Société Anonyme Mogo Finance
(UNIFIED REGISTRATION NUMBER B 174.457)

CONSOLIDATED ANNUAL REPORT
For the year ended 31 December 2016

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Luxembourg, 2017

CONTENTS

General information

Name of the company	Mogo Finance
Legal status of the company	Société Anonyme
Unified registration number, place and date of registration	Luxembourg, 18 December 2012
Registered office	9, Allee Scheffer, L-2520 Luxembourg
Shareholders	AS Alps Investments 32% SIA MM Investicijas 32% Other shareholders 36%
Directors	Marcis Grinis (type A), from 16.04.2014 till 29.02.2016 Jekabs Endzins (type A), from 06.05.2015 till 29.02.2016 Franck Cera (type B), from 16.04.2014 till 29.02.2016 Emmanuel Natale (type B), from 16.04.2014 till 29.02.2016 Caroline Georgen (type A), from 01.03.2016 Pierre Bernardy (type B), from 01.03.2016 Inna Horner (type B), from 01.03.2016
Subsidiaries	AS mogo, Skanstes iela 50, LV-1013, Riga, Latvia (100%), from 01.07.2014 98% from 03.11.2016 UAB mogo LT, Perkunkiemio str. 6, LT-12130, Vilnius, Lithuania (100%), from 01.07.2014 98% from 29.01.2016 OU mogo, Parnu mnt 148, 11317, Tallinn, Estonia (100%), from 01.07.2014 98% from 29.01.2016 Mogo LLC, 24b, Al. Kazbegi ave., 0160 Tbilisi, Georgia (100%), from 01.07.2014 98% from 28.04.2016 Sp.z.o.o. mogo, Aleja Krakowska 197, 02-180 Warsaw, Poland (100%), from 29.09.2015 Mogo Bulgaria EOOD, Patriarch Evtimii Blvd. No 82, Sofia, Bulgaria (100%) from 30.03.2016 Mogo IFN SA, Sevastopol 24, etaj 4, birou 406, Sector 1, Bucuresti, Romania (99.99%) from 31.03.2016 Mogo Spain (100%), from 31.05.2016
Financial year	1 January - 31 December 2016
Previous financial year	1 January - 31 December 2015
Auditors	PricewaterhouseCoopers Societe cooperative Commercial licence No. 10028256 2 rue Gerhard Mercator, B.P. 1443, L-1014, Luxembourg

Management report

10 August 2017

The Directors of the Group present the report on consolidated financial statements for the year ended 31 December 2016. All the figures are presented in EUR (euro).

General information

Mogo Finance S.A. (hereinafter referred to as – the Company) and its subsidiaries (hereinafter together referred to as – the Group) is a market leading sale and leaseback and finance lease solutions provider in Latvia, Lithuania, Estonia, Georgia, Poland, Romania and Bulgaria. The Group provides quick and convenient services for both individuals and legal entities offering vehicle finance lease transactions for amounts up to 10 000 euro and sale and leaseback transactions for amounts up to 10 000 euro with duration up to six years. In both instances the vehicle is used as a collateral and hence all loans issued by the Group are secured. Funding is being offered online through Mogo branded website, mobile homepage and onsite at the customer service centers, as well as at the sales centers of car dealerships.

Group's main goal is to offer its customers easily available, convenient and affordable sale and leaseback and finance lease solutions. In order to achieve this the Group offers to its customers various solutions adjusted to their needs, as well as highest quality service and accessibility. The Group directly cooperates with a wide network of car dealerships, where the customers can buy a vehicle by obtaining funding from the Group.

Mission, vision and values

Mission

Mission of the Group is to offer accessible and affordable leasing and loan services to clients who need quick and simple way of obtaining financing or would like to purchase a vehicle.

Vision

Vision of the Group is to become the market leading leaseback and finance lease solutions company, highly rated for customer friendliness and accessibility.

Values

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

Operations and Financial Results

2016 was a period of very consistent growth for the Group.

Total assets of the Group grew up to 71.3 million euro (15% increase, compared to 2015), turnover reached 29.8 million euro (53% increase, compared to 2015), EBITDA before FOREX was 15.5 million euro (135% increase, compared to 2015), and net profit of the Group amounted to 6.1 million euro.

At the end of 31 December 2016 gross value of the lease portfolio reached 69.5 million euro (12% increase, compared to 31 December 2015).

The growth of the Group and its market leading position during 2016 was driven by its purposeful strategy, oriented at improvement of customer service quality, as well as professionalism and effort of employees ensuring the set objectives are achieved.

The Group has continued to develop provision of its services and has become more accessible to its customers by opening new customer service centers located in various regions of Latvia, Lithuania, Estonia and Georgia, as well as entering into new countries such as Poland, Romania and Bulgaria. The Group plans to continue expansion of its activity and to open even more new customer service centers in its existing countries of operation, as well as to enter new markets.

2016 was a successful year also 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 Group 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.

Management report (continued)

In 2016 the Group continued the execution of various marketing activities on TV, radio and internet advertisements and outdoor ads.

This helped to promote the brand and to strengthen the Group's position in terms of brand recognition (top of mind brand) in the leaseback and finance lease solutions sector.
In 2016 the Group has considerably diversified its source of funding by expanding cooperation with peer-to-peer lending marketplace Mintos (www.mintos.com).
Currently Group offers investors to invest in Group's loans originated in Latvia, Lithuania, Estonia and Poland.

The Group plans to continue its rapid expansion by entering new markets. According to the Group plans, operations in several geographies to be launched in each of next 3 years. The Group also continues to focus on continuously increasing its profitability by contorolling its cost base and at the same time growing its portfolio and revenues.

Financial risk management is disclosed in note 23 and events after statement of financial date are described in note 27 to these financial statements.

Signed on behalf of the Group on 10 August 2017 by:

Caroline Goergen
Type A director

Livlu Rusu
Type B director

Statement of Management Responsibility

10 August 2017

The Directors of Mogo Finance S.A. ("the Company") are responsible for preparing the consolidated financial statements of the Company and its subsidiaries ("the Group"").

Consolidated financial statements are prepared in accordance with the source documents and give a true and fair view of the Group' s financial position, operation results and cash flows for the period ended 31 December 2016.

The Directors confirm that appropriate accounting policies have been consequently applied and prudent and reasonable judgments and estimates have been made by the management in the preparation of the consolidated financial statements for the year ended 31 December 2016, set out on pages 9 to 34.

The Directors also confirm that International Financial Reporting Standards (IFRS) as adopted by the EU have been applied and complied with and that consolidated financial statements have been prepared on a going concern basis.

