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

REPORT FOR THE YEAR 2016

(2nd financial year)

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EUROPEAN UNION
TOGETHER WITH INDEPENDENT AUDITORS’ REPORT

Riga, 2017

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General information

Name of the company	Mintos Marketplace	
Legal status of the company	Joint stock company	
Unified registration number, place and date of registration	40103903643 Riga, 1 June 2015	
Registered office	Skanstes street 50 Riga, Latvia, LV-1013	
Major shareholder	AS Mintos Holdings	
Board Members	Martins Sulte - Chairman of the Board (from 1 June 2015) Martins Valters – Member of the Board (from 1 June 2015)	
Council Members	Ramona Miglane – Chairperson of the Council (from 1 June 2015) Ieva Judinska-Bandeniece – Member of the Council (from 1 June 2015 until 8 June 2016) Janis Abasins (from 9 June 2016) Martins Krutainis (from 9 June 2016)	
Financial period	1 January – 31 December 2016	
Auditors	Diana Krisjane Latvian Certified Auditor Certificate No 124	SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV – 1010 Licence No 17

Management report

21 April 2017

Operations during 2016

Principal activity

AS Mintos Marketplace (the Company) operates a global online marketplace where investors go to invest in loans originated by non-bank loan originators.

Business environment

Borrowing from traditional providers is hard. Even more, many people and micro, small and medium-sized enterprises (SMEs) across the globe don't have a reasonable access to credit at all. Non-bank lending companies are solving these problems; however, their access to funding is limited. On the other hand, people who wish to defer consumption and save have limited investment opportunities that are easy to access and yield great risk-adjusted returns.

We believe there is significant potential for better movement of capital globally. By bringing together on an online marketplace non-bank lending companies that are looking for alternative sources of funding with investors looking for investment opportunities we enable integrated, open, competitive and efficient financial markets and services that work for the benefit of borrowers and investors.

General business review and key performance indicators

During the year the Company continued to successfully invest in growth. The number of market participants on both sides of the marketplace increased substantially further improving market liquidity. Number of registered investors reached 17,052 investors as at the end of 2016 (compared to 3,758 as at the end of 2015), while 19 (up from 6 in 2015) loan originators were using the marketplace to fund the loans originated in Bulgaria, the Czech Republic, Denmark, Estonia, Georgia, Latvia, Lithuania, and Poland. In total EUR 98.9 million of loans were funded through the marketplace during 2016, up from EUR 10.4 in 2015.

The results of the Company for the year show net turnover of EUR 521 thousand (EUR 49 thousand in 2015) with a net loss of EUR 180 thousand (EUR 93 thousand in 2015) as the Company made significant investments in staffing, technology, and expansion.

In February 2016 the Mintos Group concluded a seed-funding round of EUR 2 million.

Significant development for the Company was the launch of multi-currency investment opportunities in December 2016. By facilitating investments in multiple currencies, we are helping investors and loan originators in the local markets to eliminate one of the most significant financial risks – currency risk.

Finally, we were thrilled to win the People's Choice Award 2016 and that the Company was selected as a runner up for Alternative Finance Platform Of The Year in Europe 2016 Award and Aggregator Of The Year 2016 Award, all by prestigious AltFi, the world's leading news site for the alternative finance space.

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces include risks related to partner activity, regulation, management of growth, weakening economy, and system interruptions. The Company has taken steps to ensure that effective measures are in place to prevent such uncertainties impacting the operations of the business. For additional details in risk management please see Note 23.

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

Future developments

In February 2017 the Company launched currency exchange, further expanding its service offering. Currency exchange service allows investors to convert currency directly on the Mintos marketplace at transparent exchange rate and fee.

The Company is working closely with the Ministry of Finance of the Republic of Latvia and other involved parties in drafting a law that would define the Company's activity as regulated activity and put it under the supervision of the Financial and Capital Market Commission. It is expected that the new law will be adopted by the end of 2017.

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

The annual report was approved by the general shareholders' meeting on April 21, 2017.

