

JOINT STOCK COMPANY mogo

(UNIFIED REGISTRATION NUMBER 50103541751)

ANNUAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2012

(1st financial year)

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ADOPTED IN EU

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS mogo

Report on the financial statements

We have audited the accompanying financial statements of AS mogo (the "Company"), set out on pages 6 through 26 of the accompanying Annual Report for the period 3 May 2012 through 31 December 2012, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income for the period 3 May 2012 through 31 December 2012, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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


Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS mogo as of 31 December 2012, and of its financial performance for the period 3 May 2012 through 31 December 2012 and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2012 (set out on page 5 of the accompanying Annual Report for the period 3 May 2012 through 31 December 2012) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the period 3 May 2012 through 31 December 2012.

SIA Ernst & Young Baltic
License No. 17



Diāna Krišjāne
Chairperson of the Board

Rīga,
29 May 2013



Mārtiņš Valters
Latvian Certified Auditor
Certificate No. 185

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General information

Name of the company	mogo
Legal status of the company	joint stock company
Unified registration number, place and date of registration	50103541751 Latvia, Riga, 3 May 2012
Registered office	Bauskas 58A-8 Riga, Latvia, LV-1004
Major shareholders	JSC Skillion Ventures (100%) Dzirnavu 60A-32 Riga, Latvia, LV-1050
Board Members	Jekabs Endzins, Chairman of the Board from 25/09/2012, Member of the Board from 07/09/2012 to 25/09/2012 Marcis Grinis, Member of the Board from 25/09/2012 Edgars Bilinskis, Member of the Board from 03/05/2012 to 07/09/2012
Council Members	Agris Evertovskis, appointed on 03/05/2012 Didzis Admidins, appointed on 03/05/2012 Agris Amolins, appointed on 03/05/2012
Subsidiary	mogo LT Ltd (100%), established 31/12/2012 Gostauto 40B, Vilnius, LT-03163 Lithuania
Financial period	3 May – 31 December 2012
Auditors	Martins Valters Latvian Certified Auditor Certificate No. 185 SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV – 1010 Licence No. 17

Management report

May 29, 2013

JSC mogo is a market leading car title loan and finance lease solutions company providing fast and convenient services to consumers and legal entities in Latvia. The Company offers car title loans and finance leases up to EUR 14 228 (with individual exceptions), which is equivalent to LVL 10 000 and with maturities ranging up to five years. Financing is offered both online through the Company's branded website and onsite at customer service center. Both private and corporate customers are serviced, typically of young to middle age with average income level.

Compared to regular leasing companies JSC mogo's main activity is a car title lending. The Company operates in a segment of the market that is typically under-served by larger financial institutions with average value of loan EUR 1 850 and the age of vehicle being anywhere from almost brand new up to twenty years old. The amount of loan that customers can borrow is based on the value of their vehicle in possession. Typically the amount of loan varies from 65 percent to 80 percent with maximum up to 90 percent of the vehicles value. At the end of 2012 the Company established a subsidiary in Lithuania and in the beginning of 2013 a subsidiary in Estonia. Operations in Lithuania were launched in May 2013, afterwards the operations in Estonia will commence in August 2013.

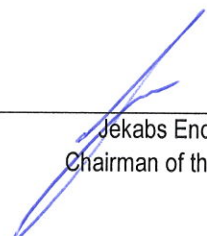
For the first eight month operating period ending on 31 December 2012 the Company experienced a rapid growth. It issued more than 1000 loans for a total value of EUR 1.8 million. Net loss of EUR 185 934 was recorded for the period due to capital investments and will be covered by the profit earned in the upcoming years. The Company has secured additional EUR 10 million long term credit facility in 2013 to support its business operations across the Baltics.

As in 2012, also in 2013 the Company will continue to put special attention on increasing the number of signed partnership agreements with car dealers throughout Latvia. These dealerships are constantly generating the customer flow for the car title loan and finance lease offering. Moreover, in order to increase its service variety JSC mogo in 2013 has started to offer financing of liquid petroleum gas system installations on Customer vehicles currently running on petrol.

