

SIA VIA SMS GROUP

CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
for the year 2016

Prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

SIA VIA SMS GROUP

Financial statement for the year 2016

Management Report

	Page
General Information	3
Management Report	4
Statement of Management's Responsibility	5
Consolidated and Separate Financial Statements:	
Consolidated and Separate Income Statements	6
Consolidated and Separate statements of Comprehensive Income	7
Consolidated and Separate Statements of Financial Position	8-9
Consolidated and Separate Cash Flow Statements	10
Consolidated and Separate Statements of Changes in Shareholders' Equity	11
Notes to the Consolidated and Separate Financial Statements	12-34
Independent Auditor's report	35

SIA VIA SMS GROUP

Financial statement for the year 2016

General Information

Name of the company	VIA SMS GROUP
Legal status of the company	Limited liability company
Unified registration number, place and date of registration	40003901472 Riga, 23 February 2007
Registered office	13.janvara Street 3, Riga, Latvia, LV-10510
Shareholders	SIA Financial investment 50% Deniss Šerstjukovs 50%
Members of the Board	Eduards Lapkovskis Deniss Serstjukovs Georgijs Krasovickis from 25.08.2016
Subsidiaries	VIA SMS SIA, 13.janvara street 3, LV-1050, Riga, Latvia (100%) VIA SMS LT UAB, A. Vivulskio g. 7, LT-03162, Vilnius, Lietuva, (100%) VIA SMS PL z.o.o., Al. Jerozolimskie 123A; 02-017, Varšava, Polija (100%) VIA SMS s.r.o., Lazarská 1719/5, 110 00 Praha 1, Czech Republic (100%) ViaConto Sweden AB, Holländargatan 27, 113 59, Stockholm, Sweden (100%) ViaConto Minicredit S.L., Josep Tarradellas 8-10, ático 3ª Barcelona 08029, Spain (100%) CASHALOT Sp.z.o.o., Al. Jerozolimskie 123A; 02-017, Varšava, Polija (100%) VIAINVEST SIA, 13.janvara street 3, LV-1050, Riga, Latvia (100%)
Reporting period	1 January 2016 – 31 December 2016
Previous reporting period	1 January 2015 – 31 December 2015
Auditors name and address	Deloitte Audits Latvia SIA Licence No. 43 4a Grēdu Street, Riga, LV-1019, Latvia Roberts Stūģis Certified auditor Certificate No. 203

SIA VIA SMS GROUP

Financial statement for the year 2016

Management Report

The Management Board of the Company presents its report on the consolidated and separate financial statements for the period ended 31 December 2016.

All figures are presented in EUR (euro).

Core activities

The core activity of the Company and its subsidiaries (together referred to as "Group") is providing consumer lending services (in particular – issuing payday and installment loans).

Business overview

During the period from January 1, 2016 till December 31, 2016, the Company's operations were successful; the Company has closed the reporting period with a net turnover of EUR 16 545 403 and increase of it of 22% in comparison with the same period in 2015. The largest net turnover growth is reached in Spain, where the net turnover has increased more than four times, however the net turnover in Sweden has increased by 38% and in Czech Republic - by 29% comparing to December 31 of 2015. In 2016 the Company has reached EBITDA of EUR 2 993 324, ensuring the net profit of EUR 1 109 449.

The decrease in net profit for 2016 is explained by the situation in Spanish market - despite the rapid growth of net turnover in 2016, market is still considered as unripe and rather unstable environment for operations of the Company's subsidiary VIACONTO MINICREDIT S.L., therefore the result for Spanish subsidiary in 2016 was a loss in the amount of EUR 706 890. Decrease of the net profit was also impacted by changes of consumer lending legislation in Poland, which came into force in March, 2016.

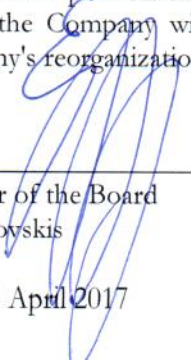
The net loan portfolio as per December 31, 2016 is EUR 14 669 170, which is 39% more than net loan portfolio as per December 31, 2015. The largest net portfolio increase was reached in Spain, where net loan portfolio has increased more than three times, in Sweden - more than two times and in Latvia - by 35%.


During the year of 2016 the Company has introduced two brand new products – payment card with credit line SAVA.card (available for clients in Latvia) and credit line VIAKREDIT (available for clients in Sweden). During the 2016 three new related companies have started their activities: VIASPAR (Sweden) – core activity is attracting deposits from private individuals and legal entities, CASHALOT (Poland) – core activity is providing a long-term consumer lending, as well as VIAINVEST (Latvia) – peer-to-peer lending platform offering online investment opportunities into pre-funded loans issued by the Company.

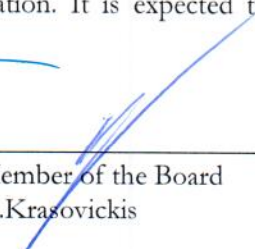
On August 25, 2016 SIA VIA SMS Group has successfully closed issuing new bonds (ISIN LV0000802064) that were included in regulated capital market Nasdaq Riga on August 5, 2016 in Baltic bond list. The total value of issued bonds is EUR 6 105 000.

During the 2017 VIA SMS Group will continue the growth and strengthen its positions in represented markets – Latvia, Poland, Czech Republic, Sweden and especially focusing on Spain.

On February 13, 2017, Enterprise Register of Latvia approved the project submitted for the reorganization that would change the legal form from Ltd to JSC. The above decision of the Enterprise Register on 16 February 2017 was published in the newspaper "Latvian Journal". Company reorganization can be completed by an approved reorganization decision of the Enterprise Register, but not earlier than 3 months after publication in the newspaper "Latvian Journal" for reorganization proceedings. During this period the Company will inform its creditors of the expected reorganization. It is expected that the Company's reorganization will be completed by the end of May 2017.



Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Member of the Board
G. Krasovickis

Riga, 21 April 2017

SIA VIA SMS GROUP

Financial statement for the year 2016

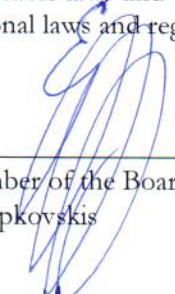
Statement of Management's Responsibility


The Management Board of SIA VIA SMS Group ("the Company") is responsible for preparing the consolidated and separate financial statements of the Company and its subsidiaries.

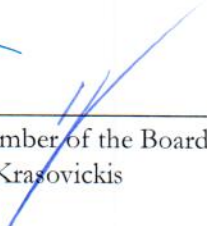
The consolidated and separate financial statements are prepared in accordance with the source documents and give a true and fair view of the Company's and its subsidiaries' financial position, operation results and cash flows for six months period ended 31 December 2016.

The Board confirms that appropriate accounting policies have been consequently applied and prudent and reasonable judgments and estimates have been made by the management in the preparation of the consolidated and separate financial statements for six months period ended 31 December 2016, set out on pages 6 to 34. The Board also confirms that International Financial Reporting Standards (IFRS) as adopted by the EU have been applied and complied with. The consolidated and separate financial statements have been prepared on a going concern basis and in compliance with laws and regulations of the Republic of Latvia applicable to the preparation of financial statements.

