending platform.
- The Group received several prestigious awards, including the European FinTech Awards as one of the top 3 most prospective financial technology businesses in Europe in 2017. The platform also received the prestigious BankingCheck Award as the best lending platform in Europe and the 2nd category *People's Choice Award* in the prestigious AltFi Award. The Company's Polish subsidiary received the *Quality Award 2018*, the highest award for customer service.

Management report

Subsequent events (continued)

Consumer lending companies

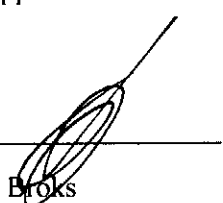
- Subsequent to the reporting period, the Group's consumer lending companies issued consumer loans for a total amount of EUR 243.5 million, of which 38.3% originated in Russia, 37.9% - in Poland, 5.0% - in Kazakhstan, and 2.7% - in Latvia.
- In 2017, the subsidiary in Russia successfully complied with local regulatory requirements and obtained a micro-lending license.
- In 2017, the Group sold certain investments in its subsidiaries in Romania and Spain, as well as reduced its loan portfolios in several countries to release and transfer capital to markets with potentially higher yields (Kazakhstan, Russia), which provided better growth and profit opportunities both for the Group and the investors of the *twino.eu* platform.
- In spring of 2017, to diversify the Group's risks, the granting of loans to Mexican subsidiary was suspended. In the summer of 2017, lending was halted in Denmark due to legislative changes causing an adverse impact on the industry and affecting the profitability of the service.

Future prospects

In 2018, the Group will focus on further development, with an emphasis on widening and diversifying its product range, as well as regional expansion.

The Group proceeds with the developing its core values:

- offering its clients (both the investors and borrowers of the *twino.eu* platform) the best possible customer experience;
- offering the investors of the *twino.eu* platform a high quality service – no commissions, high yields, and passive (automated) investment practice;
- focusing on innovation and technologies by offering new technical features and range of investments;
- strengthening its positions in the markets where our loan originators are already among the market leaders, yet we are also constantly looking for new markets. Geographic expansion is something that would be beneficial for both parts of our operations – lending and investing. That would not only further diversify our lending operations by adding additional revenue streams but also add new investment opportunities for our platform's investors.




Armands Broks
Chairman of the Board

26 April 2018

Consolidated Statement of profit or loss for the year ended December 31, 2016

	Notes	2016 EUR'000	2015 EUR'000
Net turnover	2	36,474	6,025
- from other type of main activities		36,474	6,025
Cost of sales	3	(1,808)	(81)
Gross profit		34,666	5,944
Administrative expenses	4	(12,668)	(321)
Other operating income	5	3,289	10
Other operating expenses	6	(24,400)	(6,315)
Net impairment loss on loans and receivables from customers		(2,279)	(809)
Loss before income tax		(1,392)	(1,491)
Income tax for the reporting periods	7	(327)	117
Loss for the reporting period		(1,719)	(1,374)

The accompanying notes on pages 12 to 36 are an integral part of these consolidated financial statements.


Armands Broks
Chairman of the Board


Anastasija Oleinika
Group Chief Financial officer

26 April 2018

Consolidated Statement of Financial Position for the year ended December 31, 2016

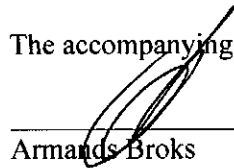
Assets	Notes	31.12.2016 EUR'000	31.12.2015 EUR'000
Non-current assets			
Intangible assets			
Concessions, patents, licences, trademarks and similar rights		100	2
Goodwill		5,414	-
Other intangible assets		1,193	61
Advances for intangible assets		119	-
Total intangible assets	8	6,826	63
Property, plant and equipment			
Other fixed assets		923	90
Total property, plant and equipment	9	923	90
Non-current financial assets			
Investments in associated companies	21	234	-
Loans due from related companies	12	-	1,328
Other loans and other long-term receivables - consumer loans	11	4,012	185
Deferred income tax assets	7	1,921	117
Total non-current financial assets		6,167	1,630
Total non-current assets		13,916	1,783
Receivables			
Other receivables - consumer loans	11	36,741	13,769
Receivables from related companies	12	763	238
Other receivables	13	2,789	17
Total receivables		40,293	14,024
Cash and cash equivalents	14	2,851	285
Total current assets		43,144	14,309
Total assets		57,060	16,092

The accompanying notes on pages 12 to 36 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position for the year ended December 31, 2016**Equity and liabilities**

	Notes	31.12.2016 EUR'000	31.12.2015 EUR'000
Equity			
Share capital	15	7,708	3
Share premium		239	-
Reorganisation reserve		11,728	-
Currency revaluation reserve		(180)	-
Accumulated losses		(1,247)	-
Loss for the reporting period		(1,719)	(1,374)
Total equity attributable to equity holders of the Company		16,529	(1,371)
Non-controlling interests		3,911	-
Total equity	16	20,440	(1,371)
Liabilities			
Non-current liabilities			
Payables for assignment rights – other borrowings	17	-	215
Other loans and borrowings	18	5,109	-
Deferred income tax liabilities		520	-
Total non-current liabilities		5,629	215
Current liabilities			
Payables for assignment rights – other borrowings	17	22,434	2,774
Trade payables		4,031	116
Other loans and borrowings	18	1,610	-
Taxes and the state compulsory social insurance contributions payable		940	9
Other liabilities	19	742	14,260
Accrued liabilities		1,234	89
Total current liabilities		30,991	17,248
Total liabilities		36,620	17,463
Total equity and liabilities		57,060	16,092

The accompanying notes on pages 12 to 36 are an integral part of these consolidated financial statements.


Armands Broks
Chairman of the Board

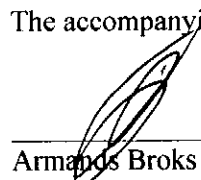

Anastasija Oleinika
Group Chief Financial officer

26 April 2018

Consolidated Statement of Financial Position for the year ended December 31, 2016

	Notes	2016 EUR'000	2015 EUR'000
Cash flows from operating activities			
1. (Loss) before corporate income tax		(1,392)	(1,491)
Adjustments for:			
depreciation and amortisation	8, 9	130	7
Intrest (income)		(465)	(22)
Interest expenses		84	-
Foreign exchange losses		1,454	-
Loss from disposal of fixed assets		84	-
2. (Loss) before adjustments for the effect of changes in current assets and current liabilities		(105)	(1,506)
Adjustments for:			
(increase) in receivables		(24,819)	(14,130)
increase in trade and other payables		11,619	17,463
change in other assets		5,506	-
change in other liabilities		21,618	-
3. Gross cash flows from operating activities		13,819	1,828
Corporate income tax paid		(4,251)	-
Net cash flows from operating activities		9,568	1,828
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	8, 9	(6,838)	(160)
Loans issued		(7,267)	(1,427)
Loans repaid		-	41
Interest received		10	-
Net cash flows from investing activities		(14,095)	(1,546)
Cash flows from financing activities			
Proceeds from investments in share capital		-	3
Repayment of borrowings	18	8,547	-
Net cash flows from financing activities		8,547	3
Result of foreign exchange rate fluctuations		(1,454)	-
Net increase of cash and cash equivalents		2,566	285
Cash and cash equivalents at the beginning of the period		285	-
Cash and cash equivalents at the end of the period	14	2,851	285

The accompanying notes on pages 12 to 36 are an integral part of these consolidated financial statements.


