AS 4finance

Consolidated
financial statements as at and for the year ended 31 December 2013

Contents

Information on the Company

Name of the Company	*AS 4finance*
Legal status	*Joint Stock Company*
Number, place and date of registration	*40003991692, Riga, Latvia, February 11, 2008*
Legal and postal address	*Lielirbes iela 17a-8, Rīga, Latvia, LV-1046*
Board members and their positions	*Alberts Pole, Chairperson of the Board (until 17.01.2014)* *Māris Keišs, Board Member (until 17.01.2014)* *Kristaps Ozols, Board Member (until 17.01.2014)* *Mārtiņš Baumanis, Board Member (until 17.01.2014)* *Kieran Patrick Donnelly, Chairperson of the Board (from 17.01.2014)*
Reporting period	*01.01.2013 – 31.12.2013*
Information on shareholders	*Tirona Ltd* *Cyprus* *Holding: 75%* *FCI Investments Ltd* *Malta* *Holding: 25%*
Auditors	*KPMG Baltics SIA* *Vesetas iela 7* *Riga, Latvia, LV-1013* *License No 55*

Line of business

AS 4finance and its subsidiaries (the 'Group') provide flexible and convenient financial services to millions of customers. Currently the Group operates in Latvia, Lithuania, Finland, Sweden, Denmark, Poland, Spain, Estonia, Georgia, the United Kingdom and Russia.

Short description of the Group's activities in the reporting period

During the reporting period the Group has achieved the expected goals and results – applying accurate strategy and carefully planned marketing activities the Group has managed to increase its turnover in all active markets continuing to increase its client base and recognition in all operating countries. During 2013 active lending activities were started in Georgia, Czech Republic, Estonia and Bulgaria. In December 2013 decision to discontinue operations in United Kingdom and Canada was made.

Demand for Group's consumer lending products was high, while due to careful origination and collection policy, worsening of financial results was not observed.

The Group has generated profit for the reporting period which is primarily attributed to successfully chosen development path, emphasizing client loyalty and offering the best conditions in the market.

Subsequent events

No significant subsequent events have occurred that would materially impact the consolidated financial statements presentation.

Further development of the Group

The Group will continue to pursue its strict credit policy and generate a loan portfolio of ever increasing quality. In line with the increasing economic activity the Group foresees demand to rise and plans to generate profit also in the next reporting period. Taking into account successful development of business in existing markets, the Group plans to expand its activities in other European countries and worldwide.

Proposals regarding distribution of the Group's profit

The Group profit will be used for future growth and development.

Kieran Patrick
Donnelly
Chairperson of the Board

26 March 2014

Consolidated Statement of Comprehensive Income

	Note	2013 EUR'000	2012 EUR'000
Interest income	7	152 824	76 211
Interest expense	8	(15 356)	(5 162)
Net interest income		**137 468**	**71 049**
Other income		207	61
Goodwill write-off	9	(589)	-
Net impairment losses on loans and receivables	10	(26 953)	(13 192)
General administrative expenses	11	(57 331)	(25 474)
Profit before taxes		**52 802**	**32 444**
Corporate income tax for the reporting period	12	(8 250)	(6 226)
Profit from continuing operations		**44 552**	**26 218**
Discontinued operation			
Loss from discontinued operation, net of tax	6	(8 762)	(711)
Profit for the period		**35 790**	**25 507**
Profit attributable to:			
Equity holders of the Group		35 204	25 248
Non-controlling interests		586	259
Profit/(loss)		**35 790**	**25 507**
Other comprehensive income			
Foreign currency translation differences on foreign operations attributable to:		(556)	13
Equity holders of the Group		*(866)*	*13*
Non-controlling interests		*310*	-
Total comprehensive income for the period		**35 234**	**25 520**
Total comprehensive income attributable to:			
Equity holders of the Group		34 339	25 261
Non-controlling interests		895	259

The accompanying notes on pages 9 to 38 form an integral part of these consolidated financial statements.

Kieran Patrick
Donnelly
Chairperson of the Board

26 March 2014

Consolidated Statement of Financial Position

Assets	Note	31.12.2013 EUR'000	31.12.2012 EUR'000
Cash and cash equivalents	18	17 055	7 318
Loans and advances due from customers	13	177 904	110 171
Property and equipment	14	1 803	1 004
Intangible assets	15	540	234
Deferred tax asset	16	4 355	1 261
Other assets	17	6 416	2 824
Assets held for sale	19	17 368	-
Total assets		225 441	122 812
Liabilities			
Loans and borrowings	20	129 221	66 602
Provisions	21	815	341
Corporate income tax payable		4 151	5 218
Other liabilities	22	9 009	8 018
Financial instruments at fair value through profit or loss	23	2 422	-
Liabilities held for sale	19	14 047	-
Total liabilities		**159 665**	**80 179**
Share capital	24	3 166	3 166
Currency translation reserve		(862)	4
Share based payment reserve		87	87
Obligatory reserve		145	145
Retained earnings		26 728	13 514
Profit of the reporting period		35 204	25 248
Total equity attributable to equity holders of the Company		**64 468**	**42 164**
Non-controlling interests		1 308	469
Total equity		65 776	42 633
Total shareholders' equity and liabilities		225 441	122 812

The accompanying notes on pages 9 to 38 form an integral part of these consolidated financial statements.

Kieran Patrick
Donnelly
Chairperson of the Board

26 March 2014

Consolidated Statement of Cash Flows

	Note	2013 EUR'000	2012 EUR'000
Cash flows from operating activities			
Profit before taxes		42 735	31 733
Adjustments for:			
Depreciation and amortization		784	298
Write-off of goodwill		589	-
Increase in impairment allowance		33 721	11 427
Write-off and disposal of intangible and Property and equipment assets		393	37
Provisions (except doubtful debt allowance)		478	194
Interest and similar expenses		16 726	5 244
Profit or loss before adjustments for the effect of changes to current assets and short term liabilities		95 426	48 933
Adjustments for:			
Increase in loans and advances to customers		(112 472)	(88 363)
Increase in other assets		(3 144)	(2 388)
Increase in accounts payable to suppliers, contractors and other creditors		4 306	10 212
Gross cash flows from operating activities		(15 884)	(31 606)
Corporate income tax paid		(12 332)	(3 520)
Net cash flows used in operating activities		**(28 216)**	**(35 126)**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(2 601)	(1 116)
Acquisition of subsidiaries, net of cash acquired		471	-
Income from disposal of property and equipment and intangible assets and investments		-	1
Net cash flows used in investing activities		(2 130)	**(1 115)**
Cash flows from financing activities			
Loans received		137 050	106 789
Repayment of loans		(65 201)	(60 822)
Interest payments		(15 050)	(3 813)
Dividend payments		(12 091)	(23)
Net cash flows from financing activities		**44 708**	**42 131**
Net increase/(decrease) in cash and cash equivalents		**14 362**	**5 890**
Cash and cash equivalents at the beginning of the period		7 318	1 415
Effect of exchange rate fluctuations on cash		(556)	13
Cash and cash equivalents at the end of the period	18	**21 124**	**7 318**

The accompanying notes on pages 9 to 38 form an integral part of these consolidated financial statements.