The Company's Directors are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group. The Company's Directors are also responsible for operating the Group in compliance with all the applicable laws and other legislative or regulatory provisions of Grand Duchy of Luxembourg, as well as with the national laws and regulations of the countries in which the Group conducts its business.

Signed on behalf of the Group on 10 August 2017 by:

Caroline Goergen
Type A director

Liviu Rusu
Type B director

Audit report

To the Shareholders of
Mogo Finance S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mogo Finance S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

pwc

Opinion

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 10 August 2017

Julien Ghata

Consolidated Statement of Comprehensive Income

		2016	2015 (restated)*
		EUR	EUR
Interest and similar income	3	29 800 560	19 417 171
Interest expense and similar expenses	4	(7 184 815)	(5 772 808)
Impairment expense	5	(4 624 394)	(3 600 921)
Gross margin		17 991 351	10 043 442
Selling expense	6	(1 567 256)	(1 793 842)
Administrative expense	7	(8 216 214)	(7 381 171)
Other operating income		67 576	109 857
Other operating expense		(355 246)	(403 862)
Other income		34 501	186
Other foreign currency exchange fluctuation expense and similar expense		(751 076)	(960 101)
Profit or loss before tax		7 203 636	(385 491)
Corporate income tax	8	(851 702)	(440 945)
Deferred corporate income tax	8	(257 917)	155 768
Net profit/(loss) for the year		6 094 017	(670 668)
Other comprehensive income/(loss):			
Items that may be reclasified subsequently to profit or loss:			
Translation of financial information of foreign operations to presentation currency		(32 139)	85 085
Other comprehensive income/(loss)		(32 139)	85 085
Total comprehensive income/(loss) for the year		6 061 878	(585 583)
Profit/(loss) is attributable to:			
Owners of the Group		5 946 531	(670 668)
Non-controlling interest		147 486	-
Net profit/(loss) for the year		6 094 017	(670 668)
Other comprehensive income /(loss) is attributable to:			
Owners of the Group		(32 278)	85 085
Non-controlling interest		139	-
Other comprehensive income/(loss) for the year		(32 139)	85 085

* 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 14 to 34 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 10 August 2017 by:

Caroline Goergen
Type A director

Liviu Rusu
Type B director

Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS			31.12.2016. EUR	31.12.2015. (restated)* EUR
Goodwill		9	1 476 745	1 476 745
Intangible assets		10	1 088 110	736 103
Property, plant and equipment		10	487 618	624 721
Non-current financial assets				
Finance lease receivables		11	42 307 760	34 955 659
Other long term receivables		12	159 087	-
Deferred tax		8	221 536	481 137
	TOTAL		42 688 383	35 436 796
	TOTAL NON-CURRENT ASSETS		45 740 856	38 274 365
CURRENT ASSETS				
Finished goods for resale			46 848	4 029
Finance lease receivables		11	21 308 532	21 203 602
Loans to non related parties			2 056	2 977
Other receivables		13	1 831 069	1 594 912
Prepaid expense			121 425	106 119
Accrued income			534	-
	TOTAL		23 310 464	22 911 639
Cash and cash equivalents		14	2 234 907	780 947
	TOTAL CURRENT ASSETS		25 545 371	23 692 586
TOTAL ASSETS			71 286 227	61 966 951

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

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Signed on behalf of the Group on 10 August 2017 by:

Caroline Goergen
Type A director

Liviu Rusu
Type B director

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

		31.12.2016.	31.12.2015. (restated)*
EQUITY		EUR	EUR
Share capital	15	31 036	31 018
Share premium	15	9 968 964	1 968 982
Reserve		2 734	-
Foreign currency translation reserve		4 937	37 215
Retained earnings/(losses)		3 553 161	(2 436 790)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**13 560 832**	**(399 575)**
Non-controlling interest		232 258	-
TOTAL EQUITY		**13 793 090**	**(399 575)**
LIABILITIES			
Non-current liabilities			
Borrowings	16	51 915 441	59 001 786
TOTAL		**51 915 441**	**59 001 786**
Current liabilities			
Borrowings	16	3 384 774	1 724 383
Prepayments received from customers	17	571 534	401 505
Trade payables		275 163	393 189
Taxes payable	18	583 270	218 377
Other liabilities	19	375 440	379 918
Accrued liabilities	20	387 515	247 368
TOTAL		**5 577 696**	**3 364 740**
TOTAL LIABILITIES		**57 493 137**	**62 366 526**
TOTAL EQUITY AND LIABILITIES		**71 286 227**	**61 966 951**

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Signed on behalf of the Group on 10 August 2017 by:

Caroline Goergen
Type A director

Liviu Rusu
Type B director

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings/ (Accumulated loss)	Reserve	Total equity attributable to owners of the group	Non controlling interest	Total
Balance at 31.12.2014. (before restatement)	31 000	-	(23 155)	(1 717 276)	-	(1 709 431)	-	(1 709 431)
Correction	-	-	-	(48 846)	-	(48 846)	-	(48 846)
Balance at 31.12.2014. (after restatement)	31 000	-	(23 155)	(1 766 122)	-	(1 758 277)	-	(1 758 277)
Issue of share capital and share premium	18	1 968 982	-	-	-	1 969 000	-	1 969 000
Correction	-	-	(24 715)	124 417	-	99 702	-	99 702
Other comprehensive income	-	-	85 085	-	-	85 085	-	85 085
Losses for the reporting year	-	-	-	(795 085)	-	(795 085)	-	(795 085)
Total comprehensive income	-	-	85 085	(670 668)	-	(585 583)		(585 583)
Balance at 31.12.2015. (after restatement)	31 018	1 968 982	37 215	(2 436 790)	-	(399 575)	-	(399 575)
Sale of shares to minority shareholders	-	-	-	46 210	-	46 210	113 077	159 287
Reserve	-	-	-	(2 790)	2 734	(56)	56	-
Dividends distribution	-	-	-	-	-	-	(28 500)	(28 500)
Cancellation of shares due to share replacement	(31 018)	-	-	-	-	(31 018)	-	(31 018)
Issue of new shares and share premium	31 036	7 999 982	-	-	-	8 031 018	-	8 031 018
Other comprehensive income	-	-	(32 278)	-	-	(32 278)	139	(32 139)
Profit for the reporting year	-	-	-	5 946 531	-	5 946 531	147 486	6 094 017
Total comprehensive income	-	-	(32 278)	5 946 531	-	5 914 253	147 625	6 061 878
Balance at 31.12.2016.	31 036	9 968 964	4 937	3 553 161	2 734	13 560 832	232 258	13 793 090

* 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 14 to 34 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 10 August 2017 by:

Caroline Goergen
Type A director

Liviu Rusu
Type B director

Consolidated Statement of Cash Flows

	Notes	2016	2015 (restated)*
Cash flows from operating activities		EUR	EUR
Profit/(loss) before tax		7 203 636	(385 491)
Adjustments for:			
Amortisation and depreciation	10	628 117	341 193
Interest expense	4	6 891 320	5 732 398
Interest income		(1 222)	(156)
Loss/(gain) on disposal of property, plant and equipment		367 602	(73 105)
Impairment expense	5	4 624 394	3 600 921
Loss from fluctuations of currency exchange rates		263 492	810 024
Increase in accrued liabilities		140 146	102 685
Change in bonds acquisition expenses		(135 005)	19 664
Increase in accrued income		(534)	-
Operating profit before working capital changes		19 981 946	10 148 333
Decrease in inventories		-	56 226
Increase in receivables		(12 375 707)	(25 836 715)
Increase/ (decrease) in payables		9 976	877 884
Cash generated from operations		7 616 215	(14 754 272)
Corporate income tax paid		(430 262)	(821 160)
Net cash flows from operating activities		7 185 953	(15 575 432)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	10	(1 223 022)	(1 081 988)
Income from sales of property, plant and equipment		-	863
Loan repayments received		22 000	-
Loans issued		(21 000)	-
Interest received		1 143	156
Net cash flows from investing activities		(1 220 879)	(1 080 969)
Cash flows from financing activities			
Proceeds from issue of share capital	15	18	1 969 000
Proceeds from borrowings		46 721 964	26 376 363
Repayment of borrowings		(43 639 003)	(4 900 799)
Interest paid		(7 265 248)	(5 705 892)
Dividends paid to non-controlling shareholders		(28 500)	-
Securities repurchased		-	(2 845 411)
Net cash flows from financing activities		(4 210 769)	14 893 261
Effect of exchange rates on cash and cash equivalents		(300 345)	111 070
Change in cash		1 453 960	(1 652 070)
Cash at the beginning of the year		780 947	2 433 017
Cash at the end of the year	14	**2 234 907**	**780 947**

* 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 14 to 34 are an integral part of these consolidated financial statements

Caroline Goergen
Type A director

Liviu Rusu
Type B director

Notes to the Financial Statements

1. Corporate information

Mogo Finance S.A. (hereinafter "the Company") is a Luxembourg holding company incorporated on December 18, 2012 as a Société Anonyme for an unlimited duration, subject to general company law. The Company and its subsidiaries ("the Group") operate in Luxembourg, Latvia, Lithuania, Estonia, Georgia, Poland, Romania, Bulgaria and Spain. The registered office of Mogo Finance S.A. is at 6, rue Guillaume Schneider, L-2522 Luxembourg.

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

The Group provides quick and convenient services for both individuals and legal entities offering vehicle finance lease transactions and sale and leaseback transactions with duration up to six years. In both instances the vehicle is used as a collateral and hence all loans issued by the Group are secured. Funding is being offered at the customer service centres, as well as at the sales centres of car dealerships.

Consolidated annual report of 2016 has been approved by decision of the directors on 10 August 2017.
Shareholders have the rights to amend financial statements after their approval by the Board of Directors.

2. Summary of significant accounting policies

a) Basis of preparation

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

The Group's consolidated 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 consolidated financial statements. The Group 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 Group'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.

The consolidated financial statements are prepared on a historical cost basis as modified by the recognition of financial instruments initially at fair value.
Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.
The Group's functional and presentation currency is euro (EUR). The financial statements cover the period from 01 January 2016 till 31 December 2016. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Upon review of the entity's accounting policies the Group management identified that Group has changed VAT methodology and recalculated VAT amount for finance years 2014 and 2015, as a result, expense amounts have decreased. Respective balance sheet and profit or loss statement comparatives have been adjusted. Prior period comparatives were also 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.
Other corrections have been made to improve the comparability of balances between financial years and overall ability to analyze financial information.

Reclassification and correction made in financial statements:

Statement of Profit or Loss and other Comprehensive Income	*Type of correction*	Annual report 2015 31.12.2015. before restatement	Correction	Annual report 2015 31.12.2015. after restatement
Interest and similar income	Error corrections	19 415 326	1 845	19 417 171
Interest expense and similar expenses	Error corrections	(5 555 631)	(217 177)	(5 772 808)
Selling expense	Error corrections	(1 920 288)	126 446	(1 793 842)
Administrative expense	Error corrections	(7 613 512)	232 341	(7 381 171)
Other operating income	Error corrections	278 735	(168 878)	109 857
Corporate income tax	Error corrections	(421 907)	(19 038)	(440 945)
		TOTAL:	124 417	
Balance sheet - Assets				
Goodwill	Error corrections	1 477 016	(271)	1 476 745
Intangible assets	Error corrections	736 045	58	736 103
Equipment	Error corrections	605 387	19 334	624 721
Non-current net finance lease receivables	Error corrections	39 140 328	(4 184 669)	34 955 659
Current net finance lease receivables	Error corrections	17 862 794	3 340 808	21 203 602
Loans to non-related parties	Change in presentation	-	2 977	2 977
Other receivables	Error corrections	557 390	1 037 522	1 594 912
Deferred expense	Error corrections	111 136	(5 017)	106 119
Other current financial assets	Change in presentation	5 500	(5 500)	-
		TOTAL:	205 242	

2. Summary of significant accounting policies (continued)

Balance sheet - Equity and Liabilities	*Type of correction*	Annual report 2015 31.12.2015. before restatement	Correction	Annual report 2015 31.12.2015. after restatement
Retained earnings	Error corrections	(2 512 362)	75 572	(2 436 790)
Borrowings (non current)	Error corrections	58 858 415	143 371	59 001 786
Advances received	Change in presentation	-	401 505	401 505
Taxes payable	Error corrections	228 599	(10 222)	218 377
Deferred revenue	Change in presentation	401 505	(401 505)	
Other liabilities	Change in presentation	630 765	(250 847)	379 918
Other provisions	Change in presentation	-	247 368	247 368
		TOTAL:	205 242	

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 Group 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 IAS 1 "Presentation of financial statements" regarding disclosure initiative (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".

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at:
(i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
(ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.
The Group believes there will be no impact of the new standard on its financial statements.

2. Summary of significant accounting policies (continued)

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.

• 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).

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its financial statements.

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 Group still evaluates effect.

