

JOINT STOCK COMPANY “MINTOS MARKETPLACE”
(UNIFIED REGISTRATION NUMBER 40103903643)

REPORT FOR THE YEAR 2017

(3rd financial year)

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2018

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General information

Name of the company	Mintos Marketplace
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	40103903643 Riga, 1 June 2015
Registered office	Skanstes street 50 Riga, Latvia, LV-1013
Major shareholder	AS Mintos Holdings
Board Members	Martins Sulte - Chairman of the Board (from 1 June 2015) Martins Valters – Member of the Board (from 1 June 2015)
Council Members	Ramona Miglane – Chairperson of the Council (from 1 June 2015) Janis Abasins (from 9 June 2016) Martins Krutainis (from 9 June 2016)
Financial period	1 January – 31 December 2017
Auditors	Diana Krisjane Latvian Certified Auditor Certificate No 124 SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV – 1010 Licence No 17

Management report

27 April 2018

Operations during 2017

Principal activity

AS Mintos Marketplace (the Company) operates a global online marketplace for loans which provides investors with an easy and transparent way to invest in loans originated by a variety of alternative lending companies around the world.

General business review and key performance indicators

The Company has grown significantly in 2017 and continued to invest in its growth by improving the marketplace and making it available to investors and loan originators around the world. In 2017 the Company also launched the currency exchange feature, which allows investors to convert currency directly on the Mintos marketplace at a transparent exchange rate and fair fee.

The investment in growth can be seen in our results. Both investor demand and loan supply increased substantially, further increasing market liquidity. The number of registered investors reached 43,457 investors as at the end of 2017 (compared to 17,052 as at the end of 2016) and a total of EUR 332 million of loans were funded through the marketplace in 2017 (EUR 99 million in 2016).

Consequently, revenue generated by the Company increased more than fourfold to EUR 2.137 million (EUR 521 thousand in 2016). Despite the Company making considerable investments in people and technology during the year, thanks to strong growth in revenue the Company turned a net profit of EUR 196 thousand (net loss EUR 239 thousand in 2016).

The profit for the year include charges of EUR 45 thousand (EUR 58 thousand in 2016) relating to the fair value of share-based payment benefits which are being recognised over the vesting period. By their nature, these payments are not reflective of ongoing trading performance and are not, therefore, considered part of the underlying results. Excluding these expenses, the profit for the year would increase to EUR 241 thousand (the net loss would reduce to EUR 181 thousand in 2016).

In 2017, the Company received recognition from a number of external organisations. We were particularly thrilled to win for the second year in a row the People's Choice Award 2017 by the prestigious AltFi, the world's leading news site for the alternative finance space.

Principal risks and uncertainties

The principal risks and uncertainties the Company faces includes risks related to growth management, partner activity (for example, if one of the Company's partners experience a loss in service), regulation, system interruptions (for example, if there is an interruption to a payment system) and weakening economy. The Company has taken steps to ensure that effective measures are in place to prevent such uncertainties impacting the operations of the business. For additional details in risk management please see Note 26.

The Company is committed to good governance and control in order to run its business effectively and ensure that it can manage risk appropriately. The Company is further committed to operating an innovative and successful business without exposing itself and its customers to unacceptable risk. The Company's risk appetite is set by its Board in agreement with senior management.

The Board believes that the Company is well positioned to continue to provide great value and service to its customers.

Future developments

The Company continues working closely with the Ministry of Finance of the Republic of Latvia and other involved parties in drafting a law that would define the Company's activity as a regulated activity and put it under the supervision of the Financial and Capital Market Commission. It is expected that the new law will be adopted by the end of 2018.

In 2018, the Mintos Group will focus on growing both sides of the marketplace by increasing investor demand and loan supply from the current and new geographies. A particular focus of the Mintos Group will be on expanding its offering in Africa, Latin America, and Southeast Asia.



Martins Sulte
Chairman of the Board



Martins Valters
Member of the Board

The annual report was approved by the general shareholders' meeting on April 27, 2018.