The Group's management Board is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group. The Group's Board is also responsible for operating the Group in compliance with all the applicable laws and other legislative or regulatory provisions of the Republic of Latvia, as well as with the national laws and regulations of the countries in which the Group conducts its business.



Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Member of the Board
G. Krasovickis

Riga, 21 April 2017

SIA VIA SMS GROUP

Financial statement for the year 2016

Consolidated and Separate Income Statements

	Notes	Group		Company	
		01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
			*(corrected)		
Net turnover	4	16 545 403	13 574 417	1 013 495	850 116
Operating costs	5	(2 893 165)	(2 461 977)	(849 398)	(848 460)
Impairment allowances	13	(6 114 590)	(4 323 300)	-	-
Gross profit		7 537 648	6 789 140	164 097	1 656
Selling expenses (marketing)		(1 763 207)	(1 807 518)	(1 360)	-
Operating profit		5 774 441	4 981 622	162 737	1 656
Administrative expenses	6	(3 252 337)	(2 604 087)	(39 284)	(61 727)
Other operating expenses	7	(887 645)	(489 234)	(10 828)	(7 434)
Other operating income	8	30 250	97 054	200 132	925 329
Profit before tax		1 664 709	1 985 355	312 757	857 824
Corporate income tax	9	(555 260)	(609 143)	(21 606)	-
Net profit for the year		1 109 449	1 376 212	291 151	857 824
Profit attributable to owners of the Company		1 109 449	1 376 212	291 151	857 824

The accompanying notes on pages 12 to 34 form an integral part of the consolidated and separate financial statements.

* See Note 2

The consolidated and separate financial statements on pages 6 to 34 were approved by the Management Board on 21 April 2017 and signed on behalf of the Company by:

Member of the Board
E.Lapkovskis

Member of the Board
D. Šerstjukovs

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G.Krasovickis

SIA VIA SMS GROUP

Financial statement for the year 2016

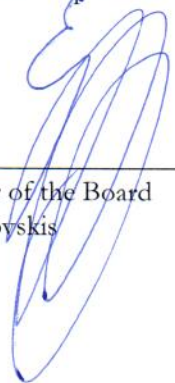
Consolidated and Separate Statements of Comprehensive Income


	Group		Company	
	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR *(corrected)	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
Net profit for the period	1 109 449	1 376 212	291 151	857 824
Depreciation of revaluation reserve	110 000	110 000		
Foreign currency translation reserve	(2 662)	(33 702)	-	-
Total comprehensive income	1 216 787	1 452 510	291 151	857 824

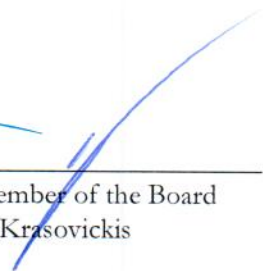
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SIA VIA SMS GROUP

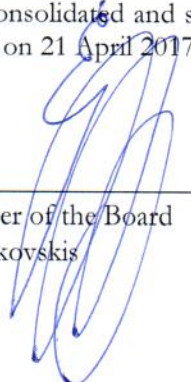
Financial statement for the year 2016

Consolidated and Separate Statements of Financial Position


	Note	Group		Company	
		31.12.2016 EUR	31.12.2015 EUR	31.12.2016 EUR	31.12.2015 EUR
Non-current assets		2 392 824	676 947	10 911 245	1 710 034
Property, plant and equipment	10	74 396	66 072	-	-
Intangible assets	10	293 155	413 009	-	-
Investments in leasehold improvements	10	38 271	52 765	-	-
Investments in subsidiaries and associates	11	-	-	1 953 336	1 633 206
Bonds		1 615 000	-	1 615 000	-
Loans and trade receivables	12	152 260	76 828	7 342 840	76 828
Deferred tax	9	219 742	68 273	69	-
Current assets		17 385 263	12 909 889	836 278	7 857 490
Loans and trade receivables	12	14 669 170	10 568 256	289 871	6 315 781
Bonds		-	1 005 000	-	1 005 000
Other receivables	14	1 484 719	752 700	402 499	468 532
Prepaid expenses		73 253	41 065	841	58
Cash and cash equivalents	15	1 158 121	542 868	143 067	68 119
Total assets		19 778 087	13 586 836	11 747 523	9 567 524

The accompanying notes on pages 12 to 34 form an integral part of the consolidated and separate financial statements.

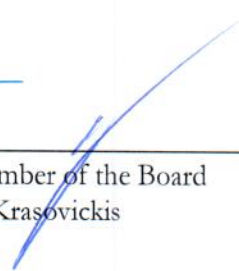
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Member of the Board
D. Šerstjukovs



Member of the Board
G. Krasovickis

SIA VIA SMS GROUP

Financial statement for the year 2016

Consolidated and Separate Statements of Financial Position

		Group		Company	
	Note	31.12.2016 EUR	31.12.2015 EUR	31.12.2016 EUR	31.12.2015 EUR
			(*corrected)		
Equity		2 657 702	1 550 915	1 244 447	953 296
Share capital	15	803 000	803 000	803 000	803 000
Foreign currency translation reserve		41 989	44 651	-	-
Revaluation reserve	10	234 261	344 261	-	-
Retained earnings		1 578 452	359 003	441 447	150 296
Non-current liabilities		7 650 139	602 989	8 720 401	570 582
Bonds		6 105 000	-	6 105 000	-
Borrowings		1 545 139	570 582	2 615 401	570 582
Deferred tax liability	9	-	32 407	-	-
Current liabilities		9 470 246	11 432 932	1 782 675	8 043 646
Bonds	16	58 354	6 390 720	58 354	6 390 720
Borrowings	16	6 154 635	2 211 866	1 698 271	1 624 000
Trade payables		2 022 437	1 793 194	217	6 032
Other liabilities		391 676	184 402	17	1 037
Corporate income tax payable		223 333	245 448	21 675	-
Accrued liabilities	17	433 571	277 583	4 141	21 857
Deferred income		186 240	329 708	-	-
Bank credit facility		-	11	-	-
Total liabilities		17 120 385	12 035 921	10 503 076	8 614 228
Total equity and liabilities	16	19 778 087	13 586 836	11 747 523	9 567 524