2. Summary of significant accounting policies (continued)

Basis of Consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition by acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The Company has subsidiaries in several countries. As at 31.12.2016. those were:

Mogo OU (Estonia); Mogo AS and Mogo LT SIA (Latvia); Mogo UAB (Lithuania); Mogo LLC (Georgia); Mogo Sp. Z o.o. (Poland); Mogo IFN (Romania); Mogo Bulgaria EOOD (Bulgaria); Mogo Finance S.L. (Spain)

Significant accounting judgments and estimates

The presentation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the Group to make estimates and assumptions that affect the recognized amounts for assets, liabilities and disclosure of contingent assets and liabilities as of the date of balance sheet date as well as recognized income and expenses for the reporting period. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may significantly differ from related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant judgments and estimates representing most probable sources of uncertainty existing in current financial and economical market are presented below:

Allowances for impairment losses on lease receivables

The Group reviews its lease receivable portfolios at each reporting date to assess whether an allowance for impairment should be recognized in the income statement and for which amount. Based on best knowledge about current situation, management makes a particular judgment about financial position of counterparty, realization value of underlined collateral and estimation of net present value of expected future cash flows, when determining the amount of allowance required.

Total allowances for impairment on lease receivables are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of lease receivables 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, Group 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 lease receivables 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 lease receivable portfolio include:

<u>Probability of default</u>

- Group 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.

<u>Loss given default</u>

- Group closely follows recoveries from delinquent lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.
- The sample used for LGD calculation consists of all lease receivables that have been terminated historically except for the lease receivables that have been renewed after termination. If a lease receivable 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.

Key assumptions and judgements used in impairment calculation are:

a) Where loans have been terminated for more than 8 months and where the related repossessed car remains unsold, no income from car sale shall be included in the LGD calculation and the loan shall be reclassified as unsecured.

b) Provisions for unsecured part of portfolio are based on value estimate from third party offers received.

2. Summary of significant accounting policies (continued)

Foreign currency translation

Transactions and balances

The Euro is the functional currency of the Group and the entities based in the Estonia, Latvia, Lithuania. Lari is the functional currency of the entity based in Georgia, zloti is the functional currency in Poland, leu is the functional currency in Romania and lev is the functional currency in Bulgaria. The presentation currency of these financial statements is Euro.

Transactions in foreign currencies (i.e. other than functional currency) are translated to the functional currency using the foreign exchange rate promulgated by the official European Central Bank or other local National Bank and ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss as "Currency exchange rate fluctuation expenses" or "Currency exchange rate fluctuation income".

All realized gains and losses are recorded in the income statement in the period in which they arise. Unrealized gains and losses at reporting dates are credited or charged to the income statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

• assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

• income and expenses for each income statement are translated at average exchange rates;

• all resulting exchange differences are recognized as a separate component of equity "Foreign currency translation reserve".

Non-controlling interest

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.
The Company and its subsidiaries make up a group of entities, controlled directly by the Company and are consolidated in Group financial statements.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.

The recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require the use of estimates as disclosed in Note 9. As at 31 December 2016 and 2015 the management concluded that no impairment charge is required.

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

Property, plant and equipment

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

PCs	- over 3 years;
Furniture	- over 5 years;
Vehicles	- over 5 years;
Leasehold improvements	- over 4 years;
Other equipment	- over 2 years;

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of assets' fair value less costs of disposal 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 Group 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 Group's net investment outstanding in respect of the leases.

Payments received from debtors before due date of respective monthly payment are initially recognized as overpayments and are utilized once due date is reached.

Finance lease receivables are derecognized once they are sold to third party or considered as absolutely unrecoverable.

In normal course of business finance lease receivables are settled with cash inflows and asset is derecognized when all amount is recovered.

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.

Other receivables

Other receivables represent mainly receivables from collaterised terminated agreements. These receivables are recognised at the value of the unpaid debt. Provisions for impairment are established when there is an objective evidence that the Group will not be able to collect all amounts due. The amount of provisions for impairment is the difference between the amortised cost and the recoverable amount.

Prepayments

Prepayments made to suppliers are recorded in balance sheet in cases when payment is made for services to be provided in future periods. Prepayments are recognized as expenses in future periods according to service completion proportions.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and deposits with original 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 given or received net of issue costs associated with the loan or 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 assets or liabilities are derecognized through the amortization process.

Trade and other liabilities

Trade liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Provisions

Provisions are recognized when the Group 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 group 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.

2. Summary of significant accounting policies (continued)

Income and expense recognition

Income for the Group 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 Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group 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.

Other sales of goods

Other sales of goods are recognized when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Group has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

Other sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to the stage completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit / loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Interest and similar income

		2016	2015
			(restated)*
		EUR	EUR
Interest income		25 558 906	17 908 451
Commission income		2 407 277	707 520
Income from debt collection activities		652 622	-
Income from penalties received		1 181 755	801 200
	TOTAL:	**29 800 560**	**19 417 171**

* 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	6 891 320	5 732 398
Expenses related to attracting of funding	293 495	40 410
TOTAL:	**7 184 815**	**5 772 808**

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

5. Impairment expense

	2016	2015
	EUR	EUR
Change in impairment:	261 654	3 249 531
- Additions	*4 624 394*	*3 600 921*
- Utilizations	*(4 362 740)*	*(351 390)*
Written off debts	4 362 740	351 390
TOTAL:	**4 624 394**	**3 600 921**

6. Selling expense

	2016	2015 (restated)*
	EUR	EUR
Marketing expenses	1 096 107	1 525 345
Sales commission	385 402	226 639
Other selling expenses	85 747	41 858
TOTAL:	**1 567 256**	**1 793 842**

* 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	4 281 798	3 694 996
Office and branches' maintenance expenses	982 558	855 612
Professional services	795 197	989 629
Amortization and depreciation	581 889	313 938
Credit database expenses	293 385	121 230
Insurance expenses	283 872	593 979
IT services	270 860	279 543
Real estate tax	136 427	84 128
Bank commissions	129 221	103 325
Communication expenses	127 489	110 623
Other personnel expenses	75 733	126 309
Transportation expenses	41 821	29 696
Low value equipment expenses	16 740	23 975
Other administration expenses	199 224	54 188
TOTAL:	**8 216 214**	**7 381 171**

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

8. Corporate income tax

	2016	2015 (restated)*
	EUR	EUR
Current corporate income tax charge for the reporting year	851 702	440 945
Deferred corporate income tax due to changes in temporary differences	257 917	(155 768)
Corporate income tax charged to the income statement:	**1 109 619**	**285 177**

* 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	129 568	119 230	10 338	72 549
Other	5 013	8 486	(3 473)	8 486
Gross deferred tax liability	**134 581**	**127 716**	**6 865**	**81 035**
Deferred corporate income tax asset				
Tax loss carried forward	(134 574)	(26 190)	(108 384)	84 628
Unused vacation accruals	(7 253)	(19 510)	12 257	(4 735)
Impairment	(213 121)	(485 819)	272 698	(258 859)
Currency fluctuation effect	-	-	(1 684)	(8 508)
Other	(1 169)	(77 334)	76 165	(49 329)
Gross deferred tax asset	**(356 117)**	**(608 853)**	**251 052**	**(236 803)**
Net deferred tax liability/ (asset)	**(221 536)**	**(481 137)**	**257 917**	**(155 768)**

Net deferred tax asset is recognized as the Group'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. The Group believes that tax asset arising from tax losses will be utilised in nearest few years with future profits as well as asset arasing due to temporary impairment cost recognition when low performing portfolio will be sold to third parties.

