CONSOLIDATED ANNUAL REPORT

For The Year Ended 31 December 2019

Société Anonyme Mogo Finance
(Unified registration number B 174.457)

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

Luxembourg, 2020

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Modestas Sudnius
Group CEO

During 2019 we have successfully executed our strategy on increasing the profitability and delivered record annual EBITDA with more than 62% increase comparing to 2018. This was driven mainly by significant profitability and operational performance improvements particularly in mid-tier markets as well as by sound results in our mature countries. Sale of Longo business line coupled with formation of fully staffed regional and group management teams were additional measures taken in 2019 to help to focus on our core mission - providing mobility by the use of the most convenient financing solutions. Another highly remarkable news, which has been fuelled by Mogo Group's strong dedication and commitment to consistent growth and innovations, is that Mogo Finance has been recognized among Europe's 1000 fastest-growing companies 2020 by Financial Times.

Up to the first part of March 2020 we were outstandingly executing our annual strategy by exceeding the budgeted figures with very strong EBITDA, profitability and portfolio growth. However, the second part of March 2020 was marked by new challenges, and we had to change previously set strategy and shift our focus completely due to unprecedent conditions caused by the Covid-19 outbreak. I am very grateful to our team, which in a very short period of time managed to accomplish significant changes in the core processes across the organisation. Maintaining a safe working environment for our employees as well as providing the best possible services to our customers are our highest priorities during the Covid-19 outbreak. In countries that are not in full lock-down, Mogo continues to offer its services to the best client segments with significantly stricter underwriting procedures to be able to follow responsible lending requirements.

Without a doubt upcoming period will be challenging for the whole industry including Mogo Group. We have already performed necessary actions to reduce the cost base significantly, strengthen our equity and will continue looking for efficiencies and potential optimisation across our operations. We strongly believe that our prudent secured product, strong processes as well as explicit focus on the liquidity and cash generation will allow us to limit the negative effects caused by Covid-19. This will enable us to strengthen our position as a leading international used car lender once the situation in the world stabilises.

General information

Name of the Parent Company	Mogo Finance	
Legal status of the Parent Company	Société Anonyme	
Unified registration number, place and date of registration	B 174.457, Luxembourg, 18 December 2012	
Registered office	8-10 Avenue de la Gare, L-1610, Luxembourg	
		31.12.2019.
Major shareholders	SIA AK Family Investments (Latvia)	46.56%
	AS Novo Holdings (Latvia)	15.52%
	LVS Limited (Malta)	15.52%
	AS Obelo Capital (Latvia)	15.52%
	Other shareholders	6.88%
	TOTAL	**100.00%**

Directors

Edgars Egle (type A), from 24.07.2017 till 09.03.2019
Caroline Georgen (type A), from 01.03.2016 till 24.07.2018
Liviu Rusu (type B), from 24.07.2017 till 24.07.2018
Inna Horner (type B), from 01.03.2016 till 24.07.2018
Māris Kreics (type A), from 25.07.2018
Sebastian Koller (type B), from 25.07.2018 to 29.04.2020
Daniela Roca (type B), from 25.07.2018 till 13.09.2018.
Delphine Glessinger (type B), from 14.09.2018
Modestas Sudnius (type A), from 09.03.2019

Consolidated subsidiaries

Mogo AS, Latvia	Mogo Baltics and Caucasus AS, Latvia
Mogo LT UAB, Lithuania	Mogo Balkans and Central Asia AS, Latvia
Mogo OU, Estonia	Mogo Eastern Europe AS, Latvia
Mogo LLC, Georgia	Mogo Central Asia AS, Latvia
Mogo Sp. z o.o., Poland	Mogo Africa AS, Latvia
Mogo Bulgaria EOOD, Bulgaria	Mogo Africa UAB, Lithuania
Mogo IFN SA, Romania	Mogo UCO LLC, Armenia
MOGO IBERIA SL, Spain	Mogo Lend LTD, Uzbekistan
Mogo Albania SHA, Albania	Mogo Kazakhstan TOO, Kazakhstan
Risk Management Services OU, Estonia	Mogo Eastern Europe LT, UAB, Lithuania
Mogo Loans SRL, Moldova	Longo Georgia LLC, Georgia
Mogo Ukraine LLC, Ukraine	Longo LLC, Armenia
Longo Shared Services UAB, Lithuania	MOGO Kredit LLC, Belarus
Longo Group AS, Latvia	FD Mogo krediti DOOEL, North Macedonia
Longo Estonia OU, Estonia	Mogo DOOEL, North Macedonia
Longo LT UAB, Lithuania	Renti AS, Latvia
Longo Netherlands B.V., Netherlands	Primero Finance AS, Latvia (till 26.06.2019.)
Longo Belgium B.V.B.A, Belgium	MOGO LOANS SMC LIMITED, Uganda
Longo Latvia AS, Latvia	Mogo Auto Ltd, Kenya
Mogo Group AS, Latvia	Mogo Kenya Ltd, Kenya
Mogo Leasing d.o.o., Bosnia&Herzegovina	Maxxus GmbH, Germany

Financial year — 1 January - 31 December 2019

Previous financial year — 1 January - 31 December 2018

Auditors

KPMG Luxembourg, Societe cooperative
Cabinet de révision agréé
39 avenue John F. Kennedy, L-1855 Luxembourg

Management report

5 June 2020

The Directors of the Group present the report on the consolidated financial statements for the year ended 31 December 2019. All the figures are presented in EUR (euro).

General information

Mogo Finance S.A. (hereinafter referred to as – the Parent Company) and its subsidiaries (hereinafter together referred to as – the Group) is a market leading sale and leaseback and finance lease solutions provider operating in 18 countries globally - Latvia, Lithuania, Estonia, Georgia, Armenia, Poland, Romania, Albania, Bulgaria, Moldova, Belarus, Ukraine, Uzbekistan, Kazakhstan, Bosnia&Herzegovina, North Macedonia, Kenya and Uganda. In 2019 the Group launched activities in Kenya and Uganda, as well as formally acquired companies in North Macedonia and Bosnia&Herzegovina, that were already established under Mogo brand name. 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 financing arrangements transactions for amounts up to 15 000 euro with duration up to seven years. In both instances the vehicle is used as a collateral and hence mostly 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.

The Group provides also consumer loans in Latvia, Estonia and Armenia to individuals for amounts up to 3 000 euro with duration up to four years. The product is mainly used as an add-on to existing lease and leaseback financing portfolio and as an upsell tool for existing customers.

The Group's main goal is to offer its customers easily available, convenient and affordable sale and leaseback financing 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 to clients affordable secured car loans in a quick and easy way.

Vision

Vision of the Group is to become the market leading leaseback financing and finance lease solutions organization, highly rated for customer friendliness and accessibility. The strategic priorities of Mogo Finance are focused on consistent profitable growth and geographical expansion. The achievement of this strategy is fuelled by approximately 1000 talented team members and over 100 000 loyal customers, as well as investments in advanced technologies to deliver the best-in-class financial services.

Values

▪ Quick assistance without unnecessary formalities - the Group will provide the required funding within a couple of hours.

▪ Open communication and adaptation – the core value of the Group 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 Group values and creates mutually beneficial long term relationship with all its customers and employees, it welcomes feedback and suggestions for improvement.

Operations and Financial Results

2019 was a period of very consistent growth for the Group.

Total assets of the Group grew up to 253.6 million euro (46% increase, compared to 2018), Interest and similar income reached 72.4 million euro (33% increase, compared to 2018), and net profit of the Group amounted to 6.6 million euro.

At the end of 31 December 2019 gross value of the lease portfolio reached 134.6 million euro (25% increase, compared to 31 December 2018).

The growth of the Group and its market leading position during 2019 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.

Total number of employees of the Group grew up to almost a thousand mainly driven by two factors – organic growth of the Group in new markets as well as setting up of the new regional hub teams.

Also total number of active clients increased from 66 thousands to more than 100 thousand.

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, Georgia, Poland, Romania, Bulgaria, Moldova, Albania, Armenia, Belarus, Ukraine, Uzbekistan and Kazakhstan as well as entering into new countries such as North Macedonia, Bosnia&Herzegovina, Kenya and Uganda.

2019 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 provision of various marketing materials and conducts joint marketing campaigns.

Management report (continued)

In 2019 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 financing and finance lease solutions sector.

In 2019 the Group has considerably diversified its source of funding by expanding cooperation with peer-to-peer lending marketplace Mintos (www.mintos.com). Currently the Group offers investors to invest in Group's loans originated in Latvia, Lithuania, Estonia, Poland, Romania, Georgia, Moldova, Armenia, Albania, Kazakhstan, Bulgaria and Belarus.

On 11 July 2018, Mogo Finance successfully issued a 4-year corporate bond (XS1831877755), listed on the Open Market of the Frankfurt Stock Exchange, for EUR 50 million at par with an annual interest rate of 9.5%, followed in November 2018 EUR 25 million at par and November 2019 EUR 25 million tap at 95%. After both tap issues, the total amount outstanding of Mogo Finance's 9.50% corporate bonds amounts to EUR 100 million. On 30 November 2018, the bonds were included in the regulated market (General Standard) of the Frankfurt Stock Exchange. Bond maturity is July 2022.
During 2019 Mogo Finance received B- (stable outlook) issuer as well as senior secured bond rating by Fitch.

The Coronavirus (Covid-19) global pandemic that resulted in global lockdowns starting during March 2020, has introduced a great level of uncertainty to the Group's 2020 plans to continue to focus on increasing its profitability by controlling its cost base and at the same time growing its portfolio and revenues. The Management is of the view that immediate actions taken and adequate operation processes implemented will help to successfully overcome the period of uncertainty and will position the Group in a better competitive advantage in comparison to less robustly built competitors after the gradual easing of the lockdowns. Given the new Covid-19 reality, the Group will focus on controlling the impacts from the global Covid-19 pandemic in a way that is having the least negative impacts on the Group's net result and going concern ability. Please refer to Note 2 and Note 50 to the financial statements for further details.

Other information

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 and interest rate 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.

Starting from 2019 the Group is also preparing a non financial report.

Operational risks

The Group's operational risks are managed by successful risk underwriting procedures in the loan issuance process as well as efficient debt collection procedures.

Legal risks

Legal risks are mainly derived from regulatory changes which the Group successfully manages with the help of in-house legal department and external legal advisors that closely follow latest developments in regulatory and legal environment developments.
See Note 45 for further information.

Financial risks

The main financial risks arising from the Group's financial instruments are liquidity risk, and credit risk.

Liquidity risk

The Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer platforms, which provides management greater flexibility to manage the level of borrowings and available cash balances. Also the Group manages its longer term liquidity need by issuing bonds.

Credit risks

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 solvency check of the lessee), monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals to significantly reduce credit risks.

The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria includes assessing the credit history of the customer, means of lease and loan 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 a lease monitoring process that 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, sufficient provisions are being made.
The Group does not have a significant credit risk exposure to any single counterparty, but is exposed to risks to group of counterparties having similar characteristics.
See Notes 24 and 25 for more information.

Management report (continued)

Market risks

Currency risks

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 currency.

Interest rate risks

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

More information is disclosed in Note 46.

Corporate Governance Statement

Introduction

The Group is subject to and complies with – among the others – the Luxembourg law of 10 August 1915 on commercial companies, as amended and the law of 11 August 2008 on transparency requirements for issuers of securities, as amended (the "Luxembourg Company Law"), as well as the Rules and Regulations of the Frankfurt Stock Exchange. The Group does not apply additional requirements in addition to those required by the above.

Mogo Group/Shareholding

Mogo Finance S.A. is the holding company of the Mogo group (the "Group"). As of 31 December 2019, the Group operates in 18 countries. Each country's subsidiary is entitled to take operational decisions regarding its business activities. Countries located in a certain region are combined in clusters ("Hubs") coordinated by sub-holding companies controlled by the parent company. Each Hub is entitled to take decisions regarding the activities of the countries included in the Hub as well as Hub common frame activities.

The share capital of the Group is indirectly held by the four founders of the Group (approximately 95%) and by present and former employees of the Group. The shareholders of the Group entered on 5 May 2015 into a shareholders' agreement, amended from time to time (the "Shareholders' Agreement"). The Shareholders' Agreement provides that, among other things,
(i) all shareholders (unless such shareholder ceases to be an employee of the Group) need to be present or represented at a shareholders' meeting;
(ii) resolutions on certain material matters, including appointment of auditors and entry by the Group into material contracts, need to be passed unanimously (provisions to overcome deadlock scenarios are foreseen); and
(iii) limitation on the transfer of rights, tag-along, drag-along and right of first refusal.

Powers of the Shareholder

The shareholders' general meeting exercises the power granted by the Luxembourg Company Law including
(i) appointing and removing the directors (the "Directors") and the statutory or independent auditor of the Group as well as setting their remuneration,
(ii) approving the annual financial statements of the Group,
(iii) amending the articles of association of the Group,
(iv) deciding on the dissolution and liquidation of the Group, and (v) changing the nationality of the Group,
(v) changing the nationality of the Group and,
(vi) rights to amend the financial statements after their issue.

General Powers of the Directors / the Board

The Group is currently managed by a board of directors (the "Board") whose members have been appointed as type A Directors and type B Directors by the shareholders' general meeting of the Group. In accordance with Luxembourg Company Law, each type A Director and type B Director may be removed at any time without cause (révocation ad nutum).

Meetings of the Board are convened upon request of the chairman of the Board or any two Directors of the Group as often as the interest of the Group so requires. The meetings of the Board are validly held if at the commencement of the meeting at least one type A Director and one type B Director is present or represented and decisions are validly taken by the majority of the Directors present or represented (including at least one type A Director and at least one type B Director). Any Director may represent one or more other Directors at a Board' meeting.

The Board of the Group may, from time to time, delegate its power to conduct the daily management (gestion journalière) of the Group to one or more Directors, i.e., the managing Director(s) (administrateur(s) délégué(s)), commit the management of the affairs of the Group to one or more Directors or give special powers for determined matters to one or more proxy holders.

Pursuant to its articles of association, where the Group is administrated by the Board comprising several categories of Directors, it shall be bound by the joint signatures of a type A Director and a type B Director. Thus the "four eyes" principle is established.

The Group is currently managed by a Board composed of two Directors of type A and two Directors of type B, elected pursuant to resolutions of the shareholders of the Group. Based on the articles of association of the Group, Directors of each category are vested with the same individual powers and duties. The Directors of type B are Luxembourg residents, whereas the Directors of type A are not a Luxembourg resident and at the same time hold the positions of CEO and CFO within the Group.

Management report (continued)

Specific Powers of the Directors / the Board

Process

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Group in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The Board is obliged to maintain proper books and records as required by Luxemburg Company Law. These include appointing Group management to maintain the accounting records and prepare for review and approval by the Board and annual accounts providing a true and fair view of the financial situation and result of the Group. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor's performance, qualifications and independence.

Risk Assessment

The Board is fully responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Group's annual accounts.

The risk appetite of the Group is set by the Board. In line with the principles of the three lines of defence, the Group has a governance process enabling the business to understand, assess and manage risks in accordance to its defined risk appetite. The Group ensures a formal process of regular portfolio reviews, enabling the identification of risks associated with the portfolio, the definition and implementation of any corrective action, whenever required, consistent with the risk/reward approach set by the Board.

Monitoring

The Board is directly responsible for establishing a sound control environment.

The Board has an annual process to ensure that appropriate measures are taken to consider and address any shortcomings identified and measures recommended by the external auditors.

Control Activities

The Board is responsible for designing and maintaining control structures to manage the risks which are significant for internal control over financial reporting. These control structures include appropriate divisions of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for all significant captions written in the annual accounts and related notes therein.

Audit Committee

The Audit Committee meets on a regular basis and, during its meetings but also by other means – e.g. review of specific documentation, site visits if necessary – oversees the Group's financial reporting process to ensure the transparency and integrity of published financial information, the effectiveness of the Group's internal control and risk management systems, the effectiveness of the internal audit function, the effectiveness of external audit processes including recommending the appointment and assessing the performance of the external auditor including its independence from the Group, any non-audit services the external auditor has provided the Group with, any such services eventually submitted for approval, as well as the effectiveness of the process for monitoring compliance with laws and regulations affecting financial reporting codes of business conduct (where applicable). The Audit Committee reads the additional report prepared to its attention by the external auditor and ensures that all points therein deemed relevant to the financial reporting are addressed to management and to those charged with governance.