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SIA VIA SMS GROUP

Financial statement for the year 2016

Consolidated and Separate Cash Flow Statements

		Group 01.01.2016- 31.12.2016.	Group 01.01.2015- 31.12.2015.	Company 01.01.2016- 31.12.2016.	Company 01.01.2015- 31.12.2015.
	Note	EUR	EUR	EUR	EUR
Cash flows from operations					
Profit before tax		1 664 709	1 985 355	312 757	857 824
Interest income		(14 782)	(5 852)	(998 037)	(833 482)
Interest expenses		878 543	834 599	742 765	783 373
Depreciation, amortization, and write-offs of property, plant and equipment and intangible assets		186 063	159 118	-	-
Vacation pay reserve		38 066	4 392	-	-
Dividends received		-	-	(200 000)	(890 000)
Operating profit before adjustments for current assets and current liabilities		2 752 599	2 977 612	(142 515)	(82 285)
Increase/(decrease) in loans		(4 088 414)	(2 612 645)	282 018	(785 758)
Increase/(decrease) in receivables and other assets		(915 676)	337 017	(2 954)	295 777
Interest received		-	-	824 117	745 720
Increase/(decrease) in other liabilities		1 354 478	905 221	(229 208)	(44 358)
Cash generated from operations		(897 013)	1 607 205	731 458	129 096
Corporate income tax (paid)		(624 277)	(282 039)	-	-
Net cash flows to/ from operating activities		(1 521 290)	1 325 166	-	129 096
Cash flows to/ from investing activities					
Purchase of property, plant and equipment and intangible assets		(61 516)	(147 117)	-	-
Income from sale of investments/(Investments in subsidiaries)		-	-	(56 026)	-
(Issued loans)/Repaid loans		(73 150)	-	(1 348 200)	-
Net cash flows to/ from investing activities		(134 666)	(147 117)	(1 404 226)	-
Cash flows to/ from financing activities					
Received borrowings		5 075 762	565 000	2 012 224	565 000
Issued bonds		-	2 300 000	-	2 300 000
Repurchased bonds		(805 900)	(1 005 000)	(805 900)	(1 005 000)
Repayment of borrowings		(1 218 527)	(2 199 000)	(10 200)	(2 199 000)
Interest paid		(780 126)	(834 599)	(648 408)	(712 936)
Dividends received		-	-	200 000	890 000
Net cash flows to/ from financing activities		2 271 209	(1 173 599)	747 716	(161 936)
Change in cash and cash equivalents		615 253	4 450	74 948	(32 840)
Cash and cash equivalents at the beginning of the period		542 868	538 418	68 119	100 959
Cash and cash equivalents at the end of the period	15	1 158 121	542 868	143 067	68 119

The accompanying notes on pages 12 to 34 form an integral part of the consolidated and separate financial statements.

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SIA VIA SMS GROUP

Financial statement for the year 2016

Consolidated and Separate Statements of Changes in Shareholders' Equity

Group	Share capital	Foreign currency translation reserve	Re-valuation reserve	(Accumulated loss)/ retained earnings	Total
	EUR	EUR	EUR (*corrected)	EUR (*corrected)	EUR
Balance as of 01.12.2015.	803 000	77 752	454 259	(1 127 207)	207 804
Correction 2014	-	-	2	(2)	-
Revaluation reserve	-	-	(110 000)	-	(110 000)
Depreciation of revaluation reserve	-	-	-	110 000	110 000
Foreign currency translation	-	(33 702)	-	-	(33 702)
The reporting year result	-	-	-	1 376 212	1 376 212
Balance as of 31.12.2015.	803 000	44 050	344 261	359 003	1 550 314
Revaluation reserve	-	-	(110 000)	-	(110 000)
Depreciation of revaluation reserve	-	-	-	110 000	110 000
Foreign currency translation	-	(2 662)	-	-	(2 662)
The reporting year result	-	-	-	1 109 449	1 109 449
Balance as of 31.12.2016.	803 000	41 388	234 261	1 578 452	2 657 101

Company	Share capital	(Accumulated loss)/ retained earnings	Total
	EUR	EUR	EUR
Balance as of 01.01.2015	803 000	(707 528)	95 472
Profit for the period	-	857 824	857 824
Balance as of 31.12.2015	803 000	150 296	953 296
Profit for the period	-	291 151	291 151
Balance as of 31.12.2016	803 000	441 447	1 244 447

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* See Note 2

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SIA VIA SMS GROUP

Financial statement the year 2016

Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2016

1. General information

VIA SMS group Ltd. is a limited liability company registered in the Republic of Latvia. Subsidiaries of the company (referred to as the "Group") are also operating in Sweden, Poland, Czech Republic and Spain. The core business of the company is consumer lending. Due to the expansion of the Group operations two new companies were launched in 2016 – VIASPAR FINANS (company registered in Sweden; the core business – attraction of the deposits from both private individuals and legal entities) and Viainvest Ltd. (company registered in Latvia; the core business – providing online peer-to-peer lending opportunities for both private individuals and legal entities).

The registered address of VIA SMS group Ltd. is in Riga, Latvia, 13. janvāra iela 3, postal code: LV-1050.

Products and services

Group consumer lending product portfolio consists of 4 lending products – payday loan, installment loan, as well as two lending products launched in 2016 – a payment card with credit line SAVA.card (available in Latvia) and a credit line (available in Sweden).

A payday loan is a short-term consumer loan with a term up to 30 days and a maximum amount between 500 EUR and 700 EUR (varies depending on the country). Within this type of loan it is available to request payment deferral services, income from what amounts around 50% of the Group's revenue.

An installment loan is a consumer loan with a term from 3 to 24 months and a maximum amount that does not exceed 1400 EUR. This type of loans is available for Group clients in Latvia and Sweden. Swedish customers can also access a credit line with an amount up to 20 000 SEK.

SAVA.card is available for Group clients in Latvia. It is a payment card with a credit line up to 1500 EUR that offers an opportunity to receive a payment card operating in the MasterCard payment system. This allows cardholders to make purchases in more than 32 million sale points in the world where MasterCard is accepted. Clients are able to apply for the card as well as manage it online.

All lending products offered by the Group are non-secured loans so the company has developed complex risk assessment procedure, that is based on the analysis of the client's creditworthiness, historical data and other parameters. To avoid the fraud clients are requested to transfer 0,01 EUR from their personal bank account that allows to identify the client. All transactions that occur between the clients and the Group are non-cash transactions made online or via SMS.

2. Summary of significant accounting principles

1) Basis of preparation of the Financial Statements

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not significantly differ from IFRS issued by the International Accounting Standards Board (IASB) and are in force at the time of the preparation of these financial statements

The accompanying financial statements are presented in euro (EUR).

Accounting policies applied in the year 2016 are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016.

The consolidated and separate financial statements have been prepared under the historical cost convention.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group’s accounting policies or financial statements.

Standards and Interpretations issued and adopted in the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued and adopted in the EU were in issue but not yet effective:

- **IFRS 9 “Financial Instruments”** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

Group has decided not to apply the above standards, amendments and interpretations before their effective date. The Group is in the process of assessment impact of the above standards, amendments and interpretations on the Group's financial statements and is not able to present the final evaluation at this stage.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

Standards and Interpretations issued but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The Group has not yet assessed the impact of the above standards, amendments and interpretations on the Group's financial statements.

2) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and entities controlled by the Company (its subsidiaries) on the last day of the reporting period. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Adjustments are made to the financial statements of subsidiaries, if necessary, to unify the accounting policies used by the other members of the Group. All inter-company transactions and balances between Group companies are eliminated in consolidation process. Subsidiaries are consolidated using the purchase method of accounting from the date from which control has been transferred to the Group and ceases to be consolidated from the date on which control is transferred to another company.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

The Group consists of the Company and the following companies, which are controlled either directly or indirectly by the Company:

- VIA SMS SIA
- VIA SMS LT UAB
- VIA SMS PL z.o.o.
- VIA SMS s.r.o.
- VIA CONTO SWEDEN AB
- VIA CONTO MINICREDIT S.L.
- CASHALOT Sp.z.o.o.
- VIAINVEST SIA

The Company has the power and ability to influence relevant processes in these entities by carrying out their operational management, providing funding (both as equity and loans), and providing IT resources. That gives the Company control over these entities.

