MOKILIZINGAS UAB

FINANCIAL STATEMENTS OF THE COMPANY
FOR THE YEAR 2014,
PREPARED IN ACCORDANCE WITH
BUSINESS ACCOUNTING STANDARDS
AND PRESENTED TOGETHER WITH
INDEPENDENT AUDITOR’S REPORT

pwc

This version of our report is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Auditor's Report

To the shareholder of UAB Mokilizingas

Report on the financial statements

We have audited the accompanying financial statements of Mokilizingas UAB ("the Company") set out on pages 7 to 29, which comprise the balance sheet as of 31 December 2014 and the statements of income, changes in equity and cash flows for the year then ended and explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Lithuanian regulatory legislation on accounting and financial reporting and Business Accounting Standards, 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Lithuanian regulatory legislation on accounting and financial reporting and Business Accounting Standards.

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Report on other legal and regulatory requirements

Furthermore, we have read the annual report for the year ended 31 December 2014 set out on pages 4 to 6 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2014.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vytenis Lazauskas
Auditor's Certificate No.000536

Vilnius, Republic of Lithuania
27 February 2015

Mokilizingas UAB
THE COMPANY'S ANNUAL REPORT FOR 2014

GENERAL INFORMATION

Mokilizingas UAB is a private limited company registered in the Republic of Lithuania. The address of its registered office is as follows: Lvovo g. 25, Vilnius, Lithuania.

LINKED CONSUMER CREDITS (HIRE-PURCHASE)

Successful performance in the linked consumer credit market in 2013, especially in the second half-year, allowed to reach the goals set for 2013 and to start 2014 with a loan portfolio that has doubled in volume. The goals set for Mokilizingas for 2014 included a continuous intensive cooperation with partners towards stronger integration, efficiency and various synergy opportunities as well as the need to increase business volumes even further and to compete in the market by offering the best possible solutions to our clients.

The number of active partners (with one or more agreement signed during the year) has increased by approximately 9%, compared to the year 2013, and exceeded 1,200 at the end of 2014. Sales in the first half-year of 2014 were slightly larger than LTL 46 million, up by 39% compared to the same period of 2013. Outstanding performance was a result of rebranding, at the end of 2013 and successful efforts put into the renewal of partnerships with major retailers. Second half-year sales almost reached LTL 61 million. The linked consumer credit portfolio has increased by approx. 30% compared to 2013.

The linked consumer credit market has been expanding in line with the recovering private consumption in the economy. Successful performance during 2014 allowed the Company to strengthen its position in the market. Major competitors in the market included Ūkio Banko Lizingas (transferee of a part of activities of Šiaulių Banko Lizingas), General Financing, UNO Lizingas.

Mokilizingas works closely with partners and clients to offer innovative solutions that would allow achieving efficiency, save time and which would be useful and simple to use. Following this approach, in the middle of the third quarter Mokilizingas introduced an updated purchase protection to its clients. Purchase protection was already offered at the end of 2013, however, it only covered a limited number of categories of goods. Given the increased interest in the service, we decided to expand the list of categories that could be covered by this protection. At the moment, almost all goods purchased using linked consumer credits can be insured. Additionally, in the middle of third quarter, in order to ease periodic payment process and save time, Mokilizingas introduced a direct debit service. Customers can sign the direct debit agreement whilst signing the agreement with Mokilizingas at the partner premises – the client does not need to contact his / her bank.

Main goods bought using linked consumer credits, as usually, included home appliances, audio and video equipment, office equipment, computers, means of communication, furniture.

CONSUMER LOANS

The aim and goal set for 2014 was to continue the work started in 2013 – to successfully compete and increase the share in the intensive consumer credit market by offering innovative and effective solutions to our partners and clients. After slow activity in 2012, when the total consumer credit turnover decreased 6 times, results reported in 2013 allowed Mokilizingas to start the year 2014 with a 44% increase in the consumer loan portfolio.

Starting from May 2013, consumer loans, which are transferred to the client‘s bank account, are issued at PayPost units. We continued our partnership with PayPost throughout 2014 as well. Given the demand for cash loans, starting from August 2014 we have introduced cash-based consumer loans available at PayPost units.

Turnover of newly issued consumer loans in 2014 amounted to more than LTL 27 million, a 21% increase in turnover compared to 2013. Consumer loan portfolio has increased by 17% to 31 LTL million.

Competition in the consumer credit market remains particularly intense, however, the market is expanding and it attracts new players. Alongside existing market participants, there are new active companies that operate using the same principles or new alternative financing providers issuing consumer loans using completely different financing models. Large expenses are incurred in order to attract clients using traditional channels (TV, radio, web), however, continuous noise in the information space makes it necessary to look for new innovative channels no one has used before. If compared with main competitors, Mokilizingas external marketing expenditure in 2014 was comparably small. The objective is to offer an effective and useful solution for the best price possible. However, even with prices usually smaller than those of our direct competitors, reaching the client through this marketing noise is difficult. Thus, a challenge for 2015 will be to encourage clients to look for the best available option.