Kieran Patrick Donnelly
Chairperson of the Board

26 March 2014

Consolidated Statement of Changes in Equity

Group	Share capital	Currency translation reserve	Share based payment reserve	Obligatory reserve	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31.12.2011.	3 166	(9)	87	96	13 550	16 890	246	17 136
Total comprehensive income								
Profit of the reporting period	-	-	-	-	25 248	**25 248**	259	**25 507**
Total other comprehensive income	-	13	-	-	-	**13**	-	**13**
Transactions with shareholders recorded directly in equity								
Transfer of obligatory reserve	-	-	-	49	(49)	-	-	-
Acquisition of non-controlling interests without changes in control	-	-	-	-	13	**13**	(13)	-
Dividends paid	-	-	-	-	-	-	(23)	**(23)**
31.12.2012	3 166	4	87	145	38 762	42 164	469	42 633
Total comprehensive income								
Profit of the reporting period	-	-	-	-	35 204	**35 204**	586	**35 790**
Total other comprehensive income	-	(866)	-	-	-	**(866)**	310	**(556)**
Transactions with shareholders recorded directly in equity								
Dividends paid	-	-	-	-	(12 034)	**(12 034)**	(57)	**(12 091)**
31.12.2013	3 166	(862)	87	145	61 932	64 468	1 308	65 776

The accompanying notes on pages 9 to 38 form an integral part of these consolidated financial statements.

Kieran Patrick Donnelly
Chairperson of the Board

26 March 2014

(1) Reporting entity

AS 4finance (the "Company") is registered and operates in Latvia. The Company and its subsidiaries (the 'Group') provide flexible financial services to hundreds of thousands of customers. Currently the Group operates in Latvia, Lithuania, Finland, Sweden, Denmark, Poland, Spain, Estonia, Georgia, the United Kingdom and Russia.

The Company has to prepare the consolidated financial statements of the Group and separate financial statements of the Company in accordance with Latvian generally accepted accounting principles. The consolidated and separate financial statements are made public through the register of companies.

(2) Basis of preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards as adopted by EU (further IFRSs).*

These consolidated financial statements were approved by the Company's Board of Directors on 26 March 2014. The shareholders have the power to reject the financial statements prepared and presented by the Board of Directors, and the right to request that new financial statements are prepared.

The Company prepares the Group's consolidated and Company's separate financial statements for statutory purposes in accordance with the relevant Latvian legislation.

(b) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in thousands of euro (EUR), unless stated otherwise. EUR is chosen as presentation currency since most of the Group's operational activities are based in European Union. Group companies operate in the functional currencies of LVL, LTL, EUR, SEK, DKK, PLN, GBP, RUB, GEL, CZK, BGN and CAD respectively. The Company's functional currency is LVL.

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

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

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associates or joint venture.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by Central Bank of the country of operation at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates:

	31.12.2013		31.12.2012
LVL	1.42287	LVL	1.42287
LTL	0.29027	LTL	0.29027
SEK	0.11113	SEK	0.11611
DKK	0.13403	DKK	0.13403
PLN	0.24047	PLN	0.24331
GBP	1.19948	GBP	1.21940
RUB	0.02220	RUB	0.02476
CZK	0.03614	CZK	0.03984
GEL	0.42202	GEL	0.45819
BGN	0.51081	BGN	0.51081
CAD	0.68725	CAD	0.76124

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into EUR the Company's presentation currency at exchange rates set by Bank of Latvia at the reporting date and then translated to EUR at LVL to EUR exchange rate set by Bank of Latvia at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the dates of the transactions and then translated to EUR at LVL to EUR exchange rate set by Bank of Latvia at the reporting date. Foreign currency differences are recognized in other comprehensive income.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised directly in the foreign currency translation reserve.

(c) Share based payment transactions

The grant date fair value of share-based payment awards granted to senior management of subsidiaries is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on number of awards that meet the related service and non-market conditions at the vesting time.

(d) Cash and cash equivalents

Cash and cash equivalents comprise call deposits in banks that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

(e) Financial Instruments

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(ii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- held-to-maturity instruments that are measured at amortized cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iii) *Derecognition*

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(iv) *Fair value measurement principles*

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

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

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

The key financial instruments of the Company and the Group are cash, trade receivables and loans to customers and bonds issued, trade payables, deposits from customers and other creditors arising from the business activities.

(v) *Derivative financial instruments*

Derivative financial instruments include swap and forward instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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Changes in the fair value of derivatives are recognised immediately in the profit or loss.

(f) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

For the purposes of these consolidated financial statements trade receivables and loans to customers are accounted for at amortized cost using the effective interest rate method. An impairment loss allowance for credit losses is established. For the policy see Note 3 (i) *(i)*.

The Group writes off trade receivables and loans to customers when they are past due more than two years and are deemed to be uncollectible.

Property and equipment

(i) Owned assets

Items of property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Computer equipment	3 years
Long term leasehold improvements	5 years
Other property and equipment	5 years

(g) Intangible assets

Intangible assets, which are acquired by the Group, other than goodwill, are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Concessions, patents, licenses, trademarks and similar rights	5 years
Software and other intangible assets	3 years

(h) Impairment

(i) Financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Specific impairment testing is not undertaken since the loan portfolio consists of large number of small exposure loans that would make individual impairment testing impracticable.

Impairment losses on portfolios of assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated discounted future cash flows. Impairment losses are recognized in statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on impaired assets is recognized indirectly through change in net impairment allowance raised when repayments take place. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing 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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

As at the period end, a provision for unused vacations has been recognized in accordance with local legislation in each separate country of operation and is based on the number of vacation days unused as at 31 December 2013 and historical remuneration.

(j) Share Capital and reserves

(i) Currency revaluation reserve

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

(ii) Obligatory reserve

Under Lithuanian legislation, an annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve cannot be distributed; it can be used only to cover losses.