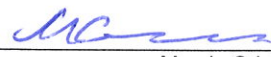
In 2013 the Company is planning to open branch offices in the largest cities of Latvia. Also in order to expand its variety of services and business the Company plans to open used car store, where customers will be able to receive a car title loan of up to 90% of cars value with reduced interest rate and place the car for a sale. Additionally, the used car store will relieve the process of expropriated car sale. In our opinion these kinds of strategic decisions and process improvements will benefit the Company as a whole, specifically in new client attraction, day-to-day operations, and in growth of the loan portfolio.

In December of 2012 the Company increased its marketing costs, which resulted in rapid increase of customers and higher brand recognition. The Company plans that also in 2013 the monthly marketing costs will remain similar to December of 2012; moreover, the Company plans to be the general sponsor of various mass events in the Baltics (as example motorsport, concerts, festivals, etc), thereby strengthening the credibility of the Company.

The Company's aim for the next year is to become the market leader in car title loan and finance lease segment in the Baltics with a loan portfolio of more than EUR 10 million.



Jekabs Endzins
Chairman of the Board



Marcis Grinis
Member of the Board

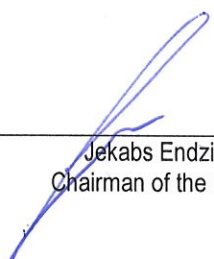
The annual report was approved by the Board on 29 May, 2013.

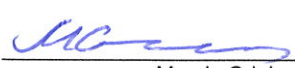
Statement of Comprehensive Income for the period ended 31 December 2012

	Notes	03.05.2012 - 31.12.2012 EUR
Interest and similar income	4	139 984
Interest expense		(29 423)
Impairment	14	(50 417)
Selling expense	5	(129 027)
Administrative expense	6	(132 654)
Other operating income	7	2 952
Other operating expense	8	(3 712)
Other interest receivable and similar income		871
Interest payable and similar expense	9	(15 814)
Loss before Income Tax		(217 240)
Corporate Income tax	10	-
Deferred Income tax	10	31 306
Net loss for the period		(185 934)
Other comprehensive income		-
Total comprehensive loss for the period		(185 934)

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

Signed on behalf of the Company on 29 May, 2013 by:


 Jekabs Endzins
 Chairman of the Board


 Marcis Grinis
 Member of the Board

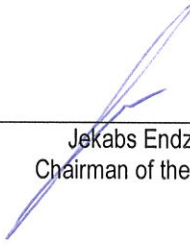
Statement of Financial Position

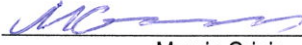
As at 31 December 2012

	Notes	31.12.2012 EUR
NON-CURRENT ASSETS		
Intangible Assets	12	49 557
Equipment	13	18 310
Investments in Subsidiaries	15	3 048
Deferred Tax Asset	10	31 306
Non-current Net Finance Lease Receivables	14	1 110 184
TOTAL NON-CURRENT ASSETS		1 212 405
CURRENT ASSETS		
Current Net Finance Lease Receivables	14	570 751
Other Receivables	16	7 316
Deferred Expense		4 585
Cash and Cash Equivalents	17	45 418
TOTAL CURRENT ASSETS		628 070
TOTAL ASSETS		1 840 475
EQUITY AND LIABILITIES		
EQUITY		
Issued Share Capital	18	426 862
Accumulated Loss		(185 934)
TOTAL EQUITY		240 928
LIABILITIES		
Non-current liabilities		
Borrowings	19	1 217 941
TOTAL NON-CURRENT LIABILITIES		1 217 941
Current liabilities		
Borrowings	19	301 378
Trade Payables	20	50 021
Current Tax Liabilities	21	8 264
Deferred Revenue	22	3 682
Other Liabilities	23	18 261
TOTAL CURRENT LIABILITIES		381 606
TOTAL EQUITY AND LIABILITIES		1 840 475

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

Signed on behalf of the Company on 29 May, 2013 by:


Jekabs Endziņš
Chairman of the Board

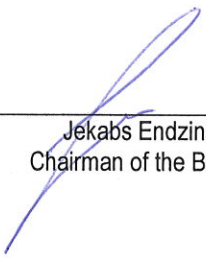

Marcis Grinis
Member of the Board

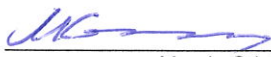
Statement of Cash Flows

	Notes	03.05.2012- 31.12.2012 EUR
Cash flows to/ from operating activities		
Loss before tax		(217 240)
Adjustments for:		
Amortisation and depreciation		34 077
Vacation pay reserve		3 973
Interest income		(871)
Interest expense		29 423
Operating profit or loss before working capital changes		(150 639)
Increase in receivables		(1 691 967)
Increase in payables		73 875
Cash generated from operations		(1 768 731)
Corporate Income tax paid		-
Net cash flows to/ from operating activities		(1 768 731)
Cash flows to/ from investing activities		
Purchase of property, plant and equipment and intangible assets		(101 943)
Investments in subsidiaries		(3 048)
Loans issued		(597 592)
Loan repayments received		597 592
Net cash flows to/ from investing activities		(104 991)
Cash flows to/ from financing activities		
Proceeds from issue of share capital		426 862
Proceeds from borrowings		1 625 086
Repayment of borrowings		(129 045)
Interest paid		(3 763)
Net cash flows to/ from financing activities		1 919 140
Change in cash		45 418
Cash at the beginning of the period		-
Cash at the end of the period	17	45 418

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

Signed on behalf of the Company on 29 May, 2013 by:


Jekabs Endzins
Chairman of the Board

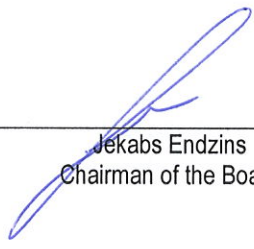

Marcis Grinis
Member of the Board

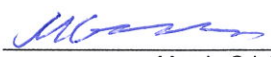
Statement of Changes in Equity

	Share capital EUR	Accumulated loss EUR	Total EUR
Balance as at 3 May 2012	-	-	-
Issue of share capital	426 862	-	426 862
Loss for the reporting period	-	(185 934)	(185 934)
Balance as at 31 December 2012	426 862	(185 934)	240 928

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

Signed on behalf of the Company on 29 May, 2013 by:



Jekabs Endzins
Chairman of the Board

Marcis Grinis
Member of the Board

Notes to the Financial Statements

1. Corporate information

JSC mogo (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 3 May 2012. The registered office of the Company is at Bauskas iela 58A-8, LV-1004, Riga, Latvia. The parent company of the Company is JSC Skillion Ventures.

The core business activity of the Company comprises of providing finance lease and sale and leaseback services.

The financial statements of the Company for the period ended 31 December 2012 were approved by a resolution of the Company's Board on 29 May, 2013.

2. Significant accounting judgements, estimates and assumptions

The Company's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Impairment allowance

a) Assets carried at amortised cost

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

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- (a) adverse changes in the payment status of borrowers in the portfolio of financial assets, i.e. financial assets whose interest and principal payments are past due;
- (b) termination of agreement due to a breach of contract by the borrower, such as a default or delinquency in interest, principal and/or penalty payments.

The Company assesses whether objective evidence of impairment exists collectively for a group of financial assets with similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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 discounted at the financial asset's original effective interest rate. The present value of estimated future cash flows approximates their nominal value because of the short term recovery period. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, levels of arrears, collateral recoverability, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a receivable is uncollectible, it is written off against the related allowance for receivable impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2. Significant accounting judgements, estimates and assumptions (cont'd)

Impairment allowance (cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the accounts receivable aging), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

b) Renegotiated financial assets

Financial assets that are subject to collective impairment assessment and whose terms have been renegotiated are no longer considered to be past due but are treated as new assets. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The going concern is disclosed in more detail in Note 28.

Deferred tax assets

Deferred tax asset is recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits. Tax losses can be used indefinitely.

3. Summary of significant accounting policies

Basis of preparation

The financial statements of JSC mogo have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements are prepared on a historical cost basis. The Company's functional currency is Latvian lat (LVL), however, these financial statements have been presented in euro (EUR). Euro has been applied as presentation currency in these financial statements since this is the reporting currency for the Company and its subsidiaries. All assets and liabilities are translated into presentation currency at official exchange rate established by the Bank of Latvia, which during the period has been fixed at 0.702804 lats per 1 euro. The financial statements cover the period of 3 May 2012 through 31 December 2012.