FINANCE LEASE

The provision of this service was discontinued in 2012 and no new finance lease agreements were signed during 2013–2014.

FINANCIAL RESULTS

LTL million	**2014**	**2013**
Revenue	20,869	14,744
Interest and impairment expenses	(6,613)	(4,069)
Operating expenses	(12,723)	(9,531)
Result of other activities, net	1,123	4,851
Result of financing and investing activities, net	(6)	(19)
Profit before tax	**2,651**	**5,976**

OPERATION PLANS FOR 2015

A goal set for Mokilizingas for 2015 is to concentrate on modern technological solutions and creation of innovative services with the aim to create an attractive service package which would also be beneficial to the client. We plan to improve our web platform, which allows the client to purchase a good using a consumer credit without leaving home, by adding new e-shops. Similarly, we plan to improve our electronic consumer loan issuing process by rearranging client and partner self-service systems and by introducing alternative sales channels. The cooperation with partners will be strengthened by offering effective and relevant solutions as well as by improving our processes making them faster and more efficient and easy to use.

Mokilizingas is currently working on rearranging customer service and information, marketing, risk management, debt collection and other significant internal process in order to increase client satisfaction and decrease bad debt losses.

Projected sales of the Company's services:

EUR million	2015	2014
Linked consumer credits		
Portfolio	27	22
Amount of new credits	39	31
Consumer loans		
Portfolio	12	9
Amount of new loans	11	8

Mokilizingas UAB

General Manager

Jurgis Rubaževičius

The annual report was prepared on 24 February 2015.

Statement of financial position

		Notes	At 31 December 2014	At 31 December 2013
	ASSETS			
A.	**Non-current assets**			
I.	Intangible assets	3	24	48
II.	Property, plant, and equipment	4	247	252
III.	Non-current portion of payments receivable for hire-purchase and finance lease	0	1,168	4,697
IV.	Non-current portion of payments receivable for consumer loans granted	5	27,859	17,630
V.	Deferred income tax assets	0	-	-
	Total non-current assets		**29,298**	**22,627**
B.	**Current assets**			
I.	Inventories, prepayments and contracts in progress	7	426	1,097
II.	Amounts receivable within one year			
II.1.	Current portion of payments receivable for hire-purchase and finance lease	0	4,320	10,391
II.2	Current portion of payments receivable for consumer loans granted	6	70,674	58,022
II.3.	VAT receivable		486	395
II.4.	Other amounts receivable	8	1,054	914
II.5.	Prepaid income tax		586	417
	Total amounts receivable within one year		77,546	71,236
III.	Other current assets	9	59	49
IV.	Cash and cash equivalents	10	4,055	4,110
	Total current assets		**81,660**	**75,395**
	Total assets		**110,958**	**98,022**

(cont'd on the next page)

The accompanying explanatory notes are an integral part of these financial statements.

Statement of financial position (continued)

		Notes	At 31 December 2014	At 31 December 2013
	EQUITY AND LIABILITIES			
C.	**Equity**			
I.	Share capital	11	5,000	5,000
II.	Revaluation reserve (results)		-	-
III.	Reserves	12	688	688
IV.	Retained (deficit)		7,616	5,486
	Total equity		**13,304**	**11,174**
D.	**Grants and subsidies**		-	-
E.	**Amounts payable and liabilities**			
I.	**Amounts payable after one year and non-current liabilities**			
I.1.	Non-current borrowings	13	93,226	82,867
I.2.	Deferred income tax liabilities		84	12
	Total amounts payable after one year and non-current liabilities		**93,310**	**82,879**
II.	**Amounts payable within one year and current liabilities**			
II.1.	Current portion of borrowings	13	255	257
II.2.	Trade payables	14	2,161	1,933
II.3.	Advance payments under hire-purchase and finance lease and other contracts	15	378	482
II.4.	Taxes, wages, salaries and social security contributions		172	268
II.5.	Income tax payable		-	-
II.6.	Other current payables and current liabilities	16	1,378	1,029
	Total amounts payable within one year and current liabilities		**4,344**	**3,969**
	Total equity and liabilities		**110,958**	**98,022**

The accompanying explanatory notes are an integral part of these financial statements.