Armands Broks
Chairman of the Board


Anastasija Oleinika
Group Chief Financial officer

26 April 2018

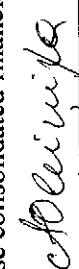
Consolidated Statement of Changes in Equity for the year ended December 31, 2016

	Share capital EUR'000	Reorganisation reserve EUR'000	Share premium EUR'000	Currency revaluation reserve EUR'000	Accumulated loss for the reporting period EUR'000	Total equity attributable to equity holders of the Company EUR' 000	Non-controlling interests EUR' 000	Total equity EUR'000
01.01.2015	-	-	-	-	-	-	-	-
Increase in share capital	3	-	-	-	-	3	-	3
Loss for the reporting year	-	-	-	-	(1,374)	(1,374)	-	(1,374)
31.12.2015.	3	-	-	-	(1,374)	(1,371)	-	(1,371)
Other comprehensive income	-	-	-	(180)	-	(180)	-	(180)
Loss for the period	-	-	-	-	(1,719)	(1,719)	-	(1,719)
Increase in share capital	7,705	-	-	-	-	7,705	-	7,705
Taken over during reorganisation	-	11,728	239	-	-	11,967	-	11,967
Retained earnings taken over as a result of reorganisation*	-	-	-	-	127	127	-	127
Acquisition of non- controlling interest without change in control	-	-	-	-	-	-	3,911	3,911
31.12.2016	7,708	11,728	239	(180)	(2,966)	16,529	3,911	20,440

* Balance sheet items taken over as a result of the Company's reorganisation are described in Note 1 to the consolidated financial statements in the section on Company reorganisation.

The accompanying notes on pages 12 to 36 are an integral part of these consolidated financial statements.


Armands Broks
Chairman of the Board


Anastasija Oleinika
Group Chief Financial officer

26 April 2018

Notes to the Consolidated Financial Statements

(1) Information on the Company's operation and significant accounting policies – general principles

Reporting entity

SIA Twino (the "Company") is registered in the Republic of Latvia on 5 August 2015, as limited liability company TWINO with unified registration number 40103919184. The registered office of the Company is at 41 Mukusalas street, Riga, LV-1004, Latvia. The Company's Chairman of the Board is Armands Broks.

The Company together with related companies make up a Group. Companies within the Group are engaged in issuing unsecured consumer loans in different countries. The Company does not issue unsecured consumer loans, its primary function is to ensure continuous sufficiency of funds required for business development by selling the claims arising from unsecured consumer loans using *twino.eu* platform.

In summer 2016 the Company's reorganization project had started, and it was finalised on 30 September 2016. Through reorganization project the Company's parent company Finabay SIA was merged into the Company starting from 12 October 2016. The Company became the parent company of OC Finance SIA (Latvia), NET CREDIT Sp. z o.o. (Poland), FINABAY MEXICO S.A. de C.V (Mexico) and TWINO LLC (Georgia), effectively developing into the parent company of the Group. Through the reporting year following Subsidiaries were created - Incredit Sp. z o.o. (Poland), Zing Kazakhstan LLP (Kazakhstan), AD Credit Sp. z o.o. (Poland), NetCredit IFN S.A. (Romania), Rapido Finance S.L. (Spain), NetCredit Aps (Denmark), Moneza Financial s.r.o. (Czech Republic), Moneza OOO MKK (Russia), Moneza OOO (Russia), E-Zajom OOO MFK (Russia).

The Consolidated Financial Statement for the year ended December 31, 2016 was prepared by the Group Chief Financial Officer Anastasija Oleinika. The Company's auditor is Commercial Firm of Certified Auditors BDO Audit SIA with Gunta Darkevica as the auditor in charge.

Basis of preparation

Consolidated financial statements are prepared in accordance with the Law on Accounting and Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia, on a going concern basis. As at 31 December 2016 the Company meets the criteria for a large concern.

The statement of profit or loss has been prepared according to the function of expense method. The statement of cash flows has been prepared under the indirect method. The consolidated financial statements are prepared on a historical cost basis.

In order to ensure that the consolidated financial statements give true and fair view about the Company, taking into account the accruals principle, the Company's management has decided to continue to calculate and recognize deferred tax in the consolidated financial statements. Based on provisions of Article 13. (5) p.2 of the Law on Annual Reports and Consolidated Annual Reports, the Company recognizes and measures the deferred income tax and discloses information about the deferred income tax in the consolidated financial statements in accordance with requirements of International Financial reporting standards, namely – IAS 12 "Income tax".

The Company prepares separate financial statements for statutory purposes in accordance with the relevant Latvian legislation.

Reporting period

The consolidated financial statements cover 12 months from January 1, 2016 through December 31, 2016.

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Notes to the Consolidated Financial Statements

Basis of Consolidation (continued)

(ii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains/losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

Business combinations are accounted for using the predecessor method when control is transferred to the Group. Under predecessor accounting no purchase price allocation is performed. The acquired net assets are included in the consolidation at carrying value. The difference between the consideration transferred and the net assets is recognized in equity.

(iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to cash-generating units and is stated at cost less impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(v) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by the Central Bank of the country of operation or the European Central Bank for euro zone countries at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates:

31 December 2016		31 December 2015	
PLN	4.4103	PLN	4.2639
GEL	2.7940	GEL	2.6137
DKK	7.4344	DKK	7.4626
RUB	64.3000	RUB	80.6736
GBP	0.8561	GBP	0.7339
CHF	1.0739	CHF	1.0835
MXN	21.7719	MXN	18.9145
KZT	0.0028	KZT	0.0025
RON	4.5390	RON	4.5240

Notes to the Consolidated Financial Statements

Basis of Consolidation (continued)

(v) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into EUR, the Group's presentation currency, at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the transaction date. Foreign currency retranslation differences are recognized in the consolidated profit and loss account. Foreign exchange gains or losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised directly in the foreign currency translation reserve.

