

**JOINT STOCK COMPANY mogo**

(UNIFIED REGISTRATION NUMBER 50103541751)

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

(2<sup>nd</sup> financial year)

**PREPARED IN ACCORDANCE WITH**

**INTERNATIONAL FINANCIAL REPORTING STANDARDS AS  
ADOPTED IN EU**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

**Riga, 2014**



Building a better  
working world

SIA "Ernst & Young Baltic"  
Muitas iela 1A  
Rīga, LV-1010  
Latvija  
Tālr.: +371 6704 3801  
Fakss: +371 6704 3802  
riga@lv.ey.com  
www.ey.com/lv

Reģ. Nr. 40003593454  
PVN maksātāja Nr. LV40003593454

SIA Ernst & Young Baltic  
Muitas iela 1A  
Rīga, LV-1010  
Latvija  
Tel.: +371 6704 3801  
Fax: +371 6704 3802  
riga@lv.ey.com  
www.ey.com/lv

Reg. No: 40003593454  
VAT payer code: LV40003593454

## 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 7 through 28 of the accompanying 2013 Annual Report, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity, a statement of cash flow for the year then ended 31 December 2013, 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 2013, 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.

### Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2013 set out on pages 5 through 6 of the accompanying 2013 Annual Report and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

SIA Ernst & Young Baltic  
License No. 17

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

Rīga,  
11 April 2014

## **CONTENTS**

<b>General information</b>	<b>4</b>
<b>Management report</b>	<b>5</b>
<b>Statement of Comprehensive Income</b>	<b>7</b>
<b>Statement of Financial Position</b>	<b>8</b>
<b>Statement of Cash Flows</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11</b>

**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	Matrozu iela 15A, Riga, Latvia, LV-1048	
Major shareholders	AS Skillion Ventures (61.34%) Dzirnavu 60A-32 Riga, Latvia, LV-1050	
	SIA MM investiciju risinajumi (30.66%) Kuldigas 51, Riga, Latvia, LV-1046	
Board Members	Jekabs Endzins	
	Marcis Grinis	
Council Members	Agris Evertovskis	
	Didzis Admidins	
	Agris Amolins	
Financial period	1 January – 31 December 2013	
Auditors	Diana Krisjane	SIA Ernst & Young Baltic
	Latvian Certified Auditor Certificate No. 124	Muitas iela 1A, Riga Latvia, LV – 1010 Licence No. 17



## Management report

April 11, 2014

### Overview

JSC mogo (hereinafter – the Company) is a market leading sale and leaseback and finance lease solutions company providing fast and convenient services to consumers and legal entities in Latvia. The Company offers sale and leaseback and finance leases up to EUR 15 000 with maturities ranging up to five years. Financing is offered online through the Company's branded website and mobile homepage and onsite at several customer service centers.

The Company's strategy is to offer its customers accessible, convenient and affordable sales and leaseback and finance lease solutions. To reach this target the Company will continue to offer customer tailored solutions, high class service and a wide range of car dealership cooperations, where customers can get JSC mogo provided financing for their vehicle purchase.

### Mission, vision and values

#### *Mission*

The Company's mission is to offer accessible and affordable leasing services to clients who need quick and simple way of getting financing or would like to purchase a vehicle.

#### *Vision*

The Company's vision is to be the market leading, customer friendly and accessible sale and leaseback and finance lease solutions company in Latvia.

#### *Values*

- Quick assistance without unnecessary formalities.  
The Company will provide the required funding within a couple of hours.
- Open communication and adaptation.  
The core value of the Company is an open communication and an adaptive approach to each and every customer, which results in a mutually beneficial outcome in every situation;
- Long term relationship.  
The Company values and creates mutually beneficial long term relationship with all its customers; it welcomes feedback and suggestions for improvement.

### Operations and Financial Results

In fiscal 2013 total turnover grew to EUR 2.3 million and lease portfolio increased by more than 320% to EUR 7.2 million. EBITDA reached EUR 570 thousand. As fiscal 2013 was a year of investing for growth both via capital investments and marketing the Company recorded a net loss of EUR 287 thousand for the first six months of the year. The financial results in the second half improved significantly and the Company operated on breakeven closing the year with a net loss of EUR 289 thousand, which will be covered by profit in the upcoming years. Total borrowings as at December 31, 2013 were EUR 7.5 million and total available long term credit facility was EUR 15.5 million. In January 2014 the Company secured another loan and increased long term credit facility on one of the existing loan agreements by a total amount of EUR 10.1 million. Hence currently the Company has secured a long term credit facility for a total amount of EUR 25.6 million to support its business operations and further growth. Furthermore on March 17, 2014 the Company made a private bond issue for EUR 20 million in order to attract additional financing, increase recognition and build reputation. The Company's management, board and shareholders have 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.

