JOINT STOCK COMPANY MINTOS MARKETPLACE

(UNIFIED REGISTRATION NUMBER 40103903643)

REPORT

FOR THE PERIOD FROM 1 JUNE 2015 TO 31 DECEMBER 2015

(1st financial year)

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

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2016

Building a better working world

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INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Mintos Marketplace

Report on the financial statements

We have audited the 2015 financial statements of AS Mintos Marketplace, set out on pages 6 through 23 of the accompanying 2015 Annual Report, which comprise the statement of financial position as of 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the AS Mintos Marketplace as of 31 December 2015, and of its financial performance and its cash flows for the year ended 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2015 (set out on page 5 of the accompanying 2015 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2015.

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Licence No. 17

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

Riga, 29 April 2016

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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 iela 50 Riga, Latvia, LV-1013
Major shareholder	AS Mintos Holding
Board Members	Martins Sulte - Chairman of the Board Martins Valters – Member of the Board
Council Members	Ramona Miglane – Chairperson of the Council Ieva Judinska-Bandeniece – Member of the Council
Financial period	1 June – 31 December 2015
Auditors	Diāna Krišjāne Latvian Certified Auditor Certificate No 124 SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV – 1010 Licence No 17

Management report

29 April 2015

Operations during 2015

AS Mintos Marketplace (the Company) is a technology-enabled peer-to-peer lending marketplace (Mintos). Launched in January 2015[1], Mintos brings together investors with non-bank lenders, providing both private individuals and institutional investors with opportunities to finance loans originated by non-bank lenders. With the help of Mintos, non-bank lenders have the opportunity to use the marketplace model to diversify methods of financing loans. For investors, Mintos provides an access to an asset class that previously was not generally available.

By the end of 2015, six non-bank lenders — originating loans in Estonia, Georgia, Latvia, and Lithuania — were connected to the Mintos platform; the number of registered investors reached 3,758. In 2015, investors financed EUR 10.4 million in loans through the Mintos platform.

In 2015, the Company made a strategic decision to move headquarters to London, United Kingdom, and initiated the application process for necessary permissions from the Financial Conduct Authority. The application was successfully submitted in March 2016 and the Company expects to obtain the full authorization by early 2017.

As a high-growth startup, the Company won the "Rietumu FinTech Challenge 2015" by TechHub Academy and was selected as the runner up for "The One to Watch Award 2015" by AltFi.

Financial results

During the first year of operations, the Company achieved strong growth in business volumes. Revenue reached EUR 50 thousand, generated from two income streams — service fees to loan originators and secondary market fees to investors. In the meantime, the Company made sizeable investments in the development of the platform and expanding the team, which have resulted in a net loss of EUR 93 thousand for the period. The current period loss will be covered from future forecasted profits. Mintos had a strong equity position of EUR 406 thousand and cash reserves of EUR 361 thousand at the end of the reporting year.

Future developments

For the upcoming year, the main objective of the Company is to increase loan supply availability for investors on the Mintos marketplace. The Company expects to connect new loan originators from both current and new geographies. In addition, the Company anticipates adding new loan products on the marketplace. The Company is also looking forward to introducing a multicurrency platform that will allow investors to invest in currencies other than the euro. All of the above will allow investors to further diversify their investment portfolios. Regarding risk management, please see Note 20.

Subsequent events

In February 2016 Mintos concluded a seed-funding round, attracting EUR 2 million from Skillion Ventures, a Riga-based venture capital firm. Mintos will use the current financing to invest in product development, significantly expand the team, and accelerate growth in Europe by attracting more non-bank lenders to the platform and giving investors more investment opportunities.

Martins Sulte Chairman of the Board	Martins Valters Member of the Board

The annual report was approved by the general shareholders' meeting on April 29, 2016.

[1] Before 1 June 2015, Mintos marketplace was managed by AS Mintos (now called AS Hipocredit), a sister company of the Company.