Significant accounting policies

The consolidated financial statements have been prepared in accordance with the following principles:

- a) going concern principle;
- b) prudence principle:
 - the consolidated financial statements comprise only the profit generated to the balance sheet date;
 - all expected risk amounts and losses incurred during the reporting year or in the previous years have been taken into consideration, even if identified during the period from the last day of the reporting year until the date of signing these consolidated financial statements;
 - all impairments and depreciation have been calculated and considered irrespective of whether the consolidated financial result was loss or profit;
- c) income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or the invoice issuance date. Expenses have been matched with the respective income;
- d) assets and liabilities items have been valued separately;
- e) all items having a material impact on the evaluation or decision making by the users of the consolidated financial statements are presented, immaterial items are added together and their disclosure is provided in the accompanying notes;
- f) business transactions are recorded according to their substance and economic reality and not merely their legal form.

Related parties

Related parties are individuals and legal entities which are related to the Company in accordance with the rules set out below.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. both entities are joint ventures of the same third party;

Notes to the Consolidated Financial Statements

Related parties (continued)

- iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- v. the entity is controlled or jointly controlled by a person identified in (a);
- vi. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- vii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Investment in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the associated entity. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Use of derivative financial instruments

To date, no derivative financial instruments have been used for hedging financial risk.

Fair value of financial assets and liabilities

Fair value of assets and liabilities corresponds to the sum for which it is possible to exchange an asset or to extinguish debt in operation between the informed, interested and financially independent parties.

Upon recognition, the Group measures financial assets and liabilities at cost, which, according to the Group's management, corresponds to their fair value at the time of acquisition, adding any relevant additional expenses.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Notes to the Consolidated Financial Statements

Fair value measurement principles (continued)

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

Estimates and assumptions

In preparing the consolidated financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. The Group's management makes the estimates and assumptions concerning the Group's future. Actual results could differ from those estimates.

Estimates and assumptions are being constantly reviewed. Changes in accounting estimates are recognised in the period in which estimates are reviewed if these changes only affect that period or in the period in which estimate are reviewed and subsequent periods, if changes affect current and subsequent periods.

Loans and receivables

Acquired client consumer loans are recognised in the balance sheet at amortised cost. Amortised cost of the loan is the cost that is determined when the loan is issued, less repayments of the loan principal, plus or minus the estimated amortisation of the difference between the initial value and the value after moment of maturity (using the effective interest rate method) minus partial write-off due to impairment.

Impairment of financial assets

At the end of reporting period, the Group performs an analysis of accounts receivable in order to assess whether it is necessary and to what extent an allowance for the impairment of assets needs to be established and indicated in the consolidated statement of profit or loss.

The core business purpose of the Company is to offer the investors of the *twino.eu* platform to purchase claims on loans that have been issued to solvent borrowers. The Company's management believes that if a borrower delays repayment of the loan for more than 30 days, the risk that the borrower will not repay the loan in full or at all significantly increases.

Notes to the Consolidated Financial Statements

Impairment of financial assets (continued)

For this reason, the Company sells back the claims on loans with payments that are more than 30 days overdue to its counterparties, thus fully compensating the risk of loss to the investors of the *twino.eu* platform. Since more than 30 days overdue and redeemed loans with an increased risk of insolvency are not considered attractive business objects for further trade on the *twino.eu* platform, the Company in the interim reporting period has sold these claims on loans back to the related lending companies for the price corresponding to their market value.

Based on the market value estimates, loans that are more than 30 days overdue are sold by applying discount to the remaining principal amount. These types of transactions respectively cause loss to the Group. Taking into consideration the available historical and current loan portfolio data in related lending companies, the Group estimates the share of claims that are expected to be overdue by more than 30 days.

In addition, the above mentioned discount is taken into consideration in the calculation, resulting in the amount of allowances for the specific asset impairment.

Intangible assets and property, plant and equipment

The Group recognises the cost of an item of property, plant and equipment as an asset if it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The cost of an item of property, plant and equipment comprises the purchase price, transportation costs, installation, and other directly attributable expenses related to the acquisition or implementation.

Intangible assets are disclosed at cost less any subsequent accumulated amortisation and accumulated impairment losses. Amortisation is calculated using straight-line method in order to write-off assets historical cost during the useful life of an asset. Intangible assets are amortised over 2 to 5 years.

Property, plant and equipment are stated at acquisition cost, less accumulated depreciation and accumulated impairment losses.

	<i>Estimated useful life</i>
<i>Intangible assets:</i>	
Licences	2 - 5 years
Software	2 - 5 years
<i>Property, plant and equipment:</i>	
Furniture	5 years
Computers and office equipment	3 - 4 years
Other	3 - 10 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances in bank accounts.

Revenue and expense recognition

Interest income and expense are recognised on an accrual basis applying the effective interest rate.

Accrued interest income is recognised in the consolidated statement of profit or loss if the Group does not have objective evidence that these payments will not be received on due date.

Commissions received from customers are recognised in the consolidated statement of profit or loss on an accrual basis at the time when the service is provided or on the basis of certain important events.

Revenue from penalties is recognised on cash basis.

Revenue and expenses relating to the reporting period are reflected in the consolidated statement of profit or loss, regardless of receipt or payment date.

Notes to the Consolidated Financial Statements

Corporate income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in the consolidated profit and loss account.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The recognised amount of provisions is based on the best possible assessment of the likelihood that the current obligation will be settled, taking into account the risks and uncertainties relating to this obligation. In cases where the amount of provisions is determined on the basis of the cash flows necessary to cover liability, net book value for provisions is determined on the basis of expected cash flow present value.

Share capital and reserves

Currency revaluation reserve

The currency revaluation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency.

Reorganization Reserve

The reorganization reserve relates reorganizations that took place on 12 October 2016. The entity accounted for these reorganization as common control transactions using net asset values. This reserve arises on consolidation and is not distributable to shareholders.

Notes to the Consolidated Financial Statements**Company reorganization**

In summer 2016, the Company's reorganisation process was commenced, which was completed on September 30, 2016. As a result, with effect from October 12, 2016 the Company took over its parent company, SIA Finabay. Assets and liabilities of both companies were merged using the consolidation method.

The following balance sheet items were added to the Company's balance sheet:

	SIA Finabay closing balance EUR'000	Consolidation adjustment EUR'000	Consolidated balance EUR'000
Assets			
Investments in related companies	492	(3)	489
Long-term loans to related companies	8,500	(5,347)	3,153
Related company receivables	3	(3)	-
Other receivables	1	-	1
Short-term loans to shareholders or management	4	-	4
Cash and cash equivalents	1	-	1
	9,001	(5,353)	3,648

	SIA Finabay closing balance EUR'000	Consolidation adjustment EUR'000	Consolidated balance EUR'000
Equity and liabilities			
Share capital	3	(3)	-
Retained earnings taken over as a result of reorganisation	148	-	148
Issued debt securities	202	-	202
Long-term borrowings from related parties	8,380	(5,347)	3,033
Other borrowings	87	-	87
Trade payables	4	(3)	1
Payables to related companies	3	-	3
Taxes and the state compulsory social insurance contributions payable	89	-	89
Other liabilities	79	-	79
Accrued liabilities	6	-	6
	9,001	(5,353)	3,648

Notes to the Consolidated Financial Statements

Financial instruments and financial risks

A financial instrument is a contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The most significant financial instruments of the Group are financial assets – unsecured consumer loans to individuals obtained as a result of assignment transaction, loans to affiliated and non-related companies and other receivables and financial liabilities – payables for assignment rights to investors of *twino.eu* platform, borrowings from affiliated and non-related companies, issued debt securities and trade payables stemming directly from its business activity.