General Manager	Jurgis Rubaževičius		27 February 2015
Chief Financier	Daiva Griškevičiūtė-Tarasova		27 February 2015

Statement of comprehensive income

	Notes	2014	2013
I. Revenue	18	20,869	14,744
II. Interest and impairment (expenses)			
II.1. Interest (expenses)		(3,929)	(3,194)
II.2. Impairment (expenses)/reversal	19	(2,683)	(875)
III. Gross profit		**14.257**	**10,675**
IV. Operating (expenses)	20	(12,723)	(9,531)
V. Operating profit (loss)		**1,534**	**1,144**
VI. Income (expenses) of other activities, net	21	1,123	4,851
VII. Income (expenses) of financing and investing activities, net		-6	-19
VIII. Profit from ordinary activities		**2,651**	**5,976**
IX. Extraordinary gain		-	-
X. Extraordinary loss		-	-
XI. Profit before income tax		**2,651**	**5,976**
XII. Income tax	0	(521)	(773)
XIII. Net profit		**2,130**	**5,203**

The accompanying explanatory notes are an integral part of these financial statements.

General Manager	Jurgis Rubaževičius		27 February 2015
Chief Financier	Daiva Griškevičiūtė-Tarasova		27 February 2015

Statements of changes in equity

	Notes	Share capital	Revaluation reserve (results)	Reserves	Retained earnings (deficit)	Total
Net profit for the year		-	-	-	3,975	3,975
Balance at 1 January 2013		**5,000**	**-**	**688**	**284**	**5,972**
Net profit for the year					5,203	5,203
Balance at 31 December 2013		**5,000**		**688**	**5,486**	**11,174**
Net profit for the year			-		2,130	5,203
Balance at 31 December 2014		**5,000**		**688**	**7,616**	**13,304**

The accompanying explanatory notes are an integral part of these financial statements.

General Manager	Jurgis Rubaževičius		27 February 2015
Chief Financier	Daiva Griškevičiūtė-Tarasova		27 February 2015

Cash flow statements

		Notes	2014	2013
I.	**Cash flows from operating activities**			
I.1.	Net profit		2,130	5,203
	Adjustments for non-monetary items:			
I.2.	Depreciation and amortisation	3, 4	103	111
I.3.	Impairment of finance lease portfolio and other amounts receivable	19	(3,010)	(679)
I.4.	Income tax (income) expenses	0	(521)	(417)
I.5.	Interest expenses		3,930	3,194
I.6.	Effect of other non-cash flows		92	192
			2,724	7,604
	Changes in working capital:			
I.7.	Change in hire-purchase and finance lease and consumer loans	0	(10,294)	(26,012)
I.8.	Change in other amounts receivable	8	(231)	(377)
I.9.	Change in inventories, prepayments and contracts in progress		671	(531)
I.10.	Change in trade payables	14	228	812
I.11.	Change in other current amounts payable and current liabilities		349	19
I.12.	Change in taxes, wages, salaries and social security contributions and VAT receivable		(96)	(619)
I.13.	Change in advance payments under contracts for hire-purchase and finance lease		(104)	(5,047)
I.14.	Change in other current assets	9	16	1,465
	Net cash used in operating activities		**(6,737)**	**(22,686)**
II.	**Cash flows from investing activities**			
II.1.	(Acquisition) of non-current assets		(74)	(40)
II.2.	Disposal of non-current assets		1	23
III.3.	Other investing activity		328	
	Net cash used in investing activities		**255**	**(17)**
III.	**Cash flows from financing activities**			
III.1.	Proceeds from (repayments of) borrowings	13	10,359	16,580
III.2.	Interest (paid)		(3,932)	(2,991)
III.3.	Loan repayments received		-	-
III.4.	Interest received on loans granted		-	-
III.5.	Finance lease payments made			
	Net cash used in financing activities		**(6,427)**	**(13,589)**

Cash flow statements (continued)

		Notes	2014	2013
IV.	Net increase (decrease) in cash flows		(55)	(9,114)
V.	Cash and cash equivalents at the beginning of the period		4,110	13,224
VI.	Cash and cash equivalents at the end of the period		4,055	4,110

The accompanying explanatory notes are an integral part of these financial statements.

General Manager	Jurgis Rubaževičius		27 February 2015
Chief Financier	Daiva Griškevičiūtė-Tarasova		27 February 2015

Explanatory notes to the financial statements

1 General information

Mokilizingas UAB ("the Company") is a private limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Lvovo g. 25
Vilnius,
Lithuania.

The Company's principal activities include the provision of retail leasing (hire-purchase and consumer loans) and finance lease services to legal and natural persons of the Republic of Lithuania. The Company was registered on 30 April 1999.

As at 31 December 2014, the Company's authorised share capital (LTL 5 million) was divided into 50,000 ordinary registered shares with par value of LTL 100 each. The Company has no own shares acquired. All the shares are fully paid.

On 7 August 2013, the Company's shares were acquired by Estonian bank LHV and its partner RAZFin, an investment company controlled by Rakauskai family and Žabolis Partners.

As at 31 December 2014, the shareholders of the Company were as follows:

	Number of shares held	Ownership interest (%)
AS LHV Group	25,001	50.002%
KŪB RAZFIN	24,999	49.998%

As at 31 December 2014, the Company had 55 (31 December 2013: 50) employees.