Since the Company started to operate in 2012, its focus has been to provide quick, transparent and accessible leasing with exceptional client management service. In 2013 the rapid growth of Company's portfolio has proven that focusing on these things has been a successful approach to the Company's operations.

The Company expanded and opened three new customer service centers in areas with the highest density and economic activity - one in Riga, one in Daugavpils and another one in Liepaja. This helped the Company to be accessible to customers not only in the capital city of Riga, but also in the regions of Latvia.

In addition to servicing clients at its own customer service centers the Company works on expanding its network of car dealership cooperations across the country. Since the beginning of its operations the Company has worked extensively on signing partnership agreements with car dealerships and car sales intermediaries across Latvia. This helps to facilitate the growth of Company's financial lease offering. The number of signed financial lease agreements through dealership cooperations grows significantly every month. In July the Company opened also its own car sale lot, where another customer service center is located and clients can get financing for their desired vehicle directly from the Company.

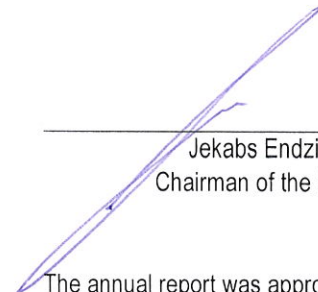
To diversify and expand its services the Company started to offer a financing solution for installation of liquefied petroleum gas equipment. As this equipment helps to save money for fuel this segment has a great potential of additional revenue in the upcoming years.

A major role in achieving the Company's success story is played by its employees. In early 2013 the Company hired and completed its management team, which till this time has done a tremendous job in Company's development and growth. In order not to lose its pace of growth the Company constantly invests in its employees by providing various learning and development opportunities. During the summer of 2013 it also offered several summer internship positions to the students of most prestigious Business Schools in Baltics. The total number of employees over the year has grown by 20 employees.

In December 2013 the Company took a significant step towards sustainable Company growth and lowered its interest rates on leasing solutions by approximately 30%, which is further facilitating even more rapid growth of the Company's portfolio.


The Company's aim for the next year is to become one of the top 3 companies in sale and leaseback and finance lease segment in Latvia.

Financial risk management is disclosed in Note 26.



---

Jekabs Endzins  
Chairman of the Board



---

Marcis Grinis  
Member of the Board

The annual report was approved by the Board on 11 April, 2014.

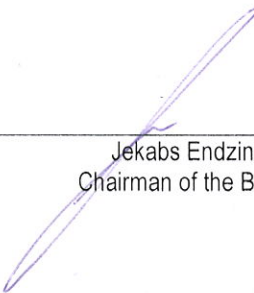
## Statement of Comprehensive Income

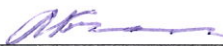
### for the year ended 31 December 2013

	Notes	2013 EUR	03.05.2012 - 31.12.2012 EUR
Interest and similar income	4	2 369 884	140 230
Interest expense		(739 063)	(29 423)
Impairment	14	(167 290)	(50 417)
Cost of goods sold		(5 265)	-
Selling expense	5	(702 978)	(129 027)
Administrative expense	6	(976 345)	(132 654)
Other operating income	7	82 161	2 706
Other operating expense	8	(89 987)	(3 712)
Other interest receivable and similar income		15 946	871
Interest payable and similar expense	9	(26 263)	(15 814)
<b>Loss before Income Tax</b>		<b>(239 200)</b>	<b>(217 240)</b>
Corporate Income tax	10	(44 153)	-
Deferred Income tax	10	(6 055)	31 306
<b>Net loss for the period</b>		<b>(289 408)</b>	<b>(185 934)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(289 408)</b>	<b>(185 934)</b>

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

Signed on behalf of the Company on 11 April, 2014 by:

  
\_\_\_\_\_  
Jekabs Endzins  
Chairman of the Board

  
\_\_\_\_\_  
Marcis Grinis  
Member of the Board



## Statement of Financial Position

As at 31 December 2013

### ASSETS

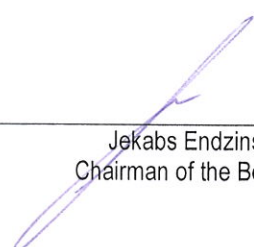
	Notes	31.12.2013 EUR	31.12.2012 EUR
<b>NON-CURRENT ASSETS</b>			
Intangible Assets	12	107 808	49 557
Property and Equipment	13	74 364	18 310
Investments in Subsidiaries	15	-	3 048
Deferred Tax Asset	10	25 251	31 306
Non-current Net Finance Lease Receivables	14	4 844 515	1 110 184
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5 051 938</b>	<b>1 212 405</b>
<b>CURRENT ASSETS</b>			
Current Net Finance Lease Receivables	14	2 342 855	570 751
Other Receivables	16	23 598	7 316
Prepaid Expense		19 923	4 585
Cash and Cash Equivalents	17	306 097	45 418
<b>TOTAL CURRENT ASSETS</b>		<b>2 692 473</b>	<b>628 070</b>
<b>TOTAL ASSETS</b>		<b>7 744 411</b>	<b>1 840 475</b>

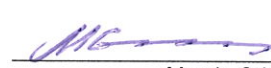
### EQUITY AND LIABILITIES

<b>EQUITY</b>			
Issued Share Capital	18	426 862	426 862
Accumulated Loss		(475 342)	(185 934)
<b>TOTAL EQUITY</b>		<b>(48 480)</b>	<b>240 928</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	5 657 390	1 217 941
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5 657 390</b>	<b>1 217 941</b>
<b>Current liabilities</b>			
Borrowings	19	1 854 427	301 378
Trade Payables	20	62 235	50 021
Current Tax Liabilities	21	85 300	8 264
Deferred Revenue	22	48 846	3 682
Other Liabilities	23	84 693	18 261
<b>TOTAL CURRENT LIABILITIES</b>		<b>2 135 501</b>	<b>381 606</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 744 411</b>	<b>1 840 475</b>

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

Signed on behalf of the Company on 11 April, 2014 by:

  
Jekabs Endzins  
Chairman of the Board

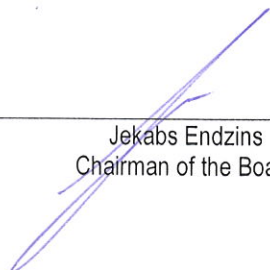
  
Marcis Grinis  
Member of the Board


## Statement of Cash Flows

	Notes	2013 EUR	03.05.2012- 31.12.2012 EUR
<b>Cash flows to/ from operating activities</b>			
Loss before tax		(239 200)	(217 240)
Adjustments for:			
Amortisation and depreciation		70 934	34 077
Vacation pay reserve		30 634	3 973
Interest income		(15 946)	(871)
Interest expense		739 063	29 423
<b>Operating profit or loss before working capital changes</b>		<b>585 485</b>	<b>(150 639)</b>
Increase in receivables		(5 538 013)	(1 691 967)
Increase in payables		126 409	73 875
<b>Cash generated from operations</b>		<b>(4 826 119)</b>	<b>(1 768 731)</b>
Corporate Income tax paid		(390)	-
<b>Net cash flows to/ from operating activities</b>		<b>(4 826 509)</b>	<b>(1 768 731)</b>
<b>Cash flows to/ from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(185 240)	(101 943)
Investments in subsidiaries		(2 500)	(3 048)
Increase of subsidiaries' share capital		(100 084)	-
Disposal of subsidiaries		302 717	-
Loans issued		(603 354)	(597 592)
Loan repayments received		406 268	597 592
Interest received		15 946	-
<b>Net cash flows to/ from investing activities</b>		<b>(166 247)</b>	<b>(104 991)</b>
<b>Cash flows to/ from financing activities</b>			
Proceeds from issue of share capital		-	426 862
Proceeds from borrowings		8 204 067	1 625 086
Repayment of borrowings		(2 232 869)	(129 045)
Interest paid		(717 763)	(3 763)
<b>Net cash flows to/ from financing activities</b>		<b>5 253 435</b>	<b>1 919 140</b>
Change in cash		260 679	45 418
Cash at the beginning of the period		45 418	-
<b>Cash at the end of the period</b>	17	<b>306 097</b>	<b>45 418</b>

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

Signed on behalf of the Company on 11 April, 2014 by:

  
Jekabs Endzins  
Chairman of the Board

  
Marcis Grinis  
Member of the Board

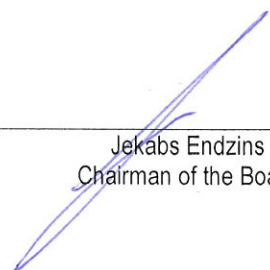


### Statement of Changes in Equity

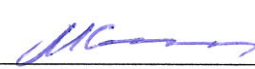
	Share capital EUR	Accumulated loss EUR	Total EUR
Balance as at 3 May 2012	-	-	-
Issue of share capital	426 862	-	426 862
Loss for the reporting period	-	(185 934)	(185 934)
Balance as at 31 December 2012	426 862	(185 934)	240 928
Loss for the reporting year	-	(289 408)	(289 408)
Balance as at 31 December 2013	426 862	(475 342)	(48 480)

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

Signed on behalf of the Company on 11 April, 2014 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 Matrozu iela 15A, LV-1048, Riga, Latvia. The majority shareholders of the Company are AS Skillion Ventures owning 61.34% of the equity and SIA MM investiciju risinājumi owning 30.66% of the equity.

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 year ended 31 December 2013 were approved by a resolution of the Company's Board on 11 April, 2014.

### 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.

Commission income for year ended 31 December 2013 for a total amount of EUR 27 064 has been included in Interest and similar income. Corresponding amount for previous reporting period from 3 May 2012 to 31 December 2012 has been reclassified accordingly from Other operating income to Interest and similar income for a total amount of EUR 246.

#### **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 Statement of Comprehensive Income.

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.



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

### *Impairment allowance (cont'd)*

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.

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 Statement of Comprehensive Income.

### 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. The Company has secured a long term credit facility for a total amount of EUR 25.6 million to support its business operations and further growth. Also the reduced annual effective interest rates as of December, 2013 have significantly increased the issued loan volume, which increases Company's monthly income and profit. 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 1 January 2013 through 31 December 2013.

### *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.

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

#### **Intangible assets (cont'd)**

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 2,3 and 5 years

#### **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
Leasehold improvements	- over 4 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 leasing back 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



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

#### ***Finance lease (cont'd)***

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.

#### ***Inventories***

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### ***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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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, commission income and income from the sale of purchased vehicles.



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

#### **Income (cont'd)**

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 end of the reporting period (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

#### **Changes in accounting policy and disclosures**

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

During the year the Company has adopted the following IFRS amendments:

- Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI). This amendment changes 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. Since the Company has no OCI items, there is no change to its presentation.
- Amendments to IAS 19 *Employee Benefits*. These amendments 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. This amendment did not impact the financial statements of the Company, because the Company does not have benefit obligations.
- Amendment to IFRS 7 *Financial Instruments: Disclosures* - *Offsetting Financial Assets and Financial Liabilities*. 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. This amendment did not impact the financial statements of the Company, because the Company does not have netting arrangements.
- IFRS 13 *Fair Value Measurement*. 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 implementation of this standard did not have an impact on the amounts recognised in these financial statements. See Note 27 for more details.
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This interpretation had no impact on the Company's financial statements, as the Company is not involved in mining activity.

#### **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:

#### **Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)**

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Company.



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

#### *Changes in accounting policy and disclosures (cont'd)*

##### **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 implementation of this amendment will not have any impact on the financial statements of the Company.

##### **Amendment to IAS 28 *Investments in Associates and Joint Ventures*** (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 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.

##### **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 implementation of this amendment will not have any impact on the financial statements of the Company.

##### **Amendment to IAS 36 *Impairment of Assets*** (effective for financial years beginning on or after 1 January 2014)

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Company, however may result in additional disclosures.

##### **Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*** (effective for financial years beginning on or after 1 January 2014)

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment will not have any impact on the financial position or performance of the Company, since it does not apply hedge accounting.

##### **IFRS 9 *Financial Instruments*** (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 three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The implementation of this standard will not have any impact on the Company.

##### **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 implementation of this standard will not have any impact on the Company.

##### **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 standard will not have any impact on the Company.

##### **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 implementation of this standard will not have any impact on the Company.

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

#### *Changes in accounting policy and disclosures (cont'd)*

**IFRS 14 Regulatory Deferral Accounts** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the Company.

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

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.

#### **Improvements to IFRSs**

Effective for financial years beginning on or after 1 January 2013:

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*.

Effective for financial years beginning on or after 1 July 2014, once endorsed by the EU:

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:

- IFRS 1 *First-time adoption of IFRS*;
- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*;
- IAS 40 *Investment property*.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

**IFRIC Interpretation 21 Levies** (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The implementation of this standard will not have any impact on the Company.

