# MOGO JOINT STOCK COMPANY

**(UNIFIED REGISTRATION NUMBER 50103541751)**

# ANNUAL REPORT

**For the period ended 31 December 2016**

(5th financial year)

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED IN EU,**

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**Riga, 2017**

## CONTENTS

## General information

| | |
|---|---|
| Name of the company | mogo |
| Legal status of the company | JOINT STOCK COMPANY |
| Unified registration number, place and date of registration | 50103541751<br>Riga, 3 May 2012 |
| Registered office | Skanstes street 50,<br>Riga, LV-1013, Latvia |
| Major shareholders | From 01.07.2014 to 02.11.2016:<br>Mogo Finance S.A. (100%)<br>6, rue Guillaume Schneider L-2522,<br>Luxembourg<br><br>From 03.11.2016:<br>Mogo Finance S.A. (98%)<br>6, rue Guillaume Schneider L-2522,<br>Luxembourg |
| Board Members | Aleksandrs Čerņagins, Chairman of the Board from 17 July 2015 |
| Council Members | Ramona Miglāne, from 5 August 2014<br><br>Uldis Judinskis, from 5 August 2014<br><br>Ieva Judinska-Bandeniece, from 5 August 2014<br><br>Mārtiņš Bandenieks, from 24 October 2014 |
| Financial year | 1 January - 31 December 2016 |
| Previous financial year | 1 January - 31 December 2015 |
| Auditors | PricewaterhouseCoopers SIA<br>Commercial licence No. 5<br>Krišjāņa Valdemāra street 21-21, Riga, LV-1010, Latvia<br><br>Certified auditor in charge<br>Ilandra Lejiņa<br>Sworn auditor<br>Certificate No. 168 |

# Management report

28 February, 2017

**General information**

JSC mogo (hereinafter – the Company) is a market leading leaseback and finance lease solutions Company measured by the number of leased items. The Company provides quick and convenient services for both individuals and legal entities in Latvia offering vehicle finance lease transactions for amounts up to 10 000 euro and leaseback transactions for amounts up to 10 000 euro with duration up to six years. Funding is being offered online through the Company's branded website and mobile homepage and onsite at customer service centers, as well as at the sales centres of car dealerships.

Company's main goal is to offer its customers easily available, quickly executable, convenient and transparent leaseback and finance lease solutions. In order to achieve this the Company offers to its customers various solutions adjusted to theirs needs, as well as highest quality service and accessibility. The Company directly operates 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*

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 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 2016 the Company managed to make significant step forward in terms of growth and profitability in a highly competitive environment. Turnover amounted to EUR 10.4 million (14% increase, compared to 2015), EBITDA reached EUR 6.0 million (71% increase, compared to 2015) and net profit was EUR 3.0 million (196% increase, compared to 2015). As at 31 December 2016 gross value of the lease portfolio reached 27.0 million euro (1% decrease, compared to 31 December 2015).

The results of 2016 have once again proven that customers continue to positively evaluate Company's services and their benefits. Towards the end of the year the Company moved to a proprietary scoring system as well as optimized the debt collection process by selling part of the unsecured loans to a professional debt collection firm. As a result the Company's net profit increase has been very robust.

In 2016 the Company has continued its operations in order to support its mission – to offer accessible leasing services in a quick and simple way. The Company continued to invest significant resources in the development of information system solutions in order to improve its operational activities by automating current processes in the nearest future, at the same time increasing customers satisfaction with the provided service.

## Management report (continued)

2016 was successful in terms of cooperation with the car dealerships. This network has significantly contributed to the growth of the vehicle finance lease volume. For the establishment of more integrated 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 conducts joint marketing campaigns.

In 2016, the Company continued the execution of various marketing activities on TV, radio and internet advertisements and outdoor advertisements thus helping to promote the brand and to strengthen the Company's positions in terms of brand recognition in the leaseback and finance lease solutions sector.

Financial risk management is disclosed in note 33 and events after statement of financial date are described in note 37 to these financial statements.

JSC mogo statement regarding the corporate governance in 2016 is prepared according with the requirements of the Financial Instruments Market Law part 3 of article 56.2 and is available to the public electronically on the Company's web page www.mogofinance.com

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman of the Board

## Statement of Management Responsibility

28 February, 2017

JSC „mogo" management is responsible for preparation of the 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 as adopet by EU and give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2016, results of operations and cash flows for the year ended 31 December 2016.

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 prudence principle as well as the going concern assumption. Management of the Company confirms its responsibility for maintaining proper accounting records, as well as monitoring, control and safeguarding of the Company's assets.

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.

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman of the Board

## Statement of Other Comprehensive Income

| | Notes | 2016 | 2015 (restated)* |
|---|---|---|---|
| | | EUR | EUR |
| Interest and similar income | 3 | 10 412 789 | 9 125 559 |
| Interest expense and similar expenses | 4 | (2 151 704) | (2 245 791) |
| Impairment | 5 | (886 854) | (2 319 016) |
| **Gross profit or loss** | | **7 374 231** | **4 560 752** |
| Selling expense | 6 | (501 656) | (459 995) |
| Administrative expense | 7 | (3 442 176) | (2 972 170) |
| Other operating income | 8 | 18 045 | 29 983 |
| Other operating expense | 9 | (4 396) | (19 258) |
| Other interest receivable and similar income | 10 | 1 222 | 26 977 |
| **Profit before tax** | | **3 445 270** | **1 166 289** |
| Corporate income tax | 11 | (151 247) | (405 337) |
| Deferred corporate income tax | 11 | (330 524) | 241 704 |
| **Net profit for the year** | | **2 963 499** | **1 002 656** |
| **Other comprehensive income** | | **2 963 499** | **1 002 656** |
| **Total comprehensive income for the period** | | **2 963 499** | **1 002 656** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

The accompanying notes on pages 12 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman of the Board

## Statement of Financial Position

### ASSETS

| | | Notes | 31.12.2016. | 31.12.2015. (restated)* |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | **EUR** | **EUR** |
| **Intangible assets** | | | | |
| Concessions, patents, licences and similar rights | | | 11 680 | 8 416 |
| Other intangible assets | | | 1 008 381 | 643 762 |
| Advance payments for intangible assets | | | - | 32 891 |
| | **TOTAL** | **13** | **1 020 061** | **685 069** |
| **Property, plant and equipment** | | | | |
| Leasehold improvements | | | - | 2 309 |
| Other fixtures and fittings, tools and equipment | | | 177 638 | 220 122 |
| | **TOTAL** | **14** | **177 638** | **222 431** |
| **Non-current financial assets** | | | | |
| Investments in related companies | | | 20 | - |
| Finance lease receivables | | **15** | 18 131 400 | 16 475 440 |
| Loans to related companies | | **16** | 120 000 | - |
| Deferred tax | | **11** | 79 004 | 409 528 |
| | **TOTAL** | | **18 330 424** | **16 884 968** |
| | **TOTAL NON-CURRENT ASSETS** | | **19 528 123** | **17 792 468** |
| **CURRENT ASSETS** | | | | |
| **Inventories** | | | | |
| Finished goods and goods for resale | | **17** | 17 948 | - |
| | **TOTAL** | | **17 948** | **-** |
| **Receivables** | | | | |
| Finance lease receivables | | **15** | 6 795 700 | 7 293 284 |
| Loans to non related parties | | | 2 056 | 2 977 |
| Receivables from related companies | | **18** | 1 718 | 83 172 |
| Other receivables | | **20** | 775 563 | 434 700 |
| Other assets held for sale | | **19** | 301 075 | 270 488 |
| Prepaid expense | | | 120 239 | 74 038 |
| Accrued revenue | | | 534 | 3 155 |
| | **TOTAL** | | **7 996 885** | **8 161 814** |
| **Cash and cash equivalents** | | **21** | 147 024 | 399 884 |
| | **TOTAL CURRENT ASSETS** | | **8 161 857** | **8 561 698** |
| **TOTAL ASSETS** | | | **27 689 980** | **26 354 166** |