Statement of comprehensive income

	Notes	2017 (corrected – Note2)	2016
		EUR	EUR
Commission and fee income	4	2 137 533	521 433
Commission and fee expenses	5	(18 267)	-
Employee benefit expenses	6	(757 881)	(380 524)
Depreciation and amortization	12	(109 072)	(42 845)
Administrative and other general expenses	7	(1 037 455)	(343 739)
Other income	8	18 486	91
Interest and similar expenses	9	(44 345)	(426)
Interest and similar income	10	14 168	7 305
Profit/ (loss) before tax		203 167	(238 705)
Corporate income tax	11	(7 418)	-
Profit/ (loss) for the year		195 749	(238 705)
Other comprehensive income		-	-
Total comprehensive income		195 749	(238 705)

The accompanying notes form an integral part of these financial statements.



Martins Sulte
Chairman of the Board



Martins Valters
Member of the Board

Statement of financial position

ASSETS	Notes	31/12/2017	31/12/2016 (corrected – Note 2)
		EUR	EUR
Non-current assets			
Intangible assets	12	290 019	149 216
Fixed assets	12	34 899	19 468
Deferred acquisition costs	13	258 607	-
Total non-current assets		583 525	168 684
Current assets			
Trade and other receivables	14	356 565	99 177
Deferred acquisition expenses	13	135 150	-
Loans	21	286 642	52 520
Cash	15	69 601	211 755
Total current assets		847 958	363 452
TOTAL ASSETS		1 431 483	532 136
EQUITY AND LIABILITIES			
Equity			
Share capital	16	750 000	750 000
Other equity reserves	16, 23	102 804	57 967
Retained losses		(136 836)	(332 585)
Total Equity		715 968	475 382
Current liabilities			
Trade and other payables	17	123 898	18 588
Advances received	18	315 793	-
Accrued liabilities	20	275 824	38 166
Total Current liabilities		715 515	56 754
TOTAL EQUITY AND LIABILITIES		1 431 483	532 136

The accompanying notes form an integral part of these financial statements.



Martins Sulte
Chairman of the Board



Martins Valters
Member of the Board

Statement of cash flows

	Notes	2017 EUR	2016 EUR
Cash flows to/ from operating activities			
Profit/(loss) before tax		203 167	(180 738)
Adjustments for:			
Amortisation and depreciation		109 072	42 846
Interest (income)		-	(7 305)
Interest expense		-	426
Operating profit or loss before working capital changes		312 239	(144 771)
(Increase)/ decrease in receivables and other assets		(606 305)	(77 516)
Increase/ (decrease) in payables		651 340	13 187
Cash generated from operations		357 274	(209 100)
Net cash flows to/ from operating activities		357 274	(209 100)
Cash flows to/ from investing activities			
Purchase of equipment	12	(28 957)	(16 146)
Purchase of intangible assets	12	(236 347)	(128 885)
Issued loans		(321 553)	(327 020)
Repayment of issued loans		87 429	274 500
Interest received		-	6 838
Net cash flows to/ from investing activities		(499 428)	(190 713)
Cash flows to/ from financing activities			
Proceeds from issue of share capital		-	250 000
Received loans		-	77 000
Repayment of received loans		-	(77 000)
Paid interest expense		-	(426)
Net cash flows to/ from financing activities		-	249 574
Change in cash		(142 154)	(150 239)
Cash at the beginning of the year		211 755	361 994
Cash at the end of the year		69 601	211 755

The accompanying notes form an integral part of these financial statements.



Martins Sulte
Chairman of the Board



Martins Valters
Member of the Board

Statement of changes in equity

	Share capital	Other equity reserves	Retained earnings / (loss)	Total
Balance as at 1 January 2016	500 000	-	(93 880)	406 120
Issue of share capital	250 000	-	-	250 000
Share based payments	-	57 967	-	57 967
Loss for the reporting year (corrected – Note 2)	-	-	(238 705)	(238 705)
Total comprehensive income for 2016				
Balance as at 31 December 2016 (corrected – Note 2)	750 000	57 967	(332 585)	475 382
Issue of share capital	-	-	-	-
Share based payments	-	44 837	-	44 837
Profit for the reporting year	-	-	195 749	195 749
Total comprehensive income for 2017				
Balance as at 31 December 2017	750 000	102 804	(136 836)	715 968

The accompanying notes form an integral part of these financial statements.


 Martins Sulte
 Chairman of the Board


 Martins Valters
 Member of the Board

27 April 2018

Notes to the financial statements

1. Corporate information

AS Mintos Marketplace (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 1 June 2015. The registered office of the Company is at Skanstes street 50, Riga.

The core business activity of the Company during the reporting year was to operate a global online marketplace for loans providing investors with an easy and transparent way to invest in loans originated by a variety of alternative lending companies around the world.

