

AS „mogo”

(UNIFIED REGISTRATION NUMBER 50103541751)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014*

(3rd financial year)

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED IN EU
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

Riga, 2015

* This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.

CONTENTS

General information	3
Management report	4
Statement of Management Responsibility	6
Statement of Profit or Loss and other Comprehensive Income	7
Statement of Financial Position	8
Statement of Cash Flows	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11
Independent auditors' report	29

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	15A Matrozu, Riga, Latvia, LV-1048
The type of Actions (NACE)	Finance lease (64.91)
Major shareholders	Since 1 July 2014 Mogo Finance S.A. (100%) 2-4, street Eugene Ruppert, L-2453 Luxembourg Till 30 June 2014: 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, Chairman of the Board from 07 September 2012 Marcis Grinis, Member of the Board from 25 September 2012 Girts Ledins, Member of the Board from 13 October 2014 till 05 February 2015
Council Members	Ramona Miglane from 5 August 2014 Uldis Judinskis from 5 August 2014 Ieva Judinska-Bandeniece from 5 August 2014 Martins Bandeniekis from 24 October 2014 Agris Evertovskis til 5 August 2014 Didzis Admidins til 5 August 2014 Agris Amolins til 5 August 2014
Financial year	1 January – 31 December 2014
Previous financial year	1 January – 31 December 2013
Auditors	SIA "Deloitte Audits Latvia" Grēdu iela 4A, Rīga Latvia, LV-1019 Licence No.43 Elina Sedlina Sworn auditor Certificate No. 179

Management report

7 April, 2015

General information

AS "mogo" (hereinafter referred to as – the Company) is a market leading sale and leaseback and finance lease solutions Company in Latvia. The Company provides quick and convenient services for both individuals and legal entities in Latvia offering vehicle finance lease transactions for amounts up to 15 000 euro and sale and leaseback transactions for amounts up to 50 000 euro with duration up to six years. In both instances the vehicle is used as a collateral and hence all loans issued by the Company are secured. Funding is being offered at the customer service centres, as well as at the sales centres of car dealerships.

Objective of the Company is to offer its customers easily available, convenient and affordable sale and leaseback and finance lease solutions. In order to reach this objective the Company offers to its customers various solutions adjusted to their needs, as well as high level service and accessibility. The Company directly cooperates with a wide network of car dealerships, where the customers can buy a vehicle by obtaining funding from the Company.

Mission, vision and values

Mission

Mission of the Company is to offer easily available and as easily repayable loans to the customers, who need a quick way to obtain additional funds or who want to buy a vehicle.

Vision

Vision of the Company is to become the market leading sale and leaseback and finance lease solutions Company in Latvia, highly rated for customer friendliness and accessibility.

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

2014 was a period of very rapid growth for the Company. Total assets of the Company grew up to 28 million euro, turnover reached 5.8 million euro, EBITDA – 2.4 million euro, and net profit of the Company reached 0.54 million euro. In September 2014 the Company increased its share capital up to 5 million euro to strengthen financial and long-term value of the Company. At the end of December 2014 gross value of the lease portfolio reached 22.5 million euro (204% growth in comparison with the year end result of 2013).

In March 2014 the Company registered emission of bonds for a total amount of 20 million euro at Latvian Central Depository for the attraction of investments, and on 11 November 2014 the Company included these bonds in Nasdaq Baltic Stock Exchange Debt Security listing, where they are available for public trade. On the issue date of the financial statement the Company has emitted the maximum number of securities 20 000 at nominal value 1 000 euro for the total amount of emission 20 000 000 euro.

Rapid growth of the Company and the stable position in the market in 2014 was promoted by its strategy and purposeful activity, oriented at improvement of customer service quality, as well as professionalism and effort of employees to reach the set objectives. The Company has continued to develop provision of its services and has become more accessible to its customers by opening six new customer service centres located in Jekabpils, Rīga, Talsi, Valmiera, Jelgava and Tukums, thus providing availability of services in total at 10 (ten) customer service centres located in various districts of Latvia and Rīga. The Company plans to continue expansion of its activity and to open several new customer service centres also in other districts of Latvia.

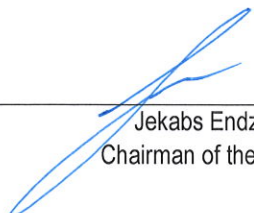
In order to make the Company's services more available and more attractive to its customers, a "three-month grace period" was introduced in 2014. Whereas, in order to promote more successful application of financing for the installation of autogas equipment, the Company in 2014 decreased interest rates for this service.