The Company is in the process of assessing the impact of these standards 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

	2013 EUR	03.05.2012 – 31.12.2012 EUR
Interest income	2 201 612	136 805
Penalties earned	135 709	3 179
Commission income	27 064	246
Other income	5 499	-
<b>TOTAL:</b>	<b>2 369 884</b>	<b>140 230</b>

#### 5. Selling expense

Marketing expenses	620 944	126 617
Sales commissions	61 428	-
Other selling expenses	20 606	2 410
<b>TOTAL:</b>	<b>702 978</b>	<b>129 027</b>

#### 6. Administrative expense

Salary expense	510 558	45 229
Social insurance payments	115 473	9 939
Office expense	108 049	9 967
Amortization and depreciation	70 934	34 076
IT expense	35 509	3 718
Professional services*	29 300	22 698
Postage and courier expense	16 202	1 591
Credit history databases	12 914	105
Personnel related expense	12 733	593
Communication expense	11 992	2 139
Transportation expense	5 254	35
Low value assets	3 784	387
Bank commissions	2 743	539
Other expense	40 900	1 638
<b>TOTAL:</b>	<b>976 345</b>	<b>132 654</b>

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

	2013 EUR	03.05.2012 – 31.12.2012 EUR
Annual and mid year audit / review	15 461	7 259
<b>TOTAL:</b>	<b>15 461</b>	<b>7 259</b>

## 7. Other operating income

	2013 EUR	03.05.2012 – 31.12.2012 EUR
Debt collection expense reimbursement	64 580	2 397
Other income	17 581	309
<b>TOTAL:</b>	<b>82 161</b>	<b>2 706</b>

## 8. Other operating expense

Debt collection expense	84 462	3 477
Other expense	5 525	235
<b>TOTAL:</b>	<b>89 987</b>	<b>3 712</b>

## 9. Interest payable and similar expense

Currency exchange loss	26 263	15 814
<b>TOTAL:</b>	<b>26 263</b>	<b>15 814</b>

## 10. Corporate Income Tax

Current Corporate Income tax charge for the reporting period	44 153	-
Deferred Corporate Income tax due to temporary differences	6 055	(31 306)
<b>Corporate Income tax charged to the statement of comprehensive income:</b>	<b>50 208</b>	<b>(31 306)</b>

	Statement of Financial Position		Statement of Comprehensive Income	
	31.12.2013 EUR	31.12.2012 EUR	2013 EUR	03.05.2012 – 31.12.2012 EUR
<b>Deferred Corporate Income tax liabilities</b>				
Accelerated tax depreciation	14 171	1 010	13 161	1 010
<b>Gross Deferred Corporate Income tax liabilities</b>	<b>14 171</b>	<b>1 010</b>	<b>13 161</b>	<b>1 010</b>
<b>Deferred Corporate Income tax asset</b>				
Tax loss carried forward	-	24 068	(24 068)	24 068
Vacation pay reserve	5 191	596	4 595	596
Impairment allowance	32 656	7 563	25 093	7 563
Other	1 575	89	1 486	89
<b>Gross Deferred Corporate Income tax asset</b>	<b>39 422</b>	<b>32 316</b>	<b>8 116</b>	<b>32 316</b>
<b>Net Deferred Corporate Income tax asset</b>	<b>25 251</b>	<b>31 306</b>	<b>(6 055)</b>	<b>31 306</b>



## 10. Corporate Income Tax (cont'd)

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

	2013 EUR	03.05.2012- 31.12.2012 EUR
Loss before tax	(239 200)	(217 240)
Tax at the applicable tax rate of 15%	(35 880)	(32 586)
Tax effect of permanent differences		
Other	97 127	1 280
Donation relief	(11 039)	-
<b>Actual Corporate Income tax for the reporting period:</b>	<b>50 208</b>	<b>(31 306)</b>

## 11. Staff costs and number of employees

	2013 EUR	03.05.2012 – 31.12.2012 EUR
Salaries	510 558	45 229
Statutory social insurance contributions	115 473	9 939
<b>TOTAL:</b>	<b>626 031</b>	<b>55 168</b>

### Key management personnel compensation

#### Board Members

Salaries	80 999	11 500
Statutory social insurance contributions	19 513	2 770
<b>TOTAL:</b>	<b>100 512</b>	<b>14 270</b>

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

Average number of employees during the reporting period	31	10
<b>TOTAL:</b>	<b>31</b>	<b>10</b>