The parent company of the Company is AS Mintos Holdings (Latvia).

The financial statements of the Company for the period from 1 January 2017 through 31 December 2017 were approved by a resolution of the Company's Board on 27 April 2018. In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make the decision on the approval of the financial statements.

2. Summary of significant accounting policies

a. Basis of preparation

These individual financial statements of the Company are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS), on a going concern basis. These financial statements are prepared on a historical cost basis.

The monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2017 through 31 December 2017. Comparative period is from 1 January 2016 through 31 December 2016.

b. Correction of errors

During preparation of these financial statements the Company had identified an error when preparing financial statements of last year. Namely, even though some of the share options with the first employees had been signed only in January 2017, the terms were known before and therefore according to IFRS 2 the grant date was before the signing date. Based on assessment made, the first options were granted as early as January 2016. Due to this correction of prior period results have been made where additional employee benefit expenses with corresponding increase in equity of 57 967 EUR was made. Note 21 summarises the accounting policy for share based payments and Note 23 provides information on how value of share based payments were derived, including for the year 2016. The total assets, liabilities and equity was not impacted by this adjustment, although composition of total equity changed – Other equity reserves increased, while Retained earnings/(loss) decreased by 57 967 EUR.

The correction of error had following impact on profit and loss statement:

	2016 before correction	Correction	2016 after correction
Employee benefit expenses	(322 557)	(57 967)	(380 524)
Total comprehensive income	(180 738)	(57 967)	(238 705)

Corrections in Notes 6 and 11 were made to restate comparative figures.

c. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

IAS 7 Disclosure Initiative – Amendments to IAS 7

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Application of amendments results in additional disclosure provided by the Company.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments were not applicable for the Company.

2. Summary of significant accounting policies (continued)

The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Company's financial statements:

IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

d. Standards issued but not yet effective and not early adopted

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Given that the Company currently uses only a very limited number of financial instruments, as can be seen from notes 2e and other notes in these financial statements, based on impact assessment of IFRS 9 done by the management of the Company, there is no material effect expected when applying IFRS 9. This might change should the Company use more financial instruments in the future.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Based on assessment of the management application of IFRS 15 will not change the method how revenue is recognized, though will require additional disclosures.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

2. Summary of significant accounting policies (continued)

e. Financial instruments

(i) Classification

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. Currently the Company's financial assets are classified as loans and receivables.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

(ii) Date of recognition

All financial assets, except loans and receivables, and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(iii) Initial and subsequent measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Loans and receivables

Amounts due from banks and Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available-for-sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, amounts due from banks and Loans and advances to customers are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in Interest and similar income in the income statement. The losses arising from impairment are recognised in the income statement in Credit loss expense.

(iv) Derecognition

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the Company has transferred the financial asset and substantially all the risks and rewards of the asset to the counterparty. A financial liability is derecognised only when the obligation under the liability is discharged according to the contract or cancelled or expires.

All purchases and sales of financial assets, except for loans issued to non-bank customers, are recognised and derecognised on the settlement date. Loans to non-bank customers are recognised in the statement of financial position when cash is transferred to the customer's current account.

2. Summary of significant accounting policies (continued)**e. Financial instruments (continued)****(v) Impairment of financial assets**

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

f. Intangible assets

Intangible assets comprise purchased licences, internally developed software and purchased internet domain names. Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis over 3 year period, except purchased internet domain name which is not amortised but tested for impairment annually. Internally developed software development costs includes the costs related to development of software, mainly consisting of internally capitalised salary expenses.

g. Equipment

Equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Equipment	- over 3 to 5 years
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Depreciation is calculated when asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Or it is engaged in commercial activity.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

h. Client acquisition costs

The Company incurred various expenditure that is related to client (investor) acquisition. Once the expenditure is incurred, the Company assess if it can reliably measure expected future economic benefit related to the investment made. Future economic benefit arises from commission income that is earned as a direct result from incurred expenditure. If reliable measure is possible, the smaller of the two - incurred expenditure or future economic benefit - is recognised as deferred client acquisition costs in the statement of financial position. In subsequent periods the deferred client acquisition costs are recognised as expenses based on estimated realisation of the related economic benefit. In cases when a reliable measure cannot be made the incurred expenditure is expensed directly to profit and loss.