At the end of 2014 the Company performed change of the Company's logotype design according to the developed guidelines and introduction of a joint design in all countries, where the Company and its sister companies are operating. Also, transition to a new homepage was provided, as well as change of design of customer service centres was performed in order to provide the best customer service experience according to the set objectives.


2014 was a successful year also in terms of cooperation with the car dealerships. Contracts on commencement of cooperation were concluded with 41 new partners, and thus towards the end of 2014 number of partners within the cooperation network exceeded 190. This network has significantly contributed to the growth of the vehicle finance lease volume. For the establishment of tighter cooperation. With the partners in the field of vehicle trade the Company offers various partnership solutions and individual approach to effective processing of client applications, as well as provides various marketing materials and conduct of joint marketing campaigns.

In 2014 the Company continued implementation of various marketing activities on TV, radio and internet advertisements and outdoor ads thus helping to promote recognisability of the brand and to strengthen the Company's positions in terms of brand recognition (*top of mind* brand) in the sale and leaseback and finance lease solutions sector.

Financial risk management is disclosed in note 27 and events after statement of financial position date are described in note 30 to these financial statements.



Jekabs Endzins
Chairman of the Board



Marcis Grinis
Member of the Board

The annual report was approved by the Board on 7 April, 2015

Statement of Management Responsibility

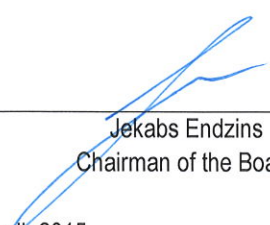
AS „mogo” management is responsible for preparation of the annual financial statements.

Management of the Company declares that in accordance with the information in their possession, financial statements have been prepared in accordance with accounting transaction documentation and with the International Financial Reporting Standards and give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2014 and 2014 results of operations and cash flows.


Management of the Company confirms that an appropriate and consistent accounting policies and management estimates are used. Management of the Company confirms that the financial statements are prepared using precaution principle as well as the going concern assumption.

Management of the Company confirms its responsibility for providing proper accounting provisioning, as well as asset monitoring, control and conservation policies. The Company's management is responsible for detection and prevention of the error, inaccuracy and / or fraud. The Company's management is responsible for the Company's activities to be carried out in compliance with the legislation of the Republic of Latvia.

The management report includes a fair view of the development of the Company's business and results of operation.



Jekabs Endzins
Chairman of the Board



Marcis Grinis
Member of the Board

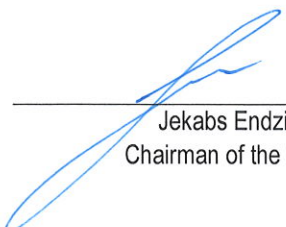
7 April, 2015

Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2014


	Notes	2014 EUR	2013 EUR
Interest and similar income	4	5 765 419	2 369 884
Interest expense		(1 516 912)	(739 063)
Impairment	14	(1 044 495)	(167 290)
Cost of goods sold		-	(5 265)
Selling expense	5	(585 251)	(702 978)
Administrative expense	6	(1 838 919)	(976 345)
Other operating income	7	97 324	82 161
Other operating expense	8	(170 185)	(89 987)
Other interest receivable and similar income		93 071	15 946
Interest payable and similar expense	9	(20)	(26 263)
Profit/(loss) before Income Tax		800 032	(239 200)
Corporate Income tax	10	(404 382)	(44 153)
Deferred Income tax	10	142 545	(6 055)
Profit/(loss) for the period		538 195	(289 408)
Other comprehensive income		-	-
Total comprehensive profit/ (loss) for the period		538 195	(289 408)

The accompanying notes on pages 11 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 7 April, 2015 by:



Jekabs Endzins
Chairman of the Board



Marcis Grinis
Member of the Board

Statement of Financial Position

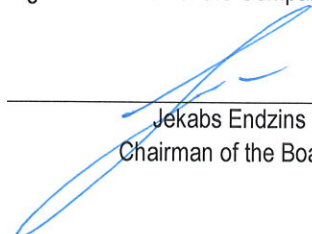
As at 31 December 2014


ASSETS			Notes	31.12.2014. EUR	Reclassified* 31.12.2013. EUR
NON-CURRENT ASSETS					
Intangible Assets	12			210 266	107 808
Equipment	13			147 831	74 364
Other Non-current Financial Assets	15			530 000	-
Deferred Tax Asset	10			167 795	25 251
Non-current Net Finance Lease Receivables	14			15 986 420	5 020 354
TOTAL NON-CURRENT ASSETS				17 042 312	5 227 777
CURRENT ASSETS					
Current Net Finance Lease Receivables	14			5 249 676	2 167 016
Inventory				60 255	-
Other Receivables	16			184 092	23 598
Deferred Expense				248 870	19 923
Other current Financial Assets	17			4 483 000	-
Cash and Cash Equivalents	18			768 619	306 097
TOTAL CURRENT ASSETS				10 994 512	2 516 634
TOTAL ASSETS				28 036 824	7 744 411
EQUITY AND LIABILITIES					
EQUITY				31.12.2014. EUR	31.12.2013. EUR
Issued Share Capital	19			5 000 000	426 862
Retained earnings/(accumulated loss)				62 853	(475 342)
TOTAL EQUITY				5 062 853	(48 480)
LIABILITIES					
Non-current liabilities					
Borrowings	20			19 562 000	5 657 390
TOTAL NON-CURRENT LIABILITIES				19 562 000	5 657 390
Current liabilities					
Borrowings	20			2 381 801	1 854 427
Trade Payables	21			82 945	62 235
Current Tax Liabilities	22			405 459	85 300
Deferred Revenue	23			348 733	48 846
Other Liabilities	24			193 033	84 693
TOTAL CURRENT LIABILITIES				3 411 971	2 135 501
TOTAL EQUITY AND LIABILITIES				28 036 824	7 744 411

*See note 2

The accompanying notes on pages 11 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 7 April, 2015 by:


Jekabs Endzins
Chairman of the Board

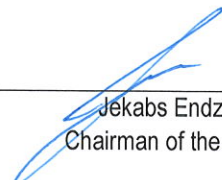

Marcis Grinis
Member of the Board


Statement of Cash Flows

	Notes	2014 EUR	2013 EUR
Cash flows to/ from operating activities			
Profit/(loss) before tax		800 032	(239 200)
Adjustments for:			
Amortisation and depreciation	6	90 710	70 934
Carrying value of disposed equipment		12 484	-
Interest income		(213 917)	(15 946)
Interest expense		1 630 948	739 063
Operating profit before working capital changes		2 320 257	554 851
Increase in receivables		(14 438 229)	(5 538 013)
Increase in inventory		(60 255)	-
Increase in payables		445 096	157 043
Cash generated from operations		(11 733 131)	(4 826 119)
Corporate Income tax paid	22	(100 381)	(390)
Net cash flows to/ from operating activities		(11 833 512)	(4 826 509)
Cash flows to/ from investing activities			
Purchase of equipment and intangible assets		(279 119)	(185 240)
Investments in subsidiaries		(96)	(2 500)
Increase of subsidiaries' share capital		-	(100 084)
Purchase of bonds		(4 483 000)	-
Disposal of subsidiaries		96	302 717
Loans issued		(2 590 000)	(603 354)
Loan repayments received		2 060 000	406 268
Interest received		213 917	15 946
Net cash flows to/ from investing activities		(5 078 202)	(166 247)
Cash flows to/ from financing activities			
Proceeds from issue of share capital		4 573 139	-
Proceeds from borrowings		29 992 926	8 204 067
Repayment of borrowings		(15 496 949)	(2 232 869)
Interest paid		(1 694 880)	(717 763)
Net cash flows to/ from financing activities		17 374 236	5 253 435
Change in cash		462 522	260 679
Cash at the beginning of the period		306 097	45 418
Cash at the end of the period	18	768 619	306 097

The accompanying notes on pages 11 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 7 April, 2015 by:


Jekabs Endzins
Chairman of the Board

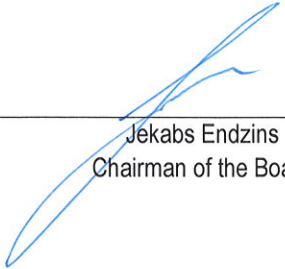

Marcis Grinis
Member of the Board

Statement of Changes in Equity


	Share capital EUR	Retained earnings/ (accumulated loss) EUR	Total EUR
Balance as at 1 January 2013	426 862	(185 934)	240 928
Loss for the reporting period	-	(289 408)	(289 408)
Balance as at 31 December 2013	426 862	(475 342)	(48 480)
Increase of share capital	4 573 138	-	4 573 138
Profit for the reporting period	-	538 195	538 195
Balance as at 31 December 2014	5 000 000	62 853	5 062 853

The accompanying notes on pages 11 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 7 April, 2015 by:



 Jekabs Endzins
 Chairman of the Board



 Marcis Grinis
 Member of the Board

Notes to the Financial Statements

1. Corporate information

AS 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 15A Matrozu, LV-1048, Riga, Latvia. The Company is owned by Mogo Finance S.A. (registered in Luxembourg), which acquired 100% equity of the Company on 1 July 2014.