Statement of comprehensive income

	Notes	**01/01/2016-31/12/2016 EUR**	**01/06/2015-31/12/2015 EUR**
Commission income	5	521 433	49 758
Salary expenses	6	(322 557)	(56 108)
Depreciation and amortization	12	(42 845)	(11 914)
Administrative expenses	7	(343 739)	(84 725)
Other income	8	91	599
Interest and similar expenses	9	(426)	-
Interest and similar income	10	7 305	8 510
Corporate income tax	11	-	-
Net loss for the year		**(180 738)**	**(93 880)**
Other comprehensive income	11	-	-
Total comprehensive income		**(180 738)**	**(93 880)**

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

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

Statement of financial position

ASSETS	Notes	31/12/2016 EUR	31/12/2015 EUR
Non-current assets			
Intangible assets	4, 12	149 216	55 296
Fixed assets	4, 12	19 468	11 202
Total non-current assets		**168 684**	**66 498**
Current assets			
Trade and other receivables	13	99 177	21 194
Loans	14	52 520	-
Cash	15	211 755	361 994
Total current assets		**363 452**	**383 188**
TOTAL ASSETS		**532 136**	**449 686**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	750 000	500 000
Retained earnings / (losses):		(274 618)	(93 880)
Total Equity		**475 382**	**406 120**
Current liabilities			
Trade and other payables	17, 18	18 588	17 353
Payables to related	14	-	13 245
Accrued liabilitites	19	38 166	12 968
Total Current liabilities		**56 754**	**43 566**
TOTAL EQUITY AND LIABILITIES		**532 136**	**449 686**

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

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Cash flow statement

	Notes	01/01/2016-31/12/2016	01/06/2015-31/12/2015
Cash flows to/ from operating activities		**EUR**	**EUR**
Loss before tax		(180 738)	(93 880)
Adjustments for:			
Amortisation and depreciation		42 846	11 913
Interest (income)	10	(7 305)	(9 109)
Interest (expense)	9	426	-
Operating profit or loss before working capital changes		***(144 771)***	***(91 076)***
(Increase)/ decrease in receivables and other assets		(77 516)	(21 194)
Increase/ (decrease) in payables		13 187	43 567
Cash generated from operations		***(209 100)***	***(68 703)***
Interest received during the period		-	9 109
Net cash flows to/ from operating activities		**(209 100)**	**(59 594)**
Cash flows to/ from investing activities			
Cash paid to purchase a business	4	-	(422 766)
Sale of loan receivables		-	378 308
Purchase of equipment	12	(16 146)	(4 317)
Purchase of intangible assets	12	(128 885)	(29 637)
Issued loans		(327 020)	-
Received back issued loans		274 500	-
Interest received		6 838	-
Net cash flows to/ from investing activities		**(190 713)**	**(78 412)**
Cash flows to/ from financing activities			
Proceeds from issue of share capital		250 000	500 000
Received loans		77 000	-
Repayment of received loans		(77 000)	-
Paid interest expense		(426)	-
Net cash flows to/ from financing activities		**249 574**	**500 000**
Change in cash		(150 239)	361 994
Cash at the beginning of the year		361 994	-
Cash at the end of the year		**211 755**	**361 994**

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

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Statement of changes in equity

	Share capital	Retained earnings / (loss)	**Total**
Balance as at 1 June 2015	**-**	**-**	**-**
Issue of share capital	500 000	-	500 000
Profit/ loss for the reporting year	-	(93 880)	(93 880)
Balance as at 31 December 2015	**500 000**	**(93 880)**	**406 120**
Issue of share capital	250 000	-	250 000
Profit/ loss for the reporting year	-	(180 738)	(180 738)
Balance as at 31 December 2016	**750 000**	**(274 618)**	**475 382**

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

Martins Sulte
Chairman of the Board

Martins Valters
Member of the Board

Notes to the financial statements

1. Corporate information

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

The core business activity of the Company during the reporting year was a management of a global online marketplace where investors go to invest in loans originated by non-bank loan originators.

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

The financial statements of the Company for the period from 1 January 2016 through 31 December 2016 were approved by a resolution of the Company's Board on 21 April 2017. In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make the decision on the approval of the financial statements.

2. Summary of significant accounting policies

a. Basis of preparation

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

These financial statements are prepared on going concern basis. Despite the fact that the Company have incurred losses during the prior and current year of its operations, the Company and Mintos Group is sufficiently funded to carry out its operations without additional cash injection. Given that the Company's revenue stram and profitability is improving constantly and the Company is in unique position currently offering online marketplace to non-bank loan originators gives sufficient assurance to the management of the Company that these financial statements can be prepared on going concern basis.

The monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2016 through 31 December 2016. Comperative period is from 1 June 2015 through 31 December 2015.

b. Standards issued but not yet effective

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

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company has not yet evaluated the impact of the implementation of this standard.

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

2. Summary of significant accounting policies (continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7
The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. Company expects no impact from these amendments.

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

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company is assessing the potential effect of the amendments on its financial statements.

2. Summary of significant accounting policies (continued)

c. Financial instruments

(i) Classification

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

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

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

(ii) Date of recognition

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

(iii) Initial and subsequent measurement of financial instruments

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

<u>Loans and receivables</u>

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

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

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

(iv) Derecognition

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

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

2. Summary of significant accounting policies (continued)

(v) Impairment of financial assets

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

d. Intangible assets

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

e. Equipment

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

Equipment	- over 3 to 5 years

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

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

f. Impairment of non-financial assets

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

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

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

g. Cash and cash equivalents

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

h. Income and expense recognition

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

2. Summary of significant accounting policies (continued)

i. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;

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

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

j. Contingencies

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

k. Servicing assets and liabilitites

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

l. Leases

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

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

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

m. Corporate income tax

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

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

n. Subsequent events

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

3. *Significant estimates and assumptions*

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

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

- Useful life of intangible assets. See Note 2 d for more details.
- Deferred corporate income tax. See Note 11 for more details.
- Accounting of business combination. See Note 4 for more details.

4. Business combination

On 1 June 2015 the Company signed agreement with AS Mintos (now AS Hipocredit) whereby certain assets, liabilities and operations were transferred to the Company. Given that the Company and AS Mintos both were 100% owned by common shareholder AS Mintos Holdings, the transfer transaction was accounted using pooling of interest accounting method i.e. the transferred assets and liabilities were initially recognised at their carrying amount as in the predecessor company. The Company paid 422 765 EUR eur for the transfer, which equals the carrying value of the net assets obtained.

5. Commission income

	01/01/2016-31/12/2016	01/06/2015-31/12/2015
Service fee - loan originators	500 998	43 079
Secondary market fee	20 435	6 679
TOTAL:	**521 433**	**49 758**

6. Salary expenses

	01/01/2016-31/12/2016	01/06/2015-31/12/2015
Salaries	260 967	45 379
Social security contributions	61 510	10 705
Risk duty	80	24
TOTAL:	**322 557**	**56 108**

Part of salaries and related taxes have been capitalised to IT development costs (see Note 12). The Company employed 12 employees at the end of year 2015 and 21 employees at end of year 2016 .

7. Administrative expenses

	01/01/2016-31/12/2016	01/06/2015-31/12/2015
Affiliates and refer-a-friend program	66 776	-
Direct client acquisition expenses	54 775	29 575
Legal expenses	52 524	31 537
Office rent and related expenses	42 721	5 435
Business trips	27 589	4 846
IT and communication expenses	28 421	4 277
Audit and consultation expenses	21 824	5 000
Office expenses	19 381	2 594
Other expenses	29 728	1 461
TOTAL:	**343 739**	**84 725**

8. Other income

	01/01/2016-31/12/2016	01/06/2015-31/12/2015
Other income	91	-
Penalty income	-	599
TOTAL:	**91**	**599**

9. Interest and similar expenses

Interest expense consist of interest paid for overdraft from holding company.

10. Interest and similar income

	01/01/2016-31/12/2016	01/06/2015-31/12/2015
Interest income from related undertakings	7 305	-
Interest income from other persons	-	8 510
TOTAL:	**7 305**	**8 510**

11. Corporate income tax, deffered corporate income tax

The Company has accumulated tax losses in amount of 235 thousand EUR for year 2016 (100 thousand EUR in year 2015) bringing total accumulated tax losses to 335 thousand EUR. Even though these tax losses can be off-set against future taxable profit indefinetly and there are no going concern issue for the Company as assessed by the management, the nature of the Company's operations and the industry it operates in gives sufficient uncertainty about possible future investments to be made for further expansion which could lead to additional accounting loss incurred in subsequent years. This fact together with changing tax legislation gives uncertainty whether this tax asset can be recovered. Due to this management of the Company currently cannot determine whether the Company might fully utilise the aforementioned tax loss; therefore, the deferred tax assets exceeding the tax liabilities from accelerated tax depreciation have not been recognised in these financial statements.