(k) Dividends

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period in which they are declared.

(l) Taxation

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Income and expense recognition

All significant income and expense categories including interest income and expenses are recognized in the statement of comprehensive income on an accrual basis.

(i) Interest income and expense

Interest income and expense are recognised in statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Revenue is not recognized when there is doubt whether the cost of services will be covered.

(ii) Fines received

Income from fines are recognized as received.

(n) Operating segments

Since the Group's debt is traded in a public market, it discloses information about its operating segments. The Group determines and presents operating segments based on the information that is internally provided to the Group Management Board, which is the Group's Chief Operating Decision Maker (CODM).

Comparative segment information has been presented in conformity with the requirements of the Standard.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the CODM to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(o) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(p) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on assets held for sale is allocated to the remaining assets and liabilities on a pro rata basis.
Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(q) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of the fair value as the price that would be received to sell an asset or pad to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regards (see Note 29 (Fair value of financial instruments)).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(ii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2013 did not have any impact on these consolidated financial statements:

1 Amendment to IFRS 7 – Offsetting of financial assets and liabilities

2 Amendment to IAS 19 (2011) – Employee benefits

3 Amendments to IAS 12 – Deferred tax: Recovery of Underlying Assets

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

(i) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest is a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group does not expect the new Standard will have a material impact on the financial statements. These standards are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(ii) IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)

There are limited amendments to IAS 28 (2008) which related to associates and joint ventures held for sale and changes in interest held in associates and joint ventures. The entity does not expect the amendments to Standard to have material impact on the financial statements since it does not have any significant investments in associates or joint ventures that will be impacted by the amendments.

(iii) *Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not expect the Amendments to have any impact on the financial statements since the Group does not apply offsetting to any of its financial assets and financial liabilities and have not entered into master netting arrangements.

(iv) *Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment Entities (effective for annual periods beginning on or after 1 January 2014)*

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, as well as investments in associates and joint ventures at fair value through profit or loss, rather than consolidating them. The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated. An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. The Group does not expect the new standard to have any impact on the financial statements, since its subsidiaries not qualify as investment entities.

(v) *Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures related to fair value hierarchy when impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal. The amendment does not have any impact on the financial statements, as the Group does not have non-financial assets for which an impairment loss was recognised or reversed during the period.

(vi) *Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)*

The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when certain criteria are met. The Group does not expect the new standard to have any impact on the financial statements, since the entity does not apply hedge accounting.

(4) Risk management

Key financial risks related to the Group's financial instruments are:

- Credit risk
- Liquidity risk

- Market risks
- Operational risks
- Reputational risks

Management has implemented procedures to control the key risks.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans and advances to customers. The Group's Credit Policy defines lending guidelines according to the business strategy and efficient risk management, protecting the Group's assets as well as complying with the local regulatory requirements. Loan credit risk is managed by multiple triggers that are analysed prior to the loan being issued, including customer credit history checks and revenue levels. The triggers exclude any possibility of judgment as scoring is done automatically and is based on statistical evidence. Specific credit scoring models are adjusted to specific countries requirements and tendencies. Credit scoring models are periodically reviewed and if necessary adjusted to follow market and specific client group tendencies. The Group has implemented specific country adjusted debt collection procedures to ensure smooth collection of debts. The performance of different customer groups is analysed on a regular basis. Management believes that current procedures are sufficient to effectively monitor credit risk of customer groups, in addition the structure of portfolio is based on many small value loans as a result separate customer exposition cannot cause material losses to the Company.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity position of the Group is managed in a way that all financial assets and liabilities are short term except loans and borrowings.

(c) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. Management believes that interest rate risk is not material since all loans are issued and received at fixed rates and most of the borrowings are long term. Interest rate risk for loans to customers arising from short term repricing is not considered part of interest rate risk since an immaterial proportion of the interest rates charged relate directly to variance in market interest rate risk.

(e) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

An analysis of sensitivity of the Group's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2013 and 31 December 2012 and a simplified scenario of a 5% change in SEK, DKK or PLN to EUR exchange rates is as follows:

	31 December 2013		31 December 2012	
	Net income	**Equity**	**Net income**	**Equity**
5% appreciation of SEK against EUR	777	777	496	496
5% depreciation of SEK against EUR	(777)	(777)	(496)	(496)
5% appreciation of DKK against EUR	451	451	190	190
5% depreciation of DKK against EUR	(451)	(451)	(190)	(190)
5% appreciation of PLN against EUR	1 952	1 952	55	55
5% depreciation of PLN against EUR	(1 952)	(1 952)	(55)	(55)
5% appreciation of USD against EUR	343	343	218	218
5% depreciation of USD against EUR	(343)	(343)	(218)	(218)

The foreign exchange rates LVL/EUR and LTL/EUR are pegged as at 31 December 2013 and 31 December 2012 and accordingly management does not consider there to be currency risk in these currencies, as the rate of exchange is likely only to change as a result of a change in macro-economic policy. In addition, Latvia adopted the Euro as its currency in place of the LVL on 1 January 2014.

Currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency. The above analysis does not include any assumptions about correlation between these currencies.

(f) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

The Group is not exposed to price risk as it does not hold financial instruments dependant on changes in market prices.

(g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans

- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Reputational risk in relation to the lending practices is employed by each component. Management is very aware of the scrutiny and interest in the operations of short term finance institutions by Regulators and members of the public. Management seeks to be transparent in the way it markets its business, takes steps to ensure that all operations are legal and cooperates intensively with regulators, when requested.

(h) Capital management

Capital management of the Group is not controlled by any requirements set by regulatory institutions or international bodies. The management reviews capital position on a regular basis, to ensure positive equity in all subsidiaries of the Group and to maintain sufficient funds, to ensure medium and long term strategic goals of the Group. Equity is the residual interest in the assets of the Group after deducting all its liabilities.

(5) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty are:

Allowances for credit losses

Total allowances for impairment on loans and advances are collectively assessed. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. Collectively assessed impairment allowances also cover credit losses for portfolio of defaulted loans. In assessing the need of collective loss allowances, management considers factors such as probability of default, loss given default, portfolio size, delay concentration and economic factors. In order to estimate the required allowance, assumption are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. To assess collective impairment allowances loan portfolio is grouped based on delay days. The significant assumptions used in determining collective impairment losses for loan portfolio include:

- Management assumed that the Group collects cash from defaulted loans up to 21 months after default.
- Management calculated probability of default ratios using historic transition matrices which analyses loan portfolio movement between the delinquency buckets in one month period.