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

Administrative expense	626 031	55 168
<b>TOTAL:</b>	<b>626 031</b>	<b>55 168</b>

**12. Intangible Assets**

	Licence EUR	Other intangible assets EUR	Advances for intangible assets EUR	TOTAL EUR
<b>Period ended 31 December 2012</b>				
Carrying amount as at 3 May 2012	-	-	-	-
Additions	71 144	11 710	-	82 854
Amortization charge	(32 321)	(976)	-	(33 297)
<b>Carrying amount as at 31 December 2012</b>	<b>38 823</b>	<b>10 734</b>	<b>-</b>	<b>49 557</b>
<b>Year ended 31 December 2013</b>				
Carrying amount as at 1 January	38 823	10 734	-	49 557
Additions	14 229	89 400	8 951	112 580
Amortization charge	(44 752)	(9 577)	-	(54 329)
<b>Carrying amount as at 31 December</b>	<b>8 300</b>	<b>90 557</b>	<b>8 951</b>	<b>107 808</b>

**Amortization**

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

	2013 EUR	03.05.2012- 31.12.2012 EUR
Administrative expense	54 329	33 297
<b>TOTAL:</b>	<b>54 329</b>	<b>33 297</b>

**13. Property and Equipment**

	Leasehold improvements EUR	Equipment EUR	Total EUR
<b>Period ended 31 December 2012</b>			
Carrying amount as at 3 May 2012	-	-	-
Additions	-	19 089	19 089
Depreciation charge	-	(779)	(779)
<b>Carrying amount as at 31 December 2012</b>	<b>-</b>	<b>18 310</b>	<b>18 310</b>
<b>Year ended 31 December 2013</b>			
Carrying amount as at 1 January	-	18 310	18 310
Additions	6 925	65 735	72 660
Depreciation charge	(1 154)	(15 452)	(16 606)
<b>Carrying amount as at 31 December</b>	<b>5 771</b>	<b>68 593</b>	<b>74 364</b>

**Depreciation**

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

	2013 EUR	03.05.2012- 31.12.2012 EUR
Administrative expense	15 452	779
<b>TOTAL:</b>	<b>15 452</b>	<b>779</b>

#### 14. Finance Lease Receivables

	Minimum lease payments 31.12.2013	Present value of minimum lease payments 31.12.2013	Minimum lease payments 31.12.2012	Present value of minimum lease payments 31.12.2012
	EUR	EUR	EUR	EUR
<b>Finance lease receivables</b>				
Up to one year	4 952 833	2 342 855	1 282 419	570 751
Years 2 through 5 combined	8 538 198	5 062 222	2 099 382	1 160 601
<b>TOTAL:</b>	<b>13 491 031</b>	<b>7 405 077</b>	<b>3 381 801</b>	<b>1 731 352</b>

	31.12.2013 EUR	31.12.2012 EUR
<b>Unearned finance income</b>		
Up to one year	2 609 978	711 668
Years 2 through 5 combined	3 475 976	938 781
<b>TOTAL:</b>	<b>6 085 954</b>	<b>1 650 449</b>

<b>Finance lease receivables</b>		
Non-current finance lease receivables	5 062 222	1 160 601
Current finance lease receivables	2 342 855	570 751
<b>TOTAL:</b>	<b>7 405 077</b>	<b>1 731 352</b>

	Impairment allowance EUR
<b>Movement in impairment allowance</b>	
At 3 May 2012	-
Charge for the period	50 417
<b>At 31 December 2012</b>	<b>50 417</b>

At 1 January 2013	50 417
Charge for the year	167 290
<b>At 31 December 2013</b>	<b>217 707</b>

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

	Non-current EUR 31.12.2013	Current EUR 31.12.2013	Non-current EUR 31.12.2012	Current EUR 31.12.2012
<b>Finance lease receivables, net</b>				
Finance lease receivables	5 062 222	2 342 855	1 160 601	570 751
Impairment allowance*	(217 707)	-	(50 417)	-
<b>TOTAL:</b>	<b>4 844 515</b>	<b>2 342 855</b>	<b>1 110 184</b>	<b>570 751</b>

\*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 year are estimated at EUR 9 983 186.



#### 14. Finance Lease Receivables (cont'd)

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 58.08% per annum.

All leases are denominated in Latvian Lats. The average term of finance lease entered into is 36 months.

Ageing of impaired finance lease receivables:

	31.12.2013 EUR	31.12.2012 EUR
3-32 days	654 383	181 608
33+ days	590 338	55 475
<b>TOTAL:</b>	<b>1 244 721</b>	<b>237 083</b>

#### 15. Investments in Subsidiaries

	EUR
<b>At 31 December 2012</b>	<b>3 048</b>
Investment in subsidiaries	2 500
Increase of share capital	297 169
Disposal	(302 717)
<b>At 31 December 2013</b>	<b>-</b>

The Company owned 100% of equity interest in two subsidiaries, UAB mogo LT operating in Lithuania and OU mogo operating in Estonia. Both companies were providing finance lease and sale and leaseback services in their respective countries. On 23 December and 27 December 2013 both companies were sold to a related party for a nominal value of their share capital.