The Audit Committee issues an annual report on its missions, its responsibilities, and the measures that it has taken to properly fulfil its tasks. This report which may be included in the Audit Committee annual report, shall include a summary of the Audit Committee roles and responsibilities, names and titles of all Audit Committee members, the number of meetings held since the last report, the actual attendance of its members and the conclusion on the performance of the Audit Committee missions.
The chairman of the Audit Committee shall attend any meeting of the Board discussing and approving the interim or annual accounts.

Corporate social responsibility report

For the first time The Group has prepared a corporate social responsibility report. It is available to the public electronically on the Mogo Finance webpage www.mogofinance.com.

Signed on behalf of the Group on 5 June 2020 by:

Māris Kreics Type A director	Delphine Glessinger Type B director

Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Notes	2019	2018 (reclassified)
Continuing operations		**EUR**	**EUR**
Interest revenue	**4**	72 433 672	54 377 090
Interest expense	**5**	(21 907 740)	(14 154 373)
Net interest income		**50 525 932**	**40 222 717**
Fee and commission income related to finance lease activities	**6**	3 792 211	3 448 875
Impairment expense	**7**	(16 716 007)	(17 588 333)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	**8**	(305 005)	(671 333)
Expenses related to peer-to-peer platform services	**9**	(753 474)	(740 555)
Revenue from leases	**10**	3 992 485	152 573
Revenue from car sales	**11**	1 800 206	2 510 003
Expenses from car sales	**11**	(1 799 081)	(2 493 220)
Selling expense	**12**	(3 381 141)	(2 228 179)
Administrative expense	**13**	(30 771 274)	(16 832 229)
Other operating income	**14**	1 595 235	2 128 802
Other operating expense	**15**	(2 113 277)	(1 125 787)
Net foreign exchange result	**16**	(240 922)	(264 713)
Profit before tax		**5 625 888**	**6 518 621**
Corporate income tax	**17**	(1 331 785)	(1 412 192)
Deferred corporate income tax	**18**	989 926	355 426
Profit from continuing operations		**5 284 029**	**5 461 855**
Discontinued operations			
Profit/(loss) from discontinued operation, net of tax	**20**	1 269 151	(819 109)
Profit for the period		**6 553 180**	**4 642 746**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information of foreign operations to presentation currency		(362 446)	53 910
Other comprehensive income/(loss)		**(362 446)**	**53 910**
Total profit and loss for the year		**6 190 734**	**4 696 656**
Profit is attributable to:			
Equity holders of the Parent Company		6 330 926	4 457 776
Non-controlling interests		222 254	184 970
Net profit for the year		**6 553 180**	**4 642 746**
Other comprehensive income/(loss) is attributable to:			
Equity holders of the Parent Company		(355 254)	54 369
Non-controlling interests		(7 192)	(459)
Other comprehensive income/(loss) for the year		**(362 446)**	**53 910**

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 5 June 2020 by:

Glessinger

Māris Kreics
Type A director

Delphine Glessinger
Type B director

Consolidated Statement of Financial Position

ASSETS

	Notes	31.12.2019.	31.12.2018. (reclassified)
NON-CURRENT ASSETS		**EUR**	**EUR**
Intangible assets			
Goodwill	**21**	4 091 729	1 658 773
Internally generated intangible assets	**21**	3 576 006	1 915 093
Other intangible assets	**21**	180 203	75 962
Total intangible assets		**7 847 938**	**3 649 828**
Tangible assets			
Right-of-use assets	**22, 23**	7 894 460	2 378 996
Rental fleet	**22**	13 492 048	1 430 490
Property, plant and equipment	**22**	1 614 404	977 906
Leasehold improvements	**22**	327 318	285 141
Advance payments for assets	**22**	37 583	204 648
Total tangible assets		**23 365 813**	**5 277 181**
Non-current financial assets			
Finance lease receivables	**24**	78 213 431	62 587 127
Loans and advances to customers	**25**	40 077 725	27 802 466
Loans to related parties	**26, 44**	19 964 731	5 257 221
Equity-accounted investees	**27**	252 630	-
Other non-current financial assets	**28**	1 305 958	983 479
Other loans and receivables	**30**	31 650	-
Deferred tax asset	**18**	1 610 639	598 362
Total non-current financial assets		**141 456 764**	**97 228 655**
TOTAL NON-CURRENT ASSETS		**172 670 515**	**106 155 664**
CURRENT ASSETS			
Inventories			
Finished goods and goods for resale	**29**	628 114	1 696 167
Total inventories		**628 114**	**1 696 167**
Receivables and other current assets			
Finance lease receivables	**24**	37 938 035	31 052 233
Loans and advances to customers	**25**	23 856 951	18 419 584
Loans to related parties	**26, 44**	2 108 765	133 485
Other loans and receivables	**30**	876 603	4 666 488
Prepaid expense	**31**	1 025 041	832 571
Trade receivables	**32**	1 433 025	804 927
Other short term receivables from related parties	**44**	-	42 367
Other receivables	**33**	2 509 672	1 343 990
Cash and cash equivalents	**34**	8 656 530	6 522 838
Total receivables and other current assets		**78 404 622**	**63 818 483**
Assets held for sale	**35**	1 934 248	2 633 743
Total assets held for sale		**1 934 248**	**2 633 743**
TOTAL CURRENT ASSETS		**80 966 984**	**68 148 393**
TOTAL ASSETS		**253 637 499**	**174 304 057**

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 5 June 2020 by:

Māris Kreics
Type A director

Delphine Glessinger
Type B director

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

	Notes	31.12.2019. EUR	31.12.2018. EUR
EQUITY			
Share capital	**36**	1 000 000	31 036
Reserve	**36**	253 088	86 568
Foreign currency translation reserve		(793 752)	(438 498)
Retained earnings/(losses)		21 383 446	15 113 700
brought forward		15 052 520	10 655 924
for the period		6 330 926	4 457 776
Total equity attributable to equity holders of the Parent Company		**21 842 782**	**14 792 806**
Non-controlling interests		462 969	498 440
TOTAL EQUITY		**22 305 751**	**15 291 246**
LIABILITIES			
Non-current liabilities			
Borrowings	**38**	187 478 935	122 605 986
Other non-current financial liabilities	**43**	22 569	74 418
Total non-current liabilities		**187 501 504**	**122 680 404**
Provisions	**37**	892 737	1 091 479
Total provisions for liabilities and charges		**892 737**	**1 091 479**
Current liabilities			
Borrowings	**38**	34 770 910	30 298 310
Prepayments and other payments received from customers	**39**	162 048	109 758
Trade and other payables		1 285 498	1 168 462
Current corporate income tax payable	**17**	308 974	601 986
Taxes payable	**40**	1 461 146	649 806
Other liabilities	**41**	2 361 747	223 994
Accrued liabilities	**42**	2 553 021	1 773 301
Other current financial liabilities	**43**	34 163	52 600
Total current liabilities		**42 937 507**	**34 878 217**
Provisions	**37**	-	362 711
Total provisions for liabilities and charges		**-**	**362 711**
TOTAL LIABILITIES		**231 331 748**	**159 012 811**
TOTAL EQUITY AND LIABILITIES		**253 637 499**	**174 304 057**

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 5 June 2020 by:

Māris Kreics
Type A director

Delphine Glessinger
Type B director

Consolidated Statement of Changes in Equity

	Share capital EUR	Share premium EUR	Foreign currency translation reserve EUR	Retained earnings/ (Accumulated loss) EUR	Reserve EUR	**Total equity attributable to Equity holders of the Parent Company EUR**	Non-controlling interest EUR	**Total EUR**
Balance at 01.01.2018. (restated)	**31 036**	**-**	**(492 867)**	**10 655 924**	**86 568**	**10 280 661**	**403 929**	**10 684 590**
Profit for the reporting year	-	-	-	4 457 776	-	4 457 776	184 970	4 642 746
Other comprehensive income	-	-	54 369	-	-	54 369	(459)	53 910
Total comprehensive income	-	-	54 369	4 457 776	-	4 512 145	184 511	4 696 656
Dividends distribution	-	-	-	-	-	-	(90 000)	(90 000)
Balance at 31.12.2018.	**31 036**	**-**	**(438 498)**	**15 113 700**	**86 568**	**14 792 806**	**498 440**	**15 291 246**
Balance at 01.01.2019.	**31 036**	**-**	**(438 498)**	**15 113 700**	**86 568**	**14 792 806**	**498 440**	**15 291 246**
Profit for the reporting year	-	-	-	6 330 926	-	6 330 926	222 254	6 553 180
Other comprehensive income	-	-	(355 254)	-	-	(355 254)	(7 192)	(362 446)
Total comprehensive income	-	-	(355 254)	6 330 926	-	5 975 672	215 062	6 190 734
Increase of share capital (Note 36)	968 964	-	-	-	-	968 964	-	968 964
Acquisition of non-controlling interests (Note 19)	-	-	-	105 340	-	105 340	(250 533)	(145 193)
Reserve (Note 36)	-	-	-	(166 520)	166 520	-	-	-
Balance at 31.12.2019.	**1 000 000**	**-**	**(793 752)**	**21 383 446**	**253 088**	**21 842 782**	**462 969**	**22 305 751**

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 5 June 2020 by:

Glessinger

Māris Kreics
Type A director

Delphine Glessinger
Type B director

Consolidated Statement of Cash Flows

Cash flows to/from operating activities	Notes	2019 EUR	2018 EUR
Profit before tax		6 895 039	5 699 512
Adjustments for:			
Amortization and depreciation	**21, 22**	3 779 777	1 844 282
Interest expense	**5**	21 907 740	14 154 373
Interest income	**4**	(72 433 672)	(54 377 090)
Loss from disposal of property, plant and equipment	**13**	987 063	238 659
Impairment expense	**7**	16 716 007	17 588 333
(Gain)/loss from fluctuations of currency exchange rates		(121 524)	266 577
Operating profit before working capital changes		**(22 269 570)**	**(14 585 354)**
Decrease/(increase) in inventories		1 083 087	(852 680)
Increase in finance lease receivables, loans and advances to customers and other current assets		(66 312 131)	(53 980 981)
(Decrease)/increase in accrued liabilities		(207 042)	1 215 457
Increase in trade payable, taxes payable and other liabilities		3 455 208	135 936
Cash generated to/from operations		**(84 250 448)**	**(68 067 622)**
Interest received		70 490 049	54 256 178
Interest paid	**38**	(19 387 193)	(12 365 407)
Corporate income tax paid		(1 815 039)	(1 205 375)
Net cash flows to/from operating activities		**(34 962 631)**	**(27 382 226)**
Cash flows to/from investing activities			
Purchase of property, plant and equipment and intangible assets	**21, 22**	(5 444 084)	(1 891 756)
Purchase of rental fleet	**22**	(13 423 404)	(1 437 196)
Acquisition of a subsidiary, net of cash acquired	**19**	(757 889)	(927 180)
Disposal of discontinued operation, net of cash disposed of	**20**	(1 447 089)	-
Advance payments for acquisition of subsidiaries		(322 479)	(983 479)
Received payments for sale of shares in subsidiaries		239 212	-
Loan repayments received		9 163 133	1 510 189
Loans issued		(11 355 762)	(10 691 207)
Net cash flows to/from investing activities		**(23 348 362)**	**(14 420 629)**
Cash flows to/from financing activities			
Proceeds from issue of share capital	**36**	968 964	-
Proceeds from borrowings	**38**	108 315 210	304 668 737
Repayments for borrowings	**38**	(45 512 722)	(254 045 383)
Payments made for acquisition costs of borrowings	**38**	(1 512 706)	(5 409 661)
Repayment of liabilities for right-of-use assets	**38**	(1 789 473)	(1 809 657)
Payments for acquisition of non-controlling interests		(95 207)	-
Dividends paid to non-controlling shareholders		-	(68 200)
Net cash flows to/from financing activities		**60 374 066**	**43 335 836**
Effect of exchange rates on cash and cash equivalents		70 619	(244 207)
Change in cash		**2 133 692**	**1 288 774**
Cash at the beginning of the year		6 522 838	5 234 064
Cash at the end of the year	**34**	**8 656 530**	**6 522 838**

The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 5 June 2020 by:

Glessinger

Māris Kreics
Type A director

Delphine Glessinger
Type B director

Notes to the Consolidated Financial Statements

1. Corporate information

Mogo Finance S.A. (hereinafter "the Parent Company") is a Luxembourg company incorporated on December 18, 2012 as a Société Anonyme for an unlimited duration, subject to general company law.

The consolidated financial statements of the Group include:

Subsidiary name	Country of incorporation	Registration number	Principal activities	% equity interest 2019	2018
Mogo AS	Latvia	50103541751	Financing	98%	98%
Mogo LT UAB	Lithuania	302943102	Financing	100%	98%
Mogo OU	Estonia	12401448	Financing	100%	100%
Mogo LLC	Georgia	404468688	Financing	98%	98%
Mogo Sp. z o.o.	Poland	7010514253	Financing	100%	100%
Mogo Bulgaria EOOD	Bulgaria	204009205	Financing	100%	100%
Mogo IFN SA	Romania	35917970	Financing	100%	100%
Mogo Iberia	Spain	B87587754	Financing	100%	100%
Mogo Albania SHA	Albania	NUIS L71528013A	Financing	100%	100%
Risk Management Services OU	Estonia	14176671	Financing	100%	100%
Mogo Loans SRL	Moldova	10086000260223	Financing	100%	100%
Mogo Ukraine LLC	Ukraine	41738122	Financing	100%	100%
MOGO Kredit LLC	Belarus	192981714	Financing	100%	100%
Renti AS	Latvia	40203174147	Rent services	100%	100%
Mogo UCO LLC*	Armenia	42	Financing	100%	100%
Mogo Baltics and Caucasus AS**	Latvia	40203145805	Management services	100%	100%
Mogo Balkans and Central Asia AS**	Latvia	40203150045	Management services	100%	100%
Mogo Eastern Europe AS**	Latvia	40103964830	Management services	100%	100%
Mogo Central Asia AS**	Latvia	40203150030	Management services	100%	100%
Mogo Lend LTD	Uzbekistan	305723654	Financing	100%	100%
Mogo Kazakhstan TOO	Kazakhstan	180940010094	Financing	100%	100%
Longo Georgia LLC	Georgia	402095166	Retail of motor vehicles	100%	100%
Longo LLC	Armenia	286.110.1015848	Retail of motor vehicles	100%	100%
Mogo Africa AS**	Latvia	40203182962	Management services	100%	-
Mogo Africa UAB	Lithuania	304991028	Management services	100%	-
Mogo Group AS**	Latvia	42103088260	Management services	100%	-
Mogo Eastern Europe LT, UAB	Lithuania	305018069	Management services	100%	-
FD Mogo krediti DOOEL	North Macedonia	7342683	Financing	100%	-
Mogo DOOEL*	North Macedonia	7273614	Financing	100%	-
Mogo Leasing d.o.o.*	Bosnia	4202540500009	Financing	100%	-
MOGO LOANS SMC LIMITED	Uganda	80020001522601	Financing	100%	-
Mogo Auto Ltd	Kenya	PVT-AJUR7BX	Financing	100%	-
Mogo Kenya Ltd	Kenya	PVT-BEU3ZKD	Financing	98%	-
Primero Finance AS**	Latvia	40203148375	Financing	49%	100%
Longo Group AS	Latvia	42103081417	Management services	0%	100%
Longo Estonia OU	Estonia	14554950	Retail of motor vehicles	0%	100%
Longo Latvia AS	Latvia	40203147079	Retail of motor vehicles	0%	100%
Longo LT UAB	Lithuania	304837699	Retail of motor vehicles	0%	100%
Longo Netherlands B.V.	Netherlands	858817986	Wholesale of motor vehicles	0%	100%
Longo Belgium B.V.B.A	Belgium	0881.764.642	Wholesale of motor vehicles	0%	100%
Maxxus GmbH	Germany	HRB18213	Wholesale of motor vehicles	0%	100%
Longo Shared Services UAB	Lithuania	305217797	Servicing of motor vehicles	0%	-

* - subsidiaries have been acquired in course of signing share purchase agreement from one of the Group's shareholders (Note 19).

The core business activity of the Group comprises of providing finance lease services, leaseback financing services and loans and advances to customers.
These Consolidated financial statements have been approved by decision of the directors on 5 June 2020.
Shareholders have the financial statements' approval rights after approval by the Board of Directors.

** - names of these entities have been changed during 2019.

2. Summary of significant accounting policies

a) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements.

The Group's management 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 measured at fair value, except for inventory which is accounted in net realizable value and contingent consideration that has been measured 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 presentation and functional currency is euro (EUR). The financial statements cover the period from 1 January 2019 till 31 December 2019. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Going concern

These consolidated financial statements are prepared on going concern basis. In the light of events related to Covid-19, the Group's management has assessed the impacts of the coronavirus outbreak on the Group's ability to continue as a going concern.