Intangible assets

Intangible non-current assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognised where the carrying value of intangible non-current assets exceeds their recoverable amount.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Licence	- over 1 year
Other intangible assets	- over 2 years

3. Summary of significant accounting policies (cont'd)

Equipment

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

PCs	- over 3 years
Furniture	- over 5 years
Vehicles	- over 5 years
Other equipment	- over 2 years

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. 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. Impairment losses are recognised in the income statement in the impairment caption.

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.

Investments in subsidiaries

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. A sale and leaseback transaction involves the purchase of an asset by the Company and the leaseback of the same asset to the same customer.

Situations that would normally lead to a lease being classified as a finance lease and for a sale and leaseback transaction that results in a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made

Finance lease receivables are recognized at present value of minimum lease payments receivable at the balance sheet date. Difference between gross and net finance lease receivables is unearned finance income and impairment allowance.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Impairment allowance

The amount of allowance is determined by a loss of value in finance lease receivables.

The allowance is made for homogeneous small positions, which are based on a portfolio basis, at a time when the probability of collecting amounts owed to the Company is doubtful.

3. Summary of significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Vacation pay reserve

Vacation pay reserve is calculated by multiplying the average daily salary of an employee for the last six months with the number of unused vacation days as at the end of the financial reporting period.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement as interest income/ expense when the liabilities are derecognised through the amortisation process.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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.

Income

Income for the Company is comprised of finance lease interest income, penalties earned and agreement amendment fees.

Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Interest income is recognized based on an accrual basis. Income from penalties is recognized at time of receipt.

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, the treatment of temporary provisions and accruals, as well as tax losses carried forward.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the statement of financial position 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. Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures

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

During the reporting period the Company has adopted the following IFRS amendments:

- amendment to IFRS 7 *Financial Instruments* - Enhanced Derecognition Disclosure Requirements,
- amendment to IAS 12 *Income tax: Deferred tax* - Recovery of Underlying Assets.

The amendments did not impact the financial statements of the Company, because this is the first reporting period of the Company.

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 authorisation of these financial statements for issue, but which are not yet effective:

Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (effective for financial years beginning on or after 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The Company has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 27 *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The Company has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2013)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Company, as there are no such investments.

Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company has not yet evaluated the impact of the implementation of this amendment.

Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2013)

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Company has not yet evaluated the impact of the implementation of this amendment.

3. Summary of significant accounting policies (cont'd)

IFRS 9 *Financial Instruments – Classification and Measurement* (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 13 *Fair Value Measurement* (effective for financial years beginning on or after 1 January 2013)

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The Company has not yet evaluated the impact of the implementation of this standard.

Amendment to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 January 2013)

There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The implementation of this amendment will not have any impact on the financial statements of the Company, as there are no employee benefits.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The implementation of this amendment will not have any impact on the financial statements of the Company, as there are no such joint arrangements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Company, as it is not an investment entity.

IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for financial years beginning on or after 1 January 2013)

This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Interpretation will have no impact on the Company's financial statements, as the Company is not involved in mining activity.

3. Summary of significant accounting policies (cont'd)

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

In May 2012 IASB issued omnibus of necessary, but non-urgent amendments to its five standards:

- IFRS 1 *First-time adoption of IFRS*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 32 *Financial instruments: Presentation*;
- IAS 34 *Interim Financial Reporting*.

The adoption of these amendments may result in changes to accounting policies. The Company has not yet evaluated the impact of the implementation of these amendments on the financial position or performance of the Company.

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

4. Interest and similar income

	03.05.2012 – 31.12.2012 EUR
Interest income	136 805
Penalties earned	3 179
TOTAL:	139 984

5. Selling expense

Marketing expenses	126 617
Other selling expenses	2 410
TOTAL:	129 027

6. Administrative expense

Salary expense	45 229
Amortization and depreciation	34 076
Professional services*	22 698
Office expense	9 967
Social insurance payments	9 939
IT expense	3 718
Communication expense	2 139
Postage and courier expense	1 591
Personel related expense	593
Bank commissions	539
Transportation expense	35
Other expense	2 130
TOTAL:	132 654

* The total fee paid to the commercial company of certified auditors SIA Ernst & Young Baltic for the following:

	03.05.2012 – 31.12.2012 EUR
Annual audit / review	7 259
TOTAL:	7 259

7. Other operating income

Debt collection expense reimbursement	2 397
Other income	555
TOTAL:	2 952

8. Other operating expense

	03.05.2012 – 31.12.2012 EUR
Debt collection expense	3 477
Other expense	235
TOTAL:	3 712

9. Interest payable and similar expense

Currency exchange loss	15 814
TOTAL:	15 814

10. Corporate Income Tax

Current Corporate Income tax charge for the reporting period	-
Deferred Corporate Income tax due to temporary differences	(31 306)
Corporate Income tax charged to the statement of comprehensive income:	(31 306)

	03.05.2012- 31.12.2012 EUR
Deferred Corporate Income tax	
Accelerated tax depreciation	(1 010)
Vacation pay reserve	596
Impairment allowance	7 563
Tax loss carried forward	24 068
Other	89
Recognized deferred tax asset:	31 306

Actual Corporate Income tax charge for the reporting year, if compared with theoretical calculations:

	03.05.2012- 31.12.2012 EUR
Loss before tax	(217 240)
Tax at the applicable tax rate of 15%	(32 586)
Tax effect of permanent differences	1 280
Actual Corporate Income tax for the reporting period:	(31 306)

11. Staff costs and number of employees

	03.05.2012 – 31.12.2012 EUR
Salaries	45 229
Statutory social insurance contributions	9 939
TOTAL:	55 168

Key management personnel compensation

Board Members	
Salaries	11 500
Statutory social insurance contributions	2 770
TOTAL:	14 270

The council members did not receive any remuneration during the reporting period.

Average number of employees during the reporting period	10
TOTAL:	10

The total staff costs are included in the following statement of comprehensive income captions:

Administrative expense	55 168
TOTAL:	55 168

12. Intangible Assets

	Licence EUR	Other intangible assets EUR	TOTAL EUR
Period ended 31 December 2012			
Carrying amount as at 3 May 2012	-	-	-
Additions	71 144	11 710	82 854
Amortization charge	(32 321)	(976)	(33 297)
Carrying amount as at 31 December 2012	38 823	10 734	49 557

Amortization

The total amortization costs are included in the following statement of comprehensive income captions:

	03.05.2012- 31.12.2012 EUR
Administrative expense	33 297
TOTAL:	33 297

13. Equipment

	Equipment EUR
Period ended 31 December 2012	
Carrying amount as at 3 May 2012	-
Additions	19 089
Depreciation charge	(779)
Carrying amount as at 31 December 2012	18 310

Depreciation

The total depreciation costs are included in the following statement of comprehensive income captions:

	03.05.2012- 31.12.2012 EUR
Administrative expense	779
TOTAL:	779

14. Finance Lease Receivables

	Minimum lease payments 31.12.2012	Present value of minimum lease payments 31.12.2012
	EUR	EUR
Finance lease receivables		
Up to one year	1 282 419	570 751
Years 2 through 5 combined	2 099 382	1 160 601
TOTAL:	3 381 801	1 731 352

	31.12.2012 EUR
Unearned finance income	
Up to one year	711 668
Years 2 through 5 combined	938 781
TOTAL:	1 650 449

Finance lease receivables	
Non-current finance lease receivables	1 160 601
Current finance lease receivables	570 751
TOTAL:	1 731 352

	03.05.2012 EUR	change	31.12.2012 EUR
Movement in impairment allowance			
Impairment allowance	-	50 417	50 417
TOTAL:	-	50 417	50 417

Finance lease receivables and trade receivables are stated net of impairment allowance.

	Non-current EUR 31.12.2012	Current EUR 31.12.2012
Finance lease receivables, net		
Finance lease receivables	1 160 601	570 751
Impairment allowance*	(50 417)	-
TOTAL:	1 110 184	570 751

*Impairment allowance is attributed only to non-current part, although it applies to both non-current and current.

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at EUR 2 613 305.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 63% per annum.

All leases are denominated in Latvian Lats. The average term of finance lease entered into is 33 months.