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

	2016	2015 (restated)*
	EUR	EUR
Profit before tax	**7 203 636**	**(385 491)**
Tax at the applicable tax rate of 20%	**1 440 727**	**(77 098)**
Effect of different tax rates of subsidiaries operating in other jurisdictions	(394 497)	265 700
Non-temporary differences:		
Business not related expenses (donations, penalties and similar expenses)	63 389	96 575
Actual corporate income tax for the reporting year:	**1 109 619**	**285 177**

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

9. Goodwill

		Share capital
Balance at	**01.01.2015. (before restatement)**	1 477 016
	Correction*	(271)
Balance at	**01.01.2015.**	1 476 745
	Additions	-
	Disposals	-
Balance at	**31.12.2015.**	**1 476 745**
	Additions	-
	Disposals	-
Balance at	**31.12.2016.**	**1 476 745**

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

Split of goodwill per cash generating unit: **Name**	31.12.2016. EUR	31.12.2015. EUR
AS mogo (Latvia)	298 738	298 738
UAB mogo (Lithuania)	646 063	646 063
OU mogo (Estonia)	451 894	451 894
Mogo LLC (Georgia)	80 050	80 050
	1 476 745	**1 476 745**

Each cash generating unit represents a subsidiary of the Company.

Goodwill impairment test

As of 31 December 2016, goodwill was tested for impairment.

The goodwill impairment test was performed for each cash generating unit separately, where the cash generating unit is the acquired subsidiaries of Mogo Finance S.A.

The recoverable amounts for each unit was calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. No impairment losses were recognized because the recoverable amounts of these units including the goodwill allocated were determined to be higher than their carrying amounts. The calculations of value-in-use were based on free cash flows to each unit respectively, discounted by the weighted average costs of capital ("WACC"). The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates. Projected operating cash-flow figures were based on detailed financial models. 2016 actual figures were used as a starting point in these models, and took into account management's expectations of the future performance of each unit.

Four years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined to be 1%. The rate was estimated by management based on historical trends observed in existing markets, and expected company and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit. The discount rate was determined on a pre-tax basis.

Discount rates, estimated as the WACC (rounded to the nearest whole number), are: Estonia, Lithunia and Latvia 14%, Georgia – 17%.

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of this analysis indicate that for all units, the recoverable amount would be slightly below the carrying amount including goodwill (i.e. goodwill would become impaired), if terminal growth rates decreased by 0.5%, discount rates increased by 10 % and operating cash flow decreased by:

Cash generating unit	Percent
Latvia	-300% in 2019
Lithuania	-400% in 2019
Estonia	-5 000% in 2019
Georgia	-40 000% in 2019

10. Intangible assets and property, plant and equipment

	Intangible assets	Property, plant and equipment	TOTAL
Cost	403 492	448 248	**851 740**
Accumulated amortization/depreciation	(149 737)	(105 515)	**(255 252)**
As at 31 December 2014	**253 755**	**342 733**	**596 488**
2015			
Additions	601 949	479 483	**1 081 432**
Disposals (cost)	(15 245)	(13 355)	**(28 600)**
Exchange rate fluctuations, net	-	(17 587)	**(17 587)**
Correction*	14 115	22 688	**36 803**
Amortization/depreciation charge	(119 775)	(194 124)	**(313 899)**
Disposals (amortization/depreciation)	15 245	5 521	**20 766**
Exchange rate fluctuations, net	116	2 716	**2 832**
Correction	(14 057)	(3 354)	**(17 411)**
Cost	1 004 311	919 477	**1 923 788**
Accumulated amortization and depreciation	(268 208)	(294 756)	**(562 964)**
As at 31 December 2015	**736 103**	**624 721**	**1 360 824**
2016			
Additions	949 512	273 510	**1 223 022**
Disposals (cost)	(276 457)	(190 196)	**(466 653)**
Exchange rate fluctuations, net	(2 246)	(19 408)	**(21 654)**
Amortization/depreciation charge	(344 116)	(284 001)	**(628 117)**
Disposals (amortization/depreciation)	24 757	74 295	**99 052**
Exchange rate fluctuations, net	557	8 697	**9 254**
Cost	1 675 120	983 383	**2 658 503**
Accumulated amortization and depreciation	(587 010)	(495 765)	**(1 082 775)**
As at 31 December 2016	**1 088 110**	**487 618**	**1 575 728**

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

11. 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	48 497 655	23 678 256	42 689 635	23 484 875
Years 2 through 5 combined	84 960 269	43 346 834	66 674 970	34 580 425
More than 5 years	4 904 233	4 102 524	5 239 447	4 559 903
TOTAL, GROSS:	**138 362 157**	**71 127 614**	**114 604 052**	**62 625 203**

Unearned finance income	31.12.2016. EUR	31.12.2015. EUR
Up to one year	24 819 399	19 204 760
Years 2 through 5 combined	41 613 435	32 094 545
More than 5 years	801 709	679 544
TOTAL, GROSS:	**67 234 543**	**51 978 849**

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

Finance lease receivables	31.12.2016. EUR	31.12.2015. (restated)* EUR
Non-current finance lease receivables	47 449 358	39 140 328
Current finance lease receivables	21 869 061	21 337 354
Accrued interest and handling fee	1 809 195	2 147 521
TOTAL, GROSS:	**71 127 614**	**62 625 203**

* 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 finance lease receivables outstanding is as follows:

	Corporate 31.12.2016 EUR	**Individuals 31.12.2016** EUR	**TOTAL 31.12.2016** EUR	**Corporate 31.12.2015** EUR	**Individuals 31.12.2015** EUR	**TOTAL 31.12.2015** EUR
Neither past due nor impaired						
Not overdue	2 653 529	51 583 200	**54 236 729**	2 095 777	47 534 602	**49 630 379**
Total neither past due nor impaired	2 653 529	51 583 200	**54 236 729**	2 095 777	47 534 602	**49 630 379**
Finance lease receivables collectively determined to be impaired (gross)						
Less than 30 days overdue	536 563	9 961 357	**10 497 920**	341 637	7 031 456	**7 373 092**
31 to 60 days overdue	54 603	747 811	**802 414**	33 327	239 739	**273 066**
Terminated agreements (overdue 61 or more days)	288 206	5 302 345	**5 590 551**	232 451	5 116 214	**5 348 666**
Total loans collectively determined to be impaired	879 372	16 011 513	**16 890 885**	607 415	12 387 409	**12 994 824**
Less impairment provisions	(254 451)	(5 631 376)	**(5 885 827)**	(251 461)	(5 574 168)	**(5 825 629)**
Total loans to customers	**3 278 450**	**61 963 337**	**65 241 787**	**2 451 731**	**54 347 843**	**56 799 574**

11. Finance Lease Receivables (continued)

Information about financial impact of collateral:

	Over-collateralised assets		Under-collateralised assets	
31.12.2016.	Carrying value of the ssets	Fair value of collateral EUR	Carrying value of the assets	Fair value of collateral EUR
Finance lease receivables	62 829 163	104 690 372	787 129	-
TOTAL:	**62 829 163**	**104 690 372**	**787 129**	**-**

	Over-collateralised assets		Under-collateralised assets	
31.12.2015.	Carrying value of the ssets	Fair value of collateral EUR	Carrying value of the assets	Fair value of collateral EUR
Finance lease receivables	55 455 080	78 870 895	704 181	-
TOTAL:	**55 455 080**	**78 870 895**	**704 181**	**-**

All finance lease receivables are collateralised by financed vehicles. Mogo holds formal ownership of vehicles until respective finance receivable is repaid.

Movement in impairment allowance	Corporate	Individuals	Total
Impairment allowance as at 01 January 2015	112 409	2 491 795	2 604 204
Change in period	140 265	3 109 266	3 249 531
Currency revaluation effect	(1 213)	(26 893)	(28 106)
Impairment allowance as at 31 December 2015	251 461	5 574 168	5 825 629
Impairment allowance as at 01 January 2016	251 461	5 574 168	5 825 629
Change in period	11 686	249 968	261 654
Currency revaluation effect	(8 696)	(192 760)	(201 456)
Impairment allowance as at 31 December 2016	254 451	5 631 376	5 885 827

Sensitivity analysis of the Group's LGD and PoD rates given a simplified scenario of a 3% increase in the LGD and PoD ratio for each operating entity would increase loan loss impairment by EUR 2 028 216 (31 December 2015: EUR 1 746 913 thousand). A 3% decrease would lead to a decrease of the same amount.

Finance lease receivables, net	Non-Current 31.12.2016. EUR	Current 31.12.2016. EUR	Non-Current 31.12.2015. (restated)* EUR	Current 31.12.2015. (restated)* EUR
Finance lease receivables	47 449 358	21 869 061	39 140 328	21 337 354
Accrued interest and handling fee	-	1 809 195	-	2 147 521
Fees paid and received upon loan disbursement	(1 112 673)	(512 822)	(414 402)	(225 911)
Impairment allowance	(4 028 925)	(1 856 902)	(3 770 267)	(2 055 362)
	42 307 760	**21 308 532**	**34 955 659**	**21 203 602**

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

During year 2016 Group 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 Group balance sheet. Such agreements are sold to investors in loan gross value (carrying value). Rewards (interest income) are proportionally split between the group of investors and the Group.

Total gross portfolio derecognised from Group financial assets were:	31.12.2016. EUR	31.12.2015. EUR
Loan receivable	2 398 869	-
TOTAL:	**2 398 869**	**-**

12. Other long term receivables

During financial year ended 2016 Group sold 2% of its shares in subsidiaries in Estonia, Latvia, Lithuania and Georgia for nominal value. Payments for these transactions are agreed to be made during 5 years after sale date.

13. Other receivables

	31.12.2016.	31.12.2015.
Financial assets:		
Receivables for collaterised terminated agreements	1 103 401	796 860
Advances Paid for Goods and Services	68 996	70 664
Other debtors	175 687	64 604
Total financial assets	1 348 084	932 128
Non-financial assets:		
Overpaid VAT	482 985	
Tax overpayments	-	661 962
Advances to employees	-	822
Total non-financial assets	482 985	662 784
TOTAL:	**1 831 069**	**1 594 912**

Analysis by credit quality of other receivables is as follows:

	31.12.2016.	31.12.2015.
Neither past due nor impaired		
Not overdue	727 668	798 052
Total neither past due nor impaired	**727 668**	**798 052**
Receivables collectively determined to be impaired (gross)		
Terminated agreements (overdue 61 days or more)	1 473 678	1 064 269
Total receivables collectively determined to be impaired	1 473 678	1 064 269
Less impairment provisions	(370 277)	(267 409)
Total other receivables:	**1 831 069**	**1 594 912**

14. Cash and cash equivalents

Cash and cash equivalents' balances and their credit quality is as follows:

	31.12.2016.	31.12.2015.
Neither past due nor impaired		
Cash at bank	2 178 235	780 947
Cash on hand	56 672	-
TOTAL:	**2 234 907**	**780 947**

Group holds funds in relyable banks with credit ratings in range of A+ to BBB+.

15. Share capital and share premium

a) Share capital

The subscribed capital of the Group amounts to EUR 31 036 and is divided into 3 103 600 shares fully paid up.

The movements on the "Subscribed capital " caption during the year are as follows:

	Share capital EUR	Number of class A Shares	Number of class B Shares	Total number of Shares
Opening balance	**31 018**	**32 800**	**-**	**32 800**
Subscriptions for the year/period	31 036	3 103 600	-	3 103 600
Redemptions for the year/period	(31 018)	(32 800)	-	(32 800)
Closing balance	**31 036**	**3 103 600**	**-**	**3 103 600**

During the extraordinary General Meeting held on 06.06.2016., the share capital of the Mogo Finance S.A. was further increased by an amount of EUR 18. Previous shares were completely replaced by new shares with equal new nominal value of 0.01 EUR per share. The capital increase was fully paid up by a contribution in cash.

b) Share premium

The movements on the "Share premium account" caption during the year are as follows:

	Share premium EUR	Similar premiums EUR
Opening balance	**1 968 982**	**-**
Movements for the year	7 999 982	-
Closing balance	**9 968 964**	**-**

During the extraordinary General Meeting held on 06.06.2016., a share premium was further increased by EUR 7 999 982, of which all amount was a non-monetary contribution, converted to the equity from the borrowings received from the shareholders. Transaction was performed according to market rates.