#### 16. Other Receivables

	31.12.2013 EUR	31.12.2012 EUR
Advances for goods and services	4 552	2 793
Receivable from related party (see Note 24)	4 008	871
Advances to employees	576	75
Value Added Tax receivable (see Note 21)	-	700
Other receivables	14 462	2 877
<b>TOTAL:</b>	<b>23 598</b>	<b>7 316</b>

#### 17. Cash and Cash Equivalents

Cash at bank	306 097	45 418
<b>TOTAL:</b>	<b>306 097</b>	<b>45 418</b>

#### 18. The Share Capital

The share capital of the Company as at 31 December 2013 is EUR 426 862 (31.12.2012: 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

### Borrowings as at 31.12.2013

<b>Non-current:</b>	<i>Amount in original currency</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	<b>31.12.2013 EUR</b>
Loan from related party	EUR 1 406 390	15	13.02.2016	1 406 390
Loan from related party	EUR 2 066 000	15	14.04.2016	2 066 000
Loan from related party	EUR 1 685 000	15	04.07.2016	1 685 000
Loan from non-related party	EUR 500 000	14	01.07.2015	500 000
<b>TOTAL non-current borrowings:</b>				<b>5 657 390</b>

<b>Current:</b>	<i>Amount in original currency</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	<b>31.12.2013 EUR</b>
Loans from related parties	EUR 1 569 671	15	01.10.2014	1 569 671
Loan from non-related party	EUR 157 085	15	19.12.2014	157 085
Loan from non-related party	EUR 100 000	15	01.02.2014	100 000
Interest accrued on borrowings from related parties	EUR 26 398	-	-	26 398
Interest accrued on borrowings from non-related parties	EUR 1 273	-	-	1 273
<b>TOTAL current borrowings:</b>				<b>1 854 427</b>

Borrowings from related parties are secured by all Company's assets. The total amount of available credit facility from related parties at 31 December 2013 is EUR 20 500 000.

### Borrowings as at 31.12.2012

<b>Non-current:</b>	<i>Amount in original currency</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	<b>31.12.2012 EUR</b>
Loans from related parties	EUR 1 217 941	15	01.10.2014	1 217 941
<b>TOTAL non-current borrowings:</b>				<b>1 217 941</b>

<b>Current:</b>	<i>Amount in original currency</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	<b>31.12.2012 EUR</b>
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
<b>TOTAL current borrowings:</b>				<b>301 378</b>



## 20. Trade and Other Payables

	31.12.2013 EUR	31.12.2012 EUR
Trade payables	62 235	50 021
<b>TOTAL:</b>	<b>62 235</b>	<b>50 021</b>

## 21. Current Tax Liabilities

	Statutory social insurance contribution EUR	Personal income tax EUR	Corporate income tax EUR	Corporate risk fee EUR	Value added tax EUR	Total EUR
<b>Total Payable as at 31.12.2012</b>	<b>4 960</b>	<b>2 932</b>	<b>367</b>	<b>5</b>	<b>-</b>	<b>8 264</b>
<b>Total Receivable as at 31.12.2012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(700)</b>	<b>(700)</b>
Calculated	169 911	107 137	44 153	141	21 400	342 742
Penalties	40	142	17	-	185	384
Paid	(155 342)	(97 016)	(390)	(135)	(12 507)	(265 390)
<b>Total Payable as at 31.12.2013</b>	<b>19 569</b>	<b>13 195</b>	<b>44 147</b>	<b>11</b>	<b>8 378</b>	<b>85 300</b>
<b>Total Receivable as at 31.12.2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 22. Deferred Revenue

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

	31.12.2013 EUR	31.12.2012 EUR
Up to one year	48 846	3 682
<b>TOTAL:</b>	<b>48 846</b>	<b>3 682</b>

## 23. Other Liabilities

Vacation pay reserve	34 607	3 973
Accounts payable to employees	32 477	81
Accounts payable to related party	655	2 379
Other	16 954	11 828
<b>TOTAL:</b>	<b>84 693</b>	<b>18 261</b>