The management closely follows recoveries from delinquent loans and revises LGD for portfolios based on actual recoveries received.

Deferred tax asset

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(6) Discontinued operation

In December 2013 a decision to discontinue operations in the United Kingdom and the North America business segment was made due to strategic decision to place greater focus on markets which provide higher return on investment. Operations in these countries were not previously classified as held-for-sale or as discontinued operations. The comparative consolidated statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

Following the Group's decision to sell its North America's business segment, it is classified as held-for-sale, refer to note 19 (Disposal group held for sale). The management of the Group has not yet made decision on further actions in the United Kingdom; therefore, operations there are not presented separately and classified as held-for-sale.

(a) Results of discontinued operation

	2013 EUR'000	**2012 EUR'000**
Interest income	17 547	1 789
Interest expenses	(1 209)	(82)
Impairment allowance	(11 511)	(577)
Net other expenses	(14 894)	(1 841)
Results from operating activities	**(10 067)**	**(711)**
Income tax	1 305	-
Results from operating activities, net of tax	**(8 762)**	**(711)**

The results from the discontinued operations in 2013 and 2012 are attributable to the owners of the Group.

(b) Cash flows from (used in) discontinued operations

	2013 EUR'000	**2012 EUR'000**
Net cash used in operating activities	(16 630)	(3 883)
Net cash from investing activities	(383)	(195)
Net cash flow from financing activities	9 554	2 006
Net cash flow for the year	(7 459)	(2 072)

(7) Interest income

Interest income represents revenue generated during the reporting period from the Group's basic activities-consumer loans.

Interest income by geographic markets:

	2013 EUR'000	**2012 EUR'000**
Latvia	49 405	34 978
Lithuania	27 303	18 184
Finland	17 042	12 256
Sweden	18 359	8 840
Poland	24 606	819
Denmark	7 228	1 134
Other	8 881	-
	152 824	76 211

(8) Interest expense

	2013 EUR'000	2012 EUR'000
Interest expense on notes	6 206	-
Interest expense on bank loans	415	3 864
Interest expense on other loans	8 735	1 298
	15 356	5 162

(9) Goodwill write-off

During the year 2013 the Group acquired two entities. The goodwill was accounted for based on the facts described below. In January and in March 2013 the Group acquired all of the shares in the following two companies: joint stock company 4finance and limited liability company Gefest-MSK, both operating in Russian Federation for RUB 2 million (EUR 51.2 thousand) and RUB 10 thousand (EUR 0.3 thousand) respectively, which was settled in cash. Taking control of both companies will enable the Group to expand its activities in Russian Federation.

In 2013, limited liability company Gefest-MSK contributed revenue of EUR 2 216 thousand and loss of EUR 401 thousand to the Group's results. In the ten months from 1 March 2013 to 31 December 2013, closed joint-stock company 4finance contributed revenue of EUR 1 311 thousand and loss of EUR 1 485 thousand to the Group's results. The business combination is immaterial and, therefore, it is impracticable to disclose the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for the business combinations had been as of the beginning of the annual reporting period.

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed of the two acquired Russian entities at the acquisition dates.

EUR'000	
Property and equipment	39
Intangible assets	22
Trade and other receivables	979
Deferred tax asset	120
Cash and cash equivalents	522
Loans and borrowings	(2 078)
Trade and other liabilities	(142)
Total identifiable net assets	(538)

Goodwill

Goodwill arising from the acquisition was as follows.

	'000 EUR
Total consideration transferred	51
Fair value of identifiable net assets	538
Goodwill	589

The entities were acquired from a party related to shareholders and started operations recently. Goodwill arising on acquisition has been fully written off during the year 2013 due to uncertainty with the Russian market and future profitability of the entities. Goodwill represented the accumulated losses that the acquired entities had generated from establishment to the point of inclusion in the Group. The Group acquired existing companies as it was considered to be more efficient than commence the process of incorporating and registering new entities.

(10) Net impairment losses on loans and receivables

	2013 EUR'000	2012 EUR'000
Impairment losses on loans	22 101	10 862
Write-offs of loans	5 086	2 480
Recovery from written-off loans	(234)	(150)
	26 953	**13 192**

(11) General administrative expenses

	2013 EUR'000	2012 EUR'000
Marketing and sponsorship	24 822	13 126
Personnel costs	16 038	5 784
Application inspection costs	3 102	1 479
IT expenses	2 589	933
Debt collection costs	1 503	1 025
Communication expenses	1 957	797
Legal and consulting	1 947	654
Bank services	1 458	372
Rent and utilities	1 276	373
Depreciation and amortization	705	278
Travel	598	259
Other	1 336	394
	57 331	**25 474**

(12) Corporate income tax for the reporting period

	2013 EUR'000	2012 EUR'000
Current tax	11 276	7 024
Deferred tax	(3 026)	(798)
	8 250	**6 226**

Reconciliation of effective corporate income tax:

	2013 EUR'000	2012 EUR'000
Profit / (loss) before corporate income tax	52 802	32 444
Theoretical corporate income tax, 15%	7 920	4 867
CIT relief due to donation	(964)	(741)
Exempt income	(1 896)	(113)
Effect of recognized deferred tax asset (including tax losses and allowance for bad debts), not previously recognized	(1 375)	706
Tax effect of permanent differences related to non-deductible expenses	1 150	821
Impact of tax rate in other jurisdictions	3 415	686
Corporate income tax for the reporting year	8 250	6 226

(13) Loans and advances due from customers

	31.12.2013 EUR'000	31.12.2012 EUR'000
Long-term loans due from customers	9 690	7 563
Impairment of long-term loans due from customers	(2 107)	(1 198)
Long term	**7 583**	**6 365**
Short-term loans due from customers	210 434	119 445
Impairment of short-term loans due from customers	(40 113)	(15 639)
Short term	**170 321**	**103 806**
	177 904	110 171

The Group's long-term and short-term loans consist of loan balances not exceeding 2 800 EUR per loan with maturity of up to 2 years. The loans are not collateralized.