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The accompanying notes on pages 12 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman of the Board

## Statement of Financial Position

### EQUITY AND LIABILITIES

| | Notes | 31.12.2016. | 31.12.2015. (restated)* |
|---|---|---|---|
| **EQUITY** | | **EUR** | **EUR** |
| Share capital | **22** | 5 000 000 | 5 000 000 |
| Currency revaluation reserve | | 1 | 1 |
| Retained earnings: | | | |
| brought forward | | 357 947 | (119 709) |
| for the period | | 2 963 499 | 1 002 656 |
| **TOTAL EQUITY** | | **8 321 447** | **5 882 948** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Liabilities for issued bonds | **23** | 17 920 905 | 15 182 824 |
| Loans from non related parties | **25** | - | 500 000 |
| **TOTAL** | | **17 920 905** | **15 682 824** |
| **Current liabilities** | | | |
| Prepayments received from customers | **26** | 222 875 | 198 369 |
| Loans from credit institutions | **24** | 703 707 | 3 555 962 |
| Trade payables | | 79 902 | 103 787 |
| Payables to related companies | **27** | - | 369 744 |
| Loans from non related parties | **25** | - | 187 864 |
| Taxes payable | **28** | 68 958 | 73 243 |
| Other liabilities | **29** | 96 942 | 106 351 |
| Accrued liabilities | **30** | 275 244 | 193 074 |
| **TOTAL** | | **1 447 628** | **4 788 394** |
| **TOTAL LIABILITIES** | | **19 368 533** | **20 471 218** |
| **TOTAL EQUITY AND LIABILITIES** | | **27 689 980** | **26 354 166** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

The accompanying notes on pages 12 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman of the Board

## Statement of Cash Flows

| | Notes | 2016 | 2015 (restated)* |
|---|---|---|---|
| **Cash flows to/ from operating activities** | | **EUR** | **EUR** |
| Profit before tax | | 3 445 270 | 1 166 289 |
| Adjustments for: | | | |
| Amortisation and depreciation | **13, 14** | 395 264 | 191 230 |
| Interest expense | | 2 504 903 | 2 129 523 |
| Loss on disposal of property, plant and equipment | | 38 167 | 2 838 |
| (Decrease)/ Increase of impairment | **5** | 886 854 | 2 319 016 |
| Bonds acquisition expenses written off | | (16 389) | - |
| ***Operating profit before working capital changes*** | | **7 254 069** | **5 808 896** |
| (Increase)/ decrease in inventories | | (17 948) | - |
| (Increase)/ decrease in receivables | | (2 626 956) | (5 612 491) |
| Increase/ (decrease) in payables | | (54 247) | 606 008 |
| ***Cash generated from operations*** | | **4 554 918** | **802 413** |
| Interest received | | 187 970 | - |
| Corporate income tax paid | | (397 647) | (851 281) |
| **Net cash flows to/ from operating activities** | | **4 345 241** | **(48 868)** |
| **Cash flows to/ from investing activities** | | | |
| Purchase of property, plant and equipment | **13, 14** | (723 630) | (743 470) |
| Investments in subsidiaries | | (20) | - |
| Loans issued | **16** | (120 000) | - |
| Loan repayments received | | 921 | 587 278 |
| Interest received | | 60 180 | 16 111 |
| **Net cash flows to/ from investing activities** | | **(782 549)** | **(140 081)** |
| **Cash flows to/ from financing activities** | | | |
| Proceeds from borrowings | | 5 220 000 | 15 936 669 |
| Repayment of borrowings | | (8 752 166) | (14 592 367) |
| Securities issued | | 2 579 000 | 603 824 |
| Interest paid | | (2 337 386) | (2 127 912) |
| Dividends paid | | (525 000) | - |
| **Net cash flows to/ from financing activities** | | **(3 815 552)** | **(179 786)** |
| Change in cash | | **(252 860)** | **(368 735)** |
| Cash at the beginning of the year | | 399 884 | 768 619 |
| **Cash at the end of the year** | **21** | **147 024** | **399 884** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

The accompanying notes on pages 12 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman of the Board

## Statement of Changes in Equity

| | Share capital EUR | Currency revaluation reserve EUR | Retained earnings/ (Accumulated loss) EUR | Total EUR |
|---|---|---|---|---|
| **Balance as at 01.01.2015. (before restatement)** | **5 000 000** | **-** | **(72 710)** | **4 927 290** |
| Correction | - | - | (46 999) | (46 999) |
| **Balance as at 01.01.2015. (after restatement)** | **5 000 000** | **-** | **(119 709)** | **4 880 291** |
| Profit for the reporting year (before restatement) | - | - | 870 140 | 870 140 |
| Correction | - | 1 | 132 516 | 132 517 |
| **Balance as at 31.12.2015. (after restatement)** | **5 000 000** | **1** | **882 947** | **5 882 948** |
| **Balance as at 01.01.2016.** | **5 000 000** | **1** | **882 947** | **5 882 948** |
| Dividends paid | - | - | (525 000) | (525 000) |
| Profit for the reporting year | - | - | 2 963 499 | 2 963 499 |
| **Balance as at 31.12.2016.** | **5 000 000** | **1** | **3 321 446** | **8 321 447** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

The accompanying notes on pages 12 to 28 are an integral part of these financial statements.

Signed on behalf of the Company on 28 February, 2017 by:

Aleksandrs Čerņagins
Chairman 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 Skanstes street 50, Riga, LV-1013, Riga, Latvia. The Company's shareholders are Mogo Finance S.A. (registered in Luxembourg), which acquired 100% equity of the Company from 1 July 2014 to 2 November 2016 and 98% equity of the Company from 3 November 2016.

The core business activity of the Company comprises of providing finance lease and sale and leaseback services.
These financial statements have been approved for issue by the Board on 28 February, 2017.

## 2. Summary of significant accounting policies

### a) Basis of preparation

The Company's annual 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 annual financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. 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.

These annual financial statements for the year ended 31 December 2016 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

The financial statements are prepared on a historical cost basis. The Company's functional and presentation currency is euro (EUR). The financial statements cover the period from 1 January 2016 till 31 December 2016. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Management of the Company does not use segmented information for decision making and analysing. All operations of the Company are generated in the one geographical segment- Latvia. Information is not analysed in any other segment type.