Financial risks related to the Group's financial instruments, financial risk management

The key financial risks related to the Group's financial instruments include:

- Credit risk – a risk that the Group will incur financial losses if a party to the transaction is unable to meet its contractual obligations; credit risk is mainly related to the borrowers – private individuals;
- Market risk, including:
 - Interest rate risk – a risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments;
 - Currency risk - a risk that the Group will incur unexpected losses due to foreign exchange rate fluctuations;
- Country risk – a risk related to changes in legislation, which adversely can impact the Group, which is influenced by respective changes of country legislation;
- Liquidity risk – a risk that the Group will be unable to settle its current and future cash flow and collateral funds for borrowing needs in order not to jeopardize the Group's daily operations or the Group's overall financial position.

Credit risk

Credit risk is a risk that the Group will incur financial losses if the borrower for whose loan the Group has purchased the underlying claim is unable to comply with the obligations that are set in the agreement. Credit risk is reduced in the following ways:

- There are established lending procedures to ensure high-quality loan portfolio in the Group's lending companies. The procedures are continually improved and they include behavioural indicators as well as credit bureau data in order to reduce the loan principal if a potential customer has doubtful creditworthiness.
- The Group makes allowances for doubtful loans to account for the impact of expected losses in the consolidated statement of profit or loss. Allowances for doubtful loans are based on experience of the Group lending companies and aggregated statistics on the history of borrowers' repayment delays. Group applies provisioning methodology, based on probability of default of loan portfolio, analysed in buckets (not overdue, 1-30 days overdue, 31-60 days overdue, 61-90 days overdue, >90 days overdue), and loss given default for each bucket. Default even is defined as a payment being 90 days overdue.

Notes to the Consolidated Financial Statements

Financial instruments and financial risks (continued)

Credit risk (continued)

The table below shows the gross and net client loan portfolio of the Group obtained as result of assignment by the maturity of the debt. Repayment date of loans is assumed to be the final maturity date.

As of 31 December 2015	Days overdue	Loans, EUR'000
Not delayed and not impaired	<=0	12,929
Overdue with impairment		1,834
Gross client portfolio		14,763
Allowances for the impairment of loans		(809)
Net loan portfolio		13,954

As of 31 December 2016	Days overdue	Loans, EUR'000
Not delayed and not impaired	<=0	35,965
Overdue with impairment		25,900
Gross client portfolio		61,865
Allowances for the impairment of loans		(21,112)
Net loan portfolio		40,753

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. The Group's market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Interest rate risk

In order to minimize any interest rate risk, the Group and the Group lending entities enter into loan agreements with fixed interest rates. Given the fixed interest rates of the Group's borrowings and issued loans, as of 31 December 2016 the Group is not exposed to significant interest rate risk.

Currency risk

Currency risk is a risk of the fluctuation in value of financial instruments, since the risk of fluctuations in foreign exchange rate affect the Group's value of assets and liabilities. The management of the Group has assumed that the exchange rate in countries in which economics in their legislation is tied to EUR (Denmark) could fluctuate between 0-8%, while the other currencies by the difference between the historical minimum and maximum rate of the previous year.

Foreign exchange rate fluctuations affect the value of the Group's assets and liabilities, as well as the profit and loss result. During the reporting period in connection with assignment transactions, the Group had revenues, assets, and liabilities in EUR, PLN, GEL, KZT, CHF, MXN, RON RUB, and DKK currencies. Operating expenses and liabilities towards *twino.eu* platform users were mainly in EUR and insignificant part in GBP. Revenue recognised in GEL currency accounted for 55% of the reporting period total turnover, revenue recognised in PLN currency accounted for 39% of the reporting period total turnover. During the reporting period the Group has suffered a loss from exchange rate fluctuations amounting to EUR 1,454 thousand, the largest part of this amount relates to revaluation of balance sheet positions to GEL and PLN currencies. Other foreign currencies during the reporting period accounted for a non-essential part of the total turnover. Overall, the Group manages the currency risk by trying to keep balance between revenues and costs in the same currency; foreign currency risk management (hedging) instruments available in financial markets are not used.

Notes to the Consolidated Financial Statements

Financial instruments and financial risks (continued)

Country risk

Country risk is being decreased by means of the control performed by Group's company management in each separate country following changes in legislation and regular assessment of the situation within each individual country.

The table below shows the split of client loan portfolio by the country of operation.

As of 31.12.2015		
	EUR'000	%
Poland	7,376	53%
Georgia	6,096	44%
Latvia	463	3%
Denmark	19	0%
Total	13,954	100%

As of 31.12.2016		
	EUR'000	%
Georgia	17,112	42%
Poland	10,765	26%
Russia	9,049	22%
Latvia	2,947	7%
Mexico	230	1%
Denmark	471	1%
Kazakhstan	86	0.5%
Czech Republic	93	0.5%
Total	40,753	100%

Currently Latvian peer-to-peer lending platform regulations and legislations are at development stage. The current draft legislation stipulates that the Latvian market for this type of commercial activity will require a license in the future. The Company as the member of Alternative Financial Services Association of Latvia is involved in the development of regulating law and the content of the regulating law and suggestions are being communicated with the Latvian Ministry of Finance. Therefore, it is not expected that the new licensing rules may not be feasible for the Company or threaten the Company's commercial operations and going concern in any other way.

Liquidity risk

One of the cornerstones of the Group's activities is to maintain sufficient level of liquidity. Liquidity risk is, on the one hand, means maintaining sufficient liquidity at lending company level to ensure that loans can be provided to borrowers on a continuous basis, and, on the other hand, the ability of the Group to settle payments at request of investors related the rights of claim acquired by participants in the *twino.eu* platform.

In order to manage the liquidity risk, the Group's management closely follows the maturity structure of its assets and liabilities. It is important for the Group to monitor the liquidity position to third parties, in particular to the investors of the *twino.eu* platform, as debtors and creditors of related companies are settled by assessing the overall liquidity demands in the Group as a whole and at individual Group companies, based on their operational needs.

Liquidity risk is assessed and controlled by the Group's Finance Department. Liquidity management ensures continuous availability of funds to perform any obligations falling due. The Group's liquidity management procedures include:

- a) producing intra-Group and outward cash flow forecasts;
- b) managing loan structure and concentration;

Notes to the Consolidated Financial Statements

Financial instruments and financial risks (continued)

Liquidity risk (continued)

- c) linking maturity of investments made by *twino.eu* platform investors to maturity of the loan portfolio; daily monitoring of cash balances in the bank accounts as well as the amount of claims of the assignment transaction partners in order to withdraw funds from the accounts of the *twino.eu* platform;
- d) estimating the necessary cash reserve and maintaining the requisite funds as cash balances in bank accounts.