The Company's management approved these financial statements on 27 February 2015. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

The Company's financial year coincides with a calendar year.

2 Accounting policies

Presented below are the principal accounting policies applied in the preparation of the Group's and the Company's financial statements for the year 2014:

2.1. Basis of preparation

These financial statements have been prepared in accordance with the Lithuanian Law on Accounting, Lithuanian Law on Financial Statements of Entities and Lithuanian Law on Consolidated Accounts of Entities and Business Accounting Standards effective as at 31 December 2014 that include standards and methodical recommendations prepared and approved by the Authority of Audit and Accounting.

2.2 Presentation currency

The Company record all amounts in the litas and the amounts in these financial statements are also presented in the national currency of the Republic of Lithuania, the litas (LTL).

With effect from 2 February 2002, the Lithuanian litas has been pegged to the euro at an exchange rate of LTL 3.4528 to EUR 1, and the exchange rates of the litas against other currencies are set daily by the Bank of Lithuania.

2 Accounting policies (continued)

2.3 Intangible assets

Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of assets can be measured reliably. Intangible assets are initially stated at acquisition cost. Following the initial recognition, intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight-line method over the estimated useful live.

Licences

Amounts paid for licences are capitalised and amortised over the validity period of the licence.

Computer software

The costs of acquisition of new software are capitalised and treated as intangible assets if these costs are not an integral part of the related hardware. Software is amortised over a period not longer than 3 years.

Costs incurred in relation to restoration or maintenance of the expected economic benefits from operation of the existing software systems are recognised as expenses in the period during which such maintenance and support works have been carried out.

2.4 Property, plant, and equipment

Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and assessed impairment losses.

Upon the disposal or write-off of assets their acquisition cost and accumulated depreciation are eliminated in the accounts and gain (loss) derived on their disposal is accounted for in the income statement.

Initial value of property, plant and equipment comprises acquisition cost including not refundable acquisition taxes and all directly attributable costs associated with preparation for use or transportation to the place of use of assets concerned. For the purpose of the income statement, repair and operation costs incurred after property, plant and equipment was put into operation are usually recognised in the period in which such costs arose. When there is evidence supporting that the costs incurred increased economic benefits and/or extended economic useful life of property, plant and equipment concerned, the costs are capitalised and added to the acquisition cost of property, plant and equipment. The minimum value of property, plant and equipment applied by the Company is LTL 1,000.

Depreciation is calculated using the straight-line method over useful lives established as follows:

Computers and communication equipment	3 years
Furniture	6 years
Other assets	4 years

The useful life is reviewed on a regular basis to ensure that the depreciation period corresponds to the expected useful life of property, plant and equipment.

2.5 Amounts receivable and loans granted

Amounts receivable are initially recognised at fair value. Current amounts receivable are recorded after the estimation of their impairment and non-current amounts receivable and loans granted are stated at a discounted amount, less impairment losses.

2.6 Leases

Hire-purchase and finance lease are leases under which all the risks and rewards of ownership of assets are transferred. Title may or may not eventually be transferred.

2 Accounting policies (continued)

<u>Hire-purchase and finance lease and consumer loans</u>

For the purpose of the financial statements, all services provided by the Company are classified into two categories: 1) hire-purchase and finance lease and 2) consumer loans. Category one includes contracts under which financing is granted for the acquisition of a specific item of assets. Category two includes contracts under which a certain amount of funds is granted (its use is not restricted to the acquisition of a specific asset as in the first case).

For accounting purposes, hire-purchase and finance lease comprise the following products:

1) Hire-purchase, which includes financing (leasing) of the acquisition of consumer goods. This is a retail leasing where the date of the conclusion of the contract coincides with the delivery date of the good and clients are natural persons.
2) Finance lease. The accounting specifics of this service depend on the fact that the leased good is transferred to the client not upon the signing of the contract, but upon the receipt of the good. This group is analysed by the types of clients as clients include both natural and legal persons.

Consumer loans are divided into three groups: loans transferred on the client's settlement account, loans granted in cash and special purpose loans (loans acquired from partners).

The Company recognises amounts receivables for hire-purchase and finance lease and consumer loans granted in the balance sheet at an amount equal to the net investment in the lease, starting from the date of commencement of the term of hire-purchase and finance lease. Interest income from hire-purchase and finance lease is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding so as to produce a constant periodic rate of interest on the remaining balance of assets. Initial direct costs and other payments related to hire-purchase or finance lease contracts are included at the initial measurement of amounts receivable and apportioned over the term of the lease.

<u>Operating lease – the Company is a lessee</u>

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses. The total amount of incentives provided by the lessor is recognised as a reduction of lease expenses on a straight-line basis over the lease term.

