JOINT STOCK COMPANY mogo
(UNIFIED REGISTRATION NUMBER 50103541751)

# INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

Riga, 2014

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To the Shareholders of AS mogo

**Independent Auditors' Report on the Interim Condensed Financial Statements**

We have audited the accompanying interim condensed financial statements of AS mogo set out on pages 7 to 24 of the accompanying report, which comprise the Interim Condensed Statement of Financial Position as of 30 June 2014 and the Interim Condensed Statement of Profit or Loss and other Comprehensive Income, Interim Condensed Statement of Cash Flows, Interim Condensed Statement of Changes in Equity for the six month period then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the interim condensed financial statements of the Company have been prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union.

SIA Deloitte Audits Latvia
Licence Nr. 43

Roberts Stuģis
Member of the Board

Riga, 5 September 2014

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# General information

| | |
|---|---|
| Name of the company | mogo |
| Legal status of the company | joint stock company |
| Unified registration number, place and date of registration | 50103541751<br>Latvia, Riga, 3 May 2012 |
| Registered office | 15A Matrozu,<br>Riga, LV-1048,<br>Latvia |
| Major shareholders | Since 1 July 2014:<br>Mogo Finance S.A. (100%),<br>2-4, street Eugene Ruppert, L-2453,<br>Luxembourg<br><br>Till 30 June 2014:<br>AS Skillion Ventures (61.34%)<br>Dzirnavu 60A-32<br>Riga, Latvia, LV-1050<br><br>SIA MM investiciju risinajumi (30.66%)<br>Kuldigas 51,<br>Riga, Latvia, LV-1046 |
| Board Members | Jekabs Endzins, Chairman of the Board<br><br>Marcis Grinis, Member of the Board |
| Council Members | Ramona Tiltina from 5 August 2014<br><br>Uldis Judinskis from 5 August 2014<br><br>Ieva Judinska-Bandeniece from 5 August 2014<br><br>Agris Evertovskis till 5 August 2014<br><br>Didzis Admidins till 5 August 2014<br><br>Agris Amolins till 5 August 2014 |
| Subsidiary | Mogo LLC (100%)<br>0114 Gudiashvili square 4, Tbilisi,<br>Georgia |
| Financial period | 1 January – 30 June 2014 |
| Previous financial reporting period | 1 January – 31 December 2013 |
| Auditors | SIA Deloitte Audits Latvia<br>Grēdu iela 4a, Rīga<br>Latvia, LV – 1019<br>Licence No. 43 |

# Management report

September 5, 2014

**Overview**

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

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

**Mission, vision and values**

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

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

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

**Operations and Financial results**

The first 6 months of 2014 was a period of an exceptionally rapid growth. Turnover amounted to EUR 2.2 million, EBITDA reached EUR 898 thousand and net profit was EUR 176 thousand. In April the monthly issued lease volume reached EUR 2 million and in June there were more than 700 loans issued, which is the highest amount since the start of the Company's operations. Gross value of the lease portfolio at the end of June 2014 reached EUR 15.4 million. Compared to the end of 2013, the portfolio has grown by more than 90%. In March the Company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The Company has raised a total of EUR 15.8 million as at 30 June 2014. The Company's management and board have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The results after the first 6 months of the year have proven that the Company's services are favored among the customers. The Company has continued its rapid growth and established its position in the market due to its well developed operations and strategy.

During the first half of 2014, the Company has continued its operations in order to support its mission – to offer accessible leasing services in a quick and simple way. The Company has continued expansion and has opened two new customer service centers in Valmiera and Jekabpils, thus becoming more accessible to people in the regions of Latvia and is planning to continue the expansion and open even more customer service centers in other regions of Latvia. Also, work on customer service center redesign has been started to provide the highest customer service level.

Continuous improvements are being made in order to ensure provision of an exceptional customer service, like enhancements in customer call center operations. In May the customer call center implemented an IT system which helps to monitor and manage call centers' resources, and also respond fast to various inquiry changes (incoming calls, e-mails, customers, etc.) since it is very important for the Company to provide quick and simple service to its customers. As a result of continuous increase in customers' interest and demand for the Company's services six new customer service specialists have joined the team.