i. Impairment of non-financial assets

The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that a non-financial asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase amount constitutes reversal of impairment losses.

j. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

2. Summary of significant accounting policies (continued)**k. Income and expense recognition**

All major income and expense items are recognised on an accrual basis. Commission income is recognised when the service has been rendered. Interest income/ expense is recognised in the statement of comprehensive income for financial assets/ liabilities measured at amortised cost using the effective interest method. The main source of income is service fee income from loan originators, which includes the service fee calculated from the outstanding loans. Secondary Market fee is calculated from investors concluded transactions (sale of loan portfolio) in secondary market.

l. Share based payments

All employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments. All Company's share based payments are equity-settled transactions.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 23. That cost is recognised in employee benefits expense (Note 6), together with corresponding increase in equity (other equity reserves), over the period in which the service are provided. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

m. Fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

n. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

o. Servicing assets and liabilities

Servicing assets consists of those loans that have been placed by the loan originators on the Mintos marketplace and where investors have made investments, while servicing liabilities consists of investment amounts due to investors. Given that the Company does not bear the credit risks related to these assets or liabilities but only earns commission for servicing them, these items are disclosed in these financial statements.

2. Summary of significant accounting policies (continued)**p. Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by a respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

q. Income taxes

Income taxes include current and deferred taxes. Current corporate income tax is applied at the statutory rate of 15%.

Legal entities will not be required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax will be paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions will be subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

r. Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on most reliable information available to the management in respect to specific events and actions. The effect of any changes in estimates will be recorded in the financial statements when determinable.

The significant areas of estimation and assumptions in preparation of these financial statements relates to following areas:

- Share based payments. See Note 23 for more details
- Client acquisition cost. See Note 13 for more details
- Useful life of intangible assets. See Note 2f for more details.

Following areas of estimation and assumptions in preparation of these financial statements are not considered as significant (were significant in preparation of last year's financial statements):

- Deferred corporate income tax – due to changes in local tax law, there are no significant estimates or assumptions needed;
- Accounting of business combination – no accounting of business combination took place during the current or previous period.

4. Commission and fee income

	2017	2016
Service fee - loan originators	2 025 977	500 998
Foreign currency exchange commissions	79 038	-
Secondary market fee*	32 518	20 435
TOTAL:	2 137 533	521 433

* The Company discontinued to charge secondary market fee to its investors in October 2017.

5. Commission and fee expenses

Commission expenses consist of commissions charged to execute foreign currency conversions.

6. Employee benefit expenses

	2017	2016 (corrected – Note 2)
Salaries	576 002	260 967
Social security contributions	136 901	61 510
Shares based payment expenses (see Note 23)	44 837	57 967
Risk duty	141	80
TOTAL:	757 881	380 524

Part of salaries and related taxes have been capitalised to IT development costs (see Note 12). The Company employed 36 employees at the end of year 2017 and 21 employees at end of year 2016.

7. Administrative and other general expenses

	2017	2016
Affiliates and refer-a-friend program	424 505	66 776
IT and communication expenses	88 457	28 421
Business trips	84 235	27 589
Legal expenses	81 162	52 524
Expenses related to activities in Poland	62 342	-
Direct client acquisition expenses	60 104	54 775
Office rent and related expenses	57 588	42 721
Office expenses	27 589	19 381
Advisory services for entering new markets	24 000	-
Non-deductible VAT	23 694	-
Audit and consultation expenses	21 441	21 824
Other expenses	82 338	29 728
TOTAL:	1 037 455	343 739

8. Other income

	2017	2016
Penalty income	9 748	-
Other income	8 738	91
TOTAL:	18 486	91

9. Interest and similar expenses

	2017	2016
Currency exchange losses	44 330	-
Interest expenses to related companies	-	426
Penalty expenses	15	-
TOTAL:	44 345	426

10. Interest and similar income

	2017	2016
Interest income from issued loans (Note 21)	14 168	7 305
TOTAL:	14 168	7 305

11. Corporate income tax, deferred corporate income tax

Corporate income tax disclosure:

	2017	2016 (Corrected – Note 2)
Loss/gain before corporate income tax	203 167	(238 705)
Theoretical corporate income tax 15%	(30 475)	35 806
Share based option adjustment	(6 726)	(8 695)
Non-deductible expense	7 138	(4 415)
Change in unrecognised tax loss*	22 645	(22 696)
Total corporate income tax	(7 418)	-