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 2014 were approved by a resolution of the Company's Board on 7 April, 2015.

2. Significant accounting judgments, estimates and assumptions

The Company's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment, 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 current and next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments 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 judgments 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.

Reclassification adjustments

In the reporting year according to management's view, the Company made a reclassification in the numbers of previous financial year. The comparative figures in the financial statements for the previous financial year are classified according to accounting principles applied to current reporting financial year results and are comparable.

The reclassification made in the reporting year, EUR:

31.12.2013.
EUR

Other Non-current Financial Assets, net	4 844 515
Reclassified	157 839
<u>Other Non-current Financial Assets, net (after reclassification)</u>	<u>5 020 354</u>
Other current Financial Assets, net	2 342 855
Reclassified	(157 839)
<u>Other current Financial Assets, net (after reclassification)</u>	<u>2 167 016</u>

Impairment allowance

a) Assets carried at amortized 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.

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

Impairment allowance (cont'd)

The calculation of the present value of the estimated future cash flows of a collateralized 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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.

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 recognized (such as an improvement in the accounts receivable aging), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized 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. As at 31 December the Company had cash in amount of 768 619 euros and an unused bank loan facility for 1.3m euros. The Company has continued to develop provision of its services and has become more accessible to its customers by opening six new customer service centres located in Jekabpils, Riga, Talsi, Valmiera, Jelgava and Tukums, thus providing availability of services in total at 10 (ten) customer service centres located in various districts of Latvia and Riga. 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 29.

Deferred tax assets

Deferred income tax is provided in full using the liability method for tax losses carried forward and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

Deferred taxation relates to the future tax consequences of all events that have been recognised in the Company's financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from tax losses carried forward as well as differing rates of accounting and tax depreciation on property and equipment. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 and presentation currency is euro (EUR). At 1 January 2014 the official currency in the Republic of Latvia was changed from Latvian Lats to euro (EUR). All assets and liabilities for the comparable period of the immediately preceding financial year are translated into EUR at official exchange rate established by the Bank of Latvia, which during the period was fixed at 0.702804 lats per 1 euro. The financial statements cover the period of 1 January 2014 through 31 December 2014.

Intangible assets

Intangible non-current assets are stated at cost and amortized 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 recognized 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:

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

Licence	- within 1 year
Other intangible assets	- within 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	- within 3 years
Furniture	- within 5 years
Vehicles	- within 5 years
Leasehold improvements	- Within 4 years
Other equipment	- within 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 recognized in the income statement in the impairment caption.

An item of equipment is derecognized 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 recognition 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 derecognized.

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;

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

Finance lease (cont'd)

- 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 specialized 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 are 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. (See Note 2).

Inventories

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

Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and 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 year. In addition to the calculation of the state social insurance payment.

Loans and borrowings

All loans and borrowings are initially recognized 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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the income statement as interest income/ expense when the liabilities are derecognized through the amortization process.

Provisions

Provisions are recognized 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 recognized 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 recognized as a borrowing cost.

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

Contingencies

Contingent liabilities are not recognized 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 recognized 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, agreement signing commission and 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. Income from agreement signing commissions is recognized proportionally to the term of the signed agreements.

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 amortization 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.

Changes in accounting principles and provisions of information

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

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

Standards and Interpretations issued but not yet effective

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 un IAS 38) with a view to removing inconsistencies and clarifying wording, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 un IAS 40) with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),
- Amendments IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions - adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- IFRIC 21. interpretation "Levies" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 31 December 2014 (the effective dates stated below is for IFRS in full):

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not impact the financial statements, if applied as at the balance sheet date.