The Finance Department produces the following forecasts:

- a) loan portfolio cash flows, taking into account the estimated sales volumes and loan repayment schedules as well as the possibility of early or overdue settlement or extending the maturity of loans based on historical data;
- b) refunds and repurchases due to the *twino.eu* platform investors;
- c) operational cash flows between the Group's related companies and external suppliers and creditors on a daily basis. Based on these forecasts and plans, the Finance Department is managing daily as well as long-term liquidity position.

The Finance Department manages daily and long-term liquidity based on forecasts and plans. The Group's management is continuously monitoring bank account balances and daily cash withdrawal requests by the *twino.eu* platform investors from the *twino.eu* platform accounts. The cash reserve required to ensure continuous liquidity is estimated and maintained by the Group based on cash withdrawal requests by the *twino.eu* platform investors and taking into account the amount that is raised from the assignment transaction parties each day.

The tables below shows information about the Group's liquidity - asset and liability maturity structure based on their contractual maturity for year ended December 31, 2015 and December 31, 2016 respectively.

	up to 1 year	over 1	No maturity	Total
As of December 31, 2015	EUR'000	year EUR'000	EUR'000	EUR'000
Assets				
Fixed and intangible assets	-	-	153	153
Deferred income tax asset	-	-	117	117
Other loans - consumer loans	13,769	185	-	13,954
Receivables from and loans to related parties	238	1,328	-	1,566
Other receivables	17	-	-	17
Cash and cash equivalents	285	-	-	285
	14,309	1,513	270	16,092
Equity and liabilities				
Share capital	-	-	3	3
Accumulated losses	-	-	(1,374)	(1,374)
Payables for assignment rights – other borrowings	2,774	215	-	2,989
Other liabilities	14,474	-	-	14,474
	17,248	215	(1,371)	16,092

Notes to the Consolidated Financial Statements**Financial instruments and financial risks (continued)****Liquidity risk (continued)**

As of December 31, 2016	up to 1 year	over 1	No maturity	Total
	EUR'000	year	EUR'000	EUR'000
Assets		EUR'000		
Fixed and intangible assets	-	-	7,749	7,749
Investments in associated companies	-	-	234	234
Deferred income tax asset	-	-	1,921	1,921
Consumer loans – other loans	36,741	4,012	-	40,753
Receivables from and loans to related parties	763	-	-	763
Other receivables	2,789	-	-	2,789
Cash and cash equivalents	2,851	-	-	2,851
	43,144	4,012	9,904	57,060

As of December 31, 2016	up to 1 year	over 1	No maturity	Total
	EUR'000	year	EUR'000	EUR'000
Equity and liabilities		EUR'000		
Share capital	-	-	7,708	7,708
Share premium	-	-	239	239
Reorganisation reserve	-	-	11,728	11,728
Currency revaluation reserve	-	-	(180)	(180)
Accumulated losses	-	-	(2,966)	(2,966)
Non-controlling interests	-	-	3,911	3,911
Deferred income tax liabilities	-	-	520	520
Payables for assignment rights – other borrowings	22,434	-	-	22,434
Loans and borrowings	1,610	5,109	-	6,719
Other liabilities	6,947	-	-	6,947
	30,991	5,109	20,960	57,060

As at the end of the reporting period, the Group's liquidity position can be considered stable. The balance of the Group's cash and cash equivalents at the end of reporting period was EUR 2,851 thousand (as at 31.12.2015. EUR 285 thousand). Current assets (up to 1 year) exceeded current liabilities by EUR 12,153 thousand (as at 31.12.2015. current liabilities exceeded current assets (up to 1 year) by EUR 2,939 thousand). Net volume of the loan portfolio (including expected bad credit amount) was EUR 40,753 thousand (as at 31.12.2015 EUR 13,954 thousand), which was sufficient to cover payments due for the assignment rights (settling with investors of *twino.eu* platform) at amount of EUR 22,434 thousand (as at 31.12.2015 EUR 2,989 thousand), when they become due. At the end of reporting period non-current liabilities above 1 year exceeded non-current asset value. The plan is to settle difference in the future through the realization of long-term investments and from the payments of dividends from subsidiaries of the Company.

Notes to the Consolidated Financial Statements**(2) Net turnover**

Net turnover includes interest, commission and contractual penalty income generated during the reporting period under the consumer loan agreements (with individual persons) acquired through assignments, as well as from loans issued under agreements with related and unrelated companies.

Type of activity	2016 EUR'000	2015 EUR'000
Income from commissions	17,498	3,370
Income from interest	17,585	2,511
Penalty income	1,357	144
Insurance income	20	-
Other income	14	-
	36,474	6,025

Net turnover by geographical regions:

	2016 EUR'000	2015 EUR'000
Georgia	19,877	3,363
Poland	14,290	2,398
Latvia	668	253
Denmark	608	11
Cyprus	152	-
Mexico	278	-
Russia	326	-
Spain	132	-
Czech Republic	134	-
Kazakhstan	9	-
	36,474	6,025

(3) Cost of sales

	2016 EUR'000	2015 EUR'000
Premium to the twino.eu platform investors*	1,331	81
Interest expense on Notes (issued debt securities)	171	-
Interest expense on other loans	306	-
	1,808	81

* Premium to the investors of the *twino.eu* platform results from the difference between the price at which the investors of the *twino.eu* platform acquire the loan claim rights and the value of the expected cash flow from the acquired claim rights. It is recognised in the consolidated statement of profit or loss on accrual basis.

Notes to the Consolidated Financial Statements**(4) Administrative expenses**

	2016	2015
	EUR'000	EUR'000
Employee remuneration	3,275	31
Board member remuneration	37	-
Payroll related taxes on employee and Board member remuneration	553	7
Marketing and advertising costs	3,205	80
IT costs	1,407	7
Debt collection costs	344	-
Professional service costs	975	48
Rent of premises and office maintenance expenses	622	6
Donations	344	52
Market research expenses	176	8
Amortization of intangible assets	41	6
Depreciation of fixed assets	90	-
Other expenses	1,599	76
	12,668	321

(5) Other operating income

	2016	2015
	EUR'000	EUR'000
Net currency exchange gain	-	10
Gain from sale of subsidiaries	344	-
Income from profit sharing agreement	2,105	-
Other income	840	-
	3,289	10

(6) Other operating expenses

	2016	2015
	EUR'000	EUR'000
Net currency exchange loss	1,454	-
Loss from sale of loan portfolio	22,946	6,312
Other expenses	-	3
	24,400	6,315

Notes to the Consolidated Financial Statements**(7) Corporate income tax of the reporting year and the deferred income tax asset****a) Corporate income tax recognised in the statement of profit or loss**