Statement of comprehensive income

	Notes	01/06/2015-31/12/2015 EUR
Commission income	4	49 758
Salary expenses	5	(56 108)
Depreciation and amortization	10, 11	(11 913)
Administrative expenses	6	(83 264)
Other income	7	9 109
Other operating expense		(1 461)
Loss before tax		**(93 880)**
Corporate income tax	8	-
Net loss for the year		**(93 880)**
Other comprehensive income		-
Total comprehensive income		**(93 880)**

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

	Notes	31/12/2015 EUR	01/06/2015 EUR
ASSETS			
Cash	9	361 994	-
Fixed assets	10	11 202	-
Intangible asstes	11	55 296	-
Other assets	12	21 194	-
TOTAL ASSETS		**449 686**	**-**
EQUITY			
Share capital	13	500 000	-
Retained earnings:			
for the period		(93 880)	-
TOTAL EQUITY		**406 120**	**-**
LIABILITIES			
Trade and other payables	14	17 353	-
Payables to related companies	17	13 245	-
Accrued liabilities	16	12 968	-
TOTAL LIABILITIES		**43 566**	**-**
TOTAL EQUITY AND LIABILITIES		**449 686**	**-**

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

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Cash flow statement

	01/06/2015-31/12/2015 EUR
Cash flows to/ from operating activities	
Loss before tax	(93 880)
Adjustments for:	
Amortisation and depreciation	11 913
Interest (income)	(9 109)
Operating profit or loss before working capital changes	***(91 076)***
(Increase)/ decrease in other assets	(21 194)
Increase/ (decrease) in payables	43 566
Cash generated from operations	***(68 703)***
Interest received during the period	9 109
Net cash flows to/ from operating activities	**(59 594)**
Cash flows to/ from investing activities	
Cash paid to purchase a business	(422 766)
Sale of loan receivables	378 308
Purchase of equipment	(4 317)
Purchase of intangible assets	(29 637)
Net cash flows to/ from investing activities	**(78 412)**
Cash flows to/ from financing activities	
Proceeds from issue of share capital	500 000
Net cash flows to/ from financing activities	**500 000**
Change in cash	361 994
Cash at the beginning of the year	-
Cash at the end of the year	**361 994**

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

Statement of changes in equity

	Share capital	Profit for the year	Total
Balance as at 1 June 2015	-	-	-
Issue of share capital	500 000	-	500 000
Profit/ loss for the reporting year	-	(93 880)	(93 880)
Balance as at 31 December 2015	**500 000**	**(93 880)**	**406 120**

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

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 iela 50, Riga.

The core business activity of the Company during the reporting year was a management of the first peer-to-peer lending marketplace in Latvia.

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

The financial statements of the Company for the period from 1 June 2015 through 31 December 2015 were approved by a resolution of the Company's Board on 29 April 2016. 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.

These financial statements are prepared on going concern basis. Despite the fact that the Company have incurred losses during the first year of its operations, as well as it forsees to make further investments in its business development, subsequent to the year end Mintos group has finalised seed round funding brining total funding to 2 million EUR. This means that to the current cash position and investments made the Company have secured access to additional fresh cash of 1 million EUR to finance further expansion. The additional funding secured together with fact that both the Company is generating income which is constantly growing month-on-month basis and the Company is in unique position currently offering peer-to-peer lending marketplace to other non-bank lenders gives sufficient assurance to the management of the Company that these financial statements can be prepared on going concern 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 June 2015 through 31 December 2015.

b. Standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Company but may result in changes in disclosures.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Company has not yet evaluated the impact of the implementation of this standard.

2. Summary of significant accounting policies (continued)

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Company, as the Company does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Company.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. These amendments will not have any effect, as the Company does not have subsidiaries, associates or joint ventures at this moment.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 01.01.2018, once endorsed by the EU)

IFRS 9 will replace IAS 39 and will have effect on the classification and measurement framework for financial assets, impairment of financial assets and hedge accounting. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business and partial gain or loss is recognized when a transaction involves assets that do not constitute a business. These amendments will not have any effect, as the Company does not have associates or joint ventures at this moment.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. These amendments will not have any effect, as the Company does not have associates or joint ventures at this moment.

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the Company.

2. Summary of significant accounting policies (continued)

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. 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. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The implementation of this standard will not have any impact on the Company.

Improvements to IFRSs

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair value Measurement;*
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets.*

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting.*

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

The Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The following new and/or amended IFRSs have been adopted by the Group/Company as of 1 January 2015:

- ➢ Annual Improvements to IFRSs 2011 – 2013 Cycle
- ➢ IFRIC Interpretation 21: Levies

2. Summary of significant accounting policies (continued)

Annual Improvements to IFRSs 2011 – 2013 Cycle is a collection of amendments to the following IFRSs:

- **IFRS 1 *First-time adoption of IFRS*:** This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements
- **IFRS 3 *Business Combinations*:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 *Fair value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 *Investment property*: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

IFRIC Interpretation 21 *Levies*: This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The implementation of this standard had no effect on the financial statements of the Company.

c. 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:

- Accounting of business combination. See Note 3 for more details.
- Deferred corporate income tax. See Note 8 for more details.
- Useful life of intangible assets and equipment. See Note 2 e-f for more details.

d. 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.