Movements in the allowance for doubtful debts for the respective periods are as follows:

	31.12.2013 LVL	31.12.2012 LVL
Allowance for doubtful debts		
Balance at beginning of period	**16 837**	**5 366**
Charge for the period in continued operations	22 101	11 427
Charge for the period in discontinued operations	11 511	-
Classified to assets held-for-sale	(7 504)	
Currency effect	(725)	44
Balance at period end	**42 220**	**16 837**

Loans by country and currency:

	Gross receivables 31.12.2013 EUR'000	Allowance for doubtful debts 31.12.2013 EUR'000	Net receivables 31.12.2013 EUR'000	Gross receivables 31.12.2012 EUR'000	Allowance for doubtful debts 31.12.2012 EUR'000	Net receivables 31.12.2012 EUR'000
Latvia (LVL)	58 781	(10 658)	48 123	48 003	(5 375)	42 628
Lithuania (LTL)	43 848	(8 445)	35 403	33 692	(5 634)	28 058
Finland (EUR)	20 298	(3 515)	16 783	16 583	(1 791)	14 792
Sweden (SEK)	21 399	(4 623)	16 776	15 016	(2 297)	12 719
Poland (PLN)	43 690	(5 939)	37 751	5 664	(488)	5 176
Denmark (DKK)	10 356	(1 838)	8 518	4 305	(488)	3 817
Other	21 752	(7 202)	14 550	3 745	(764)	2 981
	220 124	**(42 220)**	**177 904**	**127 008**	**(16 837)**	**110 171**

Credit quality of loan portfolio

	Gross receivables 31.12.2013 EUR'000	Allowance for doubtful debts 31.12.2013 EUR'000	Net receivables 31.12.2013 EUR'000	Gross receivables 31.12.2012 EUR'000	Allowance for doubtful debts 31.12.2012 EUR'000	Net receivables 31.12.2012 EUR'000
Not overdue	112 515	(2 404)	110 111	82 870	(2 917)	79 953
Overdue less than 90 days	38 754	(8 132)	30 622	22 879	(6 006)	16 873
Overdue more than 90 days	68 855	(31 684)	37 171	21 259	(7 914)	13 345
	220 124	**(42 220)**	**177 904**	**127 008**	**(16 837)**	**110 171**

(14) Property and equipment

	Long term investments in leased property EUR'000	Equipment EUR'000	Other property and equipment EUR'000	Total EUR'000
Cost				
31.12.2011.	**144**	**234**	**91**	**469**
Additions	141	594	208	943
Disposals	(43)	(6)	(6)	(55)
Reclassification	-	8	(8)	-
Effect of changes in foreign exchange rates	(1)	1	-	-
31.12.2012	**241**	**831**	**285**	**1 357**
Accumulated depreciation				
31.12.2011.	**51**	**102**	**31**	**184**
Depreciation	33	132	28	193
Disposals	(20)	(2)	(2)	(24)
Reclassification	-	3	(3)	-
31.12.2012	**64**	**235**	**54**	**353**
Balance as at 31.12.2011	**93**	132	**60**	285
Balance as at 31.12.2012	177	**596**	231	1 004

	Long term investments in property and equipment EUR'000	Equipment EUR'000	Other property and equipment EUR'000	Total EUR'000
Cost				
31.12.2012	**241**	**831**	**285**	**1 357**
Additions	284	991	508	1 783
Acquisitions through business combinations	-	-	41	41
Disposals	(2)	(23)	-	(25)
Reclassified to assets held for sale	(153)	(150)	(118)	(421)
Effect of changes in foreign exchange rates	(10)	65	(72)	(17)
31.12.2013	**360**	**1 714**	**644**	**2 718**
Accumulated depreciation				
31.12.2012	**64**	**235**	**54**	**353**
Depreciation	112	407	112	631
Acquisitions through business combinations	-	-	2	2
Disposals	-	(13)	-	(13)
Reclassified to assets held for sale	(15)	(36)	(15)	(66)
Effect of changes in foreign exchange rates	(1)	19	(10)	8
31.12.2013	**160**	**612**	**143**	**915**
Balance as at 31.12.2012	**177**	**596**	**231**	**1 004**
Balance as at 31.12.2013	**200**	1 102	**501**	1 803

(15) Intangible assets

	Licenses EUR'000	Software and other intangible assets EUR'000	Total EUR'000
Cost			
31.12.2011.	**143**	**210**	**353**
Additions	87	86	173
Disposals	-	(18)	(18)
Reclassified	1	(1)	-
31.12.2012	**231**	**277**	**508**
Accumulated amortisation			
31.12.2011.	**55**	**126**	**181**
Amortisation	51	54	105
Amortisation of disposals	-	(12)	(12)
31.12.2012	**106**	**168**	**274**
Balance as at 31.12.2011	**88**	**84**	**172**
Balance as at 31.12.2012	**125**	**109**	**234**

	Licenses EUR'000	Software and other intangible assets EUR'000	Total EUR'000
Cost			
31.12.2012	**231**	**277**	**508**
Additions	288	174	462
Acquisitions through business combinations	-	24	24
Disposals	(37)	(1)	(38)
Reclassified to assets held for sale	-	(34)	(34)
Effect of changes in foreign exchange rates	-	(4)	(4)
31.12.2013	**482**	**436**	**918**
Accumulated amortisation			
31.12.2012	**106**	**168**	**274**
Amortisation	91	58	149
Acquisitions through business combinations	-	2	2
Amortisation of disposals	(36)	(1)	(37)
Reclassified to assets held for sale	-	(9)	(9)
Effect of changes in foreign exchange rates	4	(5)	(1)
31.12.2013	**165**	**213**	**378**
Balance as at 31.12.2012	**125**	**109**	**234**
Balance as at 31.12.2013	**317**	**223**	**540**

(16) Deferred tax asset

Deferred tax relates to the following temporary differences:

	31.12.2013 EUR'000	31.12.2012 EUR'000
Difference in carrying values of property and equipment	(44)	(46)
Impairment losses on loans and receivables	6 619	2 114
Other provisions	33	23
Tax losses carried forward	11	59
Decrease due to deferred tax asset not being recognized	(2 264)	(889)
Total deferred tax asset	**4 355**	**1 261**

The Group has not recognized a deferred tax assets relating to impairment losses on loans and receivables of EUR 2 264 thousand (31 December 2012: EUR 889 thousand) in the United Kingdom, Canada, and Spain due to uncertainty relating to realisation of the temporary differences.

(17) Other assets

	31.12.2013 EUR'000	31.12.2012 EUR'000
Prepaid expenses	2 484	2 090
Security deposits	339	157
Other receivables	3 593	577
	6 416	**2 824**

As at 31 December 2013 the Group has safety deposits with counterparties with whom it has concluded cross currency swap agreements in amount of EUR 2 785 thousand (2012: EUR 0 thousand). The balance is included in Other receivables.