The wider economic impacts of these events include:
– Disruption to business operations and economic activity in Mogo operating markets, with a cascading impact on both upstream and downstream supply chains;
– Significant disruption to businesses in certain sectors, both within Mogo operating markets and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
– Significant decrease in demand for non-essential goods and services;
– An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Management further considered the following operating risks that may adversely affect the Group:
– Temporarily closed offline sales channels;
– Workforce unavailability for extended period;
– Recession in the global economy, as already confirmed by a number of economic forecasts done internationally, that would significantly reduce the purchasing power of end consumers and businesses.

In order to mitigate the risks resulting from potential adverse scenarios, management started to implement the measures, which notably include:

– Formation of crisis management team, to ensure instant reaction to the situation, dedicated resources reviewing public health requirements and other related government announcements and ensuring the Group stays informed;
– To address increasing credit risk the Group has focused and reconsidered debt collection strategy for the existing portfolios;
– Strengthening the new loan issuance policy;
– Implemented set of cash preserving activities to manage liquidity risk;
– Developing alternative ways of accepting payments such as integration with paybox companies, online payment providers, remittance services;
– Successful implementation of work from home ensuring continuity of core processes;
– Employees have been required to adhere to very strict precautionary standards including social distancing and other health and safety best practices followed by published government guidelines;
– Monitoring and starting application process for any reliefs and support mechanisms provided by the governments in operating markets, to which the Group could qualify, including discussions with tax authorities to renegotiate the tax payment schedules;
– Reviewing and renegotiating payment terms with suppliers.

The Group has performed the stress test – a quantitative analysis with a set of critical scenarios of Group's operations assuming partly disrupted core processes or 'full lockdown' due to COVID-19 for several months. The key assumptions of the stress test include limited or entirely paused issuance of new loans and car sales and severe cost reduction related with the issuance of new loans and administration costs. The stress test includes 2 scenarios and the key assumptions are as follows:

1) Baseline scenario:
- Loans issuance volumes: April till May 2020 EUR 2.0 million per month, June 2020 – EUR 6.0 million, July 2020 – EUR 7.0 million, August 2020 – EUR 8.0 million, September 2020 – EUR 9.0 million, October 2020 – EUR 10.0 million, November 2020 – EUR 11.0 million and December 2020 – EUR 13.0 million. For comparison, in January 2020 loan issued volume was EUR 14.3 million, in February 2020 – EUR 17.3 million and in March 2020 – EUR 12.9 million. Countries in Western Europe that were the first ones affected by COVID-19 have started to gradually relax the social distancing rules in the second half of April, therefore Group's management believes that recovery scenario starting from June 2020 is a reasonably conservative assumption;
- Total net revenue for the twelve-month period ended 31 December 2020 expected to increase by 5% compared to the same period last year (considering reduction in advance loan and lease repayments as further described below in Pessimistic scenario);
- Net impairment losses on loans and receivables vs total net revenue for the twelve-month period ended 31 December 2020 expected to reach 37% compared to 29% for the same period last year;
- Elimination of costs directly attributable to the loan issuance with certain temporary and permanent cost optimizations: selling expense expected to be at the level of 2.3% from total issued loan volumes. Temporary administrative cost and other operating expense reduction (including staff layoffs) in Q2 2020 by 50% including permanent decrease by 35% starting from Q2 2020 and additional monthly EUR 0.325 million cost optimization savings from countries starting from August 2020 and at least until the end of 2020;
- Cash inflow is planned to decrease to EUR 11.0 million per month for the period from April to September 2020, October – EUR 12.0 million, November – EUR 13.0 million and December EUR 14.0 million. For comparison, in the Q1 2020 average cash inflow was EUR 16.7 million.

2. Summary of significant accounting policies (continued)

Going concern (continued)

2) Pessimistic scenario:
- Loans issuance volumes: April till May 2020 EUR 1.4 million per month, June 2020 – EUR 4.2 million, July 2020 – EUR 4.9 million, August 2020 – EUR 5.6 million, September 2020 – EUR 6.3 million, October 2020 – EUR 7.0 million, November 2020 – EUR 7.7 million and December 2020 – EUR 9.1 million. Decrease of 30% compared to base scenario as lower cash inflow from client's incoming payments is planned;
- Total net revenue for the twelve-month period ended 31 December 2020 expected to increase by 8% compared to the same period last year. An increase in interest income is due the fact that relatively low number of early repayments is being estimated as customers in the times of liquidity constraints are expected to make lower number of early repayments, however would still service their debt due to relatively smaller volume of the monthly payment compared to the early repayment. Mogo's normal business (including base case scenario) revolve around relatively high number of early repayments and high volume of new loan issued. In the base and pessimistic scenarios, lower volume issuances are estimated and therefore in base case portfolio is expected to decrease more rapidly than in pessimistic scenario, thus generating more surplus cash for Company but lower revenue;
- Net impairment losses on loans and receivables vs total net revenue for the twelve-month period ended 31 December 2020 expected to reach 42% compared to 29% for the same period last year;
- Elimination of costs directly attributable to the loan issuance with permanent cost optimizations: selling expense expected to be at the level of 2.3% from total issued loan volumes. Administrative cost and other operating expense reduction by 50% starting from Q2 2020;
- Cash inflow is planned to decrease by 30% compared to base scenario to EUR 7.7 million per month for the period from April to September 2020, October – EUR 8.4 million, November – EUR 9.1 million and December EUR 9.8 million.

In management's view, and having considered the results of the stress testing under two scenarios outlined, the above factors and measures taken support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Group operates in will not have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The Group monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Group are capitalization ratio and interest coverage ratio. As at 31 March 2020, the Group's capitalization ratio and interest coverage ratio were accordingly 17.2% and 1.6 (31.12.2019: 16.3% and 1.6), indicating stable liquidity shape of the Group. The Group has maintained strong funding and liquidity position with its robust diversified funding base. As at 31 of March 2020 the Group is compliant with all financial covenants. The Group's management foresees that it will be able to fully satisfy the requirements of financial covenants as a minimum for 12 months assuming baseline development scenario as outlined below assuming baseline development scenario (no assessment is performed for the circumstances of negative scenario as it is considered highly unlikely by the Group). The Group maintains stable cash position, as at 30 April 2020 the Group's quick ratio (cash and cash equivalents vs current liabilities) was 37.3% (31.12.2019: 20.2%).

The Group management foresees that in the following months the main liquidity source would arise from positive net cash flow balances resulting from strengthened liquidity risk management activities such as limited issuance of new loans, focus on sound debt collection process and Group's planned savings of administrative costs by more than 50% due to applied cost optimization actions. The Group controls its liquidity also by managing the amount of funding it attracts through P2P platform Mintos, which provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in Mogo as a stable company, and they continue to invest in Mogo loans. P2P loan portfolio have increased by EUR 5.2 million or 7.4% to EUR 75.4 million as of 30.04.2020 (31.12.2019: EUR 70.2 million).

The Group's entities have applied to various eligible aid options. The management does not foresee any objections or further regulatory scrutiny towards tax reliefs obtained and used.

The principal aid options used are as follows:
- Latvia: applications have been approved for the right to postpone tax payments for up to 1 year with no payment delay interest;
- Lithuania: tax payments for the quarantine period will be paid within two months of the end of the quarantine with no tax delay interest. If needed, it is possible to agree on tax schedule also after two-month period;
- Estonia: tax payments for March and April, 2020 were delayed until May, 2020 with no payment delay interest;
- Romania: car tax instalment payments are deferred from 30 March to 30 June, 2020.

The Group continues to closely monitor the updates of eligible reliefs and support mechanisms provided by the governments.

Management has evaluated that the Group operates in a sector which is only partially impacted by the temporary lockdown and state of emergency imposed by governments. However, it has considered that the period of these measures may be further extended in certain countries of operation. Due to these conditions over the last few months the Group has experienced reasonably expected decrease in its financial performance. Based on the publicly available information at the date these consolidated financial statements were authorized for issue, management considered a number of severe but plausible scenarios with respect to the potential development of the outbreak and its expected impact on the Group and economic environment, in which the Group operates, including the measures already taken by governments.

Consequently, and based on the analysis provided above, these consolidated financial statements have been prepared on the going concern basis.

Further information provided in Note 3 and Note 50.

2. Summary of significant accounting policies (continued)

b) Reclassification of comparative indicators

As described in accounting policy section "Sale and leaseback transactions", as at 31 December 2019 the Group has identified that the presentation of sale and leaseback transactions was previously misstated in these consolidated financial statements . The Group reported receivables from these activities together with finance lease receivables under IFRS16. The Group has identified that sales and leaseback activity is rather subject to IFRS 9. As a result, reclassification was made from the statement of financial position caption "Finance lease receivables" to "Loans and advances to customers with corresponding effect on interest income presentation in Note 4. As IFRS 9, IFRS 15 and IFRS 16 were adopted by the Group from 1 January 2018, there is no impact on the statement of financial position as at 31 December 2017 and reclassifications are not presented.

Statement of financial position - Assets	**Balance at 01.01.2018 in annual report for 2018**	**Reclassifications**	**Balance at 01.01.2018 after restatement**
Reclassification of sales and leaseback receivables			
Finance lease receivables (long term)	63 823 223	(18 727 883)	45 095 340
Finance lease receivables (short term)	32 092 639	(4 123 227)	27 969 412
Loans and advances to customers (long term)	698 750	18 727 883	19 426 633
Loans and advances to customers (short term)	541 915	4 123 227	4 665 142
	TOTAL:	-	

Statement of financial position - Assets	**Balance at 31.12.2018 in annual report for 2018**	**Reclassifications**	**Balance at 31.12.2018 after restatement**
Reclassification of sales and leaseback receivables			
Finance lease receivables (long term)	88 205 664	(25 618 537)	62 587 127
Finance lease receivables (short term)	46 379 266	(15 327 033)	31 052 233
Loans and advances to customers (long term)	2 183 929	25 618 537	27 802 466
Loans and advances to customers (short term)	3 092 551	15 327 033	18 419 584
	TOTAL:	-	

We also note that modification gains arising on bonds issued by Mogo Finance S.A. have been reclassified from Interest expense caption of statement of profit and loss and other comprehensive income to the caption Other operating income, as such presentation better reflects the nature of the gain.

Statement of profit and loss and other comprehensive income	**Balance at 31.12.2018 in annual report for 2018**	**Reclassifications**	**Balance at 31.12.2018 after restatement**
Reclassification of bond modification gain			
Interest expense	(12 601 639)	(1 552 734)	(14 154 373)
Other operating income	576 068	1 552 734	2 128 802
	TOTAL:	-	

Due to reclassification of sales and leaseback receivables, also the information in interest income disclosure have been reclassified (Note 4).

Statement of profit and loss and other comprehensive income	**Balance at 31.12.2018 in annual report for 2018**	**Reclassifications**	**Balance at 31.12.2018 after restatement**
Reclassification of sales and leaseback interest income			
Interest income from finance lease receivables	52 801 618	(12 841 770)	39 959 848
Interest income from loans and advances to customers according to effective interest rate method	1 501 335	12 841 770	14 343 105
Other interest income according to effective interest rate method	74 137	-	74 137
Total interest income calculated using effective interest method for financial assets that are measured at amortised cost	1 575 472		14 417 242
TOTAL:	**54 377 090**	**-**	**54 377 090**

c) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for implementation of IFRIC 23. On 23 October 2018, IFRIC 23 Uncertainty over Income Tax Treatments was endorsed by the European Commission for the use in the EU. The interpretation is effective for periods beginning on or after 1 January 2019, earlier adoption permitted. The Group adopted the interpretation as of 1 January 2019, please refer to accounting policy descried below. There was no effect on the consolidated financial statements; therefore data for 2019 are consistent with comparative information for 2018.

2. Summary of significant accounting policies (continued)

d) Current list of new IFRS Standards, Interpretations and amendments to published Standards (as at 1 January 2020) that are not yet effective, for disclosure in financial statements prepared in accordance with IFRS as adopted by the European Union (EU).

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after 1 January 2020) These amendments are not yet endorsed by the EU.	The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted. These amendments are not yet endorsed by the EU.	The amendments are providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that: • a full gain or loss is recognized when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while • a partial gain or loss is recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
IFRS 17 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.	IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.	The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Group does not operate in the insurance industry.
Amendments to IFRS 3 Business Combinations (Effective for annual periods beginning on or after 1 January 2020) These amendments are not yet endorsed by the EU.	The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Effective for annual periods beginning on or after 1 January 2020)	The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to: • 'Highly probable' requirement. • Risk components • Prospective assessments • Retrospective effectiveness test (for IAS 39) • Recycling of the cash flow hedging reserve. The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.	The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies

Early adoption of IFRS 16 as of 1 January 2018

Elected practical expedients on transition where the Group is a lessee

Where the Group is a lessee the following practical expedients are applied on transition on a lease-by-lease basis. The Group:

1. applies a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
2. does not make any adjustments on transition for leases for which the underlying asset is of low value (has a value, when new of 5 000 EUR or less). The Group accounts for those leases applying IFRS 16 from the date of initial application.
3. excludes initial direct costs of leases previously classified as operating leases from the measurement of the right-of-use asset at the date of initial application.
4. uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. Consistently with IAS 8, usage of hindsight is applied only to matters of judgement and estimates and, therefore, is not applied to matters of fact such as changes to an index or rate.

IFRS 16 does not specify how a lessee would separate and allocate lease and non-lease components of a contract upon transition when the modified retrospective approach is adopted. Accordingly, the Group elects to use the practical expedient to account for each lease component and any associated non-lease components as a single lease component consistently with Group's policy.

Group as a lessor

With the exception of subleases, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying IFRS 16 from the date of initial application.

Other considerations

As a lessee the Group is not engaged in sale and leaseback transactions as well as it is not an intermediate lessor in sublease transactions. Furthermore, as a lessee it has no leases previously classified as finance leases. Accordingly, those transition provisions did not have an impact on the Group upon transition to IFRS 16.

Effect of IFRS 16 adoption

The Group has two main categories of right-of-use assets - lease of office premises and lease of motor vehicles.

Majority of lease agreements for office premises are either short term agreements with the rights for the Group to extent the agreements by the initiative of the Group or lease agreements without defined expiration date with flexible termination options by initiative of the Group. Agreements do not include significant penalties for termination of agreements by the initiative of the Group.

Agreements of lease of motor vehicles are concluded for 2 to 3 years.

The average interest rate as of 1 January 2018 was approximately - 3.57%.

The off-balance sheet lease obligations as of 31 December 2017 are reconciled as follows to the recognized lease liabilities as of 1 January 2018:

	01.01.2018. **EUR**
Off-balance lease obligation as of 31 December 2017	733 547
Operating lease obligations as of 1 January 2018 (gross, without discounting)	733 547
Operating lease obligations as of 1 January 2018 (net, discounted)	**697 597**
Residual value guarantees	**-**
Non-lease-components	**-**
Lease liabilities due to initial application of IFRS 16 as of 1 January 2018	**697 597**

The quantitative impact of the first-time application of IFRS 16 on the consolidated balance sheet as of 31 December 2017 or 1 January 2018 is shown in the following table:

	31.12.2017 before application of new IFRS **EUR**	Adjustments IFRS 16 **EUR**	01.01.2018 after application of new IFRS **EUR**
Right-of-use assets	-	697 597	697 597
Borrowings	96 638 748	697 597	97 336 345

The Group has two main categories of right-of-use assets - lease of office premises and lease of motor vehicles.

Due to early adoption of IFRS 16 the impact on the Group's expenses in 2018 was the following:
- depreciation expenses increased by 1 044 497 EUR;
- interest expenses increased by 87 546 EUR;
- rent expenses decreased by 1 132 043 EUR.

2. Summary of significant accounting policies (continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Mogo Finance S.A. (Parent company) and entities controlled by the Parent Company (its subsidiaries) as at 31 December 2019. The financial statements of the subsidiaries are prepared for the same reporting period as for the Parent company, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealized gains and losses on transactions between controlled members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of profit and loss and other comprehensive income.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group recognizes this effect in retained earnings. If the subsidiary to which these non-controlling interests relate contain accumulated components recognized in other comprehensive income/ (loss), those are reallocated within equity of the Parent.

If the Group loses control over a subsidiary, it:
- Derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the profit and loss;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit and loss or retained earnings, as appropriate.