	2016	2015
	EUR'000	EUR'000
Tax assessed in the tax return	1,161	-
(Income) from changes in deferred income tax asset balances	(834)	(117)
	327	(117)

b) Comparison of the effective corporate income tax rate

The amount of the reported corporate income tax expenses for the period ending on 31 December 2016 differs from the amount calculated by applying the statutory tax rate to the Company's profit before tax, as demonstrated in the table below:

	2016	2015
	EUR' 000	EUR' 000
(Losses) before corporate income tax	(1,392)	(1,491)
Theoretically calculated corporate income tax, 15%	(209)	(224)
Impact of non-deductible expenses	535	341
Tax deductions for donations	1	-
Corporate income tax of the reporting period	(327)	117

c) Deferred tax (asset)/liabilities

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the year ended 31 December 2016:

	Deferred tax (asset)/liabilities 31.12.2015. EUR' 000	Net balance 31.12.2015. EUR' 000	Recognized in profit or loss EUR' 000	Acquired through business combination EUR' 000	Effect of exchange rate fluctuations EUR' 000	Net balance 31.12.2016. EUR' 000	Deferred tax (asset) EUR' 000	Deferred tax liability EUR' 000
Other loans - consumer loans	(122)	(122)	(659)	(845)	12	(1,614)	(1,614)	-
Cash and cash equivalents	-	-	-	(5)	-	(5)	(5)	-
Property and equipment	5	19	137	12	1	169	161	8
Other assets	-	305	21	1	-	327	(324)	(1)
Loans and borrowings	-	-	(16)	-	-	(16)	(16)	-
Other liabilities	-	(76)	(275)	(19)	-	(370)	(81)	513
Tax loss carry-forwards	-	-	(42)	-	-	(42)	(42)	-
Deferred tax (assets)/liabilities before set-off	(117)	126	(834)	(856)	13	(1,551)	(1,921)	520
Set off of tax	-	-	-	-	-	-	-	-
Net deferred tax (assets)/liabilities	(117)	126	(834)	(856)	13	(1,551)	(1,921)	520

The Group has recognized deferred tax assets of EUR 1,921 thousand (31 December 2015: EUR 117 thousand) in Latvia, Denmark, Poland, Georgia, Russia. The Group has recognised deferred tax liabilities of EUR 520 thousand (31 December 2015: no deferred tax liabilities) in Poland, Latvia, Kazakhstan.

Notes to the Consolidated Financial Statements**(8) Intangible assets**

	Concessions, patents, licences, trademarks and similar rights EUR'000	Other intangible rights EUR'000	Total EUR'000
Acquisition cost			
05.08.2015	-	-	-
Additions	2	67	69
31.12.2015	2	67	69
Accumulated amortisation			
05.08.2015	-	-	-
Amortisation	-	6	6
31.12.2015	-	6	6
Net book value as of 31.12.2015	2	61	63

	Goodwill EUR'000	Concessions, patents, licences, trademarks and similar rights EUR'000	Other intangible rights EUR'000	Advances for intangible assets EUR'000	Total EUR'000
Acquisition cost					
31.12.2015	-	2	67	-	69
Additions	5,414	9	899	123	6,445
Disposals	-	-	-	(77)	(77)
Acquisition of subsidiary	-	90	269	82	441
Transfer	-	9	-	(9)	-
Effect of changes in foreign exchange rates	-	(4)	-	-	(4)
31.12.2016	5,414	106	1,235	119	6,874
Accumulated amortisation					
31.12.2015	-	-	6	-	6
Amortisation	-	6	36	-	42
31.12.2016	-	6	42	-	48
Net book value as of 31.12.2015	-	2	61	-	63
Net book value as of 31.12.2016	5,414	100	1,193	119	6,826

Notes to the Consolidated Financial Statements**(9) Property, plant and equipment**

	Other items of property, plant and equipment EUR'000
Acquisition cost	
05.08.2015	-
Additions	91
31.12.2015	<u>91</u>
Accumulated depreciation	
05.08.2015	-
Depreciation charge	1
31.12.2015	<u>1</u>
Net book value as of 31.12.2015	<u>90</u>

	Other items of property, plant and equipment EUR'000
Acquisition cost	
31.12.2015	91
Additions	393
Disposals	(7)
Acquisition of subsidiary	534
Effect of changes in foreign exchange rates	(1)
31.12.2016	<u>1,010</u>
Accumulated depreciation	
31.12.2015	1
Depreciation charge	88
Disposals	(1)
Effect of changes in foreign exchange rates	(1)
31.12.2016	<u>87</u>
Net book value as of 31.12.2015	<u>90</u>
Net book value as of 31.12.2016	<u>923</u>

Notes to the Consolidated Financial Statements**(10) Investments in subsidiaries**

As of 31 December 2016, the Company had the following investments in subsidiaries:

Subsidiary	Country	Book value of the Company's investment in subsidiary as of 31.12.2016 EUR'000	Equity of subsidiary as of 31.12.2016 EUR'000	Subsidiary's value of balance sheet as of 31.12.2016 EUR'000	The reporting period net result for the subsidiary as of 31.12.2016 EUR'000	Company's share in the share capital of the subsidiary as of 31.12.2016 %
OC Finance SIA	Latvia	427	54	2,583	53	100%
TWINO LLC	Georgia	101	(752)	6,481	(1,104)	100%
NetCredit Aps	Denmark	7	(315)	329	(93)	100%
Incredit Sp. z o.o.	Poland	47	47	5,771	1	100%
AD Credit Sp. z o.o.	Poland	47	42	48	(3)	100%
Net Credit Sp. z o.o.	Poland	46	(1,626)	14,100	184	100%
Moneza Financial s.r.o.	Czech Republic	100	293	783	18	100%
NetCredit IFN SA	Romania	195	168	175	(26)	95%
E-Zajom OOO MFK	Russia	7,705	7,821	9,255	-	50%
Moneza OOO MKK (1167746297762)	Russia	1	(139)	1,602	(126)	99%
Moneza OOO (1167746181790)	Russia	2	(7)	5	(8)	99%
Finabay Mexico S.A. de C.V.,	Mexico	-	(1,038)	359	(224)	99%
Rapido Finance S.L.	Spain	3	(706)	387	(153)	100%
Zing Kazakhstan LLP	Kazakhstan	1	(199)	160	(186)	100%
		8,682	3,643	42,038	(1,667)	

Notes to the Consolidated Financial Statements**(11) Consumer loans**

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Loan principle	56,662	13,905
Accrued interest	6,640	920
Accrued commissions	1,097	1,853
Deferred interest income	(1,753)	(406)
Deferred commission income	(781)	(1,509)
Gross receivables from customers	61,865	14,763
Allowances for impairment of consumer loans	(21,112)	(809)
Net receivables from customers	40,753	13,954
Including:		
long-term portion	4,012	185
short-term portion	36,741	13,769
	40,753	13,954
 Changes in allowances for impairment of consumer loans:		
Allowances at the beginning of the reporting period	809	-
Acquisition of subsidiary	18,024	-
Increase in allowances	17,348	1,529
Decrease in allowances as a result of sale of receivables from consumer loans	(15,069)	(720)
Total change for the reporting period	2,279	809
Allowances at the end of the reporting period	21,112	809

As the result of the Group's assignment transactions, portfolio assets and related credit risks are transferred to the Company. The weighted average effective interest rate on issued customer loans in the reporting period was 152%. As at the end of the reporting period, the remaining balance of the investors of the *twino.eu* platform that consisted of customer loans purchased by assignment transaction parties amounted to EUR 22,434 thousand.