Upon review of the entity's accounting policies we identified that we incorrectly presented own bonds as assets. Prior period comparatives were restated to account for the repurchase of the bonds and unsold bonds to third parties as a derecognition of the relevant portion of outstanding bonds liability. We also corrected presentation of repurchase and sale of own bonds in the cash flow statement and now correctly present them as cash flows from financing rather than investing activities. Repossessed cars revealed separately of a finance lease receivables. We have changed VAT methodology and recalculate VAT amount for finance year 2014 and 2015, as a result, expense amounts decresed. Prior period comparatives were adjusted to present the repossessed cars separately in the balance sheet. Finance lease receivables, selling expenses and opening retained earnings were also adjusted for a minor error in calculation of deferral of commissions using effective interest method.

Reclassification and correction made in financial statements:

| **Statement of Profit or Loss and other Comprehensive Income** | **Annual report 2015 31.12.2015. before restatement** | **Correction** | **Annual report 2016 31.12.2015. restated** |
|---|---|---|---|
| Interest and similar income | 9 106 510 | 19 049 | 9 125 559 |
| Interest expense and similar expenses | (2 083 371) | (162 420) | (2 245 791) |
| Selling expense | (600 706) | 140 711 | (459 995) |
| Administrative expense | (2 967 735) | (4 435) | (2 972 170) |
| Other operating expense | (177 910) | 158 652 | (19 258) |
| Other interest receivable and similar income | 26 980 | (3) | 26 977 |
| Corporate income tax | (386 299) | (19 038) | (405 337) |
| | **TOTAL:** | **132 516** | |
| ***Balance sheet - Assets*** | | | |
| Finance Lease Receivables (non-current) | 16 215 603 | 259 837 | 16 475 440 |
| Finance Lease Receivables (current) | 7 870 609 | (577 325) | 7 293 284 |
| Loans to non related parties | - | 2 977 | 2 977 |
| Other receivables | 84 560 | 350 140 | 434 700 |
| Other assets held for sale | - | 270 488 | 270 488 |
| Other investments in securities | 4 889 000 | (4 889 000) | - |
| Overpaid corporate income tax | 87 452 | (87 452) | - |
| | **TOTAL:** | **(4 670 335)** | |
| ***Balance sheet - Equity and Liabilities*** | | | |
| Currency revaluation reserve | - | 1 | 1 |
| Retained earnings brought forward | (72 710) | (46 999) | (119 709) |
| Retained earnings for the period | 870 140 | 132 516 | 1 002 656 |
| Liabilities for issued bonds | 19 928 453 | (4 745 629) | 15 182 824 |
| Loans from credit institutions - long term | 3 539 913 | (3 539 913) | - |
| Prepayments received from customers | 199 940 | (1 571) | 198 369 |
| Loans from credit institutions - short term | 16 049 | 3 539 913 | 3 555 962 |
| Taxes payable | 82 912 | (9 669) | 73 243 |
| Other liabilities | 105 334 | 1 017 | 106 351 |
| Other provisions | 85 209 | (85 209) | - |
| Accrued liabilities | 107 866 | 85 208 | 193 074 |
| | **TOTAL:** | **(4 670 335)** | |

**2. Summary of significant accounting policies (continued)**

| ***Statement of Profit or Loss and other Comprehensive Income*** | **Annual report 2015 31.12.2014. before** | **Correction** | **Annual report 2016 31.12.2014. restated** |
|---|---|---|---|
| Selling expense | (459 995) | 46 999 | (412 996) |
| | **TOTAL:** | **46 999** | |
| ***Balance sheet - Assets*** | | | |
| Finance Lease Receivables | 5 134 053 | (47 001) | 5 087 052 |
| Other investments in securities | 4 483 000 | (4 483 000) | - |
| | **TOTAL:** | **(4 530 001)** | |
| ***Balance sheet - Equity and Liabilities*** | | | |
| Retained earnings for the period | (72 710) | (46 999) | (119 709) |
| Liabilities for issued bonds | 19 062 000 | (4 483 000) | 14 579 000 |
| Accrued liabilities | 121 944 | (2) | 121 942 |
| | **TOTAL:** | **(4 530 001)** | |

### *b) Adoption of new revised standards and interpretations*

**The following new and amended IFRS and interpretations became effective in year 2016, but have no significant impact on the operations of the company and these annual financial statements:**

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 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” – regarding 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 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).

Annual improvements to IFRS’s 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments include changes that affect 4 standards:
• IFRS 5 “Non-current assets held for sale and discontinued operations”,
• IFRS 7 “Financial instruments: Disclosures” with consequential amendments to IFRS 1,
• IAS 19 “Employee benefits”, and
• IAS 34 “Interim financial reporting”.

Amendments to IAS 19 “Employee benefits plans” regarding defined benefit plans (effective for annual periods beginning on or after 1 February 2015).

Annual improvements to IFRS’s 2012 (effective for annual periods beginning on or after 1 February 2015). These amendments include changes that affect 6 standards:
• IFRS 2 “Share-based payment”,
• IFRS 3 “Business Combinations”,
• IFRS 8 “Operating segments”,
• IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets”, and
• IAS 24 “Related party disclosures”.

**Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2017 or later periods or are not yet endorsed by the EU:**

IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
• Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

• Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

• Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

• Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

• IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

**2. Summary of significant accounting policies (continued)**

• Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018);

Amendments to IFRS 10 “Consolidated financial statements”, IAS 28 “Investments in associates and joint ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed in the EU);

IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU);

Amendments to IAS 12 “Income taxes” - recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);

Amendments to IAS 7 “Statement of Cash Flows” – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);

Amendments to IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IFRS 2 “Share-based Payment” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IFRS 4 “Insurance Contracts” – Applying IFRS 9 “Financial statements” with IFRS 4 “Insurance contracts” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Annual improvements to IFRS’s 2016. The amendments include changes that affect 3 standards:

• IFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU),

• IFRS 1 “First-time Adoption of International Financial Reporting Standards” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU), and

• IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IAS 40 “Investment Property” - Transfers (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application, except for IFRS 9, where the impact was not yet estimated.

***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. Internally created software asset cost value is increased by Companies information technology costs - salaries and social security contribution capitalization. Asset useful life is constant and amortization cost increases every month.

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

| | |
|---|---|
| License | - over 1 year |
| Other intangible assets | - over 2, 3 and 5 years |

***Fixed assets***

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 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

**2. Summary of significant accounting policies (continued)**

***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 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 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***

Total allowances for impairment on loans are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. Collectively assessed impairment allowances also cover credit losses for portfolios of defaulted loans which are defined as past due 60 days or more. In assessing the need for collective loss allowances, Company considers factors such as probability of default and loss given default ("LGD"). In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience. To assess collective impairment allowances the loan portfolio is grouped based on delay days:

- Current – clients with no overdue payments;
- Overdue 1-30 days – clients with overdue payments for 1-30 days;
- Overdue 31-60 days – clients with overdue payments for 31-60 days;
- Default – clients with terminated agreements and those overdue more than 60 days;
- Unsecured – clients with terminated agreements and no collateral, i.e. unsecured.

The significant assumptions used in determining collective impairment losses for the loan portfolio include:

*Probability of default*

- Company calculates probability of default ratios using historic portfolio movement matrixes for the last 12 months.
- The movement matrix for the portfolio is calculated each month where the movement between previously described portfolio groups from month to month is shown.
- From the 12 month historical movement the default probability is calculated by estimating the movement for next 6 months. As a result a probability of default rate is derived for each of the portfolio groups respectively.