Foreign currency translation

The financial statements are presented in euro (EUR), which is the presentation currency of the Group. EUR is the monetary unit of Luxembourg, where the Parent Company is established. Transactions in foreign currencies are translated into the euro at the reference exchange rate fixed by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the reference exchange rate established by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded in the profit and loss and presented within finance costs.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The non-monetary items are carried at historical cost and no further retranslation is performed.

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit and loss and other comprehensive income are translated at exchange rates prevailing at the dates of transactions. If subsidiary's functional currency differs from the presentation currency of the Group, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the currency exchange rates at the date of the transactions are applied. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified in profit or loss.

Currency exchange rates used for translation of foreign operations into euros:

	31.12.2019. 1 EUR	31.12.2018. 1 EUR
GEL	3.2095	3.0701
PLN	4.2568	4.3014
RON	4.7830	4.6635
BGN	1.9558	1.9558
ALL	61.49	123.42
MDL	19.2605	19.5212
BYR	2.3524	2.4734
UAH	26.4220	31.7141
UZS	10 624.70	9 413.74
KZT	426.85	439.37
AMD	537.26	553.65
MKD	61.4856	-
BAM	1.95583	-
KEL	113.3679	-
UGX	4 110.72	-

2. Summary of significant accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating expense in the statement of profit and loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any difference is recognized in profit and loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is remeasured at fair value at each reporting date and subsequent changes in fair value are recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognized in profit or loss statement immediately.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:
– represents a separate major line of business or geographic area of operations;
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
– is a subsidiary acquired exclusively with a view to resale.
Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.
When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

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. Such units represent the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. Measurement of 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. Impairment is recognized whenever the carrying value of CGU to which goodwill is allocated is above the recoverable value of such CGU.

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 21. The adoption of IFRS 16 and the resulting changes to lessee accounting that impacted the Group did not have a material effect on the methodologies, inputs and assuptions used for carrying out the impairment tests.

2. Summary of significant accounting policies (continued)

Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of the Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. All other expenditure is recognised in profit or loss as incurred. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives of 7 years. The main internally generated intangible assets are CRM systems.

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

• the project is clearly identified and the related costs are itemized and reliably monitored;
• the technical and industrial feasibility of completing the project is demonstrated;
• there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
• the Group has the ability to use or sell the intangible asset arising from the project;
• the Group can demonstrate how the intangible asset will generate probable future economic benefits;
• the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in Notes 3 and 21.

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

IT systems	- over 7 years.

Other 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.

Other intangible assets mainly consists of acquired computer software products.

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

Concessions, patents, licences and similar rights	- over 1 year;
Other intangible assets	- over 2 to 7 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 described below. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items:

Computers	- over 3 years;
Furniture	- over 5 years;
Vehicles	- over 5 years;
Leasehold improvements	- over lease term;
Other equipment	- over 2 years.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only then when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. 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 fair value less cost to sell 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 statement of profit and loss in the impairment expense 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 statement of profit and loss in the year the item is derecognized.

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

Rental fleet

Rental fleet includes assets leased by the Group (as lessor) under operating leases. Group accounts for the underlying assets in accordance with IAS 16. Depreciation policy for the underlying assets subject to operating leases is consistent with the Group's depreciation policy for similar assets (vehicles) and amounts to 7 years.

Group adds initial direct costs, including The Global Positioning System (GPS) costs and dealership commissions, incurred in obtaining the operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

The Group applies the general principles described under 'Significant accounting judgments, estimates and assumptions' (Note 3) to determine whether an underlying asset subject to an operating lease may have residual value unrecoverable and impairment loss may need to be recognized.

2. Summary of significant accounting policies (continued)

Financial assets

Financial instruments – initial recognition

Date of recognition

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. Other assets are recognized on the date when Group enters into the contract giving rise to the financial instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described further in the accounting policies. Financial instruments are initially measured at their fair value (which is generally equal to the transaction price) adjusted for transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at FVPL.

Classification of financial assets

The Group measures Loans and advances to customers, Loans to related parties, Receivables from related parties, cash equivalents and Other loans and receivables at amortized cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity are also important aspects of the Group's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows. Sales that take place from these portfolios relate to credit events. Loans from portfolios might be sold to debt collector agencies when underlying debtors have defaulted on their obligations. When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. No financial liability reclassifications take place.

SPPI test

As a second step of its classification process the Group assesses, where relevant, the contractual terms of the financial assets to identify whether they meet the SPPI test. Financial assets subject to SPPI testing are loans and advances to customers (including financial assets arising from sales and leaseback transactions, as discussed in a separate section of this note) and loans to related parties that solely include payments of principal and interest. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.
In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group principally considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans).

In general, the loan contracts stipulate that in case of default and collateral repossession the claim is not limited to the collateral repossession and if the collateral value does not cover the remaining debt, additional resources can still be claimed from the borrower to compensate for credit risk losses. Accordingly, this aspect does not create obstacles to passing SPPI test. However, in some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

-whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
-the fair value of the collateral relative to the amount of the underlying loan;
-the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
-the Group's risk of loss on the asset relative to a full-recourse loan; and
-whether the Group will benefit from any upside from the underlying assets.

According to the judgement made the non-recourse loans that are secured by collateral of the borrower meet the SPPI criterion.

2. Summary of significant accounting policies (continued)

Embedded derivatives

The Group has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. The Group accounts for an embedded derivative separately from the host contract when:
• the host contract is not an asset in the scope of IFRS 9;
• the host contract is not itself carried at FVPL;
• the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
• the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss (unless they form part of a qualifying cash flow or net investment hedging relationship) and presented in the statement of financial position together with the host contract. The Group has derivatives embedded in financial liabilities and non-financial host contracts, see further information under 'Separation of embedded derivatives from the host contract' (Note 3). Financial assets are classified based on the business model and SPPI assessments as outlined above. Please refer to Note 3 for further discussion on embedded derivative details and considerations of separability.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line and changes its business model for managing financial assets.
Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2019 or 2018.

Derecognition of financial assets and finance lease receivables

Derecognition provisions below apply to all financial assets measured at amortized cost.

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a loan to a customer or a finance lease receivable when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or lease, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased or originated credit impaired (POCI).
When assessing whether or not to derecognize a financial asset, the Group evaluates whether the cash flows of the modified asset are substantially different and the Group considers the following qualitative factors:
• Change in currency of the loan
• Change in counterparty
• If the modification is such that the instrument would no longer meet the SPPI criterion for financial asset
• Whether legal obligations have been extinguished.
• Furthermore, for loans to customers and financial lease receivables the Group specifically considers the purpose of the modification for increase in lease term. It is evaluated whether modification was entered into for commercial reasons upon customer initiative or for credit restructuring reasons. Management has performed analysis of the changes being made due to business reasons and evaluated that changes due to business reasons result in substantial modification of terms and conditions. This is in line with the objective of this modification that is to originate a new asset with substantially different terms. If the DPD (days past due) of the counterparty immediately prior the modification is less than 5 DPDs and the characteristics of financial asset are substantially modified (e.g. on average financial asset term increases for several years substantially changing the term structure of the asset), the respective modification is considered to occur for a commercial reasons and results in derecognition of the initial lease/loan receivable.
Other modifications to the agreement terms are treated as modifications that do not result in derecognition (see section on Modifications below).

Derecognition other than for substantial modification

A financial asset or finance lease receivable (or, where applicable, a part of a financial asset or finance lease receivable or part of a group of similar financial assets or finance lease receivables) is derecognized when the rights to receive cash flows from the financial asset or finance lease receivable have expired. The Group also derecognizes the financial asset or finance lease receivable if it has both transferred the financial asset or finance lease receivable and the transfer qualifies for derecognition.
The Group has transferred the financial asset or finance lease receivable if the Group has transferred its contractual rights to receive cash flows from the financial asset or finance lease receivable.

The Group has transferred the asset if, and only if, either:
- The Group has transferred its contractual rights to receive cash flows from the asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions when Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Summary of significant accounting policies (continued)

Modifications

The Group sometimes makes modifications to the original terms of loans/lease as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a lease/loan restructured when such modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include default or DPDs prior to the modifications. Such modifications may involve extending the payment arrangements and the agreement of new loan conditions.

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss in interest revenue/expenses calculated using the effective interest method (Note 4, 5) in the consolidated statements of profit and loss, to the extent that an impairment loss has not already been recorded (Note 7). Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

As described in section on 'Derecognition due to substantial modification of terms and conditions' if modification is performed for commercial reasons, then it is considered to result in derecognition of the initial lease/loan receivable. Such modifications include increase in the lease amount and increase in lease term, which are agreed upon with customers for commercial reasons (i.e.-, customers and the Group are both interested in substantially modifying the scope of the lease/loan transaction). Whenever such an agreement to modify is reached the old agreement and respective receivable is derecognized.

Treatment of non-substantial modifications

If expectations of fixed rate financial assets' cash flows (such assets present core part of Group' s financial asset base) are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.
The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial asset or liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.
Changes in the contractual cash flows of the asset are recognized in statement of profit and loss and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

Overview of the expected credit loss principles

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and finance lease receivables (as due to lease contract specifics lease receivable does not contain any unguaranteed residual value, IFRS 9 provisions apply to full finance lease receivable balance). In this section all referred to as 'financial instruments'.

If there has been no significant increase in credit risk since origination, the ECL allowance is based on the 12 months' expected credit loss (12mECL) as outlined in below. If there has been a significant increase in credit risk since initial recognition, the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in section on Significant increase in credit risk (Note 3).

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

Group's core business assets – financial lease receivables and loans and advances to customers – are of retail nature, therefore are grouped per countries and products (finance lease receivables and loans and advances to customers) for a collective ECL calculation that is modelled based on DPD (days past due) classification. Specifically, the Group analyzes its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to each receivables days past due metrics and presence of underlying collateral.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition across the portfolios within the country based on product type – lease or loan product.

The Group segregates finance lease receivables and loans and advances to customers in the following categories:

Finance lease receivables (lease):
1) Not past due
2) Days past due up to 30 days
3) Days past due 31 up to 60 days
4) Days past due over 60 days
5) unsecured (general definition: days past due over 90 or collateral is not available, i.e. lost or sold).

Loans and advances to customers (loan):
1) Not past due
2) Days past due up to 30 days
3) Days past due 31 up to 75 days
4) Days past due over 75 days

2. Summary of significant accounting policies (continued)

Based on the above process, the Group groups its leases and loans into Stage 1, Stage 2, and Stage 3, as described below:

• Stage 1: When loans/leases are first recognized, the Group recognizes an allowance based on 12mECLs. The Group considers leases that are current or with DPD up to 30 as Stage 1.
A healing period of 1 month is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1 and such an exposure must meet the general Stage 1 DPD criteria above. Exposures are classified out of Stage 1 if they no longer meet the criteria above.
• Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The Group generally considers leases that have a status of 31-60 DPD to be Stage 2 loans. A loan is considered Stage 2 if DPD is in range of 30 to 75 days. Exposures remain in Stage 2 for a healing period of 1 month, even if they otherwise would meet Stage 1 criteria above during this period.
• Stage 3: Leases and loans considered credit-impaired and at default. The Group records an allowance for the LTECLs. The Group considers a finance lease agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 DPD on its contractual payments or the lease agreement is terminated. The Group considers a loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 75 days past due on its contractual payments. Exposures remain in Stage 3 for a healing period of 2 months, even if they otherwise would meet Stage 2 criteria above during this period. For immature countries a 1 month healing period is applied to transfer the lease/ loan to Stage 2 due to the lower threshold of DPDs used initially to transfer such exposures in Stage 2.

Due to the nature of credit exposures of the Group (portfolios of rather homogenous and individually insignificant finance lease receivables and loans and advances to customers), qualitative assessment of whether a customer is in default is not performed for these exposures and primary reliance is placed on the above criteria.

The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
Key elements of the model are, as follows:
• PD The Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL);
• the Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon;
• EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise;
• LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cash flows due at the moment of default and those that the lender would expect to receive, including from the realization of any collateral and deducting expenses related to cash collections or collateral realization processes. It is usually expressed as a percentage of the defaulted balance;
• lifetime period is estimated as average remaining contractual term of respective portfolio.

Significant judgments used for determining PD and LGD are described in Note 3.

The Group employs multiplication model across all Stages for the ECL calculation:

*ECL=EAD*PD*LGD*[DDV]*

Given that DDV is a multidimensional vector (12 or 13 dimensions) it is aggregated into one value before multiplication - [DDV]. DDV aggregated value is obtained as follows:
• each value of the DDV is multiplied with discount factor;
• discount factor is calculated in a regular way (e.g. NPV formula), where discount is calculated on EIR of the portfolio and number of periods corresponds to the dimension of the respective DDV value;
• [DDV] is the sum of all respective multiplications of DDV values with respective discount factors.

Depending on the Stage the following specifics are applied to the general ECL model:
• Stage 1: The 12mECL is calculated. The Group calculates the 12mECL allowance using 12 months PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.
• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are like those explained above, but PDs and DDV are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR using DDV.
• Stage 3: For loans considered credit-impaired, the Group recognizes the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

ECL on restructured and modified loans

Modifications performed to customers that serve to renegotiate terms of an agreement that was previously in default result in continued Stage 3 treatment during the one month healing period for mature countries followed by 2 months of healing period in Stage 2. For immature countries due to the nature of the default definition and lack of ability to renew terminated agreements, exposure enters Stage 2 directly. In case of modification for credit reasons prior to default (generally term extension), exposure is moved to Stage 2 for a healing period of 2 months for mature countries and 1 month for others.

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Such items will be classified as Stage 2 assets for a healing period of 2 months for mature countries and 1 month for others reflective of the increase from initial credit risk.

Write off of unrecoverable debts

The Group considers any kind of receivable completely unrecoverable and writes off the receivable from balance sheet entirely if all legal actions have been performed to recover the receivable and the Group has no reasonable expectations of recovering the exposure.

2. Summary of significant accounting policies (continued)

Impairment of contract assets and financial assets other than lease receivables and loans and advances to customers

Further financial assets where the Group calculates ECL on an individual basis or collective basis are:
- Other receivables from customers/contract assets;
- Loans and advance payments to related parties;
- Trade receivables;
- Cash and cash equivalents
- Deposits - individual basis;

Financial assets are aggregated in categories considering the similarities of key risk characteristics and nature of each of these.
The Group assesses the impairment for other receivables from customers/contract assets on a collective basis at country level. For the rest of financial assets other than finance lease receivables and loans and advances to customers the Group calculates ECL on an individual basis.

Impairment of other receivables from customers/contract assets

During the course of business, the Group may have other type of claims against its leasing customers. In such cases, considering the portfolio features, the ECL methodology of the related lease receivable is mirrored and the ECL mirrors the impairment of the lease receivable. The Group considers other receivables from customers/contract assets that are current or with DPD up to 25 as Stage 1. A healing period of 5 days is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1. The Group generally considers other receivables from customers/contract assets that have a status of 26-34 DPD to be Stage 2 loans. The Group considers financial assets defaulted and therefore Stage 3 in all cases when the borrower becomes 35 DPD.
For other receivables and contract assets that are not related to lease portfolio receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment for loans and advance payments to related parties, trade receivables

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs. For related party exposures Stage 2 and lifetime ECL calculation is applied based on 30 day back stop and 90 day back stop is applied to Stage 3 determination. Further qualitative factors evaluated include extension of the payment terms granted, previous arrears in the last 12 months and significant adverse changes in business.

Impairment of cash and cash equivalents and deposits

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, ie., a few days. Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default. For cash and cash equivalents no Stage 2 is applied given that any past due days would result in default. When calculating the impairment for a bank deposit, any loans or other credit facilities granted by the credit institution to the Group is being set off against the deposits if the bank has a contractual right to offset in case of resolution. Hence, the ECL is recognised on the net amount.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or other financial liabilities that are measured at amortized cost. All financial liabilities are recognized initially at fair value plus, for an item not at FVTPL, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings, including funding attracted through peer-to-peer platforms.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such upon initial recognition. Net gains or losses, including any interest expense, on liabilities held at FVTPL are recognized in the statement of profit and loss.
The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized; interest expense is recognized through the EIR amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.
This category generally applies to interest-bearing loans and borrowings.

Modification of financial liabilities

For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. If the modification is substantial, then a derecognition gain or loss is recorded on derecognition. If the modification does not result in cash flows that are substantially different the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

2. Summary of significant accounting policies (continued)

Treatment of non-substantial modifications

If expectations of fixed rate financial liabilities' cash flows are revised, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial liability on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense (Note 5).