3) Significant accounting assumptions and estimates

According to IFRS as adopted by the EU, the preparation of financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets and liabilities. IFRS also requires disclosing the information about contingent assets and liabilities as of reporting date and income and expenses for the reporting period. The Group makes estimates and assumptions concerning the future perspectives of the Group. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the respective estimates are revised if the changes only affect that period or in the review period and subsequent periods if the changes affect both the current and subsequent periods.

a) Loans and receivables

Loans are measured at amortized cost using the effective interest rate method. The amortized cost of a loan is the amount at which the loan is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount (through the use of an allowance account), and minus any reduction for impairment or uncollectibility.

b) Impairment of financial assets

The Company conducts its loans receivable analysis at each reporting date, to assess whether and to what extent an allowance for asset impairment should be made. It is disclosed in the Income Statement.

The Group recognizes impairment loss based on historical loss experience which is adjusted on the basis of currently available data. Allowances are calculated based on base features of the portfolio. The main criterion for assessment is settlement discipline. Calculation of necessary allowance on portfolio is based on experience and previous period's statistics. On the basis of knowledge of the current situation, the management makes estimates of the net present value of expected future cash flows when determining the amount of allowances.

The carrying amount of the asset is reduced based on the allowances and the increase/decrease of the value, and is recognized in the income statement. The residual balances of any loan and receivable are written off from the accounts of the statement of financial position and from allowances for credit losses, if cannot be recovered or sold.

c) Intangible assets and property, plant and equipment

Property, plant and equipment and intangible assets, except for goodwill and real estate, are stated at acquisition cost, less accumulated depreciation and amortization. Depreciation and amortization are

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

calculated on a straight-line basis and written off over the useful life of respective intangible asset, using the following annual depreciation and amortization rates established by the management:

<i>Intangible assets:</i>	<i>Useful life</i>
Licenses	5 years
Programs	5 years
<i>Property, plant and equipment</i>	
Buildings	20 years
Vehicles	5 years
Furniture, fittings and equipment	3-5 years

Intangible assets and property, plant and equipment are amortized/ depreciated over their useful life. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least annually. Depreciation and amortization expense on property, plant and equipment and intangible assets with finite lives are recognized in the income statement caption "Administrative expenses".

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at bank, and demand deposits in banks.

e) Financial liabilities

Financial liabilities are disclosed in the statement of financial position under the caption "Borrowings" and measured at amortized cost.

Subsequent to initial recognition all borrowings are stated at amortized cost, using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement that are an integral part of the effective interest rate.

f) De-recognition of financial assets and financial liabilities

A financial asset is derecognized when:

- the contractual rights to the cash flows from that asset have expired; or
- the Group has transferred its rights to the cash flows from that asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'cession' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the ownership of the asset but has retained the control of the asset.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Group recognizes own bonds in balance sheet when they are actively traded.

g) Revenue recognition

Interest income and expenses are recognized in the income statement under the accrual basis of accounting, applying the effective interest rate method. Interest income and expenses include the amortization of the difference (discount, premium or other) between the initial carrying amounts of the interest-bearing financial asset or liability and its maturity amount, that is calculated using the effective interest rate method.

Fees and commissions received from customers are generally recognized on an accrual basis when the service is provided or on the basis of specified significant events.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

Accrued interest is recognized in the income statement if the Company has no objective evidence that it will not be received on time.

Income and expenses relating to the reporting period are recognized in the income statement irrespective of the receipt or payment date.

h) Taxes

Current corporate income tax is calculated in accordance with tax legislation of the Republic of Latvia.

Deferred income tax is calculated on temporary differences in the timing of the recognition of the value of assets and liabilities in the financial statements and their value for taxation purposes. The deferred income tax assets and liabilities are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. Deferred corporate income tax asset is recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimates to settle the present obligation, its carrying amount is based on the present value of those cash flows.

j) Share capital

The Company's shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are recognized under equity as a non-taxable deduction from income.

k) Foreign currency translation:

i) Functional and presentation currency

Foreign currencies are included in the financial statements of each the Group's entities and are presented using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in euro (€), which is the Company's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from currency exchange conversions, as well as monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

iii) Group companies

The results and financial position of all the Group companies that have a presentation currency different from the Group's presentation currency are translated into the functional currency as follows:

- Assets and liabilities are translated at the applicable exchange rate at the final reporting date;
- Income and expenses for each income statement caption are translated at the average exchange rate, and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, from currency exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

SIA VIA SMS GROUP**Financial statement for the year 2016****Notes to the Consolidated and Separate Financial Statements (cont'd)****1) Accounting Policies, Changes in Accounting Estimates and Errors**

The following corrections of prior period errors are recognized in the reporting period:

- i) according to requirements of IFRS the Group has included depreciation of revaluation reserve directly into retained earnings in the reporting period and has corrected prior period financial statement;
- ii) Impairment allowance has been increased by amount of write-off debts previously recognized as Other operating expenses;
- iii) the Group's company VIA SMS PL z.o.o. in reporting year has recognized the deferred income tax liabilities as at the end of prior reporting period.

Consolidated and separate Income Statements

	01.01.2015- 31.12.2015		01.01.2015- 31.12.2015
	EUR	EUR	EUR
	Before correction	Correction	Corrected
Impairment allowances	(4 202 236)	(121 064)	(4 323 300)
Gross profit	6 910 204	(121 064)	6 789 140
Administrative expenses	(2 494 087)	(110 000)	(2 604 087)
Other operating expenses	(610 298)	121 064	(489 234)
Other operating income	97 054	-	97 054
Profit before tax	2 095 355	(110 000)	1 985 355
Taxes	(576 135)	(33 008)	(609 143)
Net profit for the period	1 519 220	(143 008)	1 376 212

Consolidated and separate Statements of Comprehensive Income

Depreciation of revaluation reserve	-	(110 000)	(110 000)
Total comprehensive income	1 342 510	110 000	1 452 510

Consolidated and separate Statements of Financial Position

Foreign currency translation reserve	44 050	601	44 651
Retained earnings	392 011	(33 008)	359 003
Deferred tax liability	-	32 407	32 407

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

3. Financial risk management

Risk management is an integral part of the Group's activities. Risk categories that are addressed by the Group subsidiaries mainly include credit risk, country risk, liquidity risk, and currency risk. Each subsidiary participates in the credit risk management by developing its own risk management instruments, such as lending procedures, while country, liquidity and currency risks are managed at the Group level.

Credit risk

Credit risk is the risk of losses arising from a borrower's or counterparty's inability to meet its contractual obligations. Credit risk is mitigated as follows:

- Lending procedures are set up in each Group subsidiary to ensure high quality of portfolio. Such procedures are constantly improved and include judicial and behavioral indicators, use of credit bureau data and the reduction of loan principal when the prospective customer has a questionable creditworthiness.
- Penalties, extension of payment terms, restructuring (renegotiation) are used to mitigate risks associated with unrepaid debts. These options are available to borrowers in cases where there is difficulty or unwillingness to repay the debt. Extensions and restructuring (renegotiation) both extend the repayment date simultaneously with generating extra cash flow to the portfolio.
- In 2016 all Subsidiaries operate an automated credit decision system.
- Loan loss allowances are an adequate way to mitigate the risk of losses to be incurred in the course of loan repayment transactions. Loan loss allowances are based on the loan statistical repayment history of borrowers.