<u>Operating lease – the Company is a lessor</u>

The Company presents assets subject to operating leases in the balance sheets according to the nature of the asset. Income from operating leases is recognised in income statement on a straight-line basis over the lease term as revenue. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental revenue over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn rental income are recognised as expenses when incurred. The depreciation policy for depreciable leased assets is similar to the depreciation policy of respective non-current assets of the Company.

2.7 Impairment of financial assets

If there is objective evidence that an impairment loss on receivables for hire-purchase or finance lease and on other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate estimated at initial recognition). The carrying amount of assets is reduced through use of the allowance account. The amount of loss is accounted for in the income statement.

The Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.
If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

2 Accounting policies (continued)

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are reversed.
Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.8 Cash and cash equivalents

Cash includes cash at bank and cash in transit. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The term of such investments does not exceed three months and the risk of changes in value is very insignificant.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash balances in current bank accounts and cash in transit. Cash in transit comprise payments under hire-purchase and finance lease contracts that were transferred by banks on accounts of the Company after the balance sheet date.

2.9 Borrowings and borrowing costs

Borrowing costs are recognised as expenses as incurred.

Borrowings are initially recorded at the fair value of proceeds received. Subsequently, borrowings are carried at amortised amount under the effective interest rate method and the difference between proceeds received and the amount to be repaid over the term of the borrowing is recorded in the income statement of the reporting period. If a financing agreement concluded before the date of the approval of the financial statement proves that the liability was non-current as of the date of the balance sheet, that financial liability is classified as non-current.

2.10 Provisions

Provisions are recognised only when the Company has a legal obligation or irrevocable commitment as a result of 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the most accurate recent assessments. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. If a discount rate is applied, the increase in the provision reflecting a past period is accounted for as interest expenses.

2.11 Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Calculations of income tax are based on requirements of Lithuanian regulatory legislation on taxation.

Starting from 1 January 2010, a standard rate of the income tax applied to the companies in the Republic of Lithuania is 15%.

Tax losses can be carried forward for indefinite period of time, except for losses arising from the disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax represents a net tax effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured using a tax rate that is expected to be used when deferred tax assets are utilised or deferred tax liability is settled taking account of tax rates adopted or actually effective at the balance sheet date.

Deferred tax assets are recognised in the balance sheet to the extent that the Company's management expects to utilise assets in the near future taking into consideration forecasts of taxable profit. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

2 Accounting policies (continued)

2.12 Revenue recognition

Interest income from hire-purchase and finance lease is recognised on a accrual basis according to the contractual maturity of hire-purchase and finance lease contracts, starting from the date of the delivery of the leased assets to the client and reflects a constant periodic rate of return on the net investment outstanding calculated using the effective interest rate method.

Income from hire-purchase and finance lease contracts for which no interest is established, yet income is earned from discounts granted by suppliers, is recognised on a straight-line basis over the validity term of the hire-purchase and finance lease contract.

Administration fee income is deferred and recognised on a straight-line basis over the validity term of the hire-purchase contract. The deferred administration fee is included in the portfolio of hire-purchase, finance lease and consumer loans.

Interest on late payment is recognised upon the receipt of the payment.

2.13 Recognition of expenses

Expenses are recognised on an accrual basis and matching principle during the reporting period when income related to such expenses is earned, regardless of the timing of the cash payments. Expenditure incurred during the reporting period, which cannot be attributed directly to income earned and which will not generate any income in future reporting periods, are recognised as expenses when incurred.

Expenses are usually measured at the amount paid or payable, net of VAT. When a long term of settlement is established and no interest is charged, expenses are determined by discounting the amount of settlement at the market interest rate.

2.14 Foreign currencies

Foreign currency transactions are accounted for using the official exchange rates prevailing at the dates of the transactions. Gains and losses resulting from such transactions and from the translation of balances of assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement. Such balances are translated at the exchange rate prevailing at the end of the reporting period.

2.15 Impairment for other assets

Other assets are assessed for impairment when events and circumstances indicate that the value of assets may not be recoverable. Where the carrying amount of an asset exceeds its recoverable amount, impairment loss is accounted for in the income statement. The previously recognised impairment loss is reversed when there are indications that recognised loss on impairment of an asset no longer exists or has reduced significantly. Reversal is accounted for in the income statement under the same item as impairment loss.

Impairment of current assets is assessed in respect of assets foreclosed from lessees under finance lease and operating lease contracts based on potential cash flows from disposal of foreclosed assets (considering likelihood and timing factors), net of possible costs related to disposal of assets.

2.16 Use of estimates in the preparation of financial statements

The preparation of the financial statements requires the use of assumptions and accounting estimates by management that affected the reported amounts of assets and liabilities, income and expenses and disclosure of contingencies. The areas where estimates are significant to these financial statements include the going concern basis, depreciation, amounts receivable, assets recovered, loans acquired. Future events may cause the assumptions used in arriving at the estimates to change. Result of change in such estimates will be accounted for in the financial statements when established.