*Loss given default*

- Company closely follows recoveries from delinquent loans and revises LGD rates every month for portfolios based on actual recoveries received.
- The sample used for LGD calculation consists of all the loans that have been terminated historically except for the loans that have been renewed after termination. If a loan is terminated again after a renewal then it goes back into the sample.
- Estimated LGD rate is used for all portfolio groups except for unsecured group. For unsecured group the value estimate from independent third party offers is applied.

***Inventories***

Inventories are stated at the lower of cost and net realizable value.
Net realizable value represents the estimated selling price for inventories in the ordinary course of business less estimated costs necessary to make the sale.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank, cash on hand and deposits with maturity up to 90 days.

***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 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.

**2. Summary of significant accounting policies (continued)**

***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.

***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 and expense recognition***

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

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Company does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

***Corporate income tax***

Corporate Income tax includes current and deferred tax. 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 provisions and accruals.

***Subsequent events***

Post-period-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the interim condensed financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

**3. Interest and similar income**

| | 2016<br>EUR | 2015<br>(restated)*<br>EUR |
|---|---|---|
| Interest income | 9 174 799 | 8 488 194 |
| Commission income | 651 960 | 384 099 |
| Income from debt collection activities | 281 823 | - |
| Income from penalties received | 262 920 | 234 217 |
| Intercomany interest income | 22 566 | - |
| Profit from debt collection activities - reposessed car sale | 18 721 | 19 049 |
| **TOTAL:** | **10 412 789** | **9 125 559** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

**4. Interest expense and similar expenses**

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Interest expenses | 2 137 982 | 2 129 523 |
| Expenses related to attracting funding | 13 722 | - |
| Expenses from debt collection activities | - | 116 268 |
| **TOTAL:** | **2 151 704** | **2 245 791** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

**5. Impairment**

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Change in impairment | (1 840 416) | 1 978 766 |
| Written off debts | 2 727 270 | 340 250 |
| **TOTAL:** | **886 854** | **2 319 016** |

**6. Selling expense**

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Marketing expenses | 343 964 | 313 992 |
| Sales commission | 127 296 | 121 276 |
| Other selling expenses | 30 396 | 24 727 |
| **TOTAL:** | **501 656** | **459 995** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

**7. Administrative expense**

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Salaries | 1 592 892 | 1 482 043 |
| Social security contributions | 361 266 | 350 683 |
| Office and branches' maintenance expenses | 338 231 | 247 631 |
| Amortization and depreciation | 385 929 | 191 230 |
| Donations | 182 000 | 158 651 |
| IT services | 166 342 | 116 296 |
| Credit database expenses | 82 039 | 26 599 |
| Professional services | 72 365 | 49 533 |
| Bank commissions | 58 077 | 34 074 |
| Other personnel expenses | 34 978 | 81 136 |
| Bonds servicing fee | 30 957 | 46 551 |
| Communication expenses | 24 028 | 22 664 |
| Business trip expenses | 16 873 | 26 277 |
| Transportation expenses | 10 088 | 9 124 |
| Low value equipment expenses | 7 169 | 15 060 |
| Post and courrier expenses | 7 302 | 12 486 |
| Other non business related expenses | 16 648 | 37 580 |
| Other administration expenses | 54 992 | 64 552 |
| **TOTAL:** | **3 442 176** | **2 972 170** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 8. Other operating income

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Income from services provided to related companies | 2 175 | 26 748 |
| Insurance income | 730 | 2 793 |
| Interest income on bank account balances | 39 | - |
| Other income | 15 101 | 442 |
| **TOTAL:** | **18 045** | **29 983** |

### 9. Other operating expense

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Expenses of disposal of fixed assets | 3 493 | - |
| Real estate tax | 213 | - |
| Losses from sale of collateral | - | 16 372 |
| Other operating expenses | 690 | 2 886 |
| **TOTAL:** | **4 396** | **19 258** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 10. Other interest receivable and similar income

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Other interest income | 1 222 | 26 951 |
| Income from currency fluctuations | - | 26 |
| **TOTAL:** | **1 222** | **26 977** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 11. Corporate income tax

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Current corporate income tax charge for the reporting year | 151 247 | 405 337 |
| Deferred corporate income tax due to changes in temporary differences | 330 524 | (241 704) |
| **Corporate income tax charged to the income statement:** | **481 771** | **163 633** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

**Deferred corporate income tax:**

| | Balance sheet | | Income statement | |
|---|---|---|---|---|
| | 31.12.2016. | 31.12.2015. | 2016 | 2015 |
| | EUR | EUR | EUR | EUR |
| **Deferred corporate income tax liability** | | | | |
| Accelerated depreciation for tax purposes | 130 753 | 89 536 | 41 217 | 55 686 |
| **Gross deferred tax liability** | **130 753** | **89 536** | **41 217** | **55 686** |
| **Deferred corporate income tax asset** | | | | |
| Unused vacation accruals | - | (12 781) | 12 781 | (3 068) |
| Impairment | (209 757) | (485 819) | 276 062 | (296 814) |
| Other | - | (464) | 464 | 2 492 |
| **Gross deferred tax asset** | **(209 757)** | **(499 064)** | **289 307** | **(297 390)** |
| **Net deferred tax liability/ (asset)** | **(79 004)** | **(409 528)** | **330 524** | **(241 704)** |

Net deferred tax asset is recognized as the Company's management believes that the above liabilities will be offset against the respective tax assets during the next years when the deferred tax liabilities realise.

**11. Corporate income tax (continued)**

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Profit before tax | **3 445 270** | **1 166 289** |
| Tax at the applicable tax rate of 15% | **516 791** | **174 943** |
| Permanent differences: | | |
| With business not related expenses | 34 381 | 35 923 |
| Other | (31 589) | 54 101 |
| Tax rebate on donations | (37 812) | (101 334) |
| **Actual corporate income tax for the reporting year:** | **481 771** | **163 633** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

**12. Staff costs and number of employees**

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Salaries | 1 592 892 | 1 482 043 |
| Social security contribution expenses | 361 266 | 350 683 |
| Other personnel expenses | 34 978 | 81 136 |
| **TOTAL:** | **1 989 136** | **1 913 862** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

***Key management personnel compensation***

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| **Board and Council Members** | | |
| Remuneration | 72 893 | 98 159 |
| Social security contribution expenses | 17 196 | 23 304 |
| **TOTAL:** | **90 089** | **121 463** |

| | 2016 | 2015 |
|---|---|---|
| Average number of employees during the reporting year | 77 | 91 |
| **TOTAL:** | **77** | **91** |