The table below shows the Group's gross portfolio broken down by the age of debt. The numbers of days overdue is used as an indication of the quality of the portfolio. 2016 marks the beginning of a new product, the Credit line, introduced in Sweden and brought up to speed rapidly. Smaller payments and rates will mean smaller defaults.

On 31 December 2016	Days overdue	Payday EUR	Installment EUR	Credit Line EUR
Performing	<=0	8 397 895	893 895	1 618 932
	1-30	1 222 450	122 348	444 646
	31-60	635 229	70 538	143 986
Past due	61-90	562 015	77 558	134 705
	90+	4 371 159	1 110 807	40 413
Restructured	-	594 164	306 863	-
Total		15 782 912	2 582 009	2 382 682
Loans and receivables:				20 747 603
Unearned commission:				(349 508)
Impairment allowances:				(5 728 925)
Net loan portfolio:				14 669 170

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

On 31 December 2015	Days overdue	Payday EUR	Installment EUR
Performing	<=0	7 163 218	849 657
	1-30	1 043 527	215 781
	31-60	559 217	123 798
Past due	61-90	467 523	67 081
	90+	2 732 132	753 282
Restructured	-	631 202	9 824
	Total	12 596 819	2 019 423
	Loans and receivables:		14 616 242
	Unearned commission:		(284 138)
	Impairment allowances :		(3 763 848)
	Net loan portfolio:		10 568 256

Country risk

Country risk is the risk associated with changes in operation on the country level, and includes two basic areas: changes in the legislation of each respective country, and issues related to maintaining enough equity to issue loans to borrowers at all times, i.e. liquidity risks. Both country level risks are reduced with close control of operations from the country management, as well as the regular assessment of the situation from the management of the Group. Liquidity risk is low given the fast-turnaround nature of the payday product.

The table below shows the exposure of the loan portfolio to country risk in different countries. Portfolio of Sweden is growing the fastest as popularity of the new Credit line product gains momentum, and growth in Spain indicates further possibilities in this country. Czech Republic and Latvia show moderate growth, whereas Poland remains stable.

	31.12.2016 EUR	31.12.2015 EUR
Poland	5 724 022	5 526 052
Sweden	5 036 106	2 632 430
Latvia	4 688 531	3 474 144
Czech Republic	2 839 336	2 271 845
Spain	2 459 608	711 771
Total gross loan portfolio	20 747 603	14 616 242

Currency risk

Currency risk is the risk of fluctuations of the value of a financial instrument as fluctuations in foreign exchange rates affect the Group's assets. The Group has assumed that the foreign exchange rate for currencies could potentially fluctuate by three standard deviations recorded in the previous period. The table below lists currencies that the Group was exposed to during the statement year, minimum and maximum values of the interest rate according to maximum difference the rate has suffered during the statement year.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

31 December 2016	CZK	PLN	SEK
Rate on the reporting date	27.02	4.424	9.5669
Maximum difference in 2016	0.3%	3.9%	6.7%
Minimum value	26.93	4.25	8.93
Maximum value	27.11	4.6	10.21

31 December 2015	CZK	PLN	SEK
Rate on the reporting date	27.025	4.2613	9.135
Maximum difference in 2015	3%	6%	3%
Minimum value	26.22	4.02	8.84
Maximum value	27.84	4.50	9.44

The following table below shows sensitive loans and receivables, and the fluctuations of each of the currency exchange rates that come from the range between minimum and maximum exchange rates in the reporting year, similar as described in the previous tables. As the portfolio in Sweden grows, so grows the risk introduced by its fluctuating national currency. This is compensated by fixed exchange rates for CZK.

31 December 2016			31 December 2015		
Currency	Basis	Effect on result EUR	Basis	Effect on result EUR	
EUR	7 148 139	-	4 185 915	-	
PLN	5 510 558	213 463	5 231 427	294 625	
SEK	4 721 006	315 100	2 548 728	83 702	
CZK	2 829 508	9 828	2 205 734	66 111	
Total	20 209 211	538 391	14 171 804	444 438	

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

Liquidity risk

Liquidity risk is the risk that there will be not enough funds to issue loans to borrowers. Although the risk is low given the fast-turnaround nature of the payday product, to mitigate the risk, bank statements of each subsidiary are assessed every 3 days by the management of the Group and by subsidiary managers on a daily basis.

The following tables detail the Group's and Company's remaining contractual maturity as at the reporting date for its non-derivative financial assets and liabilities with agreed repayment periods. The tables have been drawn up based on undiscounted cash flows based on the earliest date when they may be required to be paid.

	Less than 3 months	3 months to 1 year	1-5 years	Total
Group				
31 December 2016				
<i>Financial assets</i>				
Non-current loans and trade receivables	-	-	152 260	152 260
Loans and trade receivables	14 201 902	1 951 987	-	16 153 889
Bonds	-	-	1 615 000	1 615 000
Other receivables	752 700	-	-	752 700
Total	14 954 602	1 951 987	1 767 260	18 673 849
<i>Financial liabilities</i>				
Non-current borrowings	-	-	1 545 139	1 545 139
Bonds	58 354	-	6 105 000	6 163 354
Borrowings	5 469 404	685 231	-	6 154 635
Trade payables	2 022 437	-	-	2 022 437
Other liabilities	391 676	-	-	391 676
Corporate income tax payable	-	352 454	-	352 454
Accrued liabilities	304 450	-	-	304 450
Total	8 246 321	1 037 685	7 650 139	16 934 145
31 December 2015				
<i>Financial assets</i>				
Non-current loans and trade receivables	-	-	76 828	76 828
Loans and trade receivables	10 097 717	470 539	-	10 568 256
Bonds	-	-	1 005 000	1 005 000
Other receivables	752 700	-	-	752 700
Total	10 850 417	470 539	1 081 828	12 402 784
<i>Financial liabilities</i>				
Non-current borrowings	-	-	570 582	570 582
Bonds	90 720	-	6 300 000	6 390 720
Borrowings	-	2 211 866	-	2 211 866
Trade payables	1 793 194	-	-	1 793 194
Other liabilities	184 402	-	-	184 402
Corporate income tax payable	-	245 448	-	245 448
Accrued liabilities	277 583	-	-	277 583
Deferred income	329 708	-	-	329 708
Creditline	11	-	-	11
Total	2 675 618	2 457 314	6 870 582	12 003 514