2. Summary of significant accounting policies (continued)

(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.

(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 group 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 group of financial assets that can be reliably estimated.

e. Intangible assets

Intangible assets comprise purchased licences, intenrally developed software and purchased interenet domain names. Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis over 5 year period, except purchased interenet domain name which is not amortised but tested for impairment annualy. Internally developed software development costs includes the costs related to development of software, mainly consisting of internally capitalised salary expenses.

f. 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

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.

2. Summary of significant accounting policies (continued)

g. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

2. Summary of significant accounting policies (continued)

m. Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, as well as temporary difference in tax losses carried forward for the subsequent years.

n. 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. Business combination

On 1 June 2016 the Company signed agreement with AS Mintos whereby certain assets, liabilities and operations were transferred to the Company. Given that the Company and AS Mintos both were 100% owned by common shareholder AS Mintos Holdings, the transfer transaction was accounted using pooling of interest accounting method i.e. the transferred assets and liabilities were initially recognised at their carrying amount as in the predecessor company. The Company paid 422 765 EUR eur for the transfer, which equals the carrying value of the net assets obtained.

4. Commission income

		01/06/2015-31/12/2015
Loan originators's service fee		43 079
Secondary market fee		6 679
	TOTAL:	**49 758**

5. Salary expenses

		01/06/2015-31/12/2015
Salaries		45 403
Social security contributions		10 705
	TOTAL:	**56 108**

Part of salaries and related taxes have been capitalised to IT development costs (see Note 11). The Company employed 12 employees at end of the period.

6. Administrative expenses

		01/06/2015-31/12/2015
Legal expenses		31 537
Public relationship and marketing expenses		29 575
Office rent and related expenses		5 435
Business trips and conferences		4 846
IT and communication expenses		4 277
Audit expenses		4 000
Other expenses		3 594
	TOTAL:	**83 264**

7. Other income

Other income consists of interest earned on purchased loans (see Note 3 and cash flow statement), which had been disposed till the year end as this is not core activities of the Company. All interest during the reporting period was earned on non-impaired loans.

8. Corporate income tax

The Company has accumulated tax losses in amount of 78 thousand EUR, which can be off-set against future taxable profit indefinetly. Due to the early stage of the operations the management of the Company currently cannot determine whether the Company might fully utilise the aforementioned tax loss; therefore, the deferred tax assets exceeding the tax liabilities from accelerated tax depreciation in amount of 11 thousand EUR have not been recognised in these financial statements.

9. Cash

Cash consists of cash balances with commercial banks in Latvia.

10. Fixed Assets

	Equipment	TOTAL
As at 1 June 2015		
Cost	-	-
Accumulated depreciation	-	-
Carrying amount as at 1 June 2015	-	-
Year ended 31 December 2015		
Additions through business combinations*	10 014	10 014
Additions	4 317	4 317
Depreciation charge	(3 128)	(3 128)
Carrying amount as at 31 December	11 202	11 202
As at 31 December 2015		
Cost	14 331	14 331
Accumulated depreciation	(3 128)	(3 128)
Carrying amount as at 31 December	11 202	11 202

* Please see Note 3

11. Intangible assets

	Trademarks and domains	Internal Softwares	TOTAL
As at 1 June 2015			
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Carrying amount as at 1 June 2015	-	-	-
Year ended 31 December 2015			
Additions through business combinations*	9 557	24 887	34 444
Additions	697	28 940	29 637
Amortisation charge	-	(8 785)	(8 785)
Carrying amount as at 31 December	10 253	45 043	55 296
As at 31 December 2015			
Cost	10 253	53 828	64 081
Accumulated amortisation and impairment	-	(8 785)	(8 785)
Carrying amount as at 31 December	10 253	45 043	55 296

* Please see Note 3

Internal software costs included capitalised salary and related taxes in amount of 27 186 EUR.