Corporate income tax disclosure:

	01/01/2016-31/12/2016	**01/06/2015-31/12/2015**
Loss before corporate income tax	**(180 738)**	**(93 880)**
Theoretical corporate income tax 15%	27 111	14 082
Undeductable expense	(4 415)	79
Unrecognised tax loss	(22 696)	(14 161)
Total corporate income tax	**0**	**0**

Deferred corporate income disclousure:

	31/12/2016	**31/12/2015**
Deferred tax liabilities:		
Temporary difference in depreciations	(12 199)	(737)
TOTAL:	**(12 199)**	**(737)**
Deferred tax assets:		
Vacation accruals	-	1 112
Previous year accumulated tax losses	49 056	13 786
Allowance for unrecognised tax loss	(36 857)	(14 161)
TOTAL:	**12 199**	**737**
Net deffered corporate income tax:	**0**	**0**

12. Intangible and fixed assets

	Trademarks, domains, licences	Internal software	TOTAL INTANGIBLE ASSETS	Other fixed assets and inventory
As at 1 June 2015				
Cost	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-
Carrying amount as at 1 June 2015	**-**	**-**	**-**	**-**
Year ended 31 December 2015				
Additions through business combinations*	9 557	24 887	34 444	10 014
Additions	697	28 940	29 637	4 317
Amortisation charge	(196)	(8 589)	(8 785)	(3 129)
Carrying amount as at 31 December	**10 058**	**45 238**	**55 296**	**11 202**
As at 31 December 2015				
Cost	10 254	53 827	64 081	14 331
Accumulated amortisation and impairment	(196)	(8 589)	(8 785)	(3 129)
Carrying amount as at 31 December	**10 058**	**45 238**	**55 296**	**11 202**
Year ended 31 December 2016				
Carrying amount as at 1 January	10 058	45 238	55 296	11 202
Additions	1 440	127 445	128 885	16 146
Amortisation charge	(560)	(34 405)	(34 965)	(7 880)
Carrying amount as at 31 December	**10 938**	**138 278**	**149 216**	**19 468**
As at 31 December 2016				
Cost	11 694	181 272	192 966	30 477
Accumulated amortisation and impairment	(756)	(42 994)	(43 750)	(11 009)
Carrying amount as at 31 December	**10 938**	**138 278**	**149 216**	**19 468**

* Please see Note 4

Internal software costs included capitalised salary and related taxes in amount of 127 445 EUR during year 2016 (27 186 EUR during 2015). Internal software is the core technical asset for operating of Mintos online marketlplace.

13. Trade and other receivables

	31/12/2016	31/12/2015
Accrued income	60 108	7 853
Trade receivables	27 802	176
Prepaid expenses	5 088	2 259
Value added tax overpayment	-	8 452
Other debtors	6 179	2 454
TOTAL:	**99 177**	**21 194**

14. Related party disclosures

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

The Company is ultimately controlled by AS Skillion Ventures (incorporated in Latvia). During the year the Company has done transactions with entities within Mintos Group (i.e. with parent company of Mintos – AS Mintos Holdings and other entities owned by AS Mintos Holdings) as well as other related companies as disclosed below. During the previos reporting period the Company also bought business operations from related company AS Mintos (renamed to AS Hipocredit after the year end) as disclosed in Note 4.

	31/12/2016	31/12/2015
Mintos Group companies		
Assets		
Parent company*	46 221	-
Other companies within the group	25 993	-
Liabilities		
Parent company	-	-
Other companies within the group	-	13 245
Other related companies outside Mintos Group		
Assets		
Other companies	2 091	-
Liabilities		
Other companies	-	-
TOTAL ASSETS:	**74 305**	**-**
TOTAL LIABILITIES:	**-**	**13 245**

*The receivable from parent company arises from the overdraft agreement signed for cash flow management purposes within the Mintos Group. The total overdraft limit is 330 000 EUR and due date is 31 December 2017 with 4,5 % fixed interest rate. During the year the Company earned 221 EUR in interest as well as paid 426 EUR in interest in relation to these agreements (0 in previous year).

During the year the Company has earned income in amount of 43 541 EUR (2015: 0) from other companies within the Mintos group and 45 843 EUR from other related companies (2015: 0)

15. Cash

	31/12/2016	31/12/2015
Commercial banks ir the Republic of Latvia	211 407	361 994
Commercial banks ir the Czech Republic	348	-
TOTAL:	**211 755**	**361 994**

16. Share capital

The share capital of the Company is EUR 750 000 and consists of 750 000 shares. The par value of each share is EUR 1. During the year the Company increased share capital by EUR 250 000 which was fully paid in cash. The increase was part of new share emission plan signed on 26 September 2016. According to share emission plan new shares upto 1 000 000 with par value of EUR 1 will be issued to further support the development of the Company. Remaining of the shares may be called until 25 September 2017.