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

Company	Less than 3 months	3 months to 1 year	1-5 years	Total
31 December 2016				
<i>Financial assets</i>				
Non-current loans and trade receivables	-	-	7 342 840	7 342 840
Loans and trade receivables	289 871	-	-	289 871
Bonds	-	-	1 615 000	1 615 000
Other receivables	402 499	-	-	402 499
Total	692 370	-	8 957 840	9 650 210
<i>Financial liability</i>				
Non-current borrowings	-	-	2 615 401	2 615 401
Bonds	58 354	-	6 105 000	6 163 354
Borrowings	1 698 271	-	-	1 698 271
Trade payables	217	-	-	217
Other liabilities	17	-	-	17
Accrued liabilities	4 141	-	-	4 141
Total	1 761 000	-	8 720 401	10 481 401
31 December 2015				
<i>Financial assets</i>				
Non-current loans and trade receivables	-	-	76 828	76 828
Loans and trade receivables	199 781	-	6 116 000	6 315 781
Bonds	-	-	1 005 000	1 005 000
Other receivables	468 532	-	-	468 532
Total	668 313	-	7 197 828	7 866 141
<i>Financial liability</i>				
Non-current loans and trade receivables	-	-	570 582	570 582
Bonds	90 720	-	6 300 000	6 390 720
Borrowings	-	1 624 000	-	1 624 000
Trade payables	6 032	-	-	6 032
Other liabilities	1 037	-	-	1 037
Accrued liabilities	21 857	-	-	21 857
Total	119 646	1 624 000	6 870 582	8 614 228
<i>Financial assets</i>				
Non-current loans and trade receivables	167 913	5 233 110	-	5 401 023
Other receivables	977 165	-	-	977 165
Total	1 145 078	5 233 110	-	6 378 188
<i>Financial liability</i>				
Bonds	50 556	-	4 000 000	4 050 556
Borrowings	-	3 867 875	-	3 867 875
Other liabilities	3 718	-	-	3 718
Kopā	54 274	3 867 875	4 000 000	7 922 149

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

4. Net turnover

	Group		Company	
	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
Commission fee	9 622 372	6 400 636	998 037	833 482
Extension fee	4 965 562	5 668 537	-	-
Penalties	949 672	577 511	-	-
SMS and other income	509 213	166 766	-	-
Restructuring commission	248 406	306 804	-	-
Letters	246 962	352 594	-	-
Registration fee	1 816	1 845	-	-
Services provided	1 400	99 724	15 458	16 634
Total	16 545 403	13 574 417	1 013 495	850 116

5. Operating costs

	Group		Company	
	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
Remuneration (operators and debt collectors, IT)	998 281	757 140	-	-
Interest expenses	878 543	834 599	742 765	783 374
Customer due diligence	348 187	331 717	-	-
Bank charges	116 722	62 159	50 180	3 857
SMS expenses	91 335	80 311	-	-
Debt collection expenses	111 982	153 413	-	-
License and other membership fees	32 353	43 973	-	-
Telecommunications	28 841	29 267	-	-
Other costs	286 921	169 398	56 453	61 229
Total	2 893 165	2 461 977	849 398	848 460

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

6. Administrative expenses

	Group		Company	
	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
Remuneration (other)	1 788 987	1 404 865	5 712	5 328
Board remuneration	379 452	266 474	-	-
Legal and professional services	219 989	237 653	27 708	39 450
Lease of premises	216 356	163 333	1 953	1 019
Depreciation	186 050	152 892	3 566	-
Accounting expenses	113 207	59 391	-	-
Business trips	56 396	54 134	-	14 443
Utilities	47 929	62 879	339	681
Household goods	31 411	26 222	-	672
Other	212 560	176 244	6	134
Total	3 252 337	2 604 087	39 284	61 727

7. Other operating expenses

	Group		Company	
	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
Unrecoverable VAT	500 662	414 136	4 385	3 681
Currency exchange, net	264 121	-	6 060	12
Vacation pay reserve	38 066	4 392	-	-
Donations	50 000	40 000	-	-
Other	34 796	30 706	383	3 741
Total	887 645	489 234	10 828	7 434

8. Other operating income

	Group		Company	
	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR	01.01.2016- 31.12.2016. EUR	01.01.2015- 31.12.2015. EUR
Currency exchange, net	-	60 979	-	-
Income from sale of fixed assets, net	-	286	-	-
Dividends received	-	-	200 000	890 000
Other	30 250	35 789	132	35 329
Total	30 250	97 054	200 132	925 329

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

9. Corporate income tax and deferred tax

a) Corporate income tax and deferred tax recognized in the income statement:

	Group 2016 EUR	Group 2015 EUR	Company 2016 EUR	Company 2015 EUR
Corporate income tax for the year	609 188	585 577	21 675	-
Deferred tax change	(53 928)	23 566	(69)	-
Total	555 260	609 143	21 606	-

b) Reconciliation of accounting profit to tax charges:

	Group 2016 EUR	Group 2015 EUR	Company 2016 EUR	Company 2015 EUR
Profit before tax	1,664,709	1,985,355	312,757	857,824
Expected tax charge, applying parent company tax rate of 15%	249,706	297,803	46,914	128,674
<i>Tax corrections for:</i>				
Tax rates applicable to subsidiaries that are higher than 15%	316 988	331 487	-	-
Tax effect of non-deductible items	34 772	22 582	1,141	4,826
Non-taxable income and tax credits	-	-	(30,000)	(133,500)
Lost debts	(3 706)	(8 729)	-	-
Discount for donations	(42 500)	(34 000)	-	-
Previously unrecognized tax assets*	-	-	(3,551)	-
Corporate income tax and deferred tax	555 260	609 143	21 606	-
Effective tax rate	33%	31%	7%	0%

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

c) Deferred taxes as of end of the year:

	Group 31.12.2016 EUR	Group 31.12.2015 EUR	Company 31.12.2016 EUR	Company 31.12.2015 EUR
<i>Deferred tax liabilities:</i>				
Temporary difference on depreciation of fixed assets	-	32,407	-	-
Total deferred tax liabilities	-	32,407	-	-
<i>Deferred tax assets:</i>				
Temporary difference on accruals for unused vacations	(2,621)	(2,225)	(69)	(38)
Temporary differences on loan loss provisions	(217,121)	(66,086)	-	-
Accumulated tax losses *	-	(3,551)	-	(3,551)
Total deferred tax assets	(219,742)	(71,862)	(69)	(3,589)
Net deferred tax (asset) / liability	(219,742)	(39,455)	(69)	-
Unrecognized deferred tax assets**	-	3,589	-	3,589
Net recognized deferred tax (asset) / liability	(219,742)	(35,866)	(69)	-
Deferred tax assets presented in assets of statement of financial position	(219,742)	(68,273)	(69)	-
Deferred tax liabilities presented in liabilities of statement of financial position	-	32,407	-	-

The Group does not offset the deferred tax assets and the deferred tax liabilities because the deferred tax is not related to the same tax authority and therefore Group does not have any legally enforceable right to offset current tax assets against current tax liability.

* Tax losses arose in 2013 and 2015, and according to law „On corporate income tax” they have the following expiry period:

Year	Loss for the year EUR	Expiry period
2013	20 584	Unlimited
2015	3 089	Unlimited
Total usable tax loss	23 673	

All accumulated tax losses were used in 2016.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)**10. Property, plant and equipment and intangible assets**

	Property, plant and equipment	Intangible assets	Group Long-term investments in leased property, plant and equipment	Total
	EUR	EUR	EUR	EUR
Initial value				
1 January 2016	144 558	703 486	54 806	902 850
Acquisition cost	40 438	21 078	-	61 516
Disposed	(10 220)	-	-	(10 220)
31 December 2016	174 776	724 564	54 806	954 146
Depreciation				
1 January 2016	(78 486)	(290 477)	(2 041)	(371 004)
Exchange rate fluctuations, net	142	(1 075)	(544)	(1 477)
Calculated depreciation	(32 243)	(139 857)	(13 950)	(186 050)
Disposed	10 207	-	-	10 207
31 December 2016	(100 380)	(431 409)	(16 535)	(548 324)
Carrying Amount on 1 January 2016	66 072	413 009	52 765	531 846
Carrying Amount on 31 December 2016	74 396	293 155	38 271	405 822

Depreciation of revaluation reserve for the reporting period recognized directly to reserves was 110 000 EUR (2015: 100 000 EUR). Revaluation reserve remaining value as at 31 December 2016 is 234 261 EUR (31 December 2015 –344 261 EUR).