## 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.

## 24. Related party disclosures (cont'd)

As at 31 December 2013 the Company is controlled by AS Skillion Ventures (incorporated in Latvia), which owns 61.34% 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:					
Major shareholders	2013	-	-	47	1 570 313
Other related companies	2013	373 801	24 619	3 961	5 183 801
<b>TOTAL:</b>		<b>373 801</b>	<b>24 619</b>	<b>4 008</b>	<b>6 754 114</b>

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:					
Major shareholders	2012	-	10 188	871	1 244 720
Other related companies	2012	-	2 969	-	110 081
<b>TOTAL:</b>		<b>-</b>	<b>13 157</b>	<b>871</b>	<b>1 354 801</b>

### *Terms and conditions of transactions with related parties*

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

## 25. Commitments and contingencies

There are no capital commitments or contingencies at 31 December 2013.

## 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.



## 26. Financial risk management (cont'd)

### 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
<b>As at 31 December 2013</b>					
<b>Assets</b>					
Cash at bank	306 097	306 097	-	-	306 097
Finance lease receivables	7 187 370	-	4 952 833	8 538 198	13 491 031
<b>Total undiscounted financial assets</b>	<b>7 493 467</b>	<b>306 097</b>	<b>4 952 833</b>	<b>8 538 198</b>	<b>13 797 128</b>
<b>Liabilities</b>					
Borrowings	(7 511 817)	-	(2 619 063)	(6 458 255)	(9 077 318)
<b>Total undiscounted financial liabilities</b>	<b>(7 511 817)</b>	<b>-</b>	<b>(2 619 063)</b>	<b>(6 458 255)</b>	<b>(9 077 318)</b>
<b>Net undiscounted financial assets/(liabilities)</b>	<b>(18 350)</b>	<b>306 097</b>	<b>2 333 770</b>	<b>2 079 943</b>	<b>4 719 810</b>

### 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.

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 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. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

## 27. Fair value of financial assets and liabilities not measured at fair value (cont'd)

As at 31 December 2013	Carrying value EUR	Fair value EUR		
		Level 1	Level 2	Level 3
<b>Recurring measurements</b>				
<b>Financial assets</b>				
Finance lease receivables – non current	4 844 515	-	-	4 844 515
Finance lease receivables – current	2 342 855	-	-	2 342 855
<b>Total assets</b>	<b>7 187 370</b>	<b>-</b>	<b>-</b>	<b>7 187 370</b>
<b>Financial liabilities</b>				
Borrowings – non current	(5 657 390)	-	-	(5 657 390)
Borrowings – current	(1 854 427)	-	-	(1 854 427)
<b>Total liabilities</b>	<b>(7 511 817)</b>	<b>-</b>	<b>-</b>	<b>(7 511 817)</b>

The Company used the following techniques to determine the fair value measurements categorized in Level 3:

- 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 which represents current market rate.

## 28. Going concern

As fiscal 2013 was a year of investing for growth both via capital investments and marketing the Company recorded a net loss of EUR 287 thousand for the first six months of the year. The financial results in the second half improved significantly and the Company operated on breakeven closing the year with a net loss of EUR 289 thousand. As at December 31, 2013 the Company's current assets exceeded its current liabilities by EUR 556 972. The Company has signed long term credit facilities with the related companies in the amount of EUR 14.5 million bearing interest at 15% per annum. Starting from January 1, 2014 the interest rate per annum for most of the credit facilities will be 10%. In January 2014 the Company signed another long term credit facility with a related company and managed to increase the amount of an existing credit facility with a related company for a total amount of EUR 10.1 million bearing interest at 10% per annum. Also in order to attract additional financing, increase recognition and build reputation on March 17, 2014 the Company made a private bond issue for a total amount of EUR 20 million. Part of the currently received EUR 8.4 million was used to settle in full current loans from related parties before maturity thus removing the liquidity risk. The Company's management believes that the loan facilities together with bond issue will be sufficient to ensure adequate financing for the Company to continue operating as a going concern.

## 29. Events after the end of the reporting period

In January 2014 the Company signed another long term credit facility with a related company and managed to increase the amount of an existing credit facility with a related company for a total amount of EUR 10.1 million bearing interest at 10% per annum. Also in order to attract additional financing, increase recognition and build reputation on March 17, 2014 the Company made a private bond issue for a total amount of EUR 20 million with a 10% coupon rate maturing on March 31, 2021. As at April 4, 2014 there were bonds purchased for EUR 8.4 million and total borrowings had increased by EUR 3.8 million. Apart from events mentioned earlier there have been no other significant events after the end of the reporting period which require a disclosure in the financial statements.