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

| | 2016 | 2015 (restated)* |
|---|---|---|
| | EUR | EUR |
| Administrative expense | 1 989 136 | 1 913 862 |
| **TOTAL:** | **1 989 136** | **1 913 862** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 13. Intangible assets

| | Advance payments for computer programs | Licences | Other intangible assets | TOTAL |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| **As at 01.01.2015.** | | | | |
| Cost | 3 430 | 14 225 | 244 297 | **261 952** |
| Accumulated amortisation and impairment | - | (5 809) | (45 877) | **(51 686)** |
| Carrying amount | **3 430** | **8 416** | **198 420** | **210 266** |
| **2015** | | | | |
| Additions | - | 14 225 | 535 808 | **550 033** |
| Disposals | - | (14 225) | (1 020) | **(15 245)** |
| Depreciation of disposed assets | - | 14 225 | 1 020 | **15 245** |
| Amortisation charge | - | (14 225) | (90 466) | **(104 691)** |
| Reclassification | 29 461 | - | - | **29 461** |
| **As at 31.12.2015.** | | | | |
| Cost | 32 891 | 14 225 | 779 085 | **826 201** |
| Accumulated amortisation and impairment | - | (5 809) | (135 323) | **(141 132)** |
| Carrying amount | **32 891** | **8 416** | **643 762** | **685 069** |
| **As at 01.01.2016.** | | | | |
| Cost | 32 891 | 14 225 | 779 085 | **826 201** |
| Accumulated amortisation and impairment | - | (5 809) | (135 323) | **(141 132)** |
| Carrying amount | **32 891** | **8 416** | **643 762** | **685 069** |
| **2016** | | | | |
| Additions | - | 20 716 | 635 803 | **656 519** |
| Disposals | - | - | (3 509) | **(3 509)** |
| Depreciation of disposed assets | - | - | 2 057 | **2 057** |
| Amortisation charge | - | (17 452) | (269 732) | **(287 184)** |
| Reclassification | (32 891) | - | - | **(32 891)** |
| **As at 31.12.2016.** | | | | |
| Cost | - | 34 941 | 1 411 379 | **1 446 320** |
| Accumulated amortisation and impairment | - | (23 261) | (402 998) | **(426 259)** |
| Carrying amount | **-** | **11 680** | **1 008 381** | **1 020 061** |

### 14. Property, plant and equipment

| | Equipment | Leashold improvements | TOTAL |
|---|---|---|---|
| | EUR | EUR | EUR |
| **As at 01.01.2015.** | | | |
| Cost | 198 401 | 6 925 | **205 326** |
| Accumulated depreciation and impairment | (54 609) | (2 885) | **(57 495)** |
| Carrying amount | **143 791** | **4 040** | **147 831** |
| **2015** | | | |
| Additions | 163 977 | - | **163 977** |
| Cost of disposals | (6 108) | - | **(6 108)** |
| Accumulated depreciation of disposals | 3 270 | - | **3 270** |
| Depreciation charge | (84 808) | (1 731) | **(86 540)** |
| **As at 31.12.2015.** | | | |
| Cost | 356 270 | 6 925 | **363 195** |
| Accumulated depreciation and impairment | (136 148) | (4 616) | **(140 764)** |
| Carrying amount | **220 122** | **2 309** | **222 431** |
| **As at 01.01.2016.** | | | |
| Cost | 356 270 | 6 925 | **363 195** |
| Accumulated depreciation and impairment | (136 148) | (4 616) | **(140 764)** |
| Carrying amount | **220 122** | **2 309** | **222 431** |
| **2016** | | | |
| Additions | 100 002 | - | **100 002** |
| Cost of disposals | (59 460) | (6 925) | **(66 385)** |
| Accumulated depreciation of disposals | 22 747 | 6 924 | **29 671** |
| Depreciation charge | (105 773) | (2 308) | **(108 081)** |
| **As at 31.12.2016.** | | | |
| Cost | 396 812 | - | **396 812** |
| Accumulated depreciation and impairment | (219 174) | - | **(219 174)** |
| Carrying amount | **177 638** | **-** | **177 638** |

**15. Finance Lease Receivables**

| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments (restated)* | Present value of minimum lease payments (restated)* |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| ***Finance lease receivables*** | 31.12.2016. | 31.12.2016. | 31.12.2015. | 31.12.2015. |
| Up to one year | 17 304 115 | 7 898 940 | 17 775 019 | 10 079 868 |
| Years 2 through 5 combined | 33 694 087 | 17 305 263 | 27 295 125 | 15 539 119 |
| More than 5 years | 2 137 871 | 1 777 502 | 1 722 318 | 1 567 609 |
| **TOTAL, GROSS:** | **53 136 072** | **26 981 705** | **46 792 462** | **27 186 596** |

| | 31.12.2016. | 31.12.2015. (restated)* |
|---|---|---|
| ***Unearned finance income*** | EUR | EUR |
| Up to one year | 9 405 174 | 7 695 151 |
| Years 2 through 5 combined | 16 388 824 | 11 756 006 |
| More than 5 years | 360 369 | 154 709 |
| **TOTAL, GROSS:** | **26 154 367** | **19 605 866** |

| | 31.12.2016. | 31.12.2015. (restated)* |
|---|---|---|
| ***Finance lease receivables*** | EUR | EUR |
| Non-current finance lease receivables | 19 082 765 | 17 106 728 |
| Current finance lease receivables | 7 898 940 | 10 079 868 |
| **TOTAL, GROSS:** | **26 981 705** | **27 186 596** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

Analysis by credit quality of loans outstanding is as follows:

| | **Corporate 31.12.2016** | **Individuals 31.12.2016** | **TOTAL 31.12.2016** | **Corporate 31.12.2015** | **Individuals 31.12.2015** | **TOTAL 31.12.2015** |
|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| *Neither past due nor impaired* | | | | | | |
| Not overdue | - | - | **-** | - | - | **-** |
| Less than 30 days overdue | - | - | **-** | - | - | **-** |
| 31 to 60 days overdue | - | - | **-** | - | - | **-** |
| *Past due but not impaired* | | | | | | |
| Not overdue | - | - | **-** | - | - | **-** |
| Less than 30 days overdue | - | - | **-** | - | - | **-** |
| 31 to 60 days overdue | - | - | **-** | - | - | **-** |
| *Loans collectively determined to be impaired (gross)* | | | | | | |
| Not overdue | 795 787 | 20 327 471 | **21 123 258** | 818 740 | 19 734 298 | **20 553 038** |
| Less than 30 days overdue | 70 721 | 3 585 465 | **3 656 186** | 113 084 | 2 595 088 | **2 708 172** |
| 31 to 60 days overdue | 9 549 | 373 987 | **383 536** | 6 674 | 63 068 | **69 742** |
| Terminated agreements | 27 605 | 1 066 526 | **1 094 132** | 125 324 | 2 817 756 | **2 943 080** |
| **TOTAL, GROSS:** | **903 663** | **25 353 449** | **26 257 112** | **1 063 823** | **25 210 210** | **26 274 033** |

**15. Finance Lease Receivables (continued)**

| ***Movement in impairment allowance*** | **Impairment allowance** |
|---|---|
| Impairment allowance as at 01 January 2015 | 1 260 030 |
| Created in period | 2 319 016 |
| Written-off in period | (340 250) |
| Impairment allowance as at 31 December 2015 | 3 238 796 |
| | |
| Impairment allowance as at 01 January 2016 | 3 238 796 |
| Created in period | 886 854 |
| Written-off in period | (2 727 269) |
| Impairment allowance as at 31 December 2016 | 1 398 381 |

| | **Non-Current** | **Current** | **Non-Current** | **Current** |
|---|---|---|---|---|
| | 31.12.2016. | 31.12.2016. | 31.12.2015. | 31.12.2015. |
| | | | (restated)* | (restated)* |
| ***Finance lease receivables, net*** | EUR | EUR | EUR | EUR |
| Finance lease receivables | 19 082 765 | 7 174 347 | 17 106 728 | 9 167 305 |
| Accrued interest | - | 724 593 | - | 912 563 |
| Fees paid and received upon loan disbursment | (476 922) | (179 303) | (114 851) | (64 225) |
| Impairment allowance | (474 443) | (923 937) | (516 437) | (2 722 359) |
| | **18 131 400** | **6 795 700** | **16 475 440** | **7 293 284** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

Assets leased under finance leases at the end of the reporting year are estimated at 39 395 180 EUR.