Changes in the contractual cash flows of the asset are recognized in statement of profit and loss and any costs or fees incurred adjust the carrying amount of the modified financial asset or liability and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Equity - accounted investees

The Group interests in equity-accounted investees comprise investment in associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized as cost, which includes transaction costs. As the Group gained significant influence over its associate after losing control over the investee, the deemed cost is the fair value of the interest retained subsequent to the loss of control. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, until the date on which significant influence ceases. Unrealised gain arising from transactions with associate are eliminated against the investments to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Finance lease – Group as lessor

Whilst financial lease receivables that represent financial instruments and to which IFRS 16 applies are within the scope of IAS 32 and IFRS 7, they are only within the scope of IFRS 9 to the extent that they are (1) subject to the derecognition provisions, (2) 'expected credit loss' requirements, (3) the relevant provisions that apply to derivatives embedded within leases, and (4) relate to sale and leaseback transactions as outlined in this note under the title Sale and Leaseback Transactions.

Group is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts. The Group earns its profits predominantly from finance income over the lease term and not from initial selling profit.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

• a lease is classified as a finance lease; and
• the amounts to be recognized at the commencement of the lease term are determined.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

A lease is classified as a finance lease at the inception of the lease if it transfers substantially all the risks and rewards incidental to ownership. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

• 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.

Further indicators that individually or in combination would also lead to a lease being classified as a finance lease are:

• the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
• gains or losses from the fluctuation in the fair value of the residual accrue to the lessee.

Initial measurement

At lease commencement, the Group accounts for a finance lease, as follows:

• derecognizes the carrying amount of the underlying asset; and
• recognizes the net investment in the lease.

Upon commencement of finance lease, the Group records the net investment in leases, which consists of the sum of the minimum lease payments receivable by a lessor under a finance lease, discounted at the interest rate implicit in the lease. The contracts with the customers stipulate that the title to the lease object passes to the lessee at the end of the lease term; hence, no unguaranteed residual value accrues to the lessor. The difference between the gross investment and the net investment is recorded as unearned finance lease income. Initial direct costs, such as client commissions and commissions paid by the Group to car dealers, are included in the initial measurement of the lease receivables.

Based on contractual provisions, prepayments and other payments received from customers are normally recorded in statement of financial position upon receipt and settled against respective client's finance lease receivables agreement at the moment of issuing next monthly invoice according to the agreement schedule.

2. Summary of significant accounting policies (continued)

Subsequent measurement

Finance lease income consists of the amortization of unearned finance lease income. Finance lease income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment according to effective interest rate in respect of the finance lease. Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group recognizes income from variable payments that are not included in the net investment in the lease (e.g. performance based variable payments, such as penalties or debt collection income) separately in the period in which the income is earned. The lease term does not reflect the lessee exercising an option to terminate the lease due to high termination fees and resulting low probability of option exercise. Such income is recognized under "Fee and commission income" (Note 6).

After lease commencement, the net investment in a lease is not remeasured unless the lease is modified and the modified lease is not accounted for as a separate contract or the lease term is revised when there is a change in the non-cancellable period of the lease.

Group applies derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating lease – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit and loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. No maintenance fee is charged to the customers.

Operating lease – Group as lessee

<u>Lease liability</u>

Initial recognition

At the commencement date of the lease the Group measures the lease liability at the present value of the lease payments that are not paid at that date in accordance with lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group has elected for all classes of underlying assets not to separate non-lease components from lease components in lease payments. Instead Group accounts for each lease component and any associated non-lease components as a single lease component. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset, together with both:
(a) Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
(b) Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

At the commencement date, the Group assesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease.

Subsequent measurement

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

<u>Right-of-use assets</u>

Initial recognition

At the commencement date of the lease, the Group recognizes right-of-use asset at cost. The cost of a right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

Subsequent measurement

Group measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses; and adjusted for the remeasurement of the lease liability (which may take place when there is a change in future lease payments arising from a change in an index or rate, when there is change in estimated amounts payable under residual value guarantee or there is a change of assessment of extension, purchase or termination option) . Depreciation of the right-of-use asset is recognized on a straight-line basis in profit or loss. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Group involvement with the underlying asset before the commencement date

If a Group incurs costs relating to the construction or design of an underlying asset, the lessee accounts for those costs applying other IFRS, such as IAS 16. Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset.

Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2. Summary of significant accounting policies (continued)

Initial recognition exemptions applied

As a recognition exemption the Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:
(a) Short term leases – for all classes of underlying assets; and
(b) Leases of low-value assets – on a lease-by-lease basis.

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognize a lease liability or right-of-use asset. The Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.
(a) Short term leases
A short-term lease is a lease that, at the commencement date, has a lease term of 3 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.
(b) Leases of low-value assets
The Group defines a low-value asset as one that:
1)has a value, when new of 5 000 EUR or less. Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.
2)the Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and
3)the underlying asset is not dependent on, or highly interrelated with, other assets.

Sale and leaseback transactions

Group also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Group purchases the underlying asset and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset as loans and advances to customers by applying IFRS 9. As at 31 December 2019 the Group concluded that its sale and leaseback contract provisions (including repurchase options embedded) are such that the transfer of asset from the seller-lessee to the Group does not satisfy and never satisfied the requirements of IFRS 15. Such conclusion differs from the Group judgement as at 31 December 2018 and on the initial adoption of IFRS 9 and IFRS 15 and IFRS 16 as of 1 January 2018. Accordingly receivables under sale and leaseback contracts were reclassified to loans and advances to customers both as at 31 December 2019 and 31 December 2018. Further details on the restatement are provided in the section "Reclassifications" of this Note.

The Group has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in the case or borrowers' default and are related to repossessed car sales for which any excess gains can be retained by the Group in certain jurisdictions and commissions and other fees charged to the customer that are not directly linked to outstanding principal/interest (e.g. external debt recovery costs being charged to clients with mark-up). Other contract elements relevant to SPPI assessment for components in certain jurisdictions include the leased asset repurchase options, where the option value is below the car market value at the moment of exercise and significant termination penalties for certain non-recourse contracts.

The Group has made relevant judgements and concluded that SPPI test is met in all above circumsances as 1) repossession commissions and fees charged by the Group are intended to cover the costs incurred by the Group in the debt servicing process under regular lending model, 2) the fact that in certain jurisdictions the Group maintains proceeds from sale of repossessed car in excess of recovered exposure (if applicable) is not an evidence that the risk taken up by the Group is in fact the price risk of the car and not the credit risk. The Group is able to sell the collateral and keep any surplus only on default and the occasional trivial gains from the transaction are not the purpose of the core business model (which is to earn interest income from the loan asset) and are not the focus of the business, but instead are just an instrument to minimise the credit losses, 3) termination penalties for non-recourse sale and leaseback transactions charged to the customers in certain jurisdictions are also contractual elements intended to compensate for credit risk and do not result in any notable net gains to the Group.

Inventories

Inventories are valued 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.
Inventories contain only vehicles which are purchased for the sole purpose of selling them to customers.
Value of inventories is measured by using specific identification of individual unit cost. Disposal of each individual stock item is performed on sale of respective individual stock item.

Cash and cash equivalents

Cash comprises cash at bank and on hand with an original maturity of less than three months.
The accounting policies outlined above as applicable to financial assets measured at amortized cost are relevant for accounting for cash and cash equivalents.

Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.
Assets held for sale includes vehicles which are obtained by enforcement of repossession in case clients default on existing lease agreements. Such repossessed collaterals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell (FVLCTS). Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Once classified as held-for-sale, vehicles are no longer depreciated.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Assets classified as held for sale are presented separately as current items in the statement of financial position.

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

Reserves

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Lithuania companies are required to allocate to a legal reserve a minimum of 10% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Foreign currency translation reserve is used to record exchange differences arising from the translation of assets and liabilities of foreign operations.

Accruals and deferrals

Accruals and deferrals are recorded to recognize revenues and costs as they are earned or incurred. Specifically, accrual for unused holidays is calculated based on local legislation requirements in each respective jurisdiction.

Transactions with peer-to-peer platforms

Background

Certain subsidiaries, as loan originators, have signed cooperation agreements with operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreements and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Group is to attract funding through the P2P platform.

The P2P platform makes it possible for individual and corporate investors to obtain a fully proportionate interest cash flows and the principal cash flows from debt instruments (finance lease receivables or loans and advances to customers) issued by the Group in exchange for an upfront payment. These rights are established through assignment agreements between investors and P2P platform, who is acting as an agent on behalf of the Group. Assignment agreements are of two types:

1) Agreements with recourse rights which require the Group to guarantee full repayment of invested funds by the investor in case of default of Group's customer (buy back guarantee);

2) Agreements without recourse rights which do not require the Group to guarantee repayment of invested funds by the investor in case of default of the customer (no buy back guarantee).

The Group retains the legal title to its debt instruments (including payment collection), but transfers a part of equitable title and interest to investors through P2P platform.

Receivables and payables from/to P2P platform

The P2P platform is acting as an agent in transferring cash flows between the Group and investors. The receivable for attracted funding from investors through the P2P platform corresponds to the due payments from the P2P platform.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 33).

P2P platform commissions and service fees incurred by the Group are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 9.

Funding attracted through peer-to-peer platform

Liabilities arising from assignments with or without recourse rights are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform (Note 38) and are treated as loans received.

After initial recognition the funding attracted through peer-to-peer platform is 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 statement of profit and loss as interest income/ expense when the liabilities are derecognized.

The Group must repay to the investor the proportionate share of the attracted funding for each debt instrument according to the conditions of the respective individual agreement with the Group's client, which can be up to 72 months.

Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9. Specifically, neither investors, nor the P2P platform bear any risks in relation to creditworthiness of the Group's borrower. The Group is obliged, on first demand of the P2P platform, to repay all monies due if loan agreement with borrower defaults . Additionally, the Group retains the risks and rewards of ownership of the financial asset.

Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest expense calculated using effective interest method (Note 5).

Assignments without recourse rights (no buy back guarantee)

On the contrary, assignments without recourse rights (the Group is not obliged to reimburse neither to investors nor to P2P platform if the borrower defaults) are arrangements that transfer to investors substantially all the risks and rewards of ownership equal to a fully proportionate share of the cash flows to be received from Group's debt instruments. Therefore such arrangements are classified as pass-through arrangements in accordance with IFRS 9.

As such, a fully proportionate share, equal to investor's claim in relation to the related debt instrument, is derecognized.

The derecognized part is accounted as an off-balance sheet item (Note 38) and interest income is recognized to the extent of being the residual interest. Residual interest is the difference between the interest earned on the respective debt instrument by the Group and the respective share of interest earned by the investor.

Provisions

In accordance with IAS 37, 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 statement of profit and loss 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 finance cost.

The key provisions the Group recognizes are provisions for tax positions disputed with tax authorities.

2. Summary of significant accounting policies (continued)

Contingent assets and contingent liabilities

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.

Share-based payments

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. A share-based payment is primarily a payment in equity instruments of the entity. Under certain circumstances there are cash settlement alternatives which are subject to cash settlement events occurring or entity's choice in certain scenarios. Given absence of an ongoing sale of subsidiaries or Mogo Finance S.A., any listing process initiated and any other relevant cash settlement events, the cash settlement is considered not to be probable. The Group does not have a present obligation to settle in cash, therefore awards are classified as equity settled. The Group does not have a past practice of cash settlement for these awards.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Income and expenses

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations value added tax incurred on a services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases value added tax is recognized as part of the related expense item as applicable. The same principles is applied if value added tax is not recoverable on acquisition an asset.

Revenue is recognized in accordance with the related standard's requirements and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The effective interest rate method

For all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

When a financial asset becomes credit-impaired and is regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Income from cession of bad debt

Gain or loss from sale of doubtful financial lease receivables and loans and advances to customers is presented on net basis under " Net loss from de-recognition of financial assets measured at amortized cost". Gains or losses arising on cession deals are recognized in the statement of profit and loss at transaction date as the difference between the proceeds received and the carrying amount of derecognized lease receivables assigned through cession agreements.

Expenses related to attracting funding

Expenses related to attracting funding consists of administration fee for using peer-to-peer platform. Expenses are charged monthly and recognized in Group's statement of profit and loss when they occur.

2. Summary of significant accounting policies (continued)

Revenues and expenses from contracts with customers

Revenue from contracts with customers in scope of IFRS 15 encompasses sold goods or services provided as output of the Group's ordinary activities. The Group uses the following criteria to identify contracts with customers:
– the parties in the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
– can be identified each party's rights regarding the goods or services to be transferred;
– can be identified the payment terms for the goods or services to be transferred;
– the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);
– it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance obligations are promises in the contracts (either explicitly stated or implied) with Group's customers to transfer to the customers distinct goods or services. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract). Both of these criteria must be met to conclude that the good or service is distinct.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The Group recognizes revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognized when customer obtains control of the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:
– customer simultaneously receives and consumes the benefits;
– customer controls the asset as it is created or enhanced;
– the Group's performance creates an asset and has a right to payment for performance completed.

Payment terms for goods or services transferred to customers according to contract terms are within 45 to 60 days from the provision of services or sale of goods. The transaction price is generally determined by the contractually agreed conditions. Invoices typically are issued after the goods have been sold or service provided.

In 2019 the Group did not enter into contracts with variable considerations, rights of return, financing components, non cash considerations or consideration payable to the customer.

Key revenue streams the Group generates relate to provision of goods or services provided directly to end customer with no third party service/product provider involved. In such transactions the Group acts as a principal. However, for certain services, where other parties are involved, as described below, the Group performs assessment whether it acts as an agent or a principal. Such revenue streams include income from debt collection activities, income from providing registration services and income from agency services as described below.

When another party is involved in providing goods or services to the Group's customers, the Group considers that it is a principal, if it obtains control of any one of the following:
a) a good or another asset from the other party that it then transfers to the customer.
b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf - relevant for car registration income to conclude on principal presentation;
c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer - relevant for debt collection income to conclude on agent presentation.
Management judgment on transactions where the Group acts as agent is disclosed in Note 3.

2. Summary of significant accounting policies (continued)

Fee and commission income (Note 6)

Income from debt collection activities and earned penalties (point in time)

Fee and commission income arises from contracts with customers. Accordingly, it results in a recognized financial instrument in the Group's financial statements that is partially in scope of IFRS 9 and partially in scope of IFRS 15. Therefore, the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Income from debt collection activities and penalties is recognized in Group's statement of profit and loss at the moment when the likelihood of consideration being settled for such services is high, therefore income is recognized only when actual payment for provided services is actually received.

Income from penalties arise in case customers breach the contractual terms of financial lease receivables and loans and advances to customers agreements, such as exceeding the payment date. In those situations Group is entitled to charge the customers in accordance with the agreement terms. The Group recognizes income from penalties at the moment of cash receipt as likelihood and timing of settlement is uncertain. In case customers do not settle the penalty amount, the Group is entitled to enforce repossession of the collateral.

Debt collection activities revenue typically arises when customers delay the payments due. As a lessor, the Group has protective rights in the lease agreements with customers that require the customers to safeguard and maintain the condition of the vehicle, as it serves as a collateral to the lease. Group's revenue encompasses a compensation of internal and external costs incurred by the Group in relation to debt management, legal fees as well as repossession of vehicle in case of lease agreement termination and are recharged to the customers in accordance with the agreement terms. The performance obligation is satisfied when respective service has been provided.

Income from commissions (point in time)

Income from commissions arises from additional services provided by the Group to its customers. Main additional source of income from commissions is from premature termination of contracts by the initiative from a customer. Income is recognized at the moment of cash receipt as likelihood and timing of settlement is uncertain. The performance obligation is satisfied when respective service has been provided.

Income from providing registration services (point in time)

In certain countries, the Group provides vehicle registration services to its customers. The Group organizes the registration of the leased vehicles in with the state authorities on behalf of the customer, which is a separate service provided by the Group. Typically these services are performed before customers enter the finance lease agreements. Income from providing these services is recognized at the moment of providing the services. In majority of countries such services are not provided by the Group, as the customers perform registration procedures themselves and costs are covered by the customers directly without the need for such services from the Group. The performance obligation is satisfied when the respective service has been provided.

Revenue from car sales (Note 11)

Sale of motor vehicles (point in time)

The Group earns part of its revenues from the sales of used vehicles that were either bought from third parties or repossessed from its non-performing leasing customers . The Group is calculating minimum sales price based on initial cost or value after repossession plus additional cost incurred (e.g. repairs) and a margin added in order to make profit from the deal. The performance obligation is satisfied when the car is registered on client's name.

Other operating income (Note 14)

Income from management services (over time)

The Group provides management services to its related parties. Income is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing these services. The performance obligation is satisfied as the respective service is being provided.