4. Interest and similar income

	2014 EUR	2013 EUR
Interest income	5 457 572	2 201 612
Penalties collected	203 403	135 709
Commission income	104 444	27 064
Other income	-	5 499
TOTAL:	5 765 419	2 369 884

5. Selling expense

	2014 EUR	2013 EUR
Marketing expenses	534 158	620 944
Sales commissions	28 591	61 428
Other selling expenses	22 502	20 606
TOTAL:	585 251	702 978

6. Administrative expense

	2014 EUR	2013 EUR
Salary expense	961 820	510 558
Social insurance payments	216 251	115 473
Office expense	206 617	108 049
Amortization and depreciation	90 710	70 934
IT expense	82 816	35 509
Professional services*	56 839	29 300
Postage and courier expense	26 195	16 202
Credit history databases	32 079	12 914
Other personnel related expense	28 638	12 733
Communication expense	21 680	11 992
Transportation expense	10 875	5 254
Low value assets	10 882	3 784
Bank commissions	11 090	2 743
Other expense	82 427	40 900
TOTAL:	1 838 919	976 345

* Included the total fee paid to the commercial company of certified auditors SIA Deloitte Audits Latvia for year 2014 and SIA Ernst & Young Baltic for year 2013, which were the following:

	2014 EUR	2013 EUR
Annual and mid year audit / review	17 339	15 461
TOTAL:	17 339	15 461

7. Other operating income

	2014 EUR	2013 EUR
Debt collection expense reimbursement	72 068	64 580
Other income	25 256	17 581
TOTAL:	97 324	82 161

8. Other operating expense

	2014 EUR	2013 EUR
Debt collection expense	82 721	84 462
Other expense	87 464	5 525
TOTAL:	170 185	89 987

9. Interest payable and similar expense

	2014 EUR	2013 EUR
Currency exchange loss, net	20	26 263
TOTAL:	20	26 263

10. Corporate Income Tax

	2014 EUR	2013 EUR
Current Corporate Income tax charge for the reporting year	404 382	44 153
Deferred Corporate Income tax due to temporary differences	(142 545)	6 055
CIT charged to the statement of profit or loss and other comprehensive income:	261 837	50 208

Deferred Corporate Income tax:

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	31.12.2014. EUR	31.12.2013. EUR	2014 EUR	2013 EUR
Deferred Corporate Income tax liabilities				
Accelerated tax depreciation	34 204	14 171	20 033	13 161
Gross Deferred Corporate Income tax liabilities	34 204	14 171	20 033	13 161
Deferred Corporate Income tax asset				
Tax loss carried forward	-	-	-	(24 068)
Vacation pay reserve	9 713	5 191	4 522	4 595
Impairment allowance	189 330	32 656	156 674	25 093
Other	2 956	1 575	1 382	1 486
Gross Deferred Corporate Income tax asset	201 999	39 422	162 578	7 106
Net Deferred Corporate Income tax asset	167 795	25 251	142 545	(6 055)

10. Corporate Income Tax (cont'd)

Actual Corporate Income tax charge, if compared with theoretical calculations:

	2014 EUR	2013 EUR
Profit/(Loss) before tax	800 032	(239 200)
Tax at the applicable tax rate of 15%	120 005	(35 880)
Tax effect of permanent differences, net	209 472	97 127
Donation relief	(67 640)	(11 039)
Actual Corporate Income tax for the reporting year:	261 837	50 208
Effective Corporate Income tax rate	33%	(21%)

11. Staff costs and number of employees

	2014 EUR	2013 EUR
Salaries	961 820	510 558
Statutory social insurance contributions	216 251	115 473
Other personnel related expense	21 680	12 733
TOTAL:	1 199 751	638 764

Key management personnel compensation

Board Members	2014 EUR	2013 EUR
Salaries	108 605	80 999
Statutory social insurance contributions	25 620	19 513
TOTAL:	134 225	100 512

The council members did not receive any remunerations during the reporting year.

	2014 EUR	2013 EUR
Average number of employees during the reporting year	57	31
TOTAL:	57	31

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

	2014 EUR	2013 EUR
Administrative expense	1 178 071	626 031
TOTAL:	1 178 071	626 031

12. Intangible Assets

Carrying amount	Licence EUR	Other intangible assets EUR	Advances for intangible assets EUR	Total EUR
31.12.2012	71 144	11 710	-	82 854
Additions	14 229	89 400	8 951	112 580
31.12.2013	85 373	101 110	8 951	195 434
Additions	14 225	143 187	-	157 412
Reclassification	-	118	(5 521)	(5 403)
31.12.2014	99 598	244 415	3 430	347 443
Accumulated amortization				
31.12.2012	(32 321)	(976)	-	(33 297)
Amortization charge	(44 752)	(9 577)	-	(54 329)
31.12.2013	(77 073)	(10 553)	-	(87 626)
Amortization charge	(14 227)	(35 324)	-	(49 551)
31.12.2014	(91 300)	(45 877)	-	(137 177)
Balance				
31.12.2013	8 300	90 557	8 951	107 808
31.12.2014	8 298	198 538	3 430	210 266