To make the Company's services even more accessible and attractive to customers, a 3 month grace period for lease repayments had been introduced in February 2014. Also, The Company has lowered its interest rates on financing solutions for installation of liquefied petroleum gas to encourage the usage of this service.

The successful cooperation with car dealerships and car sales intermediaries has been continued in the first half of 2014. The Company has established more than 150 cooperation agreements throughout the country. This has proven to be a major contributor to the issued car leasing amount. Thus, it is particularly important to nourish relationships with partners in car dealerships. In order to maintain relationship the Company has developed the partnership offer and introduced faster and more effective IT application system for partners.

The Company has continued its work on marketing activities. Several advertisements can be seen on TV, radio, internet and outdoors, which have helped to increase the brand awareness and strengthen the Company's positions as *top of mind* brand in the vehicle leasing sector.

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

Financial risk management is disclosed in note 16 and events after statement of financial position date are described in note 19 to these interim condensed financial statements.

| | |
|---|---|
| Jekabs Endzins<br>Chairman of the Board | Marcis Grinis<br>Member of the Board |

These interim condensed financial statements of the Company for the six month period ended 30 June 2014 were approved by a resolution of the Company's Board on 5 September, 2014.

# Interim Condensed Statement of Profit or Loss and other Comprehensive Income

| | Notes | **For the six months ended 30.06.2014 EUR** | **For the six months ended 30.06.2013 EUR** |
|---|---|---|---|
| Interest and similar income | | 2 202 633 | 874 471 |
| Interest expense | | (574 808) | (246 414) |
| Impairment | 7 | (169 290) | (116 422) |
| Selling expense | | (385 886) | (366 722) |
| Administrative expense | | (772 756) | (411 109) |
| Other operating income | | 56 420 | 26 750 |
| Other operating expense | | (76 457) | (41 622) |
| Other interest receivable and similar income | | 5 375 | 120 |
| Interest payable and similar expense | | (19) | (20 576) |
| **Profit/(Loss) before Income Tax** | | **285 212** | **(301 524)** |
| Corporate Income tax | 4 | (126 351) | - |
| Deferred Income tax | 4 | 17 743 | 14 537 |
| **Net profit/(loss) for the period** | | **176 604** | **(286 987)** |
| Other comprehensive income | | - | - |
| **Total comprehensive profit/(loss) for the period** | | **176 604** | **(286 987)** |

The accompanying notes on pages 11 to 24 are an integral part of these interim condensed financial statements.

Signed on behalf of the Company on 5 September, 2014 by:

Jekabs Endzins
Chairman of the Board

Marcis Grinis
Member of the Board

# Interim Condensed Statement of Financial Position

## ASSETS

| | Notes | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible Assets | 5 | 150 712 | 107 808 |
| Equipment | 6 | 98 633 | 74 364 |
| Investments in Subsidiaries | 8 | 96 | - |
| Deferred Tax Asset | 4 | 42 993 | 25 251 |
| Other non-current Financial Assets | 9 | 880 000 | - |
| Non-current Net Finance Lease Receivables | 7 | 10 878 829 | 4 844 515 |
| **TOTAL NON-CURRENT ASSETS** | | **12 051 263** | **5 051 938** |
| **CURRENT ASSETS** | | | |
| Current Net Finance Lease Receivables | 7 | 4 105 272 | 2 342 855 |
| Other Receivables | | 42 605 | 23 598 |
| Deferred Expense | | 39 821 | 19 923 |
| Cash and Cash Equivalents | 10 | 867 364 | 306 097 |
| **TOTAL CURRENT ASSETS** | | **5 055 062** | **2 692 473** |
| **TOTAL ASSETS** | | **17 106 325** | **7 744 411** |

## EQUITY AND LIABILITIES

| | Notes | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|---|
| **EQUITY** | | | |
| Issued Share Capital | 11 | 426 862 | 426 862 |
| Accumulated Loss | | (298 738) | (475 342) |
| **TOTAL EQUITY** | | **128 124** | **(48 480)** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 12 | 15 979 000 | 5 657 390 |
| **TOTAL NON-CURRENT LIABILITIES** | | **15 979 000** | **5 657 390** |
| **Current liabilities** | | | |
| Borrowings | 12 | 564 227 | 1 854 427 |
| Trade Payables | | 63 215 | 62 235 |
| Current Tax Liabilities | | 158 155 | 85 300 |
| Deferred Revenue | | 79 763 | 48 846 |
| Other Liabilities | 13 | 133 841 | 84 693 |
| **TOTAL CURRENT LIABILITIES** | | **999 201** | **2 135 501** |
| **TOTAL EQUITY AND LIABILITIES** | | **17 106 325** | **7 744 411** |

The accompanying notes on pages 11 to 24 are an integral part of these interim condensed financial statements.