Deferred corporate income disclosure:

	31/12/2017	31/12/2016
Deferred tax liabilities:		
Temporary difference in depreciations	(14 574)	(12 199)
TOTAL:	(14 574)	(12 199)
Deferred tax assets:		
Previous year accumulated tax losses	28 786	49 056
Allowance for unrecognised tax loss*	(14 212)	(36 857)
TOTAL:	14 574	12 199
Net deferred corporate income tax:	-	-

*In 2017, allowance for unrecognized tax losses includes effect pursuant to amendments made to the tax legislation of the Republic of Latvia, which entered into force on 1 January 2018. Legal entities will not be required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax will be paid on distributed profits and deemed profit distributions. In accordance with the mentioned amendments, a taxable person which has reported a loss as at 31 December 2017 in their corporate income tax return may decrease corporate income tax charged for dividends in the reporting year by the amount equal to 15 per cent of the total uncovered loss. If this amount is not used or is used only partially in the reporting year, the balance (tax on uncovered loss) may be attributed to corporate income tax which will be charged on dividends in the subsequent four reporting years by decreasing the balance (tax on uncovered loss) to the extent of the discount used each year accordingly. The accumulated tax loss for the Company at end of the year was 191 906 EUR

12. Intangible and fixed assets

	Trademarks, domains, licences	Internal software	TOTAL INTANGIBLE ASSETS	Other fixed assets and inventory
Year ended 31 December 2016				
Carrying amount as at 1 January	10 058	45 238	55 296	11 202
Additions	1 440	127 445	128 885	16 146
Amortisation charge	(560)	(34 405)	(34 965)	(7 880)
Carrying amount as at 31 December	10 938	138 278	149 216	19 468
As at 31 December 2016				
Cost	11 694	181 272	192 966	30 477
Accumulated amortisation and impairment	(756)	(42 994)	(43 750)	(11 009)
Carrying amount as at 31 December	10 938	138 278	149 216	19 468
Year ended 31 December 2017				
Carrying amount as at 1 January	10 938	138 278	149 216	19 468
Additions	1 644	234 703	236 347	28 957
Amortisation charge	(1 076)	(94 468)	(95 545)	(13 527)
Carrying amount as at 31 December	11 506	278 513	290 019	34 899
As at 31 December 2017				
Cost	13 338	415 975	429 313	59 434
Accumulated amortisation and impairment	(1 832)	(137 462)	(139 294)	(24 535)
Carrying amount as at 31 December	11 506	278 513	290 019	34 899

Internal software costs included capitalised salary and related taxes in amount of 234 703 EUR during 2017 (127 445 EUR during 2016). Internal software is the core technical asset for operating of the Mintos marketplace.

13. Deferred client acquisition costs

During the year the Company made investments in client acquisition campaign, which according to the Company's policy qualifies for deferred client acquisition cost recognition. The campaign named "Cash back bonus" gave extra reward to Company's clients, who invested in loans offered on Mintos marketplace that met certain threshold in terms of their duration. In total the Company incurred 510 thousand EUR expenditure on this campaign during 2017. Out of the total amount, 116 thousand EUR was expensed in 2017, which is based on the estimate what amount of the expenditure incurred will bring future economic benefit for the company in subsequent years. The estimate was made based on the amount of service fees that will be generated by taking into account the expected duration of the underlying investments made by Company's clients. The estimate is highly sensitive to the expected service fee amount, as well as actual duration of the underlying investments. Split between long-term and short term has been made based on calculations of expected benefit during the next reporting year and the subsequent reporting years.

	EUR
Short term 12m	135 150
Long term > 12 m	258 607
TOTAL:	393 757

14. Trade and other receivables

	31/12/2017	31/12/2016
Accrued income	311 824	60 108
Trade receivables	15 328	27 802
Prepaid expenses	13 118	5 088
Other debtors	16 295	6 179
TOTAL:	356 565	99 177

*Accrued income consists of service fee for loan originators that has not been billed yet as at the balance sheet date.