Revenue from agency services (point in time)

Agency services consist of different services, such as settlement of costs on behalf of 3rd parties and recharging those costs to customers. The Group is acting as an agent in provision of these services to the customers. Such services are provided with the intention to realize the economies of scale of purchasing power for a service that is both used by the Group and the 3rd party. The Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party. The performance obligation is satisfied when the respective service has been provided.

2. Summary of significant accounting policies (continued)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

As at 31 December 2019 the Group did not have any contract assets in its consolidated statement of financial position.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 32).

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days. Accounting policies applicable to financial assets measured using amortized cost are applicable as described above in Note 2.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are extinguished and revenue is recognized when the Group performs under the contract.

As at 31 December 2019 the Group had minor amount of contract liabilities in its consolidate statement of financial position (Note 39).

Income taxes

Income taxes include current and deferred taxes. Income taxes are recognized in profit and loss except to the extent that they are related to a business combination, or items recognized directly in equity or other comprehensive income. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date in the countries where the Group and the Parent Company operates.

Current corporate income tax rate for the Parent company is applied at the statutory rate of 18%. Current corporate income tax rates for the foreign subsidiaries are:

Country	Tax rate	Country	Tax rate
Estonia	20%	Moldova	12%
Latvia	20%	Albania	15%
Lithuania	15%	Belarus	18%
Georgia	15%	Ukraine	18%
Poland	19%	Uzbekistan	7.5%
Romania	16%	Kazakhstan	20%
Bulgaria	10%	Belgium	29%
Netherlands	25%	Uganda	30%
Germany	30%	Kenya	30%
North Macedonia	10%	Bosnia&Herzegovina	10%

Deferred tax assets and liabilities

Deferred income tax is recognized 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.

In Latvia, Estonia and Georgia deferred tax assets and liabilities are not recognized starting from 2017 or before in accordance with local legislation. Accordingly, deferred tax assets and liabilities which were calculated and recognized previously have been reversed through the statement of profit and loss and other comprehensive income in the year when the legislation was amended (for Latvia: 2017).

In Latvia legal entities are not required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions are subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit and loss and other comprehensive income as expense in the reporting period when respective dividends are declared, while, as regards to other deemed profit items, at the time when expense is incurred in the reporting year.

Similar accounting policies are adopted in Estonia and Georgia.

2. Summary of significant accounting policies (continued)

Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the Group in accepting operating business decisions, key management personnel of the Group including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

The Group has defined that a person or a close member of that person's family is related to a reporting entity if that person:
• has control or joint control of the reporting entity;
• has significant influence over the reporting entity; or
• is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the followingconditions applies:
• The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
• One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
• Both entities are joint ventures of the same third party;
• One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
• The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
• The entity is controlled or jointly controlled by a person identified in (a);
• A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
• The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.
Non-controlling interest are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Dividend distribution

Dividend distribution to the shareholders of the Group is recognized as a liability and as distribution of retained earnings in the financial statements in the period in which the dividends are approved by the shareholders as the Group has the obligations to pay the dividend which cannot be withdrawn.

Subsequent events

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

3. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation and judgement used in the preparation of the consolidated financial statements are described below. Although these estimates and conclusions are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

Principal versus agent assessment

In provision of agency services (Note 14) the Group has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions.

The Group is also acting as an agent in purchasing specific goods and services from 3rd parties on behalf of customers - mainly legal, recruitment and similar services, as it does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price. For all other revenue streams the Group concluded that it acts as a principal.

Other revenue streams where the Group involves third parties in the provision of services include income from debt collection activities (Group acts as an agent as it does not control the service before it is provided to the customer) and income from car registration services (Group acts as a principal as it controls the asset being registered for the prospective customer).

Goodwill and other non-financial asset impairment tests

The calculation of value in use for cash generating units among other is sensitive to the assumptions of discount rate and growth rates. These assumptions are outlined in Note 21 and Note 28.

3. Significant accounting judgments, estimates and assumptions (continued)

De facto control evaluation over investees

The Group has entered into a share purchase agreement for acquisition of an entity in Kosovo before 31 December 2019 and paid advance payments as disclosed in Note 28. The acquisition has to be approved by the local regulator. This is considered not to be just a formality. Because the local authority has the right to reject shareholder change approval, the Group might not become a shareholder of that entity. The purchase transaction will be considered completed only when approval from the governing entity will be received. Given that the Group does not have any other contractual arrangements limiting current shareholder the Group practically does not consider that it at 31 December 2019 would have control over the acquired entity as at 31 December 2019.

The process of acquisition of the entity in Kosovo has not yet completed when signing these financial statements.

Determination of the FVLCTS of assets held for sale

Determination of the FVLCTS for repossessed vehicles is performed on an individual basis at the moment of the repossession.
Management's estimate is based on available data from historical sales transactions for such assets in previous reporting periods. The Group also considers factors such as historical actual average loss (if any) from the previous years. Management considers whether also events after the reporting year indicate a decline in the sales prices of such assets.
See further information in Note 35.

Impairment of non-financial assets (rental fleet)

The Group assesses at each reporting date whether there is an indication that the expected residual value of the rental fleet asset at the end of the current rental period may not be recoverable. The residual value is an estimate of the amount that could be received from disposal of the vehicle at the reporting date if the asset were already of the age and in the condition that it will be in when Group expects to dispose of it (i.e. after expiration of the ultimate lease period, if any). Therefore, if any indication exists, in order to determine the recoverable amount for rental fleet assets, the management uses valuation models based on two methods primarily depending from the status of the lease agreement:

1) value in use (VIU) - for assets with active lease agreements; and

2) fair value less costs of disposal (FVLCOD)- for assets with inactive lease agreements.

VIU is the present value of the future cash flows expected to be derived from an asset or cash generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using an interest rate implicit in the lease agreement - the discount rate at which the sum of the present value of the lease payments and the unguaranteed residual value equals the sum of the fair value of the underlying asset. In measuring VIU the Group bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset covering in total 7-year period.

For assets with an inactive lease agreement the Group applies probability-weighted scenario in determining the possible future use of vehicles - secondary rent or disposal. The outcome of the probability-weighted scenario has been determined based on the Group's/Company's historical data. According to management assessment, the carrying amount of secondary rent assets is expected to be recovered principally through a continuing use of it rather than sale transactions, therefore VIU method has been applied.

For assets with an inactive agreement, for which the carrying amount is expected to be recovered principally through disposal, the Group determines the residual value based on FVLCOD method. Assumptions applied for determination of the FVLCOD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. The market price is being adjusted for car repair costs, which are estimated based on historical data for an average vehicle repair expenses occurred in 2019. In addition, management considers whether events after the reporting year indicate a decline in the sales prices of such assets. Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash generating unit, excluding finance costs and income tax expense.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss and other comprehensive income unless the asset is carried at a revaluated amount, in which case the reversal is treated as a revaluation increase.

As at 31 December 2019 the Group recognised impairment of rental fleet. Please refer to Note 22.

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

3. Significant accounting judgments, estimates and assumptions (continued)

Impairment of finance lease receivables and loans and advances to customers

The Probability of Default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon.
In order to estimate PDs the Group utilises Markov chains methodology. This methodology employs statistical analysis of historical transitions between delinquency buckets to estimate the probability that loan will eventually end up in default state which is set as absorbing state.
The Group used one-month transition window and its respective nth power to estimate PD over n-months horizon in 2018. The approach was changed in 2019. Transition window was changed to 12 months (continuous horizon), and estimation over lifetime was defined as nth power of 12 months matrix. The approach significantly improved consistency of PD calculations, i.e. accounted for 12 months seasonality effect and smoothened volatile impact of the regular changes in the business processes. Change of the transition window implied also introduction of DDV in the model, which was not used previously.
As a result of the change one-off increase in impairment amounted to 425 thousand EUR. The quantification of the effect of the change in approach on future periods cannot be performed with reasonable precision, also due to the subsequent Covid-19 effects as noted elsewhere in this Note.
Calculations are applied at product level (leasing vs loans products). Exposures are grouped into buckets of days past due (DPD) loans/leases.

Forward-looking information incorporation in PDs (applicable in 2018)

In modelling impact of forward looking information inclusion in determining PD as at 1 January 2018 and 31 December 2018, the Group explored a broad range of forward looking information as economic inputs, such as:
- GDP growth;
- Unemployment rates;
- Consumer price indices;
- House price indices;
- Household debt.

Different variables were found to form statistically significant links to individual countries' PD data. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements.

The Group obtains the data used from third party sources (e.g. Latvian Central Statistical Bureau and CEIC Data and Trading economics, private data providers, Latvian and Lithuanian central banks, European Commission, World Bank, and Asian Development Bank) and internal statisticians verify the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate and alternative scenarios and their weighting as at 31 December 2018.

The tables show the values of the key forward looking economic variables/assumptions as at 31 December 2018 used in each of the economic scenarios for the ECL calculations for Latvia. Lithuania, Estonia.

House price index growth for 2019	**Weighting**	**Latvia**	**Lithuania**	**Estonia**
Base case	40%	14.10%	5.61%	3.60%
Pessimistic scenario	30%	6.90%	-12.67%	0.70%
Optimistic scenario	30%	21.30%	23.89%	7.87%
Household debt levels as a % of GDP at end of 2019				
Base case	40%	23.30%	44.50%	47.84%
Pessimistic scenario	30%	25.80%	40.58%	43.01%
Optimistic scenario	30%	20.80%	48.42%	48.42%

The tables show the values of the key forward looking economic variables/assumptions as at 31 December 2018 used in each of the economic scenarios for the ECL calculations for Georgia, Romania, Bulgaria, Moldova and Armenia. For these countries effect of forward-looking information was incorporated based on Hierarchical Bayes methodology.

GDP Growth	Weighting	Georgia	Romania	Bulgaria	Moldova	Armenia
Base case	40%	4.60%	3.80%	3.60%	3.70%	4.50%
Pessimistic scenario	30%	3.70%	2.20%	2.70%	1.70%	3.30%
Optimistic scenario	30%	5.50%	5.40%	4.50%	5.70%	5.70%
Inflation rate						
Base case	40%	3.00%	3.30%	2.00%	4.90%	3.50%
Pessimistic scenario	30%	4.50%	4.80%	3.10%	6.30%	5.20%
Optimistic scenario	30%	1.50%	1.80%	0.90%	3.50%	1.80%
Unemployment rate						
Base case	40%	13.70%	3.30%	6.80%	2.80%	17.10%
Pessimistic scenario	30%	14.80%	3.60%	7.30%	3.40%	17.50%
Optimistic scenario	30%	12.60%	3.00%	6.30%	2.20%	16.70%

Overall impact of forward looking information incorporation as at 31.12.2018. was EUR 29 thousand.

3. Significant accounting judgments, estimates and assumptions (continued)

Forward-looking information (applicable from 1 January 2019)

In 2019 the Group used accumulated experience and improved the model by including corrective variables into the model (variables, which eliminate impact, which is not explained by macro variables, but rather by changes in business processes), as well as by reconsidering modelling approach itself.

Input variables:

- inflation;
- GDP growth;
- unemployment;
- flag of significant underwriting changes in the observation window (corrective);
- flag of significant regulatory environment changes in the observation window (corrective);
- PD in previous periods (corrective).

Modelled variable:

- current bucket PD.

Modelling technique

Hierarchical Bayes model was used. Matured markets, such as Latvia, Lithuania, Estonia, Georgia, were modelled together using input variables and allowing country level macroeconomic effects.
Semi matured and not matured countries, such as Moldova, Romania, Bulgaria, Belarus, North Macedonia, Albania and Bosnia, were modelled without country level effect (population level effect).
Armenia is considered a matured country due to solid business results, controlled and established operations, however, historical PD values are limited in count and display steep downwards trend, characteristic for semi-matured countries, thus semi-matured countries model was applied for this country.

Weighted approach

By applying forecasted values of macro variables as per macro outlook the Group obtained expected PD scenarios. Using optimistic and pessimistic values of macro variables two additional scenarios, optimistic and pessimistic were produced. Weighted scenario was obtained using vector of weights = (20% - optimistic, 20% - pessimistic, 60% - expected).
Weighted scenario is used to reflect forward-looking information (macro information) impact on impairment.
The table below illustrates weighted scenario macro PDs as at 31 December 2019.

Country	PD	PD macro model
LV	7.99%	7.60%
LT	8.82%	8.19%
GE	8.14%	8.52%
EE	7.20%	7.42%
AM	8.07%	8.24%
MD	12.34%	11.75%
RO	9.90%	9.90%
BG	12.57%	12.65%
BY	14.58%	14.25%
MK	24.22%	18.61%
AL	39.74%	36.84%
BH	21.73%	27.24%

The table below shows optimistic and pessimistic macro variables assumptions for matured countries as at 31 December 2019.

Country	Macro development	GDP growth, YoY	Unemployment rate	Inflation, YoY
LV	optimistic	4%	2%	1%
LV	pessimistic	1%	8%	5%
LT	optimistic	4%	4%	1%
LT	pessimistic	1%	12%	5%
GE	optimistic	7%	6%	1%
GE	pessimistic	2%	18%	7%
EE	optimistic	4%	2%	1%
EE	pessimistic	1%	8%	5%
AM	optimistic	7%	10%	1%
AM	pessimistic	2%	22%	6%

3. Significant accounting judgments, estimates and assumptions (continued)

The table below shows optimistic and pessimistic macro variables assumptions for not matured countries as at 31 December 2019.

Country	Macro development	GDP growth, YoY	Unemployment rate	Inflation, YoY
MD	optimistic	7%	2%	5%
MD	pessimistic	2%	6%	9%
RO	optimistic	7%	2%	2%
RO	pessimistic	1%	7%	6%
BG	optimistic	7%	3%	1%
BG	pessimistic	1%	8%	3%
BY	optimistic	5%	1%	3%
BY	pessimistic	1%	3%	8%
MK	optimistic	5%	10%	1%
MK	pessimistic	1%	22%	4%
AL	optimistic	4%	12%	3%
AL	pessimistic	1%	17%	5%
BH	optimistic	5%	20%	1%
BH	pessimistic	1%	40%	3%

As any statistical model Hierarchical Bayes model builds relationship between input variables and modelled variable based on statistical correlation. This means that not always optimism or pessimism of input variables (namely macro variables) will concur with modelled variable pessimistic or optimistic value. E.g. increase in GDP growth is obviously sign of positive macro development, however higher GDP growth increases the PD rate in matured countries models, as both variables are negatively correlated in the modelling sample.

Overall, the model demonstrated good stability. The model is also sensitive to severe changes in input variables and will react adequately on catastrophic scenarios.

Impact across the group of forward-looking information incorporation led to the decrease of impairment in amount of EUR 71 thousand at the end of 31.12.2019.

The Default distribution vector (DDV)

The default distribution vector provides distribution of PD over the course of a 12 month or lifetime horizon. It is calculated from historical data samples of all defaulted loans.

Loss Given Default

The Group closely follows recoveries from defaulted finance lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.

- The sample used for LGD calculation consists of all the finance lease receivables that have been defaulted historically. If termination of the contract happens before default state is reached, then loan is considered defaulted (early default) and it is considered in LGD sample. Subsequent recoveries on such loans are monitored on a monthly basis. Recoveries from regular collections process, car sales, cessions and legal process are followed.
- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a three-year period. For the 31 December 2019 impairment purposes recovery rate for renewed cases were applied in range of 93% to 100% depending from market. Above described LGD rate is used for all portfolio groups except for unsecured portfolio. For unsecured portfolio LGD is estimated using triangular recovery matrix on all unsecured cases. Received recovery is discounted with effective interest rate depending on the number of months between the date account got unsecured status and the date when recovery was received. Given that majority of the car sales happen before unsecured status, the LGD for unsecured portfolio is significantly higher than for other buckets - as of 31 December 2019 48% to 85% was applied depending from market. In case payments for renewed loans are made according to schedules at least for 36 months after the renewal date, the Group assumes that 100% recovery will be achieved.

Exposure at default (EAD) modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2019, it is applied for Stage 1 exposures only. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed. Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity.

Impairment for loans to and receivables from related parties

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs.

Significant increase in credit risk for related party transactions is determined based on information available in the Group about the financial performance of the related parties. Financial position of related parties as at impairment assessment date is compared to that when the exposure was originated. Further 30 days past due back stop indicator is utilized to transfer exposures to Stage 2.

3. Significant accounting judgments, estimates and assumptions (continued)

Recoverability of deferred tax asset

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 3 year horizon. In developing these assumptions the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable . The future taxable profit of 2020-2021 has been approved by the Management Board, while 2022 is considered as plausible taxable profit of the Group. Budgeting models used are the same as the ones used in goodwill impairment tests.