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

11. Investments in subsidiaries and associates

As at 31 December 2016 and 31 December 2015, the Company had the following investments in the subsidiaries:

Company	Type of activity	Carrying amount as of 31.12.2016 EUR	Carrying amount as of 31.12.2015 EUR	Company's share of equity as of 31.12.2016	Company's share of equity as of 31.12.2015
- VIA SMS SIA (Latvia)	Financial services	368 443	368 443	100 %	100 %
- VIA SMS LT UAB (Lithuania)	Financial services	2 903	2 903	100 %	100 %
- VIA SMS PL z.o.o. (Poland)	Financial services	552 252	552 252	100 %	100 %
- VIA SMS s.r.o. (Czech Republic)	Financial services	72 672	72 672	100 %	100 %
- VIA CONTO SWEDEN AB (Sweden)*	Financial services	801 040	536 936	100 %	100 %
- VIA CONTO MINICREDIT S.L. (Spain)	Financial services	100 000	100 000	100 %	100 %
- CASHALOT Sp.z.o.o. (Polija)	Financial services	45 932	-	100 %	100 %
- VIA INVEST SIA (Latvia)	Financial services	10 000	-	100 %	-
Total		1 953 242	1 633 206		

* In accordance with the decision of the shareholders in 2016 capitalization of the loan granted was credited to ViaConto Sweden AB share capital in amount of 264 104 EUR (2,500,000 SEK).

In the reporting period the Company made a contribution of 94 EUR into capital of European Economic Interest Grouping VIA SMS R&D Services. EEIG VIA SMS R&D Services has been founded with a purpose to provide its members with information technology, financial, marketing and legal support and ensure efficient and effective use of resources.

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

Information on subsidiaries

Title	Address	Equity		Reporting year profit/(loss)	
		31.12.2016 EUR (unaudited)	31.12.2015 EUR	31.12.2016 EUR (unaudited)	31.12.2015 EUR
VIA SMS SIA	13.janvara street 3, LV-1050, Riga, Latvia	3 601 171	2 556 507	1 244 664	1 127 308
VIA SMS LT UAB	A. Vivulskio g. 7, Vilnius, Lithuania, LT-03162	45 237	79 587	(34 351)	74 287
VIA SMS PL z.o.o	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	885 222	490 829	443 638	626 363
VIA SMS s.r.o.	Lazarska 1719/5, 11000, Prague, Czech Republic	564 573	35 253	529 306	347 516
ViaConto Sweden AB	Holländargatan 27, 113 59, Stokholma, Sweden	8 588**	18 880**	(218 494)	(58 281)
ViaSpar Finans AB*	Holländargatan 27, 113 59, Stokholma, Zviedrija	1 045 299	1 094 707	12	17
VIACONTO MINICREDIT S.L.)	Josep Tarradellas 8-10, ático 3ª Barcelona 08029, Spain	565 048	366 866**	198 182	(313 134)
CASHALOT Sp.z.o.o.	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	39 590	-	(5 618)	-
VIAINVEST SIA	13.janvāra iela 3, LV-1050, Rīga, Latvija	(38 783)	-	(48 783)	-

* The Company ViaSpar Finans AB is a subsidiary of ViaConto Sweden AB (100%).

** The Company has signed subordinated loan agreements with ViaConto Sweden AB and VIACONTO MINICREDIT S.L. in the amount of 209 054 EUR (2015: 54,735 EUR) and 580,000 EUR (2015: 580,000 EUR) respectively. Loans shall be repaid from the profits of the companies. Loans are issued with maturity in 2019 with a fixed rate of 10-15% per annum. Loans are not secured. Management believes that recoverable value is not lower than book value.

12. Loans and trade receivables

	Group		Company	
	31.12.2016 EUR	31.12.2015 EUR	31.12.2016 EUR	31.12.2015 EUR
Loans to related parties	152 260	76 828	7 342 840	76 828
Total long term	152 260	76 828	7 342 840	76 828
Loans to related parties			289 871	6 315 781
Loans to customers	20 747 603	14 616 242	7342 840	76 828
Unearned commission	(349 508)	(284 138)	-	-
Impairment allowance for loans to customers	(5 728 925)	(3 763 848)	-	-
Total short-term	14 669 170	10 568 256	289 871	6 315 781
Total	14 821 430	10 645 084	7 632 711	6 392 609

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

13. Impairment allowances

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
Impairment allowances at the beginning of the period	3 763 848	3 311 320	-	43 661
Impairment allowances (loan agreements)	6 114 590	4 323 300	-	-
Currency exchange differences	36 296	(86 346)	-	-
Effect on profit and loss	6 150 886	4 236 954	-	-
Write-off	(59 617)	(121 064)	-	(43 661)
Receivables sold	(4 126 192)	(3 663 362)	-	-
Change for the year	1 965 077	452 528	-	(43 661)
Impairment allowances at the end of the period	5 728 925	3 763 848	-	-

Composition of impairment allowances

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
Allowances for loan impairment	5 728 925	3 763 848	-	-
Total	5 728 925	3 763 848	-	-

14. Other receivables

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
Other receivables from customers	282 630	5 082	-	1 303
Security deposit	22 649	36 369	254	3 512
Overpayment of taxes	12 757	3 060	6 290	13 997
Other receivables from related parties	103	-	395 713	449 720
Other receivables	1 166 580	708 189	242	-
Total	1 484 719	752 700	402 499	468 532

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

15. Cash and cash equivalents

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
EUR	516 319	327 664	111 145	68 119
PLN	231 187	84 250	-	-
CZK	217 889	54 609	-	-
SEK	192 726	76 345	31 922	-
Total	1 158 121	542 868	143 067	68 119

16. Share capital

The total number of registered shares is 803 000. The par value of each share is EUR 1.00. All shares are fully paid.