13. Equipment

Carrying amount	Leasehold improvements EUR	Equipment EUR	Total EUR
31.12.2012	-	19 089	19 089
Additions	6 925	65 735	72 660
31.12.2013	6 925	84 824	91 749
Additions	-	121 707	121 707
Reclassification	-	5 403	5 403
Cost of disposals	-	(13 533)	(13 533)
31.12.2014	6 925	198 401	205 326
Accumulated depreciation			
31.12.2012	-	(779)	(779)
Depreciation charge	(1 154)	(15 452)	(16 606)
31.12.2013	(1 154)	(16 231)	(17 385)
Depreciation charge	(1 731)	(39 428)	(41 159)
Accumulated depreciation of disposals	-	1 049	1 049
31.12.2014	(2 885)	(54 610)	(57 495)
Balance			
31.12.2013	5 771	68 593	74 364
31.12.2014	4 040	143 791	147 831

14. Finance Lease Receivables

	Minimum lease payments 31.12.2014.	Present value of minimum lease payments 31.12.2014.	Minimum lease payments 31.12.2013.	Present value of minimum lease payments 31.12.2013.
	EUR	EUR	EUR	EUR
Finance lease receivables				
Up to one year	12 467 831	6 004 007	4 952 833	2 342 855
Years 2 through 5 combined	29 589 734	15 955 011	8 538 198	5 062 222
More than 5 years	662 497	537 108	-	-
TOTAL, GROSS:	42 720 062	22 496 126	13 491 031	7 405 077

	31.12.2014. EUR	31.12.2013. EUR
Unearned finance income		
Up to one year	6 463 824	2 609 978
Years 2 through 5 combined	13 634 723	3 475 976
More than 5 years	125 389	-
TOTAL, GROSS:	20 223 936	6 085 954

	31.12.2014. EUR	31.12.2013. EUR
Finance lease receivables		
Non-current finance lease receivables	16 492 119	5 062 222
Current finance lease receivables	6 004 007	2 342 855
TOTAL, GROSS:	22 496 126	7 405 077

Movement in impairment allowance	Impairment allowance
Impairment allowance as at 31.12.2012	50 417
Additions	167 290
Impairment allowance as at 31.12.2013	217 707
Impairment allowance as at 31.12.2013	217 707
Additions	1 044 495
Write-off in reporting year	(2 172)
Impairment allowance as at 31.12.2014	1 260 030

14. Finance Lease Receivables (cont'd)

From finance leases resulting requirements and trade receivables net value of the initial value of investments less the provision for possible losses.

	Non-current EUR	Current EUR	Non-current EUR	Current EUR
Finance lease receivables, net	31.12.2014.	31.12.2014.	31.12.2013.	31.12.2013.
Finance lease receivables	16 492 119	6 004 007	5 062 222	2 342 855
Impairment allowance	(505 699)	(754 331)	(41 868)	(175 839)
TOTAL:	15 986 420	5 249 676	5 020 354	2 167 016

Unguaranteed residual values of assets leased under finance leases at the end of the reporting year are estimated at EUR 28 568 908. 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 43% per annum. All leases are denominated in euros. The average term of finance lease entered into is 42 months.

Ageing of overdue finance lease receivables:

	31.12.2014. EUR	31.12.2013. EUR
1-30 days	1 856 404	629 756
31-60 days	612 340	191 507
61-90 days	391 681	46 270
90+ days	1 201 003	355 614
TOTAL:	4 061 428	1 223 147

15. Other Non-current Financial Assets

	31.12.2014. EUR	31.12.2013. EUR
Loan to a related party *	530 000	-
TOTAL:	530 000	-

*A long term loan to a related party for EUR 530 000 at 10% interest rate per annum and maturity at 15 May 2016.

16. Other Receivables

	31.12.2014. EUR	31.12.2013. EUR
Advances for goods and services	36 353	4 552
Receivable from related party (see Note 25)	115 913	4 008
Advances to employees	924	576
Other receivables	30 902	14 462
TOTAL:	184 092	23 598

17. Other Current Financial Assets

	31.12.2014. EUR	31.12.2013. EUR
Available for sale financial asset *	4 483 000	-
TOTAL:	4 483 000	-

*AS mogo bonds which are listed on NASDAQ OMX Riga Baltic bond list and are held for sale. They bear a 10% annual coupon and mature at 31 March 2021. They are included in current financial assets since the management of the Company believes they will be sold to 3rd parties during 2015.