At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized (Note 18).

Capitalization of development costs

For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 80% of their time on developing new functionality. Therefore up to 80% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 20% are recognized as salary expenses in Statement of profit and loss.

Expenses from amortization of capitalized development costs are included in statement of profit and loss caption "Administrative expense".

See further information in Note 21.

Separation of embedded derivatives from the host contract

The Group has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9.

Call option, which is included in Latvian bond prospectus, gives the Group the right, but not the obligation to carry out early redemption, either in full or partially, of the issued bonds with a 1% premium. Call and put options, which are included in the agreements signed with certain bondholders, give the Group and bondholder the respective right of buying back or selling the bonds at exercise price, which is equal to the amortized cost of the respective bond notes.

There are also call and put options included in Eurobond prospectus. The Group may redeem all of the outstanding Eurobonds in full prior to the their maturity date, at the make whole amount if the call is exercised until 11 July 2020; 104.75 percent of the nominal amount if such redemption right is exercised after the first call date up to 11 July 2021; and at 102.375 percent of the nominal amount if is exercised after the second call date up to (but excluding) the maturity date. There is also a put option possibility in case of change of control event, breach of certain financial covenants, ultimate beneficial owner of the Group being included into a sanction list of the European Union and the USE, certain Mintos buy-back obligations are triggered, more than 25% of the Group's net loan portfolio is originated by companies having their registered office in certain countries outside of Europe, then each bondholder has the right to request that all, or only some, of its Eurobonds are repurchased at a price of 101.00 percent of the nominal amount plus accrued unpaid interests.

The Group's management has evaluated that the embedded derivatives are not contractually separable, not contractually transferrable independently and have the same counterparty. Each option's exercise price is approximately equal on each exercise date to the amortized cost of bond, therefore these embedded derivatives are not separated from the host contract.

See further information in Note 38.

Fair value of employee share options

The Group's employees have entered a share option agreement with the Parent Company or the Parent Company's shareholders and Subsidiaries. Under the agreements respective employees obtain rights to acquire Parent company's or certain subsidiaries' shares under several graded vesting scenarios. The respective option would be classified as an equity-settled share-based payment transaction in Group's consolidated financial statements in accordance with IFRS 2. There are cash settlement alternatives. Given absence of an ongoing sale of any of Subsidiaries or the Parent or any listing process initiated and other relevant cash settlement events, then cash settlement is considered not to be probable and the Group does not have a present obligation to settle in cash.

The Group's management has estimated that fair value of the options would not be materially different than zero. If it were, the Group would have to record expenses related to this transaction and recognize a respective component of equity.

In estimating fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant. In 2019 fair value of employee share options has been estimated by first establishing the fair value at the grant date of the relevant issuer company/group applying discounted cash flow valuation methodology and same assumptions as the ones used in value in use estimation (refer to Goodwill impairment tests). Subsequently, the estimate is adjusted by the number of options granted, vesting period and the employee turnover rates in the respective grade.

Management has considered that the financial position of the Subsidiaries that have issued share options (in particular for General Employee Share Option Plan described in Note 48), the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company (for both of the plans described in Note 48) effectively indicate that fair value of the employee options would not be material.

Fair value measurement of contingent consideration

As disclosed in Note 43 the Group acquired an additional 2% interest in the shares of Mogo OU (Estonia), increasing its ownership interest to 100%.

In accordance with the share purchase agreement the additional cash payments to the previous non-controlling interest holder will be made on the basis of Mogo OU net profit for 2017 – 2020.

The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed it to be a financial liability. Consequently, the Group is required to remeasure that liability at fair value at each reporting date with changes in fair value recognized in profit or loss in accordance with IFRS9.

The fair value is based on management approved budgets of Mogo OU and determined using probability-weighted cash flow under DCF method, based on the expected probable outcome. The fair value of the contingent consideration determined at 31 December 2019 reflects management best estimate.

However, the calculation of the fair value among other is sensitive to the assumptions of discount rate which is estimated as 12% and the precision of budgets approved by the Group management (see Note 43).

3. Significant accounting judgments, estimates and assumptions (continued)

Deferred Tax Liability on unremitted earnings

In Latvia, Estonia and Georgia legal entities are required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

The Group has decided to use these beneficial tax regimes to reinvest profits in further development of respective subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in these countries in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries of these countries for year 2019 and after in the foreseeable future: 5 year horizon is considered appropriate given the Group's planning cycle.

Due to above mentioned reason, the Group has not recognized deferred tax liabilities.

See further information in Note 17.

Provisions

Significant management judgement is used for estimating provisions in relation to tax amounts disputed with tax authorities. For more details see Note 37.

Lease term determination under IFRS 16 (Group as a lessee)

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall determine the period for which the contract is enforceable. In assessment of lease term determination the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. For lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice the Group considers that it does have enforceable rights and obligations under such agreements, therefore a reasonable estimate of the lease term assessment is made.

When determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to renew or not to exercise an option to terminate early. When assessing whether the Group is reasonably certain to exercise an option to extend, or not to exercise an option to terminate early, the economic reasons underlying the Group's past practice regarding the period over which it has typically used particular types of assets (whether leased or owned) are considered. Furthermore, the following factors are considered: level of rentals in any secondary period compared with market rates, contingent payments, renewal and purchase options, costs relating to the termination of the lease and the signing of a new replacement lease, costs to return the underlying asset, nature and the level of specialization of the leased assets, asset location, availability of suitable alternatives and existence of significant leasehold improvements. See Note 23.

Lease liability incremental borrowing rate determination under IFRS 16 (Group as a lessee)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has used market rates in each of the countries as its incremental borrowing rate. The discount rate applied is obtained from official state government institutions as the average market rate available at the beginning of the lease agreement for loans over a similar term, security, value and applied in similar economic environment. The Group considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability the respective subsidiary to finance a specific asset purchase in each of the jurisdictions given the Group's wide geographical coverage, its track record in ability to raise public debt and the overall financial results of the Group and each subsidiary individually.

As additional factor considered is the way how local lenders would approach the asset financing at each subsidiary level. The two most important factors assessed would be the potential borrower's (in this case Group's subsidiary's) financial position and the asset that is being financed (i.e. the quality of the security). As per Group's assessment each of the Group's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Group results.

Lease classification for rental fleet (Group as a lessor)

The Group has entered into vehicle leases on its rental fleet (Note 22). These lease agreements have a non-cancellable term of 6 months and an optional term of up to 72 months. After the non-cancellable term of 6 months the lessee can return the leased asset to the Group and losses associated with the cancellation are borne by the Group. The leased asset is not transferred to lessee at the end of lease term. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Sale and leaseback transactions

Under sale and leaseback transactions the Group purchases the underlying asset and then leases it back to the same customer. To determine how to account for a sale and leaseback transaction, the Group first considers whether the initial transfer of the underlying asset from the seller-lessee (Customer) to the buyer-lessor (the Group) is a sale. The Group applies IFRS 15 to determine whether a sale has taken place. The key indicators that control has passed to the Group include the Group having:

• a present obligation to pay ;
• physical possession (of the purchased asset);
• a legal title (to the purchased asset);
• the risks and rewards of ownership (of the purchased asset);
• the Group has accepted the asset;
• the borrower can or must repurchase the asset for an amount that is less than the original selling price of the asset.

As at 31 December 2019 the Group concluded that its sale and leaseback contract provisions (including the automatic transfer of ownership to the asset to the borrower at the end of the lease term or repurchase options embedded) are such that the transfer of asset from the seller-lessee to the Group does not satisfy and never satisfied the requirements of IFRS 15. Such conclusion differs from the Group judgement as at 31 December 2018 and on the initial adoption of IFRS 9 and IFRS 15 and IFRS 16 as of 1 January 2018. Accordingly receivables under sale and leaseback contracts were reclassified to loans and advances to customers both as at 31 December 2019 and 31 December 2018. Further details on the restatement are provided in the section "Reclassifications" of Note 2.

3. Significant accounting judgments, estimates and assumptions (continued)

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
• features that modify consideration of the time value of money (e.g. periodical reset of interest rates).
Please refer to Note 2 for further detailed descriptions of the judgements made by management to assess whether regular loan, non-recourse loan and sale and leaseback financing arrangement contracts meet SPPI criteria.

Going concern and Covid-19 impact assessment

In the light of events related to Covid-19, the Group's management has assessed the impacts of the coronavirus outbreak on the Group's ability to continue as a going concern. The Group has performed the stress test – a quantitative analysis with a set of critical scenarios of Group's operations assuming partly disrupted core processes or 'full lockdown' for several months due to Covid-19. The key assumptions of the stress test include limited or entirely paused issuance of new loans and car sales and severe cost reduction related with the issuance of new loans and administration costs.

For further information and resulting management judgements please refer to Note 2 and Note 50.

Please also note that while non-adjusting in nature as at 31 December 2019, the economic impact ofCovid-19 outbreak may have a significant negative impact on the estimates of recoverable values of financial and non-financial assets further discussed in this note. The magnitude of such impact cannot be presently estimated in a reliable manner.

4. Interest revenue

	2019 EUR	2018 (reclassified) EUR
Interest income from finance lease receivables*	49 386 805	39 959 848
Interest income from loans and advances to customers according to effective interest rate method	*21 151 266*	*14 343 105*
Other interest income according to effective interest rate method	*1 895 601*	*74 137*
Total interest income calculated using effective interest method for financial assets that are measured at amortised cost	23 046 867	14 417 242
TOTAL:	**72 433 672**	**54 377 090**

* Interest income contains earned interest on portfolio derecognized from Group's assets due to no buy back obligation (see Note 24).

Gross and net earned interest are as follows:	2019 EUR	2018 EUR
Gross interest income	72 455 947	54 666 204
Interest derecognized due to derecognition of portfolio from Group's assets	(22 275)	(289 114)
TOTAL NET INTEREST:	**72 433 672**	**54 377 090**

Interest income has increased due to further expansion of the Group in new geographical markets and development in existing markets.

5. Interest expense

	2019 EUR	2018 (reclassified) EUR
Interest expenses on financial liabilities measured at amortised cost:		
Interest expenses for loans from P2P platform investors	8 130 297	7 883 909
Interest expense on issued bonds*	11 899 440	4 891 227
Interest expenses for bank liabilities and related parties	1 636 904	1 311 298
Interest expenses for lease liabilities	241 099	67 939
TOTAL:	**21 907 740**	**14 154 373**

* - During 2018 Mogo Finance S.A. bonds were issued at 50 million EUR, followed by a 25 million EUR tap issue on the same facility. During financial year The Group continued to attract new funding by issuing further 25 million EUR of Eurobonds. Therefore due to combination of these events over the past 2 reporting periods an interest expense has increased significantly in 2019.

6. Fee and commission income related to finance lease activities

Revenue from contracts with customers recognized point in time:		2019 EUR	2018 EUR
Income from penalties received		3 749 212	2 247 968
Income from commissions		509 584	415 826
Income from providing registration services		167 437	171 368
	TOTAL:	**4 426 233**	**2 835 162**

Revenue from contracts with customers recognized point in time related to debt collection activities:		2019 EUR	2018 EUR
Gross income from debt collection activities		1 595 901	2 644 914
Gross expenses from debt collection activities		(2 229 923)	(2 031 201)
	TOTAL:	**(634 022)**	**613 713**
	Total fees and commissions income:	**3 792 211**	**3 448 875**

7. Impairment expense

		2019 EUR	2018 EUR
Change in impairment in finance lease (Note 24)		4 171 781	11 042 374
Change in impairment in loans and advances to customers (Note 25)		4 964 030	201 396
Change in impairment in rental fleet (Note 22)		428 355	-
Change in impairment in other financial assets (Notes 26, 28, 30 and 32)		63 619	-
Written off debts		7 088 222	6 344 563
	TOTAL:	**16 716 007**	**17 588 333**

8. Net gain/(loss) from de-recognition of financial assets measured at amortized cost

		2019 EUR	2018 EUR
Financial lease			
Income arising from cession of financial lease receivables to non related parties		2 733 202	2 393 970
Loss arising from cession of financial lease receivables to non related parties		(3 066 887)	(2 946 130)
	TOTAL:	**(333 685)**	**(552 160)**
Loans and advances to customers			
Income arising from cession of loans and advances to customers receivables to non related parties		914 128	457 630
Loss arising from cession of loans and advances to customers receivables to non related parties		(944 692)	(576 803)
	TOTAL:	**(30 564)**	**(119 173)**
Receivables from rent contracts			
Income arising from cession of customers receivables to non related parties		81 364	-
Loss arising from cession of customers receivables to non related parties		(22 120)	-
	TOTAL:	**59 244**	**-**
Net loss arising from cession of financial lease receivables, loans and advances to customers and rent contracts	**TOTAL:**	**(305 005)**	**(671 333)**

During 2018 and 2019 the Group performed cessions of doubtful finance lease receivables as well as doubtful loans and advances to customers receivables to non related parties. The Group uses opportunities to sell receivables in cession to improve cash flow and reduce debt collection related expenses associated of recovering of doubtful debts.

When financial lease receivables or loans and advances to customers portfolio is sold in cession the Group reverses the respective part of impairment allowance of the ceded assets (Note 24 and 25).

The Group then separately recognizes net losses arising from derecognition of the ceded portfolio, which is reduced by the respective cession income.

9. Expenses related to peer-to-peer platform services

		2019 EUR	2018 EUR
Service fee for using P2P platform		753 474	740 555
	TOTAL:	**753 474**	**740 555**

10. Revenue from leases

		2019 EUR	2018 EUR
Profit earned from selling inventories through finance lease		-	109 819
Revenue from operating lease		3 992 485	42 754
	TOTAL:	**3 992 485**	**152 573**

Revenue increased due to rapid business expansion of new lease product launched in October 2018.

11. Revenue from car sales

Revenue from contracts with customers recognized point in time:		2019 EUR	2018 EUR
Income from sale of vehicles		1 800 206	2 510 003
	TOTAL:	**1 800 206**	**2 510 003**

Expenses from contracts with customers recognized point in time:		2019 EUR	2018 EUR
Expenses from sale of vehicles		(1 799 081)	(2 493 220)
	TOTAL:	**(1 799 081)**	**(2 493 220)**
Total Net revenue from contracts with customers recognized point in time		**1 125**	**16 783**

12. Selling expense

		2019 EUR	2018 EUR
Online marketing expenses		1 184 186	757 170
TV advertising		564 423	654 613
Radio advertising		220 266	159 798
Other marketing expenses		984 311	415 323
Total marketing expenses		*2 953 186*	*1 986 904*
Other selling expenses		427 955	241 275
	TOTAL:	**3 381 141**	**2 228 179**

Marketing expenses have increased due to Group's strategy to enter new geographical markets, which require considerable marketing expenses to promote the products of The Group.

13. Administrative expense

		2019 EUR	2018 EUR
Employees' salaries		17 583 520	9 539 267
Amortization and depreciation		3 779 777	1 721 663
Professional services		1 984 926	1 424 415
Office and branches' maintenance expenses		1 246 425	803 968
Expenses from disposal of rental fleet and other fixed assets		987 063	238 659
IT services		979 424	587 941
Credit database expenses		605 809	481 467
Bank commissions		477 281	171 326
Business trip expenses		471 118	189 758
Communication expenses		459 124	273 919
Transportation expenses		122 848	49 143
Employee recruitment expenses		263 532	332 355
Car registration expenses		257 737	227 942
GPS maintenance expenses		221 335	-
Real estate tax		131 696	260 825
Low value equipment expenses		130 640	87 573
Other personnel expenses		139 262	83 448
Donations		94 421	182 000
Insurance expenses		15 564	10 802
Other administration expenses		819 772	165 758
	TOTAL:	**30 771 274**	**16 832 229**

Audit fees for Group's entities' 2019 financial statements audit amounts to 390 200 EUR, the Parent Company - 77 000 EUR (2018: EUR 431 650; the Parent Company – 162 150 EUR).

Fees for permitted non-audit-services billed to the Company and its subsidiaries by the auditor and member firms of its network during the year amount to 68 537 EUR relating to tax and other assurance services.

Amounts included in 'Professional services' line.

During reporting year the Group continued to expand its operations in new geographical markets and also restructured the management team by increasing the amount of employees on management level. This resulted in further increased expenses for salaries.

Increase in all other administrative expenses has incurred due to the Group's business expansion to new geographical markets.

Increase in salary expenses has incurred due to increase in count of employees which raised from around 600 to around 1 000 in 2019.