15. Cash

	31/12/2017	31/12/2016
Commercial banks in the Republic of Latvia	67 767	211 407
Commercial banks in the Czech Republic	-	348
Commercial banks in the Republic of Poland	1 834	-
TOTAL:	69 601	211 755

16. Share capital and other equity reservesShare capital

The share capital of the Company is EUR 750 000 and consists of 750 000 shares. The par value of each share is EUR 1. On 26 September 2016 a share emission plan was approved for issuing new shares up to 1 000 000 with par value of EUR 1 which can be called until 25 September 2017. During the year 2016 share capital was increased by EUR 250 000 which was fully paid in cash as part of previously mentioned share emission plan. Given that during the reporting year the Company operations were self-supporting and there was no need for additional equity, rest of the share capital was not issued. Increase of the share capital was registered with Enterprise Register of Latvia on 5 February 2018.

Other equity reserves

For equity-settled share-based payment transactions, IFRS 2 requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 Share-based Payment does not specify where in equity this should be recognised. The Company has chosen to recognise the credit in other equity reserves. See Note 2b and Note 23 for more information.

17. Trade and other payables

	31/12/2017	31/12/2016
Taxes and State mandatory social insurance payments	56 881	2 379
Salary payables	47 183	-
Trade payables	13 560	15 757
Advance payments to suppliers	6 010	452
Other payables	264	-
TOTAL:	123 898	18 588

18. Advances received

Advances received consists of payments from some of the Company's clients in relation to campaign described in Note 13.

19. Taxes and State mandatory social insurance payments

	31/12/2017	31/12/2016
Value added tax	6 483	2 373
Corporate income tax	7 418	-
Personal income tax	20 119	6
Statutory social insurance contributions	22 848	(532)
Business risk fee	13	-
TOTAL:	56 881	1 847
TOTAL DEBTORS (included in position "Trade and other receivables"):	-	(532)
TOTAL LIABILITIES (Included in "Trade and other payables"):	56 881	2 379

20. Accrued liabilities

	31/12/2017	31/12/2016
Accrued expense of unused vacation	48 984	20 930
Accrued expense of received services*	226 840	17 236
TOTAL:	275 824	38 166

*Includes accrued expenses for Cash back bonus campaign described in Note 13 in amount of 114 560 EUR.

21. Related party disclosures

Related parties are defined as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise significant influence or control.

The Company is ultimately controlled by AS Grumpy Investments (incorporated in Latvia). During the year the Company has done transactions with entities within Mintos Group (i.e. with parent company of Mintos – AS Mintos Holdings and other entities owned by AS Mintos Holdings) as well as other related companies as disclosed below.

	Transactions during:		Balances as at:	
	2017	2016	31/12/2017	31/12/2016
Mintos Group companies				
<i>Income/Assets</i>				
Parent company*	13 347	7 305	286 642	46 221
Other companies within the group	821	36 236**		25 993
<i>Expenses/Liabilities</i>				
Parent company	-	312	-	-
Other companies within the group	-	-	-	-
Other related companies outside Mintos Group				
<i>Income/Assets</i>				
Other companies	-	45 843**	-	2 091
<i>Expenses/Liabilities</i>				
Other companies	-	-	-	-
TOTAL INCOME/ASSETS:	14 168	89 384	286 642	74 305
TOTAL EXPENSES/LIABILITIES:	-	312	-	-

*The receivable from parent company arises from the overdraft agreement signed for cash flow management purposes within the Mintos Group. The total overdraft limit is 330 000 EUR and due date is 31 December 2018 with 4,5 % fixed interest rate.

** Some of the Company's clients – loan originators, to whom the Company provides services have been related parties for whole or part of the reporting period. This income is included under Commission and fee income.

22. Commitments and contingencies**Commitments under operating leases**

The Company as a lessee has entered into property lease agreements. The total amount of lease expenses recognised in the reporting period was 48 607 EUR (2016: 36 422 EUR). As at 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

Within 1 year	48 564 EUR (2016: 48 564 EUR)
Within 1-5 years	64 752 EUR (2016: 113 316 EUR)

23. Share-based payments

Share option plan

According to Company's share option plan, share options of the parent are granted to all employees of the Company. The exercise price of the share options is equal to the best guess fair value estimate of the underlying shares on the date of grant. Vesting of the options is dependent on the employee remaining in service for the company. The standard vesting period is for 4 years with 1 year cliff and the options can be exercised within 10 year period from the grant date. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options.

The Company recognised expenses in amount of 44 837 EUR during the reporting year (57 967 EUR in 2016) in relation to respective share option plan.