16. Borrowings

Non-current	*Interest rate per annum (%)*	*Maturity*	31.12.2016. EUR	31.12.2015. (restated)* EUR
Loans from related parties				
Loan from related parties****	10%	May 2023	17 344 108	9 418 237
Loan from related parties****	10%	29.09.2019	-	25 124 005
		TOTAL:	**17 344 108**	**34 542 242**
Bonds				
Bonds nominal value*	10%	01.03.2017.	16 435 000	20 000 000
Bonds available for sale			(2 310 000)	(8 175 000)
Bond additional interest accural			318 842	143 371
Bonds acquisition costs			(87 936)	(71 547)
		TOTAL:	**14 355 906**	**11 896 824**
Other borrowings				
Long term loan from non-related parties****	12,5%	15.06.2022	12 000 000	8 000 000
Loan acquisition costs			(500 383)	(381 767)
Financing received from P2P investors**	8.5%-14.7%	up to 31.12.2022	8 715 810	904 574
Loan from bank	6,5% to 9% + 6m EURIBOR	30.06.2017.	-	3 539 913
Long term loan from non-related parties	14%	March-May 2017	-	500 000
		TOTAL:	**20 215 427**	**12 562 720**
		TOTAL NON CURRENT BORROWINGS:	**51 915 441**	**59 001 786**

16. Borrowings (continued)

Current	*Interest rate per annum (%)*	*Maturity*	31.12.2016.	31.12.2015.
Other borrowings			EUR	EUR
Financing received from P2P investors**			2 608 888	409 600
Accrued interest for financing received from P2P investors			72 179	7 665
Loan from bank***	6,5% to 9% + 6m EURIBOR	30.06.2017.	700 000	-
Accrued interest for loan from bank			3 707	11 660
Loans from non related parties			-	1 285 909
Accrued interest for loans from non related parties			-	5 160
Finance lease liabilities			-	4 389
		TOTAL:	**3 384 774**	**1 724 383**

* On 17 March 2014 the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The Group has raised a total of EUR 14 125 000 as at 31 December 2016 (11 825 000 EUR at 31 December 2015). Remaining part the Group 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.

** Loans from P2P investors secured by underlying loans under assignment agreement.

*** The loan from the bank is secured by Commercial Pledges on Group'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.

**** The Group concluded a Mezzanine Facility Agreement with Bonriki Holdings Limited as at May 5, 2015 for a maximum amount EUR 23 300 000, which was amended and restated as at May 23, 2016 and maximum amount amended to EUR 12 000 000. On June 10, 2015 the Group concluded an ownership pledge agreement to secure all claims of Bonriki Holdings Limited on the Group. The shares of Mogo OU, Mogo AS, Mogo LT UAB and Mogo LLC are completely pledged in favour of Bonriki Holdings Limited, a company registered in Cyprus.

17. Prepayments received from customers

		31.12.2016.	31.12.2015. (restated)*
		EUR	EUR
Advances received from current customers**		533 502	401 505
Payments received from ceased receivables		12 351	-
Overpayments from historical customers		25 681	-
	TOTAL:	**571 534**	**401 505**

* 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.

18. Taxes payable

		31.12.2016.	31.12.2015. (restated)*
		EUR	EUR
Corporate income tax		372 684	33 225
Personal income tax		45 898	41 800
Social security contributions		98 804	97 905
Value added tax		-	43 696
Property tax		63 506	-
Other taxes		2 378	1 751
	TOTAL:	**583 270**	**218 377**

19. Other liabilities

		31.12.2016.	31.12.2015. (restated)*
		EUR	EUR
Accrued liabilities for received services		191 163	218 488
Liabalities against employees for salaries		174 305	161 430
Others liabilities		9 972	-
	TOTAL:	**375 440**	**379 918**

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

20. Accrued liabilities

	31.12.2016.	31.12.2015. (restated)*
	EUR	EUR
Accruals for bonuses	216 083	106 906
Accrued unused vacation	171 432	140 462
TOTAL:	387 515	247 368

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

21. Related party disclosures

Related parties are all shareholders of the Group. All shareholders have equal rights in making decisions proportional to their share value. As at 31 December 2016 and 31 December 2015 none of the seven ultimate beneficial owners individually controls the Group.

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

More detalized information about transations with related parties is provided in notes 15 and 16.

All related party transactions are with entities under common control – shareholder companies.

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

Related party	Shareholder companies EUR
Interest expenses	2 607 993

	31.12.2016. EUR	31.12.2015. EUR
Amounts owed by related parties	159 087	-
Amounts owed to related parties	17 344 108	34 542 241

Movement in amounts owed by related parties	**Amounts owed by Shareholder companies**
Amounts owed by related parties as of 01 January 2015	-
Receivables acquired in period	-
Amounts owed by related parties as of 31 December 2015	-
Amounts owed by related parties as of 01 January 2016	-
Receivables acquired in period	159 087
Amounts owed by related parties as of 31 December 2016	159 087

Movement in amounts owed to related parties	**Amounts owed to Shareholder companies**
Amounts owed to related parties as of 01 January 2015	7 603 000
Loans received in period	27 168 443
Loans repaid in period	(830 000)
Interest calculated in period	2 464 796
Interest repaid in period	(1 863 998)
Amounts owed to related parties as of 31 December 2015	34 542 241
Amounts owed to related parties as of 01 January 2016	34 542 241
Loans received in period	4 658 438
Loans repaid in period	(13 255 791)
Loans capitalized in period	(7 999 982)
Interest calculated in period	2 607 993
Interest repaid in period	(3 208 791)
Amounts owed to related parties as of 31 December 2016	17 344 108

22. Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	31.12.2016.	31.12.2015.
Signed finance lease agreements	27 958	4 441
TOTAL:	**27 958**	**4 441**

(b) Commitments under operating leases

The Group 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. EUR	31.12.2015. EUR
Less than one year	304 417	211 350
Between one and five years	654 701	785 380
More than five years	622 267	540 131
TOTAL:	**1 581 385**	**1 536 861**

23. 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 Group's financial Instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

The Group accepts the currency risk by issuing loans in local currencies and funding local operations mostly with EUR. Further currency risk is managed transaction wise by avoiding unnecessary conversions back and forth to settle payments and invoices in EUR. Also Group is constanly looking for ways to fund local country operations with local currency funds.

Foreign currency risk

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The most significant foreign currency exposure comes from Georgia, where Group has evaluated potential hedging options, but due to the costs associated with it, has decided not to pursue hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening in Georgian lari.