2.17 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed in the financial statements, save for the cases when probability that resources generating economic benefits will be lost is very low.

2 Accounting policies (continued)

A contingent asset is not recognised in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.18 Post-balance sheet events

Post-balance sheet date events that provide additional information about the Company's financial position as at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events other than adjusting events are disclosed in notes to the financial statements when such events are significant.

2.19 Offsetting and comparative figures

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, unless such offsetting is required by a specific Business Accounting Standard.

3 Intangible assets

	Computer software and licences
Cost	
Balance at 31 December 2013	366
Additions	35
Write-offs	-5
Change of value	1
Balance at 31 December 2014	362
Accumulated amortisation	
Balance at 31 December 2013	318
Charge for the year	25
Write-offs	-5
Balance at 31 December 2014	338
Net book value at 31 December 2013	**48**
Net book value at 31 December 2014	**24**

For the purpose of the income statements, amortisation expenses of intangible assets are included in operating expenses.

As at 31 December 2014, the acquisition cost of intangible assets fully amortised but still in use amounted to LTL 324 thousand (31 December 2013: LTL 256 thousand).

4 Property, plant, and equipment

	Motor vehicles	Other non-current assets	Total
Cost			
Balance at 31 December 2013	314	657	971
Additions	0	74	74
Disposals and write-offs	0	(42)	(42)
Balance at 31 December 2014	314	689	1003
Accumulated depreciation			
Balance at 31 December 2013	91	628	719
Charge for the year	52	26	78
Disposals and write-offs	0	(41)	(41)
Balance at 31 December 2014	143	613	756
Net book value at 31 December 2013	**223**	**29**	**252**
Net book value at 31 December 2014	**171**	**76**	**247**

For the purpose of the income statements, depreciation expenses of property, plant and equipment are included in operating expenses.

As at 31 December 2014, the acquisition cost of property, plant and equipment fully depreciated but still in use amounted to LTL 574 thousand (31 December 2013: LTL 577 thousand).

5 Payments receivable for hire-purchase and finance lease

The analysis of the Company's payments receivable for hire-purchase and finance lease, net, by maturity is as follows:

	At 31 December 2014	At 31 December 2013
Payments receivable no later than 1 year	4,600	12,616
Payments receivable later than 1 year and no later than 5 years	1,310	5,136
	5,911	17,752
Less: impairment	(423)	(2,665)
	5,488	15,087
Whereof:		
Unpaid part	5,889	17,764
Deferred administration fee	(9)	(66)
Deferred commission fee	18	26
Accrued interest	13	28
	5,911	17,752
Less: impairment	(423)	(2,665)
	5,488	15,087
- current portion	4,320	10,391
- non-current portion	1,168	4,696

The movement in impairment of the Company's payments receivable for hire-purchase and finance lease is as follows:

	At 31 December 2014	At 31 December 2013
Impairment of payments receivable for hire-purchase and finance lease at 1 January	2,665	7,068
Impairment of payments receivable for hire-purchase and finance lease (reversal of impairment) recognised in the income statements (Note 19)	1,249	(3,028)
Payments receivable for hire-purchase and finance lease written off	(3,491)	(1,375)
Adjustments	-	-
Impairment of payments receivable for hire-purchase and finance lease at 31 December	423	2,665

5 Payments receivable for hire-purchase and finance lease (continued)

The table below shows the Company's reconciliation of the present value of minimum payments receivable for hire-purchase and finance lease and the total investment in hire-purchase and finance lease as at 31 December 2014 and 31 December 2013:

	Total investment in hire-purchase and finance lease		Present value of minimum payments receivable for hire-purchase and finance lease	
	At 31 December 2014	At 31 December 2013	At 31 December 2014	At 31 December 2013
Payments receivable for hire-purchase and finance lease:				
No later than 1 year	4,909	13,298	4,600	12,616
Later than 1 year and no later than 5 years	1,362	5,372	1,311	5,136
Total	6,271	18,670	5,911	17,753
Less: unearned income	(360)	(917)	-	-
Minimum payments receivable for hire-purchase and finance lease before impairment	5,911	17,753	5,911	17,753
Less: impairment of net realisable value	(423)	(2,665)	(423)	(2,665)
Present value of minimum payments receivable for hire-purchase and finance lease	5,488	15,087	5,488	15,087

6 Consumer loans granted, loans and outstanding balances of payment cards

Consumer loans granted by the Company are as follows:

	At 31 December 2014	At 31 December 2013
Consumer loans	104,924	82,787
Less: impairment	(6,391)	(7,134)
Total consumer loans granted	98,833	75,653
- current portion	70,674	58,022
- non-current portion	27,859	17,630

The movement in impairment of outstanding balances of consumer loans and payments cards is as follows:

	Company	
	At 31 December 2014	**At 31 December 2014**
Impairment of payments receivable for hire-purchase and finance lease at 1 January	7,134	2,693
Impairment of payments receivable for hire-purchase and finance lease (reversal of impairment) recognised in the income statements (Note 19)	1,459	4,620
Payments receivable for hire-purchase and finance lease written off	(2,202)	(179)
Impairment of payments receivable for hire-purchase and finance lease at 31 December	6,391	7,134

7 Inventories, prepayments and contracts in progress

As at 31 December 2014 and 2013, the Company's inventories, prepayments and contracts in progress comprised prepayments to suppliers under hire-purchase and finance lease contracts that were concluded in the business management system, but the supporting documents had not been received yet.

8 Other amounts receivable

	At 31 December 2014	**At 31 December 2013**
Amounts receivable under hire-purchase contracts	-	
Advance payments receivable	473	492
Accrued income	11	11
Amount receivable from public institution Indėlių ir Investicijų Draudimas	-	-
Other amounts receivable	570	411
	1,054	914

9 Other current assets

	At 31 December 2014	**At 31 December 2013**
Foreclosed assets and assets recovered at the end of lease	109	125
Less: impairment	(50)	(75)
	59	50

10 Cash and cash equivalents

	At 31 December 2014	At 31 December 2013
Cash at bank	4,055	4,110
Cash in transit	-	-
	4,055	4,110

11 Share capital

Pursuant to the Lithuanian Law on Companies the shareholders' equity should not be lower than 50 per cent of the company's share capital registered in the Articles of Association. As at 31 December 2013 and 31 December 2014, the shareholders' equity of the Company complied with the above-mentioned requirement.

12 Reserves

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit calculated in accordance with the Business Accounting Standards are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve may be used to cover losses of the Company. As at 31 December 2014 and 31 December 2013, a legal reserve was fully established.

13 Borrowings

	At 31 December 2014	At 31 December 2013	
Non-current borrowings			
Accrued interest	255	257	
Credit line at the bank LHV	93,226	82,867	
Accrued interest			
	93,481	83,124	
- current portion (accrued interest)	255	257	257
- non-current portion	93,226	82,867	82,867

Interest rate established for the credit line received by the Company was 3.86% at the end of 2014 (2013: 4.54%).

The credit line is denominated in euros.

14 Trade payables

	At 31 December 2014	At 31 December 2013
Amounts payable according to invoices received	1,988	1,733
Amounts payable according to contracts signed*	173	200
	2,161	1,933

* As at 31 December 2014 and 2013, the Company's amounts payable under contracts signed comprised amounts payable to the suppliers for assets under hire-purchase and finance lease contracts for which invoices had not been issued by the suppliers.

15 Advance payments under hire-purchase and finance lease and other contracts

As at 31 December 2014, advance payments mostly comprised (LTL 292 thousand) (31 December 2013: LTL 431 thousand) payments collected for the hire-purchase and finance lease portfolio transferred to Bankas Snoras AB (in bankruptcy). As at 31 December 2014, the carrying amount of this portfolio totalled LTL 2,989 thousand.

16 Other current payables and current liabilities

	At 31 December 2014	At 31 December 2013
Accrual for bonuses	234	4
Accrual for discounts to partners	812	572
Accrual for audit fee	27	23
Vacation accrual	171	186
Other accrued expenses	135	244
	1,378	1,029

17 Operating lease

The Company leases cars and premises under operating lease contracts. The terms and conditions of these contracts do not provide for any restrictive covenants on the Company's activities in relation to dividends, additional debts or additional long-term lease. In 2014, operating lease expenses amounted to LTL 356 thousand (2013: LTL 320 thousand).

The Company has concluded the agreement for the lease of premises with Verslina UAB (former Nekilnojamojo Turto Gama) under which payments are made on a monthly basis according to invoices issued. A monthly payment is LTL 22,315.89. The agreement expires on 1 December 2017.

The Company uses cars in its activities leased under the operating lease agreement concluded with Swedbank Lizingas UAB. The agreement expires in October 2015. The operating lease agreements concluded with Danske Lizingas expire in July 2018

	No later than 1 year	Later than 1 year and not later than 5 years	Total
Operating lease of cars	26	37	63
Lease of premises	268	513	781
Total	294	550	844

18 Revenue

	2014	2013
Interest income from hire-purchase and finance lease and consumer loans	11,423	8,377
Administration fee	6,661	4,061
Interest on late payment	1,321	1,382
Commission fee received from partners for contracts concluded	710	308
Payments received for amounts written off	750	611
Other income	4	5
	20,869	14,744

19 Impairment expenses

	2014	2013
Impairment (reversal of impairment) of amounts receivable for hire-purchase and finance lease (Note 0)	(1,249)	(3,028)
Impairment of consumer loans (Note 6)	(1,459)	4,620
Impairment of recovered assets (Note 9)	25	(717)
	(2,683)	(875)