Signed on behalf of the Company on 5 September, 2014 by:

Jekabs Endzins
Chairman of the Board

Marcis Grinis
Member of the Board

## Interim Condensed Statement of Cash Flows

| | | EUR | EUR |
|---|---|---|---|
| **Cash flows to/ from operating activities** | | | |
| Loss before tax | | 285,212 | (301,524) |
| Adjustments for: | | | |
| Amortisation and depreciation | | 38,296 | 44,285 |
| Carrying value of disposed equipment | | 128 | - |
| Vacation pay reserve | | 14,876 | 19,470 |
| Interest income | | (5,375) | (120) |
| Impairment | | 169,290 | 116,422 |
| Interest expense | | 574,808 | 246,414 |
| ***Operating profit or loss before working capital changes*** | | ***1,077,235*** | ***124,947*** |
| Increase in receivables | | (7,994,195) | (3,090,652) |
| Increase in payables | | 70,566 | 56,389 |
| ***Cash generated from operations*** | | ***(6,846,394)*** | ***(2,909,316)*** |
| Corporate Income tax paid | | (57,894) | - |
| **Net cash flows to/ from operating activities** | | **(6,904,288)** | **(2,909,316)** |
| **Cash flows to/ from investing activities** | | | |
| Purchase of equipment and intangible assets | | (105,594) | (94,698) |
| Investments in subsidiaries | | (96) | (102,583) |
| Loans issued | | (1,396,500) | (121,354) |
| Loan repayments received | | 510,000 | 121,354 |
| Interest received | | 1,081 | 120 |
| **Net cash flows to/ from investing activities** | | **(991,109)** | **(197,161)** |
| **Cash flows to/ from financing activities** | | | |
| Proceeds from borrowings | | 19,117,823 | 4,872,321 |
| Repayment of borrowings | | (10,029,950) | (1,537,879) |
| Interest paid | | (631,209) | (45,557) |
| **Net cash flows to/ from financing activities** | | **8,456,664** | **3,288,885** |
| Change in cash and cash equivalents | | 561,267 | 182,408 |
| Cash and cash equivalents at the beginning of the period | | 306,097 | 45,418 |
| **Cash and cash equivalents at the end of the period** | 10 | **867,364** | **227,826** |

The accompanying notes on pages 11 to 24 are an integral part of these interim condensed financial statements.

Signed on behalf of the Company on 5 September, 2014 by:

Jekabs Endzins
Chairman of the Board

Marcis Grinis
Member of the Board

# Interim Condensed Statement of Changes in Equity

| | Share capital EUR | Retained earnings/ (Accumulated loss) EUR | Total EUR |
|---|---|---|---|
| Balance as at 31 December 2013 | 426 862 | (475 342) | (48 480) |
| Profit for the reporting period | - | 176 604 | 176 604 |
| **Balance as at 30 June 2014** | **426 862** | **(298 738)** | **128 124** |
| | | | |
| Balance as at 31 December 2012 | 426 862 | (185 934) | 240 928 |
| Loss for the reporting period | - | (286 987) | (286 987) |
| **Balance as at 30 June 2013** | **426 862** | **(472 921)** | **(46 059)** |

The accompanying notes on pages 11 to 24 are an integral part of these interim condensed financial statements.

Signed on behalf of the Company on 5 September, 2014 by:

Jekabs Endzins
Chairman of the Board

Marcis Grinis
Member of the Board

# Notes to the Interim Condensed Financial Statements

## 1. Corporate information

JSC mogo (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 3 May 2012. The registered office of the Company is at 15A Matrozu, LV-1004, Riga, Latvia. The majority shareholders of the Company are AS Skillion Ventures owning 61.34% of the equity and SIA MM investiciju risinajumi owning 30.66% of the equity.