(18) Cash and cash equivalents

	31.12.2013 EUR'000	31.12.2012 EUR'000
Bank balances	17 055	7 318
Cash and cash equivalents in the statement of financial position	**17 055**	**7 318**
Cash and cash equivalents included in assets held for sale	4 069	-
Cash and cash equivalents in the statement of cash flows	**21 124**	**7 318**

(19) Disposal group held for sale

In December 2013, management committed to sell its North American business segment. Accordingly, the segment is presented as a disposal group held for sale. The sale is expected to be fully finalized in April 2014.

(a) Assets and liabilities of disposal group held for sale

	31.12.2013 EUR'000	31.12.2012 EUR'000
Cash and cash equivalents	4 069	-
Loans and advances due from customers	11 018	-
Property and equipment	355	-
Intangible assets	25	-
Deferred tax asset	1 226	-
Other assets	675	-
Assets held for sale	17 368	-

	31.12.2013 EUR'000	31.12.2012 EUR'000
Loans and borrowings	12 915	-
Provisions	4	-
Corporate income tax payable	-	-
Other liabilities	1 128	-
Liabilities held for sale	14 047	-

(b) Cumulative income or expense included in OCI

	31.12.2013 EUR'000	31.12.2012 EUR'000
Foreign currency translation differences on foreign operations	165	-
	165	-

(20) Loans and borrowings

	31.12.2013 EUR'000	31.12.2012 EUR'000
Long term		
Loans from related parties	-	50 871
Notes	125 385	-
Other	3 723	5 407
	129 108	56 278

	31.12.2013 EUR'000	31.12.2012 EUR'000
Short term		
Loans from related parties	113	8 817
Other	-	1 507
	113	10 324
Total	129 221	66 602

In May 2011 AS 4finance signed a credit line agreement with "Trasta Komercbanka" AS with a maximum credit line limit of 7 700 thousand EUR maturing in April 2015 and a fixed annual interest rate of 10% for that part of the credit line used and 0.5% for the unused part of the facility.

In February 2014 credit line agreement with "Trasta Komercbanka" AS has been amended – maturing in January 2016 and a fixed annual interest rate of 8% for the part of credit line used.

AS Trasta Komercbanka loans are secured by AS 4finance commercial pledge over the Company's assets. The maximum amount secured by commercial pledge is 16 144 thousand EUR. As at 31 December 2013 4finance AS is compliant with all covenants included in the credit line agreement with the Bank.

In August 2013 AS 4finance listed USD 170 000 thousand 13% notes, which are due on January 2015 and which are senior to all its future subordinated debt, on the Irish Stock Exchange.

(21) Provisions

	31.12.2013 EUR'000	31.11.2012 EUR'000
Provisions for unused vacations	815	341
	815	**341**

(22) Other liabilities

	31.12.2013 EUR'000	31.12.2012 EUR'000
Taxes payable	334	552
Accounts payable to suppliers	1 797	2 100
Accrued expenses	1 579	797
Deposits from customers	4 123	1 706
Other liabilities	1 176	2 863
	9 009	**8 018**

(23) Financial instruments at fair value through profit or loss

To manage the Group's open position in USD it has entered into EUR to USD cross currency swap agreement with notional amount of USD 120 000 thousand. Under the agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In addition, the Group has also concluded currency forward agreements to exchange EUR to USD at fixed rate.

As at 31 December 2013 the fair value of these financial instruments is EUR 2 422 thousand (31 December 2012: EUR 0 thousand).

(24) Share capital

Share capital of the Company as at 31 December 2013 is 3 166 thousand EUR (31 December 2012: EUR 3 166 thousand) and it is divided into 2 225 000 ordinary (31 December 2012: 2 225 000) shares with the nominal value of EUR 1.42. Shares issued are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group. All shares rank equal to the Groups residual assets.

(25) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31.12.2013 EUR'000	31.12.2012 EUR'000
Less than one year	916	697
Between one and five years	2 893	2 039
More than five years	957	21
	4 766	2 757

The Company leases a number of premises and equipment under operating lease. The leases typically run for an initial period up to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.
In year 2013 EUR 1 433 thousand was recognized as an expense in the income statement in respect of operating leases (2012: EUR 264 thousand).

(26) Related party transactions

Borrowings and payables to related parties:	2013 EUR'000	2012 EUR'000
Borrowings and payables at the beginning of the period	60 701	-
Loans received during the period	54 083	60 400
Loans repaid during the period	(112 884)	(945)
Interest paid	(9 642)	-
Borrowings and payables at the end of the period	657	60 701
Interest expense	8 399	1 246

Total remuneration included in administrative expenses:

	2013 EUR'000	2012 EUR'000
Members of the Board and Council	388	409

There are no outstanding balances as of 31 December 2013 with members of the Council and the Board.

The Group's Parents as at 31 December 2013 are FCI Investments Ltd, Malta, and Tirona Ltd, Cyprus. Parents' financial statements are not published.

(27) Average number of employees

	2013	2012
Average number of employees in the reporting year	653	230

(28) Personnel costs

	2013 EUR'000	2012 EUR'000
Type of costs		
Remuneration	12 635	4 429
Compulsory state social security contributions, pensions and other social security expenses	2 444	874
Other personnel costs	959	481
	16 038	5 784

(29) Litigation

In the ordinary course of business, the Group is subject to legal actions. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the financial results of operations of the Group.

(30) Fair value of financial instruments

(a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

2013	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
	-	-	-	-
Financial liabilities				
Financial instruments at fair value through profit or loss	-	2 442	-	2 442
	-	**2 442**	**-**	**2 442**

As at 31 December 2013 the Group did not have financial assets measured at fair value (31 December 2012: EUR 0 thousand). As at 31 December 2012 the Group did not have financial liabilities measured at fair value.