20 Operating expenses

	2014	2013
Wages and salaries and other personnel-related expenses	4,598	4,012
Bank charges	486	439
Cost of services rendered	2,561	1,481
Advertising expenses	2,180	1,308
Postal expenses	26	39
Debt administration expenses	24	248
Taxes other than income tax	638	705
Office rent and maintenance expenses	1,211	788
Transportation expenses	211	171
Depreciation and amortisation expenses	103	111
Audit fee	54	52
Other operating expenses	631	177
	12,723	9,531

21 Result of other activities, net

Income from other activities:

	At 31 December 2014	At 31 December 2013
Fee paid by Bankas Snoras AB for the administration of the portfolio transferred	1,818	5,288
Fee paid by Bankas Snoras AB for the administration of payment cards		141
Gain from the operations of the printing house	-	-
Gain on disposal of recovered assets	19	222
Other income	2	4
Total income from other activities	1,839	5,655

Expenses of other activities:

	At 31 December 2014	At 31 December 2013
Costs of legal proceedings related to administration of payment cards	(13)	106
Loss on disposal of recovered assets	401	698
Other expenses	328	
Total expenses of other activities	716	7,798
Result of other activities, net	1,123	1,203

On 30 September 2011, SNORO Lizingas UAB (named Mokilizingas UAB from 2013) and Bankas Snoras AB signed the agreement on the transfer of claim rights and claims, under which the portfolio of hire-purchase and finance lease and consumer loans was transferred, the value of which before provisions amounted to LTL 149,532 thousand at the transfer date and provisions amounted to LTL 5,690 thousand.

After the signing of the agreement Mokilizingas UAB continues to administer the portfolio transferred, i.e. collects payments (which are transferred to the Bank) and performs debt recovery procedures. Bankas Snoras AB (in bankruptcy) paid a fee for the administration of the portfolio sold.

22 Income tax

Components of income tax expense (income)

	2014	2013
Current year income tax (expense)	(450)	(581)
Deferred income tax (expense) income	(71)	(192)
Income tax (expense) income recognised in the income statement	(521)	(773)

Deferred income tax assets

	2014	2013
Deferred administration fee	25	70
Deferred discount	115	86
Tax losses		
Vacation accrual	25	28
Deferred income tax assets, net	165	184
Deferred income tax liabilities		
Deferred commission fees	(249)	(196)
Deferred income tax, net	(84)	(12)

23 Financial assets and liabilities and risk management

Credit risk

Credit risks or the risks of counterparties defaulting, are controlled by the application of credit limits and monitoring procedures. The Company has policies in place to ensure that services are provided to customers with an appropriate credit history, not in excess of the established credit limits.

The Company does not issue guarantees to secure the fulfilment of obligations of third parties. The maximum exposure to credit risk is represented by the carrying amount of each item of financial asset. Therefore, the Company's management believes that the maximum risk approximates the total amount of current amounts receivable and amounts receivable for hire-purchase and finance lease, less recognised impairment loss at the balance sheet date.

Interest rate risk

The Company's credit line bears a variable interest rate and exposes the Company to the interest rate risk. As at 31 December 2014 and 2013, the Company had no financial instruments designated to control the risk of interest rate fluctuations.

In the opinion of the Company's management, the interest rate risk is controlled by maintaining a certain margin between the interest rate in finance lease contracts and the price of credit resources. In addition, the average term of a large portion (40%) of the concluded contracts on hire-purchase and consumer loans is only 16 months, consequently, in case a significant risk emerges the majority of the assets could be redirected over a short period.

24 Related-party transactions

The parties are deemed to be related when one party has a power to exercise control over the other party or make significant influence on its financial and operation decisions.

For the purpose of these financial statements, LHV Group as well as the companies of KŪB RAZFIN (Lithuania) Group, the Management of the Company and their family members are considered to be related parties.
Transactions conducted between the Company and the related parties and year-end balances arising on these transactions are given below:

	2014	2013
Interest charged by LHV bank	3,930	1,404
Interest accrued for LHV bank	255	257
Withdrawn credit line granted by LHV bank	93,226	82,867
Senukų Prekybos Centras UAB (expenses)	290	276
Senukų Prekybos Centras UAB (income)	233	124
Žabolis ir Partneriai UAB (expenses)	173	20

Key management remuneration

In 2014 and 2013, the Company's management consisted of the General Manager, the Chief Financier and the Lawyer (until 7 July 2013). In 2014, the management's remuneration amounted to LTL 268 thousand (2013: LTL 777 thousand). No bonuses were paid. In 2014 and 2013, no loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Company's management, except for hire-purchase contracts signed.

25 Post-balance sheet events

There were no significant events after the balance sheet date.