18. Cash and Cash Equivalents

	31.12.2014. EUR	31.12.2013. EUR
Cash at bank	768 619	306 097
TOTAL:	768 619	306 097

19. Share Capital

The share capital of the Company as at 31 December 2014 is EUR 5 000 000 and it consists of 5 000 000 shares. The par value of each share is 1 EUR. All shares are fully paid.

The share capital of the Company as at 31 December 2013 was EUR 426 862 and it consisted of 300 000 shares. The par value of each share was LVL 1 (equivalent to EUR 1,422871). All shares were fully paid.

20. Borrowings

Borrowings as at 31.12.2014

Non-current:	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.12.2014. EUR
Bonds	10	31.03.2021	19 062 000
Loan from a non-related party	14	01.03.2017	100 000
Loan from a non-related party	14	01.04.2017	100 000
Loan from a non-related party	14	01.05.2017	100 000
Loan from a non-related party	14	01.06.2017	100 000
Loan from a non-related party	14	01.07.2017	100 000
TOTAL non-current borrowings:			19 562 000

Current:	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.12.2014. EUR
Loan from a non-related party	10	19.12.2015	171 753
Loan from a bank	7,2 + 6m EURIBOR	31.12.2015	2 200 000
Interest accrued on borrowings from non – related parties			10 048
TOTAL current borrowings:			2 381 801

The loan from the bank is secured by Commercial Pledges on Company's pool of assets and its shares. Pledges are registered at the Commercial Pledge Register of the Enterprise Register of the Republic of Latvia. All bank loan covenants as at 31 December 2014 were fulfilled.

On 17 March 2014 the Company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The bonds emission was used to refinance loans from related parties and attract additional capital for further development of the Company. The Company has raised a total of EUR 14 579 000 as at 31 December 2014 and the remainder of the bonds the Company purchased itself. This bond issue is unsecured. The notes are issued at par, mature at 31 March 2021 and carry a fixed coupon of 10% per annum, paid monthly in arrears. On 11 November 2014 the bonds were listed on the regulated market of NASDAQ OMX Riga. For more information regarding bonds owned by the Company see note 17.

20. Borrowings (cont`d)

Borrowings as at 31.12.2013

Non-current:	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.12.2013. EUR
Loan from a related party	15	13.02.2016	1 406 390
Loan from a related party	15	14.04.2016	2 066 000
Loan from a related party	15	04.07.2016	1 685 000
Loan from a non-related party	14	01.03.2015	100 000
Loan from a non-related party	14	01.04.2015	100 000
Loan from a non-related party	14	01.05.2015	100 000
Loan from a non-related party	14	01.06.2015	100 000
Loan from a non-related party	14	01.07.2015	100 000
TOTAL non-current borrowings:			5 657 390

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

21. Trade and Other Payables

	31.12.2014. EUR	31.12.2013. EUR
Trade payables	82 945	62 235
TOTAL:	82 945	62 235

22. 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
Total Payable as at 31.12.2013	19 569	13 195	44 147	11	8 378	85 300
Calculated	313 154	203 259	404 382	249	31 072	952 117
Penalties	23	1	10	-	87	120
Paid	(298 210)	(194 999)	(100 381)	(243)	(38 245)	(632 078)
Total Payable as at 31.12.2014	34 536	21 456	348 158	17	1 292	405 459

23. Deferred Revenue

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

	31.12.2014. EUR	31.12.2013. EUR
Up to one year	348 733	48 846
TOTAL:	348 733	48 846

24. Other Liabilities

Vacation pay reserve	64 756	34 607
Accounts payable to employees	66 341	32 477
Accounts payable to a related party	2 303	655
Other	59 633	16 954
TOTAL:	193 033	84 693

25. 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.

As at 30 June 2014 the Company was controlled by AS Skillion Ventures (incorporated in Latvia), with 61.34% of the Company's shares. As from 1 July 2014 the Company is controlled by Mogo Finance S.A. (registered in Luxembourg) which owns 100% equity and is the ultimate controlling party.

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 company	2014	-	-	562 903	-
Other related companies	2014	42 599	15 847	83 010	2 303
TOTAL:		42 599	15 847	645 913	2 303

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
TOTAL:		373 801	24 619	4 008	6 754 114

26. Commitments and contingencies

Capital commitments at 31 December 2014 amount to EUR 7 560, which are for signed finance lease agreements where money has not yet been transferred.

27. Financial risk management

The Company's principal financial instruments comprise bond issues, borrowings from related and non-related parties, finance lease receivables, loan issued 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 are not exposed to foreign currency risk. All transactions are concluded in euros.