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2016

	Foreign currency			
	GEL in EUR	PLN in EUR	RON in EUR	Total in EUR
Assets	12 557 908	560 991	111 520	13 230 419
Equity	-2 119 818	-367 225	-85 576	-1 838 169
Liabilities	-848 849	-48 216	-25 944	-923 009
Net assets exposed to currency risk	9 589 241	880 000	-	10 469 241

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2015

	Foreign currency			
	GEL in EUR	PLN in EUR	RON in EUR	Total in EUR
Assets	13 199 193	102 505	-	13 301 698
Equity	6 600	-88 320	- -	-81 720
Liabilities	-284 215	-14 185	- -	-298 400
Net assets exposed to currency risk	12 921 578	-	-	12 921 578

An analysis of sensitivity of the Group's net assets to changes in foreign currency exchange rates based on positions existing as at 31 December 2016 and 31 December 2015 and a simplified scenario of a 5% change in GEL, PLN and RON to EUR exchange rates is as follows:

Foreign currency rate risk exposure	31.12.2016.	31.12.2015.
GEL currency	479 462	646 079
PLN currency	44 000	-
RON currency	-	-
TOTAL:	**523 462**	**646 079**

The Group is not exposed to currency risk in Bulgaria since it's currency rate is fixed by national bank of Bulgaria.

23. Financial risk management (continued)

Interest rate risk
The Group is exposed to interest rate risk because part of its liabilities are interest bearing borrowings with a variable interest rate (see Note 16).

The rest of the Group's short and long term borrowings as well as the Group'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 Group's profit before tax.
The interest rates payable on the Group's borrowings are disclosed in Note 16.

Liquidity risk
The Group 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 Group and to the Group 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	2 234 907	2 234 907	-	-	-	**2 234 907**
Other receivables	1 831 069	-	1 831 069	-	-	**1 831 069**
Finance lease receivables	63 616 292	-	48 497 655	84 960 269	4 904 233	**138 362 157**
Total undiscounted financial assets	67 682 268	2 234 907	50 328 724	84 960 269	4 904 233	**142 428 133**
Liabilities						
Borrowings	(55 300 215)	-	(9 606 983)	(44 128 859)	(33 648 697)	**(87 384 539)**
Other current liabilities	(2 435 618)	-	(2 593 166)	(623 749)	(622 267)	**(3 839 182)**
Total undiscounted financial liabilities	(57 735 833)	-	(12 200 149)	(44 752 608)	(34 270 964)	**(91 223 721)**
Net undiscounted financial assets / (liabilities)	9 946 435	2 234 907	38 128 575	40 207 661	(29 366 731)	**51 204 412**

Credit risk

The Group 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 Group 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 Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each and every customer.

When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group 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 Group's exposure to bad debts is minimized, and, where appropriate, provisions are being made.

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

Maximum exposure to credit risk

The amount of the Group's maximum exposure to credit risk (without taking into account of any collateral) is represented by the carrying amount of each category of financial assets in the balance sheet and off-balance sheet items.

		31.12.2016.	31.12.2015.
Credit risk exposure relating to on-balance sheet assets		EUR	EUR
Finance Lease Receivables		63 616 292	56 159 261
Other long term receivables		159 087	-
Other financial assets		1 833 125	1 597 889
	TOTAL:	**65 608 504**	**57 757 150**
Credit risk exposure relating to off-balance sheet items		EUR	EUR
Commitments		1 609 343	1 541 302
	TOTAL:	**1 609 343**	**1 541 302**
	MAXIMUM EXPOSURE:	**67 217 847**	**59 298 452**

Capital risk management

The Group manages its capital to ensure that it will be able to continue as going concern. The Group fulfills externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may attract new credit facilities or increase its share capital.

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

Instruments within Level 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). Group does not have such financial assets.

Instruments within Level 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 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 Level 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. Group's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to Mogo Finance S.A.

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 Group'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	42 307 760	42 307 760	34 955 659	34 955 659
Loans to related companies	159 087	159 087	-	-
Finance lease receivables current	21 308 532	21 308 532	21 203 602	21 203 602
Loans to non related parties	2 056	2 056	2 977	2 977
Other receivables	1 831 069	1 831 069	1 594 912	1 594 912
Cash and cash equivalents	2 234 907	2 234 907	780 947	780 947
Total assets	**67 843 411**	**67 843 411**	**58 538 097**	**58 538 097**
Liabilities				
Non-current borrowings	51 915 441	51 915 441	59 001 786	59 001 786
Current borrowings	3 384 774	3 384 774	1 724 383	1 724 383
Trade payables	275 163	275 163	393 189	393 189
Other liabilities	375 440	375 440	379 918	379 918
Other provisions	387 515	387 515	247 368	247 368
Total liabilities	**56 338 333**	**56 338 333**	**61 746 644**	**61 746 644**

24. Fair value of financial assets and liabilities (continued)

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

As at 31 December 2016	Level 1 31.12.2016. EUR	Level 2 31.12.2016. EUR	Level 3 31.12.2016. EUR	Level 1 31.12.2015. EUR	Level 2 31.12.2015. EUR	Level 3 31.12.2015. EUR
Assets at fair value						
Finance lease receivables non-current	-	-	42 307 760	-	-	34 955 659
Loans to related companies	-	159 087		-	-	-
Finance lease receivables current	-	-	21 308 532	-	-	21 203 602
Loans to non related parties	-	2 056		-	2 977	-
Other receivables	-	1 831 069		-	1 594 912	-
Assets held for sale	-	-	-	-	-	-
Cash and cash equivalents	-	2 234 907	-	-	780 947	-
Total assets at fair value	**-**	**4 227 119**	**63 616 292**	**-**	**2 378 836**	**56 159 261**
Liabilities at fair value						
Non-current borrowings	14 355 906	37 559 535	-	11 896 824	47 104 962	-
Current borrowings	-	3 384 774	-	-	1 724 383	-
Trade payables	-	275 163	-	-	393 189	-
Other liabilities	-	375 440	-	-	379 918	-
Accrued liabilities	-	387 515	-	-	247 368	-
Total liabilities at fair value	**14 355 906**	**41 982 427**	**-**	**11 896 824**	**49 849 820**	**-**

25. Compliance with covenants

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

26. Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by local regulators where applicable and (ii) to safeguard the Group's ability to continue as a going concern. The Group considers total capital under management to be equity as shown in the statement of financial position.
The amount of capital that the Group managed as of 31 December 2016 was 13 793 090 EUR (2015: -399 575 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 Group. The Group has complied with all externally imposed capital requirements throughout 2016 and 2015.

27. Events after balance sheet date

After financial year end bonds held by Company have been repurchased by Bonds Issuer Mogo AS. Company no longer holds any bonds.

Company has also reduced it's share premium for 6 000 000 EUR after financial year close.

No other matters or circumstances of importance other than those already described in the present notes to the accounts have arisen since the end of the financial year which could have significantly affected or might significantly affect the operations of the Company, the results of those operations or the affairs of the Company.