Mogo Finance S.A. (registered in Luxembourg) acquired 100% equity of the Company on 1 July, 2014.

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

These interim condensed financial statements of the Company for the six month period ended 30 June 2014 were approved by a resolution of the Company's Board on 5 September, 2014.

## 2. Significant accounting judgements, estimates and assumptions

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

***Impairment allowance***

a) Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

The going concern is disclosed in more detail in Note 18.

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

## 3. Summary of significant accounting policies

***Basis of preparation***
The interim condensed financial statements of JSC mogo for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjuction with the annual financial statements for the period ended 31 December 2013, which have been prepared in accordance with IFRS.

Data for the comparable interim periods of the immediately preceding financial year for the condensed statements of profit or loss and other comprehensive income, cash flows and changes in equity cover the period from 1 January 2013 to 30 June 2013.

The interim condensed financial statements are prepared on a historical cost basis. The Company's functional and presentation currency is euro (EUR). At 1 January 2014 the official currency in the Republic of Latvia was changed from Latvian Lat to euro (EUR). All assets and liabilities for the comparable interim period of the immediately preceding financial year are translated into EUR at official exchange rate established by the Bank of Latvia, which during the period was fixed at 0.702804 lats per 1 euro. The financial statements cover the period of 1 January 2014 through 30 June 2014. Accounting policies and methods are consistent to those applied in previous years.

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

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

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

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

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

***Equipment***

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

| | |
|---|---|
| PCs | - over 3 years |
| Furniture | - over 5 years |
| Vehicles | - over 5 years |
| Other equipmenet | - over 2 years |

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the impairment caption.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

***Investments in subsidiaries***

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

***Finance lease***

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

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

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

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

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

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

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

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

***Cash and cash equivalents***
Cash and cash equivalents comprise cash at bank.

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

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

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

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

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

***Contingencies***
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

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

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

***Corporate Income tax***
Corporate Income tax includes current and deferred taxes. Current Corporate Income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred Corporate Income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these interim condensed financial statements is calculated using the liability method. The Deferred Corporate Income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary provisions and accruals, as well as tax losses carried forward.

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

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

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

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

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

***Standards and Interpretations issued by IASB and adopted by the EU but not yet effective***
At the date of authorisation of these interim condensed financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRIC 21 "Levies" (effective for annual periods beginning on or after 17 June 2014).

***Standards and Interpretations issued by IASB but not yet adopted by the EU***
At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 30 June 2014 (the effective dates stated below is for IFRS in full):

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),

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

***Standards and Interpretations issued by IASB but not yet adopted by the EU (cont'd)***

- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),
- 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" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

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

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

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

## 4. Corporate Income Tax

| | For the six months ended 30.06.2014 EUR | For the six months ended 30.06.2013 EUR |
|---|---|---|
| Current Corporate Income tax charge for the reporting period | 126 351 | - |
| Deferred Corporate Income tax due to temporary differences | (17 743) | (14 537) |
| **CIT charged to the statement of profit or loss and other comprehensive income:** | **108 608** | **(14 537)** |

| | Statement of Financial Position | | Statement of Profit or Loss and Other Comprehensive Income | |
|---|---|---|---|---|
| | 30.06.2014 EUR | 31.12.2013 EUR | For the six months ended 30.06.2014 EUR | For the six months ended 30.06.2013 EUR |
| **Deferred Corporate Income tax liabilities** | | | | |
| Accelerated tax depreciation | (25 287) | (14 171) | (11 116) | (1 505) |
| **Gross Deferred Corporate Income tax liabilities** | **(25 287)** | **(14 171)** | **(11 116)** | **(1 505)** |
| **Deferred Corporate Income tax asset** | | | | |
| Tax loss carried forward | - | - | - | (7 482) |
| Vacation pay reserve | 7 422 | 5 191 | 2 231 | 2 921 |
| Impairment allowance | 58 049 | 32 656 | 7 325 | 17 463 |
| Other | 2 809 | 1 575 | 1 235 | 3 140 |
| **Gross Deferred Corporate Income tax asset** | **68 280** | **39 422** | **10 791** | **16 042** |
| **Net Deferred Corporate Income tax asset/ liability** | **42 993** | **25 251** | **(325)** | **14 537** |