Age structure of customer debts and allowances for doubtful customer debts:

	Book value	Allowances	Net book value
	31.12.2015	31.12.2015	31.12.2015
	EUR'000	EUR'000	EUR'000
Not overdue	12,930	(459)	12,471
Overdue more than 90 days	1,833	(350)	1,483
	14,763	(809)	13,954
	Book value	Allowances	Net book value
	31.12.2016	31.12.2016	31.12.2016
	EUR'000	EUR'000	EUR'000
Not overdue	35,965	(2,153)	33,812
Overdue less than 90 days	8,985	(4,242)	4,743
Overdue more than 90 days	16,915	(14,717)	2,198
	61,865	(21,112)	40,753

Notes to the Consolidated Financial Statements**(12) Related party receivables**

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Principal amounts of loans due from related companies	720	1,544
Accrued loan interest due from related companies	43	22
	763	1,566
Including:		
long-term portion	-	1,328
short-term portion	763	238
	763	1,566

On 21 January 2015, a credit line agreement with a private individual related to OC Finance SIA was signed for the maximum amount of EUR 500 000. The loan matured on 31 December 2017 with interest at 5% per annum. In December 2015, the maximum credit line amount was increased to EUR 1,500,000. As at 31 December 2016, the outstanding loan balance was EUR 650 thousand (31 December 2015: EUR 553 thousand), and accrued interest was EUR 37 thousand (31 December 2015: EUR 5 thousand). The loan is not secured.

On 14 January 2015, a loan agreement with a private individual related to Net Credit Sp. Z o.o. was signed for EUR 70 thousand. The loan matured on 31 December 2017 with interest at 5% per annum. As at 31 December 2016, the outstanding loan balance was EUR 70 thousand (31 December 2015: EUR 70 thousand), and accrued interest was EUR 6 thousand (31 December 2015: EUR 2 thousand). The loan is not secured.

(13) Other receivables

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Receivables from sold assignment right	165	-
Other receivables	1,265	-
Provisions	(30)	-
Deferred expenses	329	16
Accrued revenue	35	1
Corporate income tax asset	670	-
Other assets	355	-
	2,789	17

(14) Cash and cash equivalents

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Cash at bank	2,851	285

(15) Share capital

As of 31 December 2016, the fully paid and registered share capital of the Group amounts to EUR 7,708 thousand (31 December 2015: EUR 3 thousand) and consists of 7,708 thousand (31 December 2015: 3 thousand shares) with a nominal value of EUR 1.00 per share.

Notes to the Consolidated Financial Statements**(16) Equity**

Over the reporting period, the Group's business generated losses of EUR 1,719 thousand (31 December 2015: losses of EUR 1,247 thousand which includes EUR 127 thousand retained earnings taken over as a result of reorganisation), its equity is positive and amounts to EUR 16,529 thousand (31 December 2015: equity is negative and amounts to EUR 1,371 thousand). Equity includes a positive reorganisation reserve of EUR 11,728 thousand. Currency revaluation reserve consists of EUR 180 thousand, which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency. The Group's Board believes that there are no circumstances which could cast doubts on the Group's ability to continue as a going concern.

(17) Payables for assignment rights

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Short-term liabilities	22,434	2,774
Long-term liabilities	-	215
	22,434	2,989

This position reflects the settlements with the Latvian and foreign individuals for assignment rights on consumer loans. As of December 31, 2016, the weighted average effective interest rate for balances of these rights was 11,8%.

(18) Loans and other borrowings

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Issued debt securities	201	-
Loans from companies	6,518	-
	6,719	-
Including:		
long-term portion	5,109	-
short-term portion	1,610	-
	6,719	-

As a result of the reorganization, on October 12, 2016, the Group took over private placement bonds amounting to EUR 10,000 thousand with the maturity on September 10, 2018 (ISIN: LV0000801884) with a fixed interest (coupon) rate of 12.00 % per annum. As of the end of the reporting period, the total nominal value of bonds issued by the Company was EUR 2,890 thousand of which the Group itself owned bonds with the total nominal value of EUR 2,690 thousand and bonds with the total nominal value of EUR 200 thousand have been sold to investors on a secondary market. At the end of reporting period issued debt securities consist of nominal value of sold bonds in amount of EUR 200 thousand and calculated bonds coupon of EUR 1 thousand.

(19) Liabilities for bought assignment rights

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Payables for acquisition of consumer loan claims	363	14,260
Other creditors	379	-
	742	14,260

Notes to the Consolidated Financial Statements**(20) Group entities**

As at 31 December 2016 the Group consisted of the following entities:

Subsidiaries and related parties	Status	Address	Country
Zing Kazakhstan LLP, reg. No. 160240000960	Subsidiary	78 Masanchi Str., 050012, Almaty	Kazakhstan
NetCredit ApS, reg. No. 36421509	Subsidiary	18 Kronprinsessgade Str., DK-1306 Copenhagen, Denmark	Denmark
Rapido Finance S.L., reg. No. B93366862	Subsidiary	91 Paseo de la Castellana Str., 4a, 28046 Madrid, Spain	Spain
TWINO LLC, reg. No. 401993606	Subsidiary	118 Tsereteli ave, Pavilion 10, 0119 Tbilisi, Georgia	Georgia
OC Finance SIA, reg. No. 40103203191	Subsidiary	41 Mukusalas street, Riga LV-1004, Latvia	Latvia
IncCredit Sp. z o.o., reg. No. 0000604092	Subsidiary	27 aleja Jana Pawla II, 00-876, Warsaw	Poland
AD Credit Sp. z o.o., reg. No. 0000604185	Subsidiary	87 Grzybowska Str., 00-844, Warsaw	Poland
Net Credit Sp. z o.o., reg. No. 0000401570	Subsidiary	ul. Prosta 68, 00-838 Warsaw, Poland	Poland
Moneza OOO MKK, reg. No. 1167746297762	Subsidiary	12 Presnenskaya nab. Str., apt. 4, Moscow, 123100	Russia
Moneza OOO, reg. No. 1167746181790	Subsidiary	12 Presnenskaya nab. Str., apt. 4, Moscow, 123100	Russia
Moneza Financial s.r.o., reg. No. 24286028	Subsidiary	1349/2 Vyšehradská Str., Nove Mesto, Prague	Czech Republic
Finabay Mexico S.A. de C.V., reg. No. FME151012AWZ	Subsidiary	Calle Montecito Nr.38, piso 8, oficina 28, colonia Nápoles, C.P.03810, Mexico City	Mexico
NetCredit IFN SA, reg.No.J40/10149/2016	Subsidiary	69-71 Bucuresti- Ploiesti Str., Bucharest	Romania
Finabay, SIA, reg. No. 40103254681	Parent company until 12.10.2016	41 Mukusalas street, Riga LV-1004	Latvia
Payday Loans Sp. z o.o. SKA, reg. No. 0000424914	Related company	ul. Prosta 68, 00-838, Warsaw, Poland	Poland
The Business Group Sp. z o.o. SKA, reg. No. 0000424914	Related company	27 aleja Jana Pawla II, 00-876, Warsaw, Poland	Poland
E-Zaem OOO MFK, reg. No. 1127746672130	Subsidiary	12 Presnenskaya nab. Str., apt. 4, Moscow, 123100, Russian Federation	Russia
Affiliate Solutions SIA, reg. No. 40103744480	Related company	41 Mukusalas street, Riga LV-1004, Latvia	Latvia