Movement during the year in number and weighted average exercise price (WAEP) of options:

	2017		2016	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	1 682 814	0,12	-	-
Granted	70 681	0,79	1 682 814	0,12
Exercised	-	-	-	-
Outstanding at 31 December	1 753 495	0,14	1 682 814	0,12
Exercisable as at 31 December	793 985	0,12	-	-

The range of exercise prices for options outstanding at the end of the year was EUR 0.10 to EUR 0.80 (0.10 EUR to 0.48 EUR as at 31 December 2016). The weighted average remaining contractual life for the share options outstanding was 9.1 years (10 years as at 31 December 2016).

Fair value calculations

The fair value of share options is estimated at the grant date by using Black-Scholes option pricing model. We take into account the terms and conditions on which the share options were granted, as well as making estimates on some of the assumptions to adjust for Black-Scholes model's drawbacks when valuing American type of options. The inputs used in the model are market observable whenever possible, but given the start-up nature of Company's operations the management of the Company needs to make certain assumptions. The weighted average fair value of options granted at measurement date was 0,41 EUR (0,065 EUR in 2016).

The following table lists the key inputs used during 2017:

	2017	2016
Weighted average fair value of share price	0,785	0,115
Expected life of share options (years)	8,5	10
Expected volatility (%)	50%	50%
Dividend yield (%)	0%	0%
Risk-free interest rate (%)	3%	3%

The two most significant inputs with highest sensitivity to the calculations of share option value are fair value of share price and expected life of share options. Given that it is Company's policy to provide the strike price that equals to best guess fair value, which is estimated by applying several valuation techniques, the share price for each grant is equal to the strike price. The expected life of share options is assumed to be the end date when options can be exercised for the first agreements granted given the current environment how long it takes other companies in fin-tech space to go public or being sold. Expected volatility is estimated by observing other companies that have become listed in recent periods operating in similar industries, while risk-free interest rate is calculated by looking at various markets across the globe where the Company plans to operate. Dividends are expected to yield 0% at parent level during the calculation period, as all profit is planned to be reinvested to further grow the value of Mintos Group.

24. Servicing assets and liabilities

The Company's core activity is to operate a global online marketplace for loans providing investors with an easy and transparent way to invest in loans originated by a variety of alternative lending companies around the world.

Investors had the following outstanding investments in loans:

By loan type	31/12/2017	31/12/2016
Car Loans	53 327 235	13 972 858
Personal Loans	35 925 417	16 082 018
Short Term Loan	13 473 917	-
Business Loans	4 600 916	1 855 410
Mortgage Loans	4 027 097	3 550 474
Invoice Financing	1 307 257	609 285
Pawn broking Loans	861 677	-
Agricultural Loans	38 004	-
TOTAL:	113 561 522	36 070 045

By Country	31/12/2017	31/12/2016
Latvia	30 675 978	9 131 993
Lithuania	20 761 574	8 347 254
Georgia	19 284 219	10 379 906
Poland	13 409 227	1 188 424
Estonia	12 600 697	6 419 582
Bulgaria	3 981 387	66 568
Romania	3 804 881	-
Spain	3 411 839	-
Sweden	1 620 597	-
Botswana	1 029 886	-
Albania	911 401	-
Denmark	836 477	276 925
Czech Republic	673 379	259 393
Russian Federation	280 784	-
China	188 210	-
Finland	90 986	-
TOTAL:	113 561 522	36 070 045

As at 31 December 2017 investors held cash position in a separate account with Mintos that investors can use only for one purpose – making investments in loans offered on the Mintos marketplace. The outstanding amount of cash in local currency equivalent that can be used by investors as at 31 December 2017 were:

Currency	31/12/2017	31/12/2016
EUR	3 884 674	1 136 841
CZK	2 702 723	1 684 974
PLN	517 763	-
DKK	292 400	-
SEK	147 275	-
RUB	73 909	-
RON	13 657	-
GEL	431	-

25. Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assets and liabilities for which fair value is disclosed as at 31 December 2017:

	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Trade and other receivables	356 565	356 565	-	-	356 565
Intercompany loans	286 642	286 642	-	-	286 642
Cash	69 601	69 601	69 601	-	-
TOTAL	712 808	712 808	69 601	-	543 207
Liabilities					
Trade and other payables	123 898	123 898	-	-	123 898
Advances received	315 793	315 793			315 793
Accrued liabilities	275 824	275 824	-	-	275 824
TOTAL	715 515	715 515	-	-	715 515