17. Trade and other payables

	31/12/2016	31/12/2015
Trade payables	15 757	2 277
Taxes and State mandatory social insurance payments	2 379	6 424
Advance payments to suppliers	452	56
Salary payables	-	8 596
TOTAL:	**18 588**	**17 353**

18. Taxes and State mandatory social insurance payments

	31/12/2016	31/12/2015
Value added tax	2 373	(8 452)
Personal income tax	6	2 280
Statutory social insurance contributions	(532)	4 140
Business risk fee	-	4
TOTAL:	**1 847**	**(2 028)**
TOTAL DEBTORS (included in possition “Trade and other receivables”):	**(532)**	**(8 452)**
TOTAL LIABILITIES (Included in “Trade and other payables”):	**2 379**	**6 424**

19. Accrued liabilities

	31/12/2016	31/12/2015
Accrued expense of unused vacation	20 930	7 415
Accrued expense of received services	17 236	5 553
TOTAL:	**38 166**	**12 968**

20. Commitments and contingencies

Commitments under operating leases

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

Within 1 year 51 456 EUR

Contingent assets

According to the new share emission plan (see Note 15) additional share capital of EUR 750 000 can be called.

21. Servicing assets and liabilities

The Company's core activity is to operate a global online marketplace where investors go to invest in loans originated by non-bank loan originators.

Investors had the following outstanding investments in loans:

By loan type	31/12/2016	31/12/2015
Personal loans	16 082 018	520 562
Car loans	13 972 858	2 161 191
Mortgage loans	3 550 474	2 412 218
Business loans	1 855 410	1 547 886
Invoice Financing	609 285	-
TOTAL:	**36 070 045**	**6 641 857**

By Country	31/12/2016	31/12/2015
Georgia	10 379 906	1 547 886
Latvia	9 131 993	2 314 535
Lithuania	8 347 254	1 465 263
Estonia	6 419 582	1 314 174
Poland	1 188 424	-
Denmark	276 925	-
Czech Republic	259 393	-
Bulgaria	66 568	-
TOTAL:	**36 070 045**	**6 641 857**

As at 31 December 2016 investors held cash position in a separate account with Mintos that investors can use only for one purpose – making investments in loans offered on the Mintos marketplace. The outstanding amount of cash that can be used by investors as at 31 December 2016 were 1 136 841 EUR (334 118 EUR at 31 December 2015) and 440 747 CZK (or 16 311 EUR)(0 at 31 December 2015).

22. Fair value

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

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

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

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

Assets and liabilities for which fair value is disclosed as at 31 December 2015:

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

Valuation methods and assumptions

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

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

23. Risk management

a. Financial risks management

The Company has assessed that its material financial risks arises from liquidity and credit risk. Interest rate and foreign exchange risk in year 2015 and 2016 has been negligible. There have been no changes in risk management policies since last year.

Liquidity risk

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

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

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

	Up to 1 month
Liabilities	
Trade and other payables	17 353
Payables to related companies	13 245
Accrued liabilities	12 968
TOTAL	**43 566**

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

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

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

The below table discloses asset and liability break-down by contractual maturity as at 31.12.2015:

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

Credit risk

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

Balances with banks

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

b. Capital management

The Company considers its capital to comprise of its equity share capital plus its accumulated retained results. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The management of the Company believes that current level of capital is sufficient for further operations.

24. Events after balance sheet date

In January 2017 Mintos signed share option agreements with all its employees. There have been no other significant events after the balance sheet date.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Mintos Marketplace AS

Opinion

We have audited the accompanying financial statements of Mintos Marketplace AS (the Company) set out on pages 6 to 24 of the accompanying annual report, which comprise the balance sheet as at December 31, 2016, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position Mintos Marketplace AS as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

The other information comprises the Management Report as set out on pages 4 to 5 of the accompanying annual report, but does not include the financial statements and our auditors report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

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

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work undertaken in the course of our audit, in our opinion:

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

ERNST & YOUNG BALTIC SIA
Licence No. 17

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

Riga, 21 April 2017