Interest rate risk

The Company is exposed to interest rate risk because part of its liabilities are interest bearing borrowings with a variable interest rate (see Note 20). The rest of the Company's short and long term borrowings as well as the Company's finance lease receivables have fixed interest rate. Taking into account insignificant proportion of financial liabilities with variable interest rate in total financial liabilities, possible changes of interest rate does not leave significant effect on the Company's profit before tax. The interest rates payable on the Company's borrowings are disclosed in Note 20 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 and by issuing bonds.

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.

			Contractual cash flows, EUR					
			Carrying value EUR	On demand	Up to 1 year	1-5 years	More than 5 years	Total
As at 31 December 2014								
Assets								
Cash at bank			768 619	768 619	-	-	-	768 619
Other non-current financial assets			5 013 000	-	501 300	6 419 803	574 385	7 495 488
Finance lease receivables			21 236 096	883 822	11 584 009	29 589 734	662 497	42 720 062
Total undiscounted financial assets			27 017 715	1 652 441	12 085 309	36 009 537	1 236 882	50 984 169
Liabilities								
Borrowings			(21 943 801)	-	(4 650 451)	(26 582 623)	(2 442 319)	(33 675 393)
Current liabilities			(1 030 170)	-	(1 030 170)	-	-	(1 030 170)
Total undiscounted financial liabilities			(22 973 971)	-	(5 680 621)	(26 582 623)	(2 442 319)	(34 705 563)
Net undiscounted financial assets/(liabilities)			4 043 744	1 652 441	6 404 688	9 426 914	(1 205 437)	16 278 606

27. Financial risk management (cont'd)

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 lease), 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 solvency. 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 minimized, 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 fulfills 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.

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

The table below summaries 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 2014	Carrying value, EUR	Fair value, EUR
Financial assets		
Other non-current financial assets	530 000	530 000
Other non-current financial assets	4 483 000	4 483 000
Finance lease receivables – non current	15 986 420	15 986 420
Finance lease receivables – current	5 249 676	5 249 676
Total assets	26 249 096	26 249 096
Financial liabilities		
Borrowings – non current	19 562 000	19 562 000
Borrowings – current	2 381 801	2 381 801
Total liabilities	21 943 801	21 943 801

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 to non-current part, and current part.

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

Due to no active market for such assets/liabilities, fair value calculation for financial assets and liabilities has not been performed, instead carrying amounts are presented in table above as fair value. The management recognizes that if a fair value of such assets/liabilities would be assessed as an amount at which an asset could be exchanged or liability settled on an arm's length basis with knowledgeable third parties, the fair values obtained of the respective assets and liabilities might be materially different.

29. Going concern

The Company closed the reporting year with a profit of 538 195 euros. As at 31 December 2014, the Company's current assets exceeded its current liabilities by 7 582 541 euros. As at 31 December the Company had cash in amount of 768 619 euros and an unused bank loan facility for 1.3m euros. The Company's management believes that the loan facilities and profitable operations in the recent months will be sufficient to ensure adequate financing for the Company to continue operating as a going concern.

30. Events after statement of financial position date

On 24 February 2015 the Company issued additional 938 bonds for a total nominal value of 938 000 euros. As at 7 April 2015 there are 20 000 bonds listed on NASDAQ OMX Riga Baltic bond list for a total nominal value of 20 million euros.

The Company has increased the available loan facility from the bank to 4.5 million euros and has extended the maturity until 31 December 2015. The Company has also extended the maturity for a 171 753 euros loan from a non – related party to 19 December 2016.

Apart from events mentioned earlier there have been no other significant events after the statement of financial position date which requires a disclosure in the financial statements.

Translation from Latvian
INDEPENDENT AUDITORS' REPORT

To the shareholder of AS „mogo”:

Report on the Financial Statements

We have audited the accompanying financial statements of AS „mogo” set out on pages 7 to 28 of the accompanying annual report, which comprise the statement of financial position as at 31 December 2014, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2014, 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 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 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 auditors consider 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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

The financial statements for the year ended 31 December 2013 were audited by other auditors who expressed unmodified opinion on those financial statements on 11 April 2014.


Report on Other Legal and Regulatory Requirements

We have read the management report for 2014 set out on pages 4 to 5 of the accompanying annual report for the year ended 31 December 2014 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2014.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stugis
Member of the Board

Rīga, Latvia
April 7, 2015


Elīna Sedliņa
Certified Auditor
Certificate No. 179

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