17. Borrowings

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
Short-term liabilities	6 212 989	8 602 586	1 756 625	8 014 720
Short-term loan	6 154 635	2 211 866	1 698 271	1 624 000
Short-term bonds	-	6 300 000	-	6 300 000
Accrued interest on short-term bonds	58 354	90 720	58 354	90 720
Long-term liabilities	7 650 139	570 582	8 720 401	570 582
Long-term loan	1 208 000	565 000	2 556 827	565 000
Long-term customer deposits	278 565	-	-	-
Long-term bonds	6 105 000	-	6 105 000	-
Accrued interest on long-term loan	58 574	5 582	58 574	5 582
Total	13 863 128	9 173 168	10 477 026	8 585 302

		Group		Company	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		EUR	EUR	EUR	EUR
Interest rate	Maturity:				
4-6%	1-3 years	2 593 495	570 582	1 266 574	570 582
7-9%	1-3 years	2 296 932	-	1 389 407	-
10%	1-3 years	862 920	772 055	457 189	457 189
12-13%	1-3 years	6 942 970	6 663 720	6 197 045	6 390 720
15%	1-3 years	1 166 811	1 166 811	1 166 811	1 166 811
	Total	13 863 128	9 173 168	10 477 026	8 585 302

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

18. Accrued liabilities

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
Accrued expenses	284 999	164 761	3678	21 607
Accrued unused vacations	148 572	112 822	463	250
Total	433 571	277 583	4 141	21 857

19. Average number of employees

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Management	6	6	-	2
Administration	28	24	1	1
Other	74	59	-	-
Total	108	89	1	3

20. Related party disclosures

The Group's transactions with related parties:

Income	01.01.2016.- 31.12.2016. EUR	01.01.2015.- 31.12.2015. EUR
Services provided	1 200	400
Services received	14 782	5 852
Accrued interest expenses	(96 985)	(77 675)
Total, net	(81 003)	(71 423)
Liabilities	31.12.2016 EUR	31.12.2015 EUR
Loans	130 650	70 000
Accrued interest payable	21 610	6 828
Borrowings	(793 500)	(741 446)
Accrued interest on borrowings	(1 630 246)	-
Total, net	(2 271 486)	(664 618)

SIA VIA SMS GROUP

Financial statement for the year 2016

Notes to the Consolidated and Separate Financial Statements (cont'd)

The Company's transactions with related parties:

Income	01.01.2016.- 31.12.2016. EUR	01.01.2015.- 31.12.2015. EUR
Services provided	15 390	19 667
Services received	(56 452)	(61 229)
Interest income	998 037	833 482
Interest expense	(170 658)	(54 454)
Total, net	786 317	737 466
Assets	31.12.2016 EUR	31.12.2015 EUR
Issued loans	7 321 230	6 186 000
Accrued interest on issued loans	311 481	206 610
Received loans	(1 348 826)	-
Accrued interest on received loans	(1 698 271)	-
Issued bonds	(514 000)	(462 000)
Accrued interest on bonds	(6 247)	(6 446)
Total, net	4 065 367	5 924 164
Debtors debts	395 852	450 204
Total, net	4 461 219	6 374 368

21. Significant events after balance sheet date

On February 13, 2017, Enterprise Register of Latvia approved the project submitted for the reorganization that would change the legal form from Ltd to JSC. The above decision of the Enterprise Register on 16 February 2017 was published in the newspaper "Latvian Journal". Company reorganization can be completed by an approved reorganization decision of the Enterprise Register, but not earlier than 3 months after publication in the newspaper "Latvian Journal" for reorganization proceedings. During this period the Company will inform its creditors of the expected reorganization. It is expected that the Company's reorganization will be completed by the end of May 2017.

In 2017 the Company made contributions to share capital of subsidiaries VIA SMS s.r.o. (Czech Republic) and ViaConto Sweden AB (Sweden) in the amount of EUR 177,646 and EUR 46,839 respectively.

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

INDEPENDENT AUDITORS' REPORT

To the shareholders of SIA "VIA SMS Group"

Our opinion on the financial statements

We have audited the separate financial statements of SIA "VIA SMS Group" (the Company) and consolidated financial statements of the Company and its subsidiaries (the Group), set out on pages 6 to 34 of the accompanying annual report, which comprise the Company's and Group's statement of financial position as of 31 December 2016, income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the group as of 31 December 2016, and of their financial performance and their 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 (ISAs). Our responsibilities under those standards are further described in the Auditors' 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) and ethical requirements included in the Law of the Republic of Latvia on Audit Services 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 IESBA Code and Law on Audit Services.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements for the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed that matter
<p><i>Equity investments and loans to subsidiaries (separate financial statements)</i></p> <p>The key information about equity investments is disclosed in Note 11 of the accompanying financial statements.</p> <p>Under IFRSs, the Company is required to test the value of equity investments and receivables for impairment when such indications exist. As of 31 December 2016, the value of investments in subsidiaries amounted to EUR 1,95 million and loans to subsidiaries amounted to EUR 7,63 million, which together is EUR 9,58 million constitutes approximately 82% from total assets of the Company.</p> <p>The aforementioned balances are material to the financial statements and therefore our audit procedures on the management's impairment test were significant part of our audit.</p> <p>Management's assessment of the recoverability of the aforementioned assets involves high degree of judgement and complex calculations.</p> <p>The most critical assumptions affecting the management's assessment are related to revenue forecasts of the individual cash generating units, profit margins, as well as the residual growth rates and discount rates applied to future cashflows.</p>	<p>Our audit procedures included evaluation of the methodologies and assumptions used by the management in their impairment test, in particular assumptions related to the forecasted revenue growth, profit margins, residual growth and discount rates.</p> <p>We used Deloitte valuation expert to assist us in determination whether models and assumptions used by the management are appropriate and accurate in all material respects. We have challenged the management assumptions and developed our own expectations of a range of reasonable outcomes for the critical model parameters as well as analysed projected cash flows and reviewed historical actual financials versus to revenue growth and profit margins applied in the model.</p> <p>We also considered the adequacy of the Company's disclosures about those assumptions that have the most significant effect on the determination of the recoverable amount of the equity investments and related receivables balances.</p>

<p>These assumptions are driven by developments in general economic environment and conditions in the key markets where the cash generating units operate.</p>	
<p><i>Impairment of loans to customers (consolidated financial statements)</i></p> <p>The Groups' accounting policy on recognition of impairment losses is described in Note 3 of the accompanying financial statement, selection "Significant accounting assumptions and estimates". The disclosures about allowance for impairment losses are included in Note 13 of the accompanying financial statements.</p> <p>As of 31 December 2016 the Group's gross loan portfolio amounted to EUR 20,75 million and related impairment allowance was EUR 5,73 million of which EUR 1,97 million was recognized in the statement of income in 2016.</p> <p>Impairment is calculated on a collective basis by grouping loans into sub-classes by overdue days and applying historical performance factors of such sub-classes – probability of default and loss given default. On the basis of knowledge of the current situation, the management makes estimates of the net present value of expected future cash flows when determining the amount of allowances for impairment.</p>	<p>We have assessed whether the Group's accounting policies related to allowance for impairment losses are in compliance with IFRS and are properly disclosed in the consolidated financial statements.</p> <p>We evaluated whether models and assumptions used by the management are appropriate and accurate in all material respects. We have validated the assumptions used to calculate the critical loan performance factors and discount rates as well as reviewed the quality of the historical data which is the base for the management's forecasts and projected net present value of the expected future cash flows.</p> <p>In addition, we assessed the design and operating effectiveness of the control over determination of overdue days of receivables and performed detailed testing over the completeness and accuracy of data used in the collective impairment calculation model.</p>

Reporting on other information including the Management report

Management is responsible for the other information. The other information comprises the Management Report as set out on page 4 of the accompanying annual report. Our opinion on the financial statements does not cover the other information, including the Management 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, 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.

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

Based 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 has been prepared in accordance with the requirements of Law of the Republic of Latvia On the Annual Reports and Consolidated Annual Reports, and we have nothing else to report in regard of other information.

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 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.

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.

Auditors' 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;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Audits Latvia SIA
Licence Nr. 43

Roberts Stūģis
Member of the Board
Certified auditor of Latvia
Certificate No. 203



Riga, Latvia
21 April 2017