(21) Investment in associates

	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Investments in associates	234	-

Net Credit Sp. Z o.o. investments consists of a EUR 234 thousand (PLN 1.030.000,00) investment in participation of 95% in Parway Sp.z.o.o S.K.A., a non-listed limited joint-stock partnership Polish company. The Group has control over the company. The Group acquired (as a payment for its own shares) 95% of shares for EUR 234 thousand (PLN 1.030 thousand) in February 2015. As of 31 December 2016, the investment was kept at the same value of EUR 234 thousand (PLN 1.030 thousand). The company is not active and historically run its business in consumer lending segments, providing capital to its clients.

Notes to the Consolidated Financial Statements**(22) Related party transactions**

Company's related party transactions:

Income	2016	2015
	EUR' 000	EUR' 000
Income from rent of fixed assets	156	-
Income from profit sharing agreement	2,105	-
Income from expense compensation	550	1
Interest income from loans issued to related companies	15	22
	2,826	23
Expenses	2016	2015
	EUR' 000	EUR' 000
Losses from sale of customer debts	3,860	5,392
Rent and maintenance of premises	128	1
Software maintenance and lease	6	-
Management expenses	15	74
Office maintenance	8	3
Inventory expenses	4	-
Legal and professional fees	3	2
Travel expenses	1	1
	4,025	5,473
Assets	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Investments in associates	234	-
Principal amounts of loans due from related companies	-	1,306
Accrued interest due from related companies	-	22
Receivables from related companies	-	238
Short-term loans to shareholders and management	763	-
	997	1,566
Liabilities	31.12.2016	31.12.2015
	EUR' 000	EUR' 000
Payables to related parties	-	42
Principal amount of loans payable to related parties	-	14,260
Accrued interest payable to related parties	-	-
Accrued liabilities	-	78
	-	14,380

(23) Average number of employees

	2016	2015
Average number of employees	399	4
Average number of employees, by category		
	2016	2015
Board members	4	-
Other	395	4
	399	4

Notes to the Consolidated Financial Statements**(24) Labor expenses****Type of expenses**

	2016	2015
	EUR'000	EUR'000
Salaries	3,311	31
Statutory social insurance contributions	553	7
	3,864	38

(25) Off-balance sheet liabilities and pledged assets

As of 31.12.2016, the Group had no off-balance sheet liabilities or pledged assets.

(26) Significant events after reporting date

In June 2017, the Company sold its Subsidiary NetCredit IFN SA in Romania.

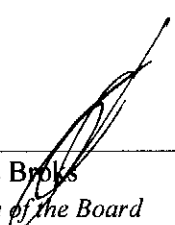
Based on 9 months results in year 2017 the Company established allowances in September 2017 for the Company's subsidiary in Spain, Rapido Finance S.L. expected losses amounting to EUR 700 thousand. In October 2017, the Company sold its subsidiary in Spain, Rapido Finance S.L.

Due to the higher than expected bad rate on loans issued by the Company's subsidiary in Mexico, Finabay Mexico S.A. de C.V., its operations were suspended in spring 2017 and in September 2017 the Company established allowances for expected losses of EUR 1,316 thousand.

Due to changes in the industry's regulatory environment and the resulting fall of the issued loan volumes, issue of loans by the Company's subsidiary NetCredit ApS in Denmark was suspended in summer 2017. The operations have been profitable, as a result no loss provisions needed to be made.

In 2017, the Company added to the *twino.eu* platform's investment opportunity range consumer loans issued by the Company's subsidiaries Zing Kazakhstan LLP (Kazakhstan) and Ezaem OOO (Russia).

In 2017, the Company launched a new service, *Payment guaranty*, available to the investors of the *twino.eu* platform.



Armands Brooks
Chairman of the Board



Anastasija Oleinika
Group Chief Financial officer

26 April 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of TWINO SIA

Report on the audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TWINO SIA (the Company) and its subsidiaries ("the Group") for the year 2016 set out on pages 7 to 36 of the accompanying consolidated annual report. Accompanying consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016, and the consolidated profit or loss statement, consolidated cash flow statement and consolidated statement on changes in equity for the year ended 31 December 2016 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Twino SIA and its subsidiaries as of 31 December 2016, and of its consolidated financial performance and consolidated cash flows for the year ended 31 December 2016 in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statement section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the consolidated financial statement in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

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

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on pages 4 to 6, and Information about the Company, as set out on page 3 of the accompanying Consolidated Annual Report.

Our opinion on the consolidated financial statement does not cover the other information included in the Consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the consolidated financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the consolidated financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statement are prepared is consistent with the consolidated financial statement; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statement

Management is responsible for the preparation of the consolidated financial statement that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statement, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statement

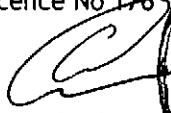
Our objectives are to obtain reasonable assurance about whether the consolidated financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

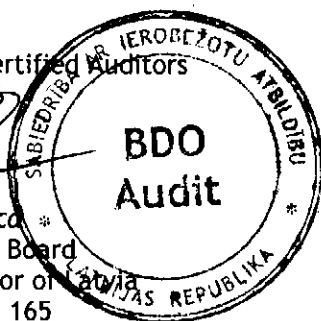
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statement, including the disclosures, and whether the consolidated financial statement represent the underlying transactions and events in a manner that achieves a fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the Group or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Audit SIA
Company of Certified Auditors
Licence No 176


Gunta Darkevica
Member of the Board
Certified auditor of Latvia
Certificate No. 165



26 April 2018
Rīga, Latvia