(b) Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2013	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total fair values EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and cash equivalents	-	-	-	17 055	17 055
Loans and advances due from customers	-	-	200 681	200 681	177 904
Other financial assets	-	-	-	2 785	2 785
Assets held for sale	-	-	-	17 368	17 368
Financial liabilities					
Deposits and balances due to customers	-	-	4 005	4 005	4 123
Other borrowed funds	-	-	126 480	128 840	129 221
Accounts payable to suppliers	-	-	-	1 797	1 797
Liabilities held for sale	-	-	-	14 047	14 047

31 December 2012	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total fair values EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and cash equivalents	-	-	-	7 318	7 318
Loans and advances due from customers	-	-	116 228	116 228	110 171
Financial liabilities					
Deposits and balances due to customers	-	-	1 721	1 721	1 706
Other borrowed funds	-	-	-	66 592	66 602
Accounts payable to suppliers	-	-	-	2 100	2 100

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial instruments at fair value through profit or loss	The fair values are based on broker quotes. Similar contracts are traded in an active marked and the quotes reflect the actual transactions in similar instruments	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other borrowed funds, loans and advances due from customers, deposits and balances due to customers	Discounted cash flows	Discount rates

(31) Operating segments

The Group has six reportable segments, as described below, which are the Group's strategic segments. The strategic segments are primarily jurisdiction-based and offer similar type of products and services in each of the jurisdictions. Each segment is managed separately because they require different marketing strategies. For each of the strategic segments, the Group's Management Board reviews internal management reports on at least a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss, as included in the internal management reports that are reviewed by the Group's Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Analysis by segment

Information about reportable segments

Segment information for the main reportable business segments of the Group for the year ended 31 December 2013 and 2012 is set below:

	Latvia		Lithuania		Finland		Sweden		Poland		All other segments		Total	
EUR'000	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
External revenue	49 405	34 978	27 303	18 184	17 042	12 256	18 359	8 840	24 606	819	33 656	2 923	170 371	78 000
Impairment losses on financial assets	(5 284)	(3 169)	(2 839)	(3 783)	(1 724)	(913)	(2 574)	(1 828)	(5 301)	(480)	(15 890)	(1 254)	(33 612)	(11 427)
Reportable segment profit / (loss)	28 296	17 374	12 301	7 615	4 098	3 568	7 579	1 049	2 980	(1 260)	(7 509)	(2 159)	47 745	26 187

Segment breakdown of assets and liabilities of the Group is set out below:

	Latvia		Lithuania		Finland		Sweden		Poland		All other segments		Total	
EUR'000	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Reportable segment assets	58 917	46 227	36 573	29 097	17 702	16 166	26 754	15 243	45 670	7 959	39 825	8 120	225 441	122 812
Reportable segment liabilities	133 086	70 247	2 448	2 767	1 859	1 750	6 983	4 072	1 405	447	13 884	[illegible]	159 665	80 179

Reconciliation of reportable segment revenues

EUR'000	2013	2012
Total revenue for reportable segments	136 715	75 077
Revenue for other operating segments	33 656	2 923
Elimination of discontinued operations	(17 547)	(1 789)
Consolidated revenue	152 824	76 211

Reconciliation of reportable segment profit or loss

EUR'000	2013	2012
Total profit or loss for reportable segments	55 254	28 346
Profit or loss for other operating segments	(7 509)	(2 159)
Elimination of inter-segment revenues	(1 888)	31
Elimination of discontinued operations	(10 067)	(711)
Consolidated profit before tax from continued operations	35 790	25 507

Reconciliation of reportable segment assets

EUR'000	31 December 2013	31 December 2012
Total assets for reportable segments	185 616	114 692
Assets for other operating segments	39 825	8 120
Consolidated total assets	225 441	122 812

Reconciliation of reportable segment liabilities

EUR'000	31 December 2013	31 December 2012
Total liabilities for reportable segments	145 781	79 283
Liabilities for other operating segments	13 884	896
Consolidated total liabilities	159 665	80 179

(32) Maturity analysis

The following table shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2013.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Cash and cash equivalents	17 055	-	-	-	-	-	17 055
Loans and advances to customers	81 645	5 224	5 555	7 982	12 109	65 389	177 904
Other financial assets	160	-	-	-	2 625		2 785
Assets held for sale	17 368	-	-	-	-	-	17 368
Total financial assets	116 228	5 224	5 555	7 982	14 734	65 389	215 112

Liabilities EUR'000	Demand less than 1 month	From 1 to3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Loans and borrowings	2 679	-	-	106	126 436	-	129 221
Deposits from customers	3 842	46	129	38	68	-	4 123
Accounts payable to suppliers	1 797	-	-	-	-	-	1 797
Financial instruments at fair value through profit or loss	15	0	48	119	2 240	-	2 422
Liabilities held for sale	14 047	-	-	-	-	-	14 047
Total financial liabilities	22 380	46	177	263	128 744	-	151 610
Net position	93 848	5 178	5 378	7 719	(114 010)	65 389	63 502

The following table shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2012.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Cash and cash equivalents	7 318	-	-	-	-	-	7 318
Loans and advances to customers	60 139	4 067	4 041	5 341	6 365	30 218	110 171
Total financial assets	67 457	4 067	4 041	5 341	6 365	30 218	117 489

Liabilities EUR'000	Demand less than 1 month	From 1 to3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Loans and borrowings	1 560	1 944	2 343	4 477	56 278	-	66 602
Deposits from customers	985	-	-	415	306	-	1 706
Accounts payable to suppliers	2 100	-	-	-	-	-	2 100
Total financial liabilities	4 645	1 944	2 343	4 892	56 584	-	70 408
Net position	62 812	2 123	1 698	449	(50 219)	30 218	47 081

(33) Analysis of financial liabilities' contractual undiscounted cash flows

The table below presents the cash flows payable by the Group under contractual financial liabilities, including derivative financial liabilities, by remaining contractual maturities as at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The analysis as at 31 December 2013 was as follows:

31 December 2013	Carrying amount	Total nominal inflow/ (outflow)	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 month to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	129 221	150 182	4 638	57	4 691	9 487	131 309
Deposits from customers	4 123	4 385	132	2 373	338	475	1 067
Accounts payable to suppliers	1 797	1 797	1 797	-	-	-	-
Liabilities held for sale	14 047	14 047	14 047	-	-	-	-
Derivative liabilities							
- Inflow	(138 613)	(143 688)	(7 154)	-	(3 927)	(7 854)	(124 753)
- Outflow	141 035	145 000	7 164	-	3 964	7 929	125 943
Total	**151 610**	**171 723**	**20 624**	**2 430**	**5 066**	**10 037**	**133 566**
Credit related commitments	-	1 576	1 576	-	-	-	-

The analysis as at 31 December 2012 was as follows:

31 December 2012	Carrying amount	Total nominal outflows	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 month to 12 months	More than 1 year
Loans and borrowings	66 602	88 657	697	1 658	2 481	6 002	77 819
Deposits from customers	1 706	1 803	981	11	16	440	355
Accounts payable to suppliers	2 100	2 100	2 100	-	-	-	-
Total	**70 408**	**92 560**	**3 778**	**1 669**	**2 497**	**6 442**	**78 174**
Credit related commitments	-	705	705	-	-	-	-

As at 31 December 2012 the Group did not have derivative liabilities.