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 48% in 2016 and 43% in 2015. All leases are denominated in euros. The average term of finance lease entered into is 49 months in 2016 and 41 months in 2015.

During year 2016 Company started placing lease agreement receivables on peer-to-peer lending platform based in Latvia. Agreements were offered without buy back guarantee, which means that all risks of such agreements are transferred to P2P investors. Portions of agreements purchased by investors therefore are considered as financial assets eligible for derecognition from Company balance sheet.

| Total gross portfolio derecognised from Company financial assets were: | | 31.12.2016. | 31.12.2015. |
|---|---|---|---|
| | | EUR | EUR |
| Loan receivable | | 1 047 934 | - |
| | **TOTAL:** | **1 047 934** | **-** |

## 16. Loans to related companies

| | | 31.12.2016. | 31.12.2015. |
|---|---|---|---|
| | | EUR | EUR |
| Loan receivable | | 120 000 | - |
| | **TOTAL:** | **120 000** | **-** |

This financial asset is not impaired as of 31.12.2016 (31.12.2015: 0 EUR).

## 17. Finished goods and goods for resale

| | | 31.12.2016. | 31.12.2015. |
|---|---|---|---|
| | | EUR | EUR |
| Cars for sale | | 10 195 | - |
| Fixed assets for sale | | 7 753 | - |
| | **TOTAL:** | **17 948** | **-** |

This financial asset is not impaired as of 31.12.2016 (31.12.2015: 0 EUR).

### 18. Receivables from related companies

| | | 31.12.2016. EUR | 31.12.2015. EUR |
|---|---|---|---|
| Receivables from related companies | | 1 718 | 83 172 |
| | **TOTAL:** | **1 718** | **83 172** |

This financial asset is not impaired as of 31.12.2016 (31.12.2015: 0 EUR).

### 19. Other assets held for sale

| | | 31.12.2016. EUR | 31.12.2015. (restated)* EUR |
|---|---|---|---|
| Repossessed collateral | | 301 075 | 270 488 |
| | **TOTAL:** | **301 075** | **270 488** |

Repossessed collateral represents non-financial assets acquired by the Company in settlement of overdue loans. The assets are initially recognized at remaining loan value less recognised impairment when acquired and included in other assets held for sale and are subsequently accounted for in accordance with the accounting policies for these categories of assets.
Repossessed collateral is recognized in balance sheet at moment of termination of finance lease contract. It is disposed from balance sheet upon sale. Profit of sale of repossessed collateral is recognized in profit&loss statement, but losses are recognized as unsecured finance lease receivables in balance sheet.

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 20. Other receivables

| | | 31.12.2016. EUR | 31.12.2015. (restated)* EUR |
|---|---|---|---|
| Overpaid corporate income tax | | 314 815 | 68 414 |
| Overpaid VAT | | 408 516 | 284 704 |
| Claims for debt collection commissions | | 12 141 | - |
| Advances for services | | 4 201 | 8 676 |
| Advances to employees | | 709 | 822 |
| Other debtors | | 35 181 | 72 084 |
| | **TOTAL:** | **775 563** | **434 700** |

This financial asset is not impaired as of 31.12.2016 (31.12.2015: 0 EUR).

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 21. Cash and cash equivalents

| | | 31.12.2016. EUR | 31.12.2015. EUR |
|---|---|---|---|
| Cash at bank | | 122 557 | 399 695 |
| Cash on hand | | 24 467 | 189 |
| | **TOTAL:** | **147 024** | **399 884** |

This financial asset is not impaired as of 31.12.2016 (31.12.2015: 0 EUR).

### 22. Share capital

The share capital of the Company is EUR 5 000 000 and consists of 5 000 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

### 23. Liabilities for issued bonds

| | *Interest rate per annum (%)* | *Maturity* | 31.12.2016. EUR | 31.12.2015. (restated)* EUR |
|---|---|---|---|---|
| Bonds nominal value | 10 | 31.03.2021 | 20 000 000 | 20 000 000 |
| Bonds available for sale | | | (2 310 000) | (4 889 000) |
| Additional bond interest accural | | | 318 841 | 143 371 |
| Bonds acquisition costs | | | (87 936) | (71 547) |
| | | **TOTAL:** | **17 920 905** | **15 182 824** |

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 Company has raised a total of EUR 17 690 000 as at 31 December 2016 (15 111 000 EUR at 31 December 2015). Remaining part Company has purchased and holds itself. This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 24. Loans from credit institutions

| *Current* | *Interest rate per annum (%)* | *Maturity* | 31.12.2016.<br>EUR | 31.12.2015.<br>(restated)*<br>EUR |
|---|---|---|---|---|
| Loan from bank | 6,5 to 9 + 6m EURIBOR | 30.06.2017. | 700 000 | 3 539 913 |
| Accrued interest for loan from bank | | | 3 707 | 11 660 |
| Finance lease liabilities | | | - | 4 389 |
| | | **TOTAL:** | **703 707** | **3 555 962** |

The loan from the bank is secured by Commercial Pledges on Company's pool of assets and its shares. Pledges are registered at Commercial Pledge Register of the Enterprise Register of the Republic of Latvia. All bank loan covenants as at 31 December 2016 were fulfilled.

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

### 25. Loans from non related parties

| *Non-current* | *Interest rate per annum (%)* | *Maturity* | 31.12.2016.<br>EUR | 31.12.2015.<br>EUR |
|---|---|---|---|---|
| Loan from non related party | 14 | 01.03.2017. | - | 500 000 |
| | | **TOTAL:** | **-** | **500 000** |

| *Current* | *Interest rate per annum (%)* | *Maturity* | 31.12.2016.<br>EUR | 31.12.2015.<br>EUR |
|---|---|---|---|---|
| Loan from non related party | 14 | 19.12.2016. | - | 187 864 |
| | | **TOTAL:** | **-** | **187 864** |

Loans from non related parties are secured by individual guarantee agreements.

### 26. Prepayments received from customers

| | | 31.12.2016.<br>EUR | 31.12.2015.<br>(restated)*<br>EUR |
|---|---|---|---|
| Advances received from current customers** | | 198 244 | 198 369 |
| Overpayments from historical customers | | 24 631 | - |
| | **TOTAL:** | **222 875** | **198 369** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

** - Advances received from customers are recorded in balance sheet and settled against finance lease receivables at the moment of issuing next monthly invoice according to agreement schedule.