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

| | For the six months ended 30.06.2014 EUR | For the six months ended 30.06.2013 EUR |
|---|---|---|
| **Profit/(Loss) before tax** | **285 212** | **(301 524)** |
| Tax at the applicable tax rate of 15% | 42 782 | (45 229) |
| Tax effect of permanent differences | 92 730 | 30 692 |
| Donation relief | (26 904) | - |
| **Actual Corporate Income tax for the reporting period:** | **108 608** | **(14 537)** |

## 5. Intangible Assets

| | Licence EUR | Other intangible assets EUR | Advances for intangible assets EUR | TOTAL EUR |
|---|---|---|---|---|
| Carrying amount as at 31 December 2013 | 8 300 | 90 557 | 8 951 | 107 808 |
| Additions | - | 57 023 | 7 914 | 64 937 |
| Reclassification | - | 118 | - | 118 |
| Amortization charge | (7 114) | (15 037) | - | (22 151) |
| **Carrying amount as at 30 June 2014** | **1 186** | **132 661** | **16 865** | **150 712** |
| Carrying amount as at 31 December 2012 | 38 823 | 10 734 | - | 49 557 |
| Additions | - | 4 761 | 51 313 | 56 074 |
| Amortization charge | (35 572) | (3 380) | - | (38 952) |
| **Carrying amount as at 30 June 2013** | **3 251** | **12 115** | **51 313** | **66 679** |

### *Amortization*

The total amortization costs are included in the following statement of profit or loss and other comprehensive income captions:

| | For the six months ended 30.06.2014 EUR | For the six months ended 30.06.2013 EUR |
|---|---|---|
| Administrative expense | 22 151 | 38 952 |
| TOTAL: | **22 151** | **38 952** |

## 6. Equipment

| | Leasehold improvements EUR | Equipment EUR | Total EUR |
|---|---|---|---|
| Carrying amount as at 31 December 2013 | 5 771 | 68 593 | 74 364 |
| Additions | - | 40 658 | 40 658 |
| Cost of disposals | - | (168) | (168) |
| Accumulated depreciation of disposals | - | 42 | 42 |
| Reclassification | - | (118) | (118) |
| Depreciation charge | (866) | (15 279) | (16 145) |
| **Carrying amount as at 30 June 2014** | **4 905** | **93 728** | **98 633** |
| Carrying amount as at 31 December 2012 | - | 18 310 | 18 310 |
| Additions | - | 38 624 | 38 624 |
| Depreciation charge | - | (5 333) | (5 333) |
| **Carrying amount as at 30 June 2013** | **-** | **51 601** | **51 601** |

### *Depreciation*

The total depreciation costs are included in the following statement of profit or loss and other comprehensive income captions:

| | For the six months ended 30.06.2014 EUR | For the six months ended 30.06.2013 EUR |
|---|---|---|
| Administrative expense | 16 145 | 5 333 |
| TOTAL: | **16 145** | **5 333** |

## 7. Finance Lease Receivables

| Finance lease receivables | Minimum lease payments 30.06.2014 EUR | Present value of minimum lease payments 30.06.2014 EUR | Minimum lease payments 31.12.2013 EUR | Present value of minimum lease payments 31.12.2013 EUR |
|---|---|---|---|---|
| Up to one year | 8 330 460 | 4 105 272 | 4 952 833 | 2 342 855 |
| Years 2 through 5 combined | 17 547 552 | 11 265 825 | 8 538 198 | 5 062 222 |
| TOTAL: | **25 878 012** | **15 371 097** | **13 491 031** | **7 405 077** |

| Unearned finance income | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Up to one year | 4 225 188 | 2 609 978 |
| Years 2 through 5 combined | 6 281 727 | 3 475 976 |
| TOTAL: | **10 506 915** | **6 085 954** |

| Finance lease receivables | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Non-current finance lease receivables | 11 265 825 | 5 062 222 |
| Current finance lease receivables | 4 105 272 | 2 342 855 |
| TOTAL: | **15 371 097** | **7 405 077** |

| Movement in impairment allowance | Impairment allowance |
|---|---|
| Impairment allowance as at 31.12.2013 | 217 706 |
| Change | 169 290 |
| **Impairment allowance as at 30.06.2014** | **386 996** |
| Impairment allowance as at 31.12.2012 | 50 417 |
| Change | 116 422 |
| **Impairment allowance as at 30.06.2013** | **166 839** |