14. Finance Lease Receivables (cont'd)

Ageing of impaired finance lease receivables:

	31.12.2012 EUR
1-32 days	217 026
33+ days	55 475
TOTAL:	272 501

15. Investments in Related Companies

Company	% of equity interest	Initial investment EUR	Write-off of the investment value	31.12.2012 EUR
mogo LT Ltd., Gostauto 40B, Vilnius, Lithuania	100	3 048	(-)	3 048
TOTAL:		3 048	(-)	3 048

On 31 December 2012, the Company established a subsidiary UAB "mogo LT". The established subsidiary did not perform any business operations in 2012.

16. Other Receivables

	31.12.2012 EUR
Advances for goods and services	2 793
Receivable from related party**	871
Value Added Tax receivable (see Note 21)	700
Advances to employees	75
Other receivables	2 877
TOTAL:	7 316

** Interest receivable from JSC Skillion Ventures for a loan given on 21 August 2012 in amount of EUR 220 545 with interest rate of 15% per annum. Loan was fully repaid on 4 October 2012.

17. Cash and Cash Equivalents

	31.12.2012 EUR
Cash at bank	45 418
TOTAL:	45 418

18. The Share Capital

The share capital of the Company is EUR 426 862 and it consists of 300 000 shares. The par value of each share is EUR 1.422871 (equivalent to LVL 1). All shares are fully paid.

19. Borrowings

Non-current:	Amount in original currency	Interest rate per annum (%)	Maturity	31.12.2012 EUR
Loans from related parties	EUR 1 217 941	15	01.10.2014	1 217 941
TOTAL non-current borrowings:				1 217 941
Current:	Amount in original currency	Interest rate per annum (%)	Maturity	31.12.2012 EUR
Loan from related party	LVL 25 000	15	13.12.2013	35 572
Loan from related party	LVL 51 930	15	15.01.2013	73 889
Loan from non-related party	EUR 137 800	15	19.12.2013	137 800
Loan from non-related party	LVL 20 000	15	13.12.2013	28 457
Interest accrued on borrowings from related parties	EUR 25 020	-	-	25 020
Interest accrued on borrowings from non-related parties	EUR 535	-	-	535
Interest accrued on borrowings from non-related parties	LVL 74	-	-	105
TOTAL current borrowings:				301 378

Borrowings from related parties for LVL 25 000 and LVL 51 930 with maturity dates of 13 December 2013 and 15 January 2013 were fully repaid on 3 January 2013.

Borrowings from related parties are secured by all Company's assets. The total amount of available credit facility from related parties at 31 December 2012 is EUR 3 000 000.

20. Trade and Other Payables

	31.12.2012 EUR
Trade payables	50 021
TOTAL:	50 021

21. Current Tax Liabilities

	03.05.2012 EUR	Calculated EUR	Penalties EUR	Paid/ refunded EUR	31.12.2012 EUR
Statutory social insurance contributions	-	14 476	1	9 517	4 960
Personal income tax	-	8 452	30	5 550	2 932
Corporate income tax	-	364	3	-	367
Corporate risk fee	-	23	-	18	5
Value added tax	-	(700)	-	-	(700)
TOTAL:	-	22 615	34	15 085	7 564
TOTAL PAYABLE:	-				8 264
TOTAL RECEIVABLE:	-				(700)

22. Deferred Revenue

Deferred revenue is comprised of finance lease payments received in advance and later recognized as interest income.

	31.12.2012 EUR
Up to one year	3 682
TOTAL:	3 682

23. Other Liabilities

Vacation pay reserve	3 973
Accounts payable to related party*	2 379
Accounts payable to employees	81
Other	11 828
TOTAL:	18 261

*Amount owed to JSC Skillion Ventures for office rent payment.

24. Related party disclosures

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

The Company is controlled by JSC Skillion Ventures (incorporated in Latvia), which owns 100% of the Company's shares.

Related party		Sales to related parties, EUR	Purchases from related parties, EUR	Amounts owed by related parties, EUR	Amounts owed to related parties, EUR
Entities with significant influence over the Company:					
Parent companies	2012	-	10 188	871	1 244 720
Other related companies	2012	-	2 969	-	110 081
TOTAL:		-	13 157	871	1 354 801

Terms and conditions of transactions with related parties

Borrowings from parent companies as at year-end are secured with all Company assets.

During the financial period the Company issued a loan to a related company for a total amount of EUR 377 047 with 0% annual interest rate. The loan was fully repaid on 30 August 2012.