### 27. Payables to related companies

| | | 31.12.2016.<br>EUR | 31.12.2015.<br>EUR |
|---|---|---|---|
| Other payables to related companies | | - | 369 744 |
| | **TOTAL:** | **-** | **369 744** |

### 28. Taxes payable

| | | 31.12.2016.<br>EUR | 31.12.2015.<br>(restated)*<br>EUR |
|---|---|---|---|
| Social security contributions | | 49 172 | 50 304 |
| Personal income tax | | 19 761 | 22 363 |
| Car tax | | - | 554 |
| Risk duty | | 25 | 22 |
| | **TOTAL:** | **68 958** | **73 243** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

## 29. Other liabilities

| | 31.12.2016.<br>EUR | 31.12.2015.<br>(restated)*<br>EUR |
|---|---|---|
| Liabalities against employees for salaries | 93 421 | 98 769 |
| Others liabilities | 3 521 | 7 582 |
| **TOTAL:** | **96 942** | **106 351** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

## 30. Accrued liabilities

| | 31.12.2016.<br>EUR | 31.12.2015.<br>(restated)*<br>EUR |
|---|---|---|
| Accruals for bonuses | 126 139 | 65 155 |
| Accrued unused vacation | 96 350 | 85 209 |
| Other accrued liabilities for received services | 52 755 | 42 710 |
| **TOTAL:** | **275 244** | **193 074** |

* Information regarding the reclassifications and corrections made in the financial statements is disclosed in note 2. Summary of significant accounting policies.

## 31. Related party disclosures

Related parties are defined as subsidiaries and associates 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.

All transactions between related parties are performed according to cost based principle. Receivables and payables incurred are not secured with any kind of pledge.

As from 1 July 2014 the Company is controlled by Mogo Finance S.A. (registered in Luxembourg) which owns 98% equity and is the direct controlling and ultimate controlling party.

The income and expense items with related parties for 2016 were as follows:

| Related party | Parent company<br>EUR | Related parties<br>EUR |
|---|---|---|
| Interest income | - | 22 566 |
| Dividend expense | 514 500 | - |
| Bonds coupon expenses | 228 383 | - |
| Other operating income | 378 | 72 937 |
| Other operating expenses | - | 8 082 |

| | 31.12.2016.<br>EUR | 31.12.2015.<br>EUR |
|---|---|---|
| Amounts owed by related parties | 3 686 718 | 3 369 172 |
| Amounts owed to related parties | - | 369 744 |

## 32. Commitments and contingencies

Commitments under operating leases

The Company as a lessee has entered into property lease agreements. As at 31 December 2016 and 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

| | 31.12.2016.<br>EUR | 31.12.2015.<br>EUR |
|---|---|---|
| Less than one year | 157 549 | 211 350 |
| Between one and five years | 623 749 | 785 380 |
| More than five years | 622 267 | 540 131 |
| **TOTAL:** | **1 403 565** | **1 536 861** |

## 33. Financial risk management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

***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 24). 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 23, 24 and 25 and the average interest rate receivable from finance lease receivables is disclosed in Note 15.

*Liquidity risk*

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with 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 | | | | |
|---|---|---|---|---|---|---|
| | **Carrying value** | **On demand** | **Up to 1 year** | **1-5 years** | **More than 5 years** | **Total** |
| **As at 31.12.2016.** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| **Assets** | | | | | | |
| Cash in bank | 147 024 | 147 024 | | | | **147 024** |
| Finance lease receivables | 24 927 100 | | 17 304 115 | 33 694 087 | 2 137 871 | **53 136 072** |
| **Total undiscounted financial assets** | 25 074 124 | 147 024 | 17 304 115 | 33 694 087 | 2 137 871 | **53 283 096** |
| **Liabilities** | | | | | | |
| Borrowings | (703 707) | - | (703 707) | - | - | **(703 707)** |
| Bonds | (17 920 905) | - | (1 751 448) | (21 300 999) | - | **(23 052 447)** |
| Current liabilities | (646 979) | - | (804 528) | (623 749) | (622 267) | **(2 050 544)** |
| **Total undiscounted financial liabilities** | (19 271 591) | - | (3 259 683) | (21 924 748) | (622 267) | **(25 806 699)** |
| **Net undiscounted financial assets / (liabilities)** | 5 802 533 | 147 024 | 14 044 432 | 11 769 339 | 1 515 603 | **27 476 398** |

*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.

### 34. Fair value of financial assets and liabilities

Fair value of financial instruments is the amount, for which the asset can be sold or liability settled between two unrelated, independent parties based on generally accepted terms and conditions. The most reliable evidence of fair value is a quoted price in an active market. Active market is market in which there are frequent and large volumes of transactions, that provides with reliable information about quoted prices on a constant basis. The Company discloses information on fair values of assets and liabilities in such a way as to enable its comparison with book values.

When determining fair values of assets and liabilities, the Company is using various sources of fair value, which are grouped into three categories based of following hierarchy:
Category 1 – quoted market prices in an active market;
Category 2 – models to determine fair value using data directly observable in the market;
Category 3 – other methods for determining fair value using data, which is not directly observable in the market.

Instruments within Category 1 include highly liquid assets and standard derivative financial instruments traded on the stock exchange.

Fair value for such financial instruments as Financial assets at fair value through profit and loss is mainly determined based on publicly available quoted prices (bid price, obtainable from Bloomberg system).

Instruments within Category 2 include assets, for which no active market exists, such as over the counter derivative financial instruments that are traded outside the stock exchange, bonds, as well as balances on demand with the Bank of Latvia, balances due from banks and other financial liabilities. Bonds fair value is observable in NASDAQ OMX Baltic public information. Fair value of bank loans is based on effective interest rate which represents current market rate to similar companies. The management recognizes that cash and cash equivalents' fair value is the same as their carrying value therefore the risk of fair value change is insignificant.

Instruments within Category 3 include available for sale financial assets, loans and receivables.

Fair value of finance lease and loan receivables is equal to the carrying value, which is present value of minimum lease and loan payments discounted using effective agreement interest rate and adjusted for impairment allowance.

Fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate. Company's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to JSC mogo.

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 would not be materially different.

The table below summarizes 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:

| | Carrying value 31.12.2016. EUR | Fair value 31.12.2016. EUR | Carrying value 31.12.2015. EUR | Fair value 31.12.2015. EUR |
|---|---|---|---|---|
| **Assets** | | | | |
| Finance lease receivables non-current | 18 131 400 | 18 131 400 | 16 475 440 | 16 475 440 |
| Loans to related companies | 120 000 | 120 000 | - | - |
| Finance lease receivables current | 6 795 700 | 6 795 700 | 7 293 284 | 7 293 284 |
| Loans to non related parties | 2 056 | 2 056 | 2 977 | 2 977 |
| Receivables from related companies | 1 718 | 1 718 | 83 172 | 83 172 |
| Other receivables | 775 563 | 775 563 | 434 700 | 434 700 |
| Cash and cash equivalents | 147 024 | 147 024 | 399 884 | 399 884 |
| **Total assets** | **25 973 461** | **25 973 461** | **24 689 457** | **24 689 457** |
| **Liabilities** | | | | |
| Liabilities for issued bonds | 17 920 905 | 17 920 905 | 15 182 824 | 15 182 824 |
| Payables to related companies | - | - | 369 744 | 369 744 |
| Loans from non related parties | - | - | 687 864 | 687 864 |
| Loans from credit institutions | 703 707 | 703 707 | 3 555 962 | 3 555 962 |
| Trade payables | 79 902 | 79 902 | 103 787 | 103 787 |
| Other liabilities | 96 942 | 96 942 | 106 351 | 106 351 |
| Accrued liabilities | 275 244 | 275 244 | 193 074 | 193 074 |
| **Total liabilities** | **19 076 700** | **19 076 700** | **20 199 606** | **20 199 606** |