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

| Finance lease receivables, net | Non-current EUR 30.06.2014 | Current EUR 30.06.2014 | Non-current EUR 31.12.2013 | Current EUR 31.12.2013 |
|---|---|---|---|---|
| Finance lease receivables | 11 265 825 | 4 105 272 | 5 062 222 | 2 342 855 |
| Impairment allowance* | (386 996) | - | (217 707) | - |
| TOTAL: | **10 878 829** | **4 105 272** | **4 844 515** | **2 342 855** |

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

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at EUR 20 192 732.

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

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 45% per annum.

All leases are denominated in euros. The average term of finance lease entered into is 39 months.

Ageing of overdue finance lease receivables:

| | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| 1-30 days | 667 178 | 664 275 |
| 31-60 days | 21 107 | 405 139 |
| 61-90 days | 68 661 | 53 872 |
| 90+ days | 615 442 | 125 789 |
| **TOTAL:** | **1 372 388** | **1 249 075** |

Overtaken finance lease objects are not included in assets and finance lease receivables are decreased upon sales of overtaken object accordingly.

## 8. Investments in Subsidiaries

| Company | % of equity interest | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|---|
| Mogo LLC, 0114 Gudiashvili square 4, Tbilisi, Georgia | 100 | 96 | - |
| | **TOTAL:** | **96** | **-** |

On 18 March 2014 the Company established a subsidiary Mogo LLC in Georgia. The established subsidiary began its operations in June 2014.

## 9. Other Non-current Financial Assets

| | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Loan to a related parties | 880 000 | - |
| **TOTAL:** | **880 000** | **-** |

A long term loan to a related party for EUR 200 000 at 10.5% interest rate per annum and maturity at 19 March 2017.

A long term loan to a related party for EUR 150 000 at 10.5% interest rate per annum and maturity at 17 June 2017.

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

## 10. Cash and Cash Equivalents

| | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Cash at bank | 867 364 | 306 097 |
| **TOTAL:** | **867 364** | **306 097** |

## 11. The Share Capital

The share capital of the Company as at 30.06.2014 is EUR 426 862 and it consists of 300 000 shares. The par value of each share is EUR 1.422871 (equivalent to LVL 1). All shares are fully paid.

The share capital of the Company as at 30.06.2013 was EUR 426 862 and it consisted of 300 000 shares. The par value of each share was EUR 1.422871 (equivalent to LVL 1). All shares were fully paid.

## 12. Borrowings

**Borrowings as at 30.06.2014**

| ***Non-current:*** | *Interest rate per annum (%)* | *Maturity* | **30.06.2014 EUR** |
|---|---|---|---|
| Bonds | 10 | 31.03.2021 | 15 879 000 |
| Loan from a non-related party | 14 | 01.07.2015 | 100 000 |
| | | **TOTAL non-current borrowings:** | **15 979 000** |

| ***Current:*** | *Interest rate per annum (%)* | *Maturity* | **30.06.2014 EUR** |
|---|---|---|---|
| Loan from a non-related party | 14 | 01.03.2015 | 100 000 |
| Loan from a non-related party | 14 | 01.04.2015 | 100 000 |
| Loan from a non-related party | 14 | 01.05.2015 | 100 000 |
| Loan from a non-related party | 14 | 01.06.2015 | 100 000 |
| Loan from a non-related party | 10 | 19.12.2014 | 164 227 |
| | | **TOTAL current borrowings:** | **564 227** |

On 17 March 2014 the Company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The Company has raised a total of EUR 15 879 000 as at 30 June 2014. 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 notes are not yet listed on the regulated market of NASDAQ OMX Baltic, but the Company has undertaken to use its best effort to ensure that this will be accomplished in Q4 of 2014.