25. Commitments and contingencies

Capital commitments at 31 December 2012 amount to EUR 14 371, which are for signed finance lease agreements where money has not yet been transferred.

26. Financial risk management

The Company's principal financial instruments comprise borrowings from related and non-related parties, finance lease receivables, and cash. The main purpose of these financial instruments is to ensure financing for the Company's operations. The Company has other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

Financial risks

The main financial risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents and current and non-current borrowings. The Company is mainly exposed to foreign currency risk of euro.

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Latvian lat against euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Company's profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

Interest rate risk

The Company is not exposed to interest rate risk because its current and non-current borrowings and finance lease receivables are at a fixed rate. The average interest rate payable on the Company's borrowings is disclosed in Note 19 and the average interest rate receivable from finance lease receivables is disclosed in Note 14.

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with related and non-related parties.

The table below presents the cash flows payable by the Company and to the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow. Cash flow payable for borrowings includes estimated interest payments assuming principal is paid in full at maturity date.

	Carrying value EUR	Contractual cash flows, EUR			
		On demand	Up to 1 year	1-5 years	Total
As at 31 December 2012					
Assets					
Cash at bank	45 418	45 418	-	-	45 418
Finance lease receivables	1 680 935	-	1 282 419	2 099 382	3 381 801
Total undiscounted financial assets	1 726 353	45 418	1 282 419	2 099 382	3 427 219
Liabilities					
Borrowings	(1 519 319)	(-)	(513 942)	(1 356 482)	(1 870 424)
Total undiscounted financial liabilities	(1 519 319)	(-)	(513 942)	(1 356 482)	(1 870 424)
Net undiscounted financial assets/(liabilities)	207 034	45 418	768 477	742 900	1 556 795

Credit risk

The Company is exposed to credit risk through its finance lease receivables, as well as cash and cash equivalents.

The key areas of credit risk policy cover lease granting process (including solvability check of the lessee), monitoring methods, as well as decision making principles.

The Company operates by applying a clear set of finance lease granting criteria. This criteria includes assessing the credit history of customer, means of lease repayment and understanding the lease object. The Company takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Company sets the credit limit for each and every customer.

26. Financial risk management (cont'd)

Credit risk (cont'd)

When the lease agreement has been signed, the Company monitors the lease object and customer's solvability. The Company has developed lease monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised, and, where appropriate, provisions are being made.

The Company does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concern. The Company is not subject to any externally imposed capital requirements. In order to maintain or adjust the capital structure, the Company may attract new credit facilities or increase its share capital.

27. Fair value of financial assets and liabilities not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair value:

As at 31 December 2012	Carrying value, EUR	Fair value, EUR
Financial assets		
Finance lease receivables – non current	1 110 184	1 110 184
Finance lease receivables – current	570 751	570 751
Total assets	1 680 935	1 680 935
Financial liabilities		
Borrowings – non current	1 217 941	1 217 941
Borrowings – current	301 378	301 378
Total liabilities	1 519 319	1 519 319

The fair value of finance lease receivables is equal to the carrying value, which is present value of minimum lease payments discounted using effective agreement interest rate and adjusted for impairment allowance, which is attributed only to non-current part, although it applies to both non-current and current.

The fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate as Loans were obtained near to the year end and interest rate represents current market rate.

28. Going concern

The Company closed the reporting year with a loss of EUR 185 934. As at 31 December 2012, the Company's current assets exceeded its current liabilities by EUR 246 464. The Company has signed a loan agreement with the parent companies in the amount of EUR 3 000 000 bearing interest at 15% per annum and received another long term credit facility in the amount of EUR 10 000 000. The Company has also received a confirmation letter from a parent company which states that in order to ensure continuous operations of the Company if such a need will arise the loan issued will be converted into share capital. The Company's management believes that the loan facilities and confirmation letter will be sufficient to ensure adequate financing for the Company to continue operating as a going concern.

29. Events after statement of financial position date

The Company established a subsidiary OU "mogo" in Estonia on 8 January 2013. On 13 February 2013 the Company received another long term credit facility in the amount of EUR 10 000 000. Apart from events mentioned earlier there have been no other significant events after the statement of financial position date which require a disclosure in the financial statements.