12. Other assets

	31/12/2015	01/06/2015
Overpaid VAT	8 452	-
Accrued income	7 853	-
Other debtors	2 630	-
Prepaid expenses	2 259	-
TOTAL:	**21 194**	**-**

13. Share capital

The share capital of the Company is EUR 500 000 and consists of 500 000 shares. The par value of each share is EUR 1. All the shares were fully paid during 2015.

14. Trade and other payables

	31/12/2015	01/06/2015
Salary payable	8 596	-
Taxes payable	6 420	-
Trade payables	2 337	-
TOTAL:	**17 353**	**-**

15. Taxes payable

	01/6/2015	Calculated	Paid/refunded	31/12/2015
Statutory social insurance contributions	-	20 923	(16 783)	4 140
Personal income tax	-	11 200	(8 920)	2 280
Value added tax	-	(8 452)	-	(8 452)
TOTAL:	**-**	**23 671**	**(25 703)**	**(2 032)**
TOTAL PAYABLE:	-	-	-	**6 420******
TOTAL RECEIVABLE:	-	-	-	**(8 452)***

*Included in "Other assets"
**Included in "Trade and other payables"

16. Accrued liabilities

	31/12/2015	01/06/2015
Vacation reserve	7 415	-
Accrued expenses	5 552	-
TOTAL:	**12 968**	**-**

17. 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 controlled by AS Skillion Ventures (incorporated in Latvia). During the reporting period the Company bought business operations from related company AS Mintos (renamed to AS Hipocredit after the year end) as disclosed in Note 3. At end of the year the Company had unsetted liabilities with sister company AS Hipocredit in amount of 13 245 EUR.

18. 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 3 745 EUR. As at 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

Within 1 year 12 840 EUR

19. Servicing assets and liabilities

The Company's core activity is to operate peer-to-peer lending marketplace, where investors have a possibility to make investments in loans issued by different loan originators.

The following investments have been made in the loan portfolio as at 31.12.2015:

By loan type	31/12/2015	01/06/2015
Mortgage loans	2 412 218	-
Car loans	2 161 191	-
Business loans	1 547 886	-
Consumer loans	520 562	-
TOTAL:	**6 641 857**	-

By Country	31/12/2015	01/06/2015
Latvia	2 314 535	-
Georgia	1 547 886	-
Lithuania	1 465 263	-
Estonia	1 314 174	-
TOTAL:	**6 641 857**	-

As at 31.12.2015 investors held cash position with a separate account at Mintos which can be used only for one purpose – making investments in loans offered on Mintos platform. The outstanding amount of cash that can be used by investors as at 31 December 2015 was 334 118 EUR.

20. 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 2015

	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash	361 994	361 994	361 994	-	-
Other assets	21 194	21 194	-	-	21 194
TOTAL	**383 188**	**383 188**	**361 994**	-	**21 194**
Liabilities					
Trade and other payables	17 353	17 353	-	-	17 353
Payables to related	13 245	13 245	-	=	13 245
TOTAL	**30 598**	**30 598**	-	-	**30 598**

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.

21. Risk management

a. Financial risks management

Liquidity risk

The below table discloses undiscounted financial liabilities as at 31 December 2015.

	Up to 1 month
Liabilities	
Trade and other payables	17 353
Payables to related companies	13 245
Accrued liabilities	12 968
Off-balance liabilities	
Cash due to investors	334 118
TOTAL	**377 684**

The Company manages its liquidity risk mostly by maintaining an adequate level of cash.

The below table discloses asset and liability break-down by contractual maturity

	Within 12 month	After 12 month	TOTAL
Assets			
Cash	361 994	-	361 994
Fixed assets	-	11 202	11 202
Intangible assets	-	55 296	55 296
Other assets	21 194	-	21 194
TOTAL	**383 188**	**66 498**	**449 686**
Liabilities			
Trade and other payables	17 353	-	17 353
Payables to related companies	13 245	-	13 245
Accrued liabilities	12 968	-	12 968
TOTAL	**43 566**	**-**	**43 566**
NET POSITION	**339 622**	**66 498**	**406 120**

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.

Balances with banks

The Company holds the balances with commercial banks in Latvia. Balances with the banks are held with two 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 plus its accumulated retained profits. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders 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.

22. Events after balance sheet date

In February 2016 Mintos concluded a seed-funding round, attracting EUR 2 million from Skillion Ventures, a Riga-based venture capital firm. Mintos will use the current financing to invest in product development, significantly expand the team, and accelerate growth in Europe by attracting more non-bank lenders to the platform and giving investors more investment opportunities.