**Borrowings as at 31.12.2013**

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

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

## 13. Other Liabilities

| | 30.06.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Vacation pay reserve | 49 484 | 34 607 |
| Accounts payable to related party | 1 185 | 32 477 |
| Accounts payable to employees | 50 398 | 655 |
| Other | 32 774 | 16 954 |
| TOTAL: | **133 841** | **84 693** |

## 14. Related party disclosures

As at 30 June 2014 the Company was controlled by JSC Skillion Ventures (incorporated in Latvia), which owned 61.34% of the Company's shares.

| Related party | | Sales to related parties, EUR | Purchases from related parties, EUR | Amounts owed by related parties, EUR | Amounts owed to related parties, EUR |
|---|---|---|---|---|---|
| Entities with significant influence over the Company: | | | | | |
| Major shareholders | 6 months 2014 | 1 210 | 2 705 | - | - |
| Other related companies | 6 months 2014 | 13 185 | 2 083 | 897 776 | 1 185 |
| | TOTAL: | **14 395** | **4 788** | **897 776** | **1 185** |

## 15. Commitments and contingencies

Capital commitments at 30 June 2014 amount to EUR 17 720, which are for signed finance lease agreements where money has not yet been transferred.

## 16. Financial risk management

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

### *Financial risks*

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

#### *Foreign currency risk*

The Company's financial assets and liabilities are not exposed to foreign currency risk. All transactions are concluded in euros.

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

***Interest rate risk***

The Company is not exposed to interest rate risk because its current and non-current borrowings and finance lease receivables are at a fixed rate. The average interest rate payable on the Company's borrowings is disclosed in Note 12 and the average interest rate receivable from finance lease receivables is disclosed in Note 7.

***Liquidity risk***

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

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

| | | Contractual cash flows, EUR | | | |
|---|---|---|---|---|---|
| **As at 30 June 2014** | **Carrying value EUR** | **On demand** | **Up to 1 year** | **2-5 years** | **Total** |
| **Assets** | | | | | |
| Cash at bank | 867 364 | 867 364 | - | - | **867 364** |
| Finance lease receivables | 14 984 101 | - | 8 330 460 | 17 547 552 | **25 878 012** |
| **Total undiscounted financial assets** | **15 851 465** | **867 364** | **8 330 460** | **17 547 552** | **26 745 376** |
| **Liabilities** | | | | | |
| Borrowings | (16 543 227) | - | (2 227 730) | (25 241 750) | **(27 469 480)** |
| Current liabilities | (434 973) | - | (434 973) | - | **(434 973)** |
| **Total undiscounted financial liabilities** | **(16 978 200)** | **-** | **(2 662 703)** | **(25 241 750)** | **(27 904 453)** |
| **Net undiscounted financial assets/(liabilities)** | **(1 126 735)** | **867 364** | **5 667 757** | **(7 694 198)** | **(1 159 077)** |

***Credit risk***

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

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

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

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

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

***Capital risk management***

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

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

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

| As at 30 June 2014 | Carrying value, EUR | Fair value, EUR |
|---|---|---|
| **Financial assets** | | |
| Finance lease receivables – non current | 10 878 829 | 10 878 829 |
| Finance lease receivables – current | 4 105 272 | 4 105 272 |
| **Total assets** | **14 984 101** | **14 984 101** |
| | | |
| **Financial liabilities** | | |
| Borrowings – non current | 15 979 000 | 15 979 000 |
| Borrowings – current | 564 227 | 564 227 |
| **Total liabilities** | **16 543 227** | **16 543 227** |

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

The fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate.

## 18. Going concern

The Company closed the reporting period with a profit of EUR 176 604. As at 30 June 2014, the Company's current assets exceeded its current liabilities by EUR 4 055 861. The Company received a short term credit line facility from a bank in the amount of EUR 3 500 000 on 31 July 2014. Total available credit line facility as at 30 June 2014 amounts to EUR 21.6 million. The loan portfolio growth rate in the first half of 2014 substantiates management's expectation to end 2014 with a profit and cover accumulated losses in full. The Company's management believes that the loan facilities and profitable operations in the recent months will be sufficient to ensure adequate financing for the Company to continue operating as a going concern.

## 19. Events after statement of financial position date

On 31 July 2014 the Company received a short term credit line facility from JSC Citadele banka in amount of EUR 3 500 000 bearing 6m EURIBOR + 7% per annum.

As of 5 September 2014 the Company has raised a total of EUR 19 million from the EUR 20 million bond issue.

As of 1 July 2014 sole shareholder of JSC mogo is Mogo Finance S.A. (incorporated in Luxembourg).

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