(34) Currency analysis

The following table shows the currency structure of financial assets and liabilities at 31 December 2013:

Assets EUR'000	LVL	LTL	EUR	SEK	PLN	USD	Other	TOTAL
Cash and cash equivalents	3 209	860	4 160	2 894	1 510	2 047	2 375	17 055
Loans and advances to customers	48 113	35 392	22 591	16 880	37 828	-	17 100	177 904
Other financial assets	-	-	160	-	-	2 625	-	2 785
Assets held for sale	-	-	-	-	-	15 088	2 280	17 368
Total financial assets	**51 322**	**36 252**	**26 911**	**19 774**	**39 338**	**19 760**	**21 755**	**215 112**
Off-balance	-	-	-	-	-	124 054	-	124 054

Liabilities EUR'000	LVL	LTL	EUR	SEK	PLN	USD	Other	TOTAL
Loans and borrowings	-	-	3 836	-	-	125 385	-	129 221
Deposits from customers	-	-	-	4 123	-	-	-	4 123
Accounts payable to suppliers	445	243	439	118	304	-	248	1 797
Financial instruments at fair value through profit or loss	-	-	2 422	-	-	-	-	2 422
Liabilities held for sale	-	-	-	-	-	11 578	2 469	14 047
Total financial liabilities	445	243	6 697	4 241	304	136 963	2 717	151 610
Off-balance	-	-	125 180	-	-	-	-	125 180
Net position (excluding off-balance)	50 877	36 009	20 214	15 533	39 034	(117 203)	19 038	63 502
Net position (including off-balance)	50 877	36 009	(104 966)	15 533	39 034	6 851	19 038	62 376

Currency risk of the open position in USD is managed through the use of cross currency swap agreement and forward foreign currency contracts which minimize adverse effect of USD/EUR currency exchange rate fluctuations.

The Group monitors on a regular basis its foreign currency exposure to non-euro based currencies and will, if deemed commercial, consider hedging some of any exposure arising.

The following table shows the currency structure of financial assets and liabilities at 31 December 2012:

Assets EUR'000	**LVL**	**LTL**	**EUR**	**SEK**	**PLN**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	699	157	2 146	1 703	808	503	1 302	7 318
Loans and advances to customers	42 628	28 058	14 792	12 719	5 176	3 093	3 705	110 171
Total financial assets	43 327	28 215	16 938	14 422	5 984	3 596	5 007	117 489

Liabilities EUR'000	**LVL**	**LTL**	**EUR**	**SEK**	**PLN**	**USD**	**Other**	**TOTAL**
Loans and borrowings	-	-	66 221	-	-	381	-	66 602
Deposits from customers	-	-	-	1 706	-	-	-	1 706
Accounts payable to suppliers	574	256	286	235	96	-	653	2 100
Total financial liabilities	574	256	66 507	1 941	96	381	653	70 408
Net position	42 753	27 959	(49 569)	12 481	5 888	3 215	4 354	47 081

(35) Credit Risk

The table below shows the Group's maximum exposure to credit risk for the components of the statement of financial position. Exposures are based on net carrying amounts as reported in the statement of financial position.

The Group's maximum credit exposures are shown gross, i.e. without taking into account of any collateral and other credit enhancement.

	31.12.2013 EUR'000	**31.12.2012 EUR'000**
Cash and cash equivalents	17 055	7 318
Loans and advances to customers	177 904	110 171
Credit related commitments	1 576	705
Other receivables	3 593	557
Assets held for sale	15 762	-
	215 890	**118 751**

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments.

(36) Information on subsidiaries

Information on subsidiaries

4finance UAB
Jonavos g. 254a, LT-44132, Kaunas, Lithuania
Holding: 97%

4finance OY
Mikonkatu 15B, 00100 Helsinki, Finland
Holding: 100%

4finance AB
Master Samuelsg 60, 111 21 Stockholm, Sweden
Holding: 97%

4finance ApS
Vesterbrogade 124B, 1620 København V, Denmark
Holding: 100%

4finance OU
Liivalaia 13, Tallinn, Estonia
Holding: 100%

4finance EOOD
Sofia 1000, Maria Luiza blvd. 9-11, Bulgaria
Holding: 100%

Vivus Finance s.r.o.
Klimentská 1215/26, 11000 Praha, Czech Republic
Holding: 100%

Intersales services Limited
Icom House 1/5 Irish House, Suite 3, Gibraltar
Holding: 100%

International Risk management
Roosikrantsi tn.2-K148,10119 Tallin, Estonia
Holding: 100%

4finance Ltd
2nd Floor Scotswood House, Teesdale South Thornaby Place, Stockton-on Tees, Cleveland, TS17 6SB, United Kingdom
Holding: 100%

Vivus Finance sp. z o.o.
ul. 17 Stycznia 56, 02-146 Warsaw, Poland
Holding: 100%

Vivus Finance SL
Principe de Vergara 37, atico 28001 Madrid, Spain
Holding: 100%

4Finance Holding S.a.r.l.
6 rue G.Schneider, Luxembourg
Holding: 100%

Vivus Servicing Ltd
2900-550 Burrard st.,BC V6C0A3, Vancouver, Canada
Holding: 100%

4Finance Ltd
2900-550 Burrard st.,BC V6C0A3, Vancouver, Canada
Holding: 100%

0973915 B.C.Ltd.
2900-550 Burrard st.,BC V6C0A3, Vancouver, Canada
Holding: 100%

4Finance LLC
Ts. Dadiani str.7 Tbilisi, Georgia
Holding: 100%

Piressa Holdings Limited
N.Georgiou 6 - 704, P.C. 1095, Nikosia, Cyprus
Holding: 100%

4finance S.A.
560A rue de Neudorf, L-2220, Luxembourg
Holding: 100%

(37) Subsequent events

On 17 January 2014 the Kieran Patrick Donnelly was appointed as the new Chairman of the Board to facilitate the Group's further development internationally.
On 1 January 2014 the Republic of Latvia joined the eurozone and the Latvian lat was replaced by the euro. As a result, the Company converted its financial accounting to euros as from 1 January 2014 and the financial statements for subsequent years will be prepared and presented in euros. Future comparative information will be translated into euros using the official exchange rate of LVL 0.702804 to EUR 1.

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Independent Auditors' Report

To the shareholders of AS 4finance

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS 4finance and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 38.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of AS 4finance and its subsidiaries as at 31 December 2013, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ondrej Fikrle
Partner
KPMG Baltics SIA
Riga, Latvia
26 March 2014