### 34. Fair value of financial assets and liabilities (continued)

The table below specified analysis by fair value categories as at 31 December 2016 (based on their carrying amounts):

| As at 31 December 2016 | Category 1 31.12.2016. EUR | Category 2 31.12.2016. EUR | Category 3 31.12.2016. EUR | Category 1 31.12.2015. EUR | Category 2 31.12.2015. EUR | Category 3 31.12.2015. EUR |
|---|---|---|---|---|---|---|
| **Assets at fair value** | | | | | | |
| Finance lease receivables non-current | - | - | 18 131 400 | - | - | 16 475 440 |
| Loans to related companies | - | - | 120 000 | - | - | - |
| Finance lease receivables current | - | - | 6 795 700 | - | - | 7 293 284 |
| Loans to non related parties | - | - | 2 056 | - | - | 2 977 |
| Receivables from related companies | - | - | 1 718 | - | - | 83 172 |
| Other receivables | - | - | 775 563 | - | - | 434 700 |
| Cash and cash equivalents | - | 147 024 | - | - | 399 884 | - |
| **Total assets at fair value** | **-** | **147 024** | **25 826 437** | **-** | **399 884** | **24 289 573** |
| **Liabilities at fair value** | | | | | | |
| Liabilities for issued bonds | - | 17 920 905 | - | - | 15 182 824 | - |
| Payables to related companies non-current | - | - | - | - | - | 369 744 |
| Loans from non related parties | - | - | - | - | - | 687 864 |
| Loans from credit institutions | - | 703 707 | - | - | 3 555 962 | - |
| Trade payables | - | - | 79 902 | - | - | 103 787 |
| Other liabilities | - | - | 96 942 | - | - | 106 351 |
| Accrued liabilities | - | - | 275 244 | - | - | 193 074 |
| **Total liabilities at fair value** | **-** | **18 624 612** | **452 088** | **-** | **18 738 786** | **1 460 820** |

### 35. Compliance with covenants

Company is subject to certain covenants relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Company including growth in the cost of borrowings and declaration of default. Management believes that the Company was in compliance with covenants at 31 December 2016.

### 36. Management of Capital

The Company’s objectives when managing capital are (i) to comply with the capital requirements set by local regulators where applicable and (ii) to safeguard the Company’s ability to continue as a going concern. The Company considers total capital under management to be equity as shown in the statement of financial position. The amount of capital that the Company managed as of 31 December 2016 was 8 321 447 EUR (2015: 5 882 948 EUR). Management reviews its capital position on a regular basis to maintain sufficient funds in order to support the medium- and long-term strategic goals of the Company. The Company has complied with all externally imposed capital requirements throughout 2016 and 2015.

### 37. Events after balance sheet date

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

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## INDEPENDENT AUDITOR'S REPORT

(Translation of the Latvian original)*

To the Shareholders of AS mogo

### Our opinion

In our opinion, the accompanying financial statements set out on pages 7 to 28 of the accompanying annual reprot give a true and fair view of the financial position of AS mogo (the Company) as at 31 December 2016, 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 (IFRS).

***What we have audited***
The financial statements comprise:
- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

### Basis for opinion

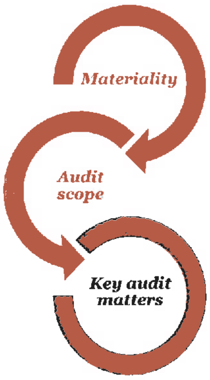
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

***Independence***
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law on Sworn Auditors of the Republic of Latvia that are relevant to our audit of the financial statements in Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Sworn Auditors of the Republic of Latvia.

## Our audit approach

### Overview




**Materiality**

Overall materiality is 306 thousand euros, which represents approximately 1% of total assets.

**Audit scope**

A full scope audit was performed by the PwC audit team

**Key audit matter**

- Impairment of finance lease receivable balances

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| ***Overall materiality*** | Overall materiality is 306 thousand euros. |
| ***How we determined it*** | Overall materiality is approximately 1% of total assets. |
| ***Rationale for the materiality benchmark applied*** | We consider the assets of the Company to be a key determinant of the Company's value and a key metric used by management, investors, analysts and lenders. |

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## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| **Impairment of finance lease receivable balances** (refer to note 2 'Summary of significant accounting policies – Impairment allowance', note 5 'Impairment' and note 15 'Finance Lease Receivables' for further details).<br><br>As at 31 December 2016 finance lease receivables amounted to EUR 26 325 480 and related impairment loss as at 31 December 2016 amounted to EUR 1 398 380.<br><br>We focused on this area because management makes complex and subjective judgements over both timing of recognition of impairment and the estimation of the size of the impairment.<br><br>The amount of impairment provision for Company's finance lease receivables is based on collective assessment which is calculated taking into account historical experience as well as such factors as probability of default and loss given default. Assumptions are made to determine probability of default ratios and loss given default ratios.<br><br>Probability of default ratios are calculated using historic portfolio movement matrixes for the last 12 months. Information is updated monthly and management monitors the movements between ageing groups on an ongoing basis.<br><br>Loss given default ratios are established based on historical information about recoveries of delinquent lease receivables and are updated every month. For unsecured lease receivables, loss given default ratios are established at a level derived from third party offers or actual receivables sales transactions. | We assessed whether the Company's accounting policies in relation to the valuation of finance lease receivables assets are in compliance with IFRS.<br><br>We assessed the design and operating effectiveness of the controls over impairment data and calculations. We selected a sample of controls and tested those by re-performance. These controls included those over the automated application of repayments to the outstanding lease receivable balances and accuracy of split between ageing groups. We did not identify any exceptions that impacted our audit approach.<br><br>We obtained impairment provision calculation made for finance lease receivables outstanding as at 31 December 2016. We assessed the appropriateness of probability of default and loss given default ratios used in determining impairment of lease receivables taking into account the diversity of the lease portfolio and by corroborating the input data used to independent data and historical information of the Company.<br><br>We selected a sample of lease receivables and checked the correctness of classification in the aging categories.<br><br>As a result of our work, we noted no material exceptions.<br><br>We also considered whether the disclosures made in note 15 to the financial statements met the requirements set out in IFRS and noted no issues. |

*How we tailored our audit scope*

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

## Other information

The management is responsible for the other information. The other information comprises:

- Management report as set out on pages 4 to 5 of the accompanying annual report,
- The Statement on management Responsibility as set out on page x of the accompanying annual report, and
- the Statement of Corporate Governance, set out in separate statement prepared by the Company's management and available on the Company's website http://www.mogofinance.com/,

but does not include the financial statements and our auditor's report thereon.

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

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

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

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

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in clause $56.^2$, section 3 point 1 of the Financial Instruments Market Law of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in clause $56.^2$, section 3 point 1 of the Financial Instruments Market Law of the Republic of Latvia.

## Responsibilities of the management and those charged with governance for the financial statements

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168
Member of the Board

28 February 2017

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* *This version of our report 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, views or opinions, the original language version of our report takes precedence over this translation.*

*This independent auditor's report (translation of the Latvian original) should only be used with an annual report initialled for identification purposes by PricewaterhouseCoopers SIA.*