Assets and liabilities for which fair value is disclosed as at 31 December 2016:

	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Trade and other receivables	99 177	99 177	-	-	99 177
Intercompany loans	52 520	52 520	-	-	52 520
Cash	211 755	211 755	211 755	-	-
TOTAL	363 452	363 452	211 755	-	151 697
Liabilities					
Trade and other payables	18 588	18 588	-	-	18 588
Accrued liabilities	38 166	38 166	-	-	38 166
TOTAL	56 754	56 754	-	-	56 754

Valuation methods and assumptions

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The management assessed that cash, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

26. Risk management

a. Financial risks management

The Company has assessed that its material financial risks arises from liquidity and credit risk. Interest rate and foreign exchange risk in year 2017 and 2016 has been negligible. There have been no changes in risk management policies since last year.

Liquidity risk

The below table discloses undiscounted financial liabilities as at 31 December 2017.

	Up to 1 month
Liabilities	
Trade and other payables	371 529
Accrued liabilities	275 824
TOTAL	647 353

The below table discloses undiscounted financial liabilities as at 31 December 2016.

	Up to 1 month
Liabilities	
Trade and other payables	18 588
Accrued liabilities	38 166
TOTAL	56 754

The Company manages its liquidity risk mostly by maintaining an adequate level of cash as well as through intercompany borrowings.

The below table discloses asset and liability break-down by contractual maturity as at 31.12.2017:

	Within 12 month	After 12 month	TOTAL
Assets			
Intangible assets	-	290 019	290 019
Fixed assets	-	34 899	34 899
Deferred client acquisition costs	135 150	258 607	393 757
Trade and other receivables	356 565	-	356 565
Loans	286 642*	-	286 642
Cash	69 601	-	69 601
TOTAL	847 958	583 525	1 431 483
Liabilities			
Trade and other payables	123 898	-	123 898
Advances received	315 793	-	315 793
Accrued liabilities	275 824	-	275 824
TOTAL	715 515	-	715 515
NET POSITION	132 443	583 525	715 968

* The contractual repayment term of credit line issued to the parent Company AS Mintos Holdings is in year 2018. There is uncertainty if the credit line would be repaid during the year or prolonged. Nevertheless, the Company is generating sufficient cash flows to support its operations and therefore this uncertainty would not impact operations of the Company.

The below table discloses asset and liability break-down by contractual maturity as at 31.12.2016:

	Within 12 month	After 12 month	TOTAL
Assets			
Intangible assets	-	149 216	149 216
Fixed assets	-	19 468	19 468
Trade and other receivables	99 177	-	99 177
Loans	52 520	-	52 520
Cash	211 755	-	211 755
TOTAL	363 452	168 684	532 136
Liabilities			
Trade and other payables	18 588	-	18 588
Accrued liabilities	38 166	-	38 166
TOTAL	56 754	-	56 754
NET POSITION	306 698	168 684	475 382

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including balances with the banks and trade receivables.

Balances with banks

The Company holds the balances with commercial banks and e-money institutions in Czech Republic, Latvia, Lithuania and Poland. Balances with the banks are held with three banks, whose parent ratings are in range of A to AA (subsidiary banks in Latvia are not separately rated).

b. Capital management

The Company considers its capital to comprise of its equity share capital, equity reserves related to share based options plus its accumulated retained results. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The management of the Company believes that current level of capital is sufficient for further operations. There have been no changes in how the Company manages its capital during the reporting year.

27. Events after balance sheet date

There have been no other significant events after the balance sheet date except as disclosed in these financial statements.

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Mintos Marketplace AS

Opinion

We have audited the accompanying financial statements of Mintos Marketplace AS (the Company) set out on pages 6 to 25 of the accompanying annual report, which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position Mintos Marketplace AS as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. 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 other information comprises the Management Report as set out on pages 4 to 5 of the accompanying annual report, but does not include the financial statements and our auditors report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 entity 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

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

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 undertaken in the course of our audit, in our opinion:

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

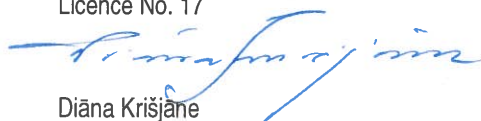
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 Company'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 financial statements 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

ERNST & YOUNG BALTIC SIA
Licence No. 17



Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Rīga, 27 April 2018