Key management personnel compensation

Members of the Management		2019 EUR	2018 EUR
Remuneration*		3 694 020	1 988 426
Social security contribution expenses		579 916	241 024
	TOTAL:	**4 273 936**	**2 229 450**

Key management personnel is considered to be all Group top management employees, regional management employees and country managers.

* - Including vacation accruals.

There are no amounts receivable or payable as of 31 December 2019 with members of the Group's Management (none at 31 December 2018) for any past transactions. There are no emoluments granted for current and for former members of the management and commitments in respect of retirement pensions for former members of the management.

14. Other operating income

	2019	2018
		(reclassified)
	EUR	EUR
Income from management services	640 087	361 544
Income from reversal of VAT provision in Romania	344 095	-
Income from reversal of provision for penalties in Latvia	169 939	-
Bond modification gain*	115 861	1 552 734
Income from sold cars in commission	110 861	29 824
Income from associates accounted under equity method	44 380	-
Other operating income	170 012	184 700
TOTAL:	**1 595 235**	**2 128 802**

* - During 2018 Mogo Finance S.A. bonds were issued at 50 million EUR, followed by a 25 million EUR tap issue on the same facility. Original cash flows under 50 million issue were modified upon 25 million EUR tap issue. Modification is not substantial and did not result in derecognition of the original 50 million EUR facility. As a result of the modification, the Group recognized a modification gain in the amount of EUR 1 552 734. Modification gain was a result of a combination of several factors and mainly driven by the relatively high issuance costs incurred during both issues.
During financial year The Group continued to attract new funding by issuing further 25 million EUR of Eurobonds. As a result of the modification, the Group recognized an additional modification gain in the amount of EUR 115 861.

Revenue from contracts with customers recognized point in time where the Group acted as an agent **	2019 EUR	2018 EUR
Gross revenue from agency services	53 117	131 627
Gross expenses from agency services	(53 117)	(131 627)
TOTAL:	**-**	**-**

** - Revenue associated with these transactions is presented as revenue in net amount in these consolidated financial statements.

15. Other operating expense

	2019	2018
	EUR	EUR
Non-deductible VAT from management services	1 036 526	258 362
Withholding tax expenses	479 082	123 906
Provision expenses for possible VAT liabilities (Note 37)	-	517 023
Other operating expenses	597 669	226 496
TOTAL:	**2 113 277**	**1 125 787**

Significant increase in non-deductible VAT from management services incurred due to considerable increase in charged management fees to subsidiaries of the Parent. It was a result of continuous growth of the Group and management team compared to previous reporting period.

16. Net foreign exchange result

	2019	2018
	EUR	EUR
Currency exchange gain	(205 612)	(70 317)
Currency exchange loss	446 534	335 030
TOTAL:	**240 922**	**264 713**

17. Corporate income tax

	2019	2018
	EUR	EUR
Current corporate income tax charge for the reporting year	1 331 785	1 412 192
Deferred corporate income tax due to changes in temporary differences	(989 926)	(355 426)
Corporate income tax charged to the income statement:	**341 859**	**1 056 766**

Unrecognized deferred tax liability for undistributed dividends as described in Note 3 comprises 4 243 470 EUR.

	31.12.2019.	31.12.2018.
	EUR	EUR
Current corporate income tax liabilities	308 974	601 986
TOTAL:	**308 974**	**601 986**

18. Deferred corporate income tax

Deferred corporate income tax:	Balance sheet		Income statement	
	31.12.2019.	31.12.2018.	2019	2018
Deferred corporate income tax liability	EUR	EUR	EUR	EUR
Accelerated depreciation for tax purposes	16	-	16	416
Other	-	-	-	(150 111)
Gross deferred tax liability	**16**	**-**	**16**	**(149 695)**
Deferred corporate income tax asset				
Tax loss carried forward	(951 941)	(487 942)	(468 071)	(300 990)
Unused vacation accruals	(27 588)	(17 438)	(11 024)	(2 867)
Impairment	(553 573)	(76 539)	(488 319)	128 928
Currency fluctuation effect	-	-	593	4 348
Other	(77 553)	(16 443)	(23 121)	(35 150)
Gross deferred tax asset	**(1 610 655)**	**(598 362)**	**(989 942)**	**(205 731)**
Net deferred tax liability/ (asset)	**(1 610 639)**	**(598 362)**	**(989 926)**	**(355 426)**
Increase in net deferred tax asset:				
In the statement of profit and loss	-	-	-	-
Net deferred corporate income tax assets	(1 610 639)	(598 362)		
Net deferred corporate income tax expense/ (benefit)			(989 926)	(355 426)

The Group believes that tax asset arising from tax losses will be utilized in nearest few years with future profits as well as asset arising due to temporary impairment cost recognition when low performing portfolio will be sold to third parties.

Deferred tax asset has been recognized in subsidiaries in following countries: Lithuania, Armenia, Bulgaria, Albania, North Macedonia, Bosnia&Herzegovina, Romania, Moldova, Belarus, Uzbekistan, Kazakhstan, Kenya and Uganda. For all countries the asset is deemed recoverable based on trends of historical performance and estimates of future results.

Deferred tax assets have not been recognized in respect to tax losses arisen in Poland, North Macedonia and Ukraine as there may be no future taxable profits available in the foreseeable future. Subsidiaries have been loss-making and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Deferred tax asset not recognized due to the above reason in amount of 507 675 EUR.

The potential income tax consequence attached to the payment of dividends in 2019 amounts to EUR 2 561 084 EUR. (2018: 1 649 904 EUR.)

Tax losses for which no deferred tax assets are recognized by the Group may be utilized as follows for carry forward:

	Tax loss	Expiry term
	EUR	
Tax loss for 2016	484 802	2021-2022
Tax loss for 2017	1 297 493	2022-2023
Tax loss for 2018	460 995	2023-2024
Tax loss for 2019	626 715	2024-2025
TOTAL:	**2 870 005**	

Tax losses for which no deferred tax assets were recognized by the Group for previous reporting period consisted of EUR 2 368 508.

	2019	2018
Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:	EUR	EUR
Profit before tax	**5 625 888**	**6 518 621**
Tax at the applicable tax rate*	**1 403 096**	**1 695 493**
Undistributed earnings taxable on distribution**	(2 074 567)	(1 706 016)
Unrecognized deferred tax asset	1 135 175	762 731
Previous years deferred tax reversed	61 401	(11 934)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(427 465)	(507 289)
Non-temporary differences:		
Business not related expenses (donations, penalties and similar expenses)	64 045	491 863
Other	180 175	331 918
Actual corporate income tax for the reporting year:	**341 859**	**1 056 766**
Reversal of deferred tax	-	-
Corporate income tax charged to the statement of profit and loss:	**341 859**	**1 056 766**
Effective income tax rate	6.08%	16.21%

* - Tax rate for the Parent company for year 2019 - 24,94% (2018 - 26,01%).

** - In Latvia, Estonia and Georgia corporate income tax expenses are not recognized starting from 2017 or before in accordance with local legislation. See further information in Note 2.

19. Business combinations and acquisition of non-controlling interest

Acquisition of Mogo DOOEL (North Macedonia)

On 1 March 2019, the Group acquired 100% control over the shares of Mogo DOOEL, a non-listed company based in North Macedonia and specialising in financial services, in exchange for the cash consideration. The Group acquired Mogo DOOEL because it enlarges the range of geographies in its core business of providing financing services. The Group completed the acquisition process of the entity by obtaining an official approval from local authorities.

The Group measures the interests in the acquiree at fair value.

	Fair value recognized on acquisition
Assets	EUR
Property, plant and equipment	34 688
Finance lease receivables	784 230
Prepaid expense	627
Other receivables	12 577
Cash and cash equivalents	46 659
Total assets	**878 781**
Liabilities	
Borrowings - long term	1 003 554
Borrowings - short term	34 337
Advances received	3 209
Trade payables	21 072
Accrued liabilities	256 197
Total liabilities	**1 318 369**
Total identifiable net assets at fair value	**(439 588)**
Purchase consideration transferred	**120 000**
Goodwill arising on acquisition	**559 588**

The goodwill of EUR 559 588 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized. The goodwill recognised is not expected to be deductible for tax purposes.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

The fair value of the finance lease receivables amounts to EUR 0.8 million. The gross amount of finance lease receivables is EUR 0.8 million and it is expected that the full outstanding amount will be collected.

The liabilities mainly comprises from long term borrowings from the Parent.

From the date of acquisition, Mogo DOOEL contributed EUR 304 244 of interest income and EUR 391 980 net loss to the total net profit of the Group.

If the combination had taken place at the beginning of the year, revenue would have been EUR 28 955 higher and net profit for the Group would have been EUR 145 927 lower.

	2019
Analysis of cash flows on acquisition:	EUR
Purchase consideration	(120 000)
Net cash acquired with the subsidiary	46 659
Net cash flow on acquisition	(73 341)

19. Business combinations and acquisition of non-controlling interest (continued)

Acquisition of Mogo Leasing d.o.o. Sarajevo (Bosnia and Herzegovina)

On 1 November 2019, the Group acquired 100% control over the shares of Mogo Leasing d.o.o. Sarajevo, a non-listed company based in Bosnia and Herzegovina and specialising in financial services, in exchange for the cash consideration. The Group acquired Mogo Leasing d.o.o. Sarajevo because it enlarges the range of geographies in its core business of providing financing services. The Group completed the acquisition process of the entity by obtaining an official approval from local authorities.

The Group measures the interests in the acquiree at fair value.

Assets	**Fair value recognized on acquisition** EUR
Rights-of-use assets	37 346
Property, plant and equipment	38 092
Leasehold improvements	3 044
Advance payments for assets	-
Finance lease receivables	2 386 651
Deferred tax asset	-
Stock	15 066
Non-current assets held for sale	839 179
Prepaid expense	8 784
Other receivables	9 136
Cash and cash equivalents	78 931
Total assets	**3 416 229**
Liabilities	
Borrowings - long term	4 208 054
Borrowings - short term	160 760
Advances received	4 690
Trade payables	17 884
Taxes payable	16 523
Other liabilities	19 425
Accrued liabilities	98 782
Total liabilities	**4 526 118**
Total identifiable net assets at fair value	**(1 109 889)**
Purchase consideration transferred	***763 479***
Goodwill arising on acquisition	**1 873 368**

The goodwill of EUR 1 873 368 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

The fair value of the finance lease receivables amounts to EUR 2.4 million. The gross amount of finance lease receivables is EUR 3.1 million and it is expected that the full outstanding amount will be collected.

The liabilities mainly comprises from long term borrowings from the Parent.

From the date of acquisition, Mogo Leasing d.o.o. Sarajevo contributed EUR 133 998 of interest income and EUR 367 995 net loss to the total net profit of the Group. If the combination had taken place at the beginning of the year, the net profit for the Group would have been EUR 1 348 596 lower.

Analysis of cash flows on acquisition:	2019 EUR
Purchase consideration	(763 479)
Net cash acquired with the subsidiary	78 931
Net cash flow on acquisition	(684 548)

In July 2019 the Group started the acquisition process of an entity registered in Kosovo. The transfer of control has not yet taken place. Additional information presented in Note 22.

19. Business combinations and acquisition of non-controlling interest (continued)

On 14 April 2019, the Group acquired an additional 2% interest in the shares of Mogo LT UAB (Lithuania), increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo LT UAB (Lithuania), a payment consideration has been agreed. Cash payments to the previous non-controlling interest holder were made upon signing the transaction.

In 2019 the share capital of Mogo Balkans and Central Asia AS was increased by issuing and payment of new shares by minority shareholders granting them ownership rights of 2% of share capital. On 17 December 2019, the Group acquired this additional 2% interest in the shares of Mogo Balkans and Central Asia AS (Latvia), increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo Balkans and Central Asia AS (Latvia), a payment consideration has been agreed. Cash payments to the previous non-controlling interest holder were made upon signing the transaction.

	2019 EUR
Carrying amount of non-controlling interest acquired	250 533
Consideration paid to non-controlling interest	(145 193)
An increase in equity attributable to owners of the Group	105 340

20. Discontinued operations

In December 2019, the Group sold its entire car retail segment. Management committed to a plan to sell this segment early in 2019, following a strategic decision to place greater focus on the Group's key competencies – the car leasing products. The assessed date of loss of control is 31 December 2019 since the transaction took place on last week of December.

The entities sold were:
Longo Group AS
Longo Estonia OU
Longo Latvia AS
Longo LT UAB
Longo Netherlands B.V.
Longo Belgium B.V.B.A
Maxxus GmbH
Longo Outsourced Services UAB

The car retail segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations.

Subsequent to the disposal, the Group has continued to purchase cars from the discontinued operation. Although intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, because management believes this is useful to the users of the consolidated financial statements.

To achieve this presentation, management has eliminated from the results of the discontinued operation the inter-segment sales (and costs thereof, less unrealised profits) made before its disposal. Because purchases from the discontinued operation will continue after the disposal, inter-segment purchases made by the continuing operations before the disposal are retained in continuing operations.

Results of discontinued operation	2019 EUR	2018 EUR
Revenue from car sales	13 125 987	3 663 889
Elimination of inter-segment revenue	(2 094 154)	(1 717 477)
External revenue	11 031 833	1 946 412
Expenses	(15 382 786)	(4 470 127)
Elimination of expenses related to inter-segment sales	2 094 154	1 717 477
External expenses	(13 288 632)	(2 752 650)
Results from operating activities	**(2 256 799)**	**(806 238)**
Income tax	(1 560)	(12 871)
Results from operating activities, net of tax	**(2 258 359)**	**(819 109)**
Gain on sale of discontinued operation	3 527 510	-
Profit (loss) from discontinued operations, net of tax	**1 269 151**	**(819 109)**

The profit from the discontinued operation of 1 269 151 EUR (2018: loss of 819 109 EUR) is attributable entirely to the owners of the Group.

20. Discontinued operations (continued)

Cash flows from discontinued operation	2019 EUR	2018 EUR
Net cash used in operating activities	(6 158 985)	(3 878 995)
Net cash from investing activities	(3 984 464)	(1 962 035)
Net cash from financing activities	11 179 835	6 251 732
Net cash flows for the year	**1 036 386**	**410 702**

Effect of disposal on the financial position of the Group	2019 EUR
Intangible assets	(215 519)
Tangible assets	(2 362 967)
Deferred tax	(156 992)
Other receivables	(5 330 200)
Inventories	(6 046 050)
Other liabilities	10 093 049
Net assets and liabilities	**(4 018 680)**
Consideration received	-
Cash and cash equivalents disposed of	(1 447 089)
Net cash outflows	**(1 447 089)**

21. Intangible assets

	Goodwill EUR	Internally generated intangible assets EUR	Other intangible assets EUR	TOTAL EUR
Cost	1 476 745	1 912 633	138 444	**3 527 822**
Accumulated amortization	-	(726 320)	(78 540)	**(804 860)**
As at 1 January 2018	**1 476 745**	**1 186 313**	**59 904**	**2 722 962**
2018				
Additions	-	1 132 458	133 297	**1 265 755**
Acquisition of a subsidiary through business combination	182 028	-	9 256	**191 284**
Disposals (cost)	-	(75 541)	(93 518)	**(169 059)**
Exchange difference, net	-	528	93	**621**
Amortization charge	-	(397 998)	(38 925)	**(436 923)**
Acquisition of a subsidiary	-	-	(1 429)	**(1 429)**
Disposals (amortization)	-	69 375	7 250	**76 625**
Exchange difference, net	-	(42)	34	**(8)**
Cost	1 658 773	2 970 078	187 572	**4 816 423**
Accumulated amortization	-	(1 054 985)	(111 610)	**(1 166 595)**
As at 31 December 2018	**1 658 773**	**1 915 093**	**75 962**	**3 649 828**
2019				
Additions	-	2 624 582	199 257	**2 823 839**
Acquisition of a subsidiary through business combination	2 432 956	-	-	**2 432 956**
Disposals (cost)	-	(509 890)	(75 924)	**(585 814)**
Exchange difference, net	-	(33 458)	(725)	**(34 183)**
Amortization charge	-	(469 206)	(55 359)	**(524 565)**
Disposals (amortization)	-	47 413	36 519	**83 932**
Exchange difference, net	-	1 472	473	**1 945**
Cost	4 091 729	5 051 312	310 180	**9 453 221**
Accumulated amortization	-	(1 475 306)	(129 977)	**(1 605 283)**
As at 31 December 2019	**4 091 729**	**3 576 006**	**180 203**	**7 847 938**

Split of goodwill per cash generating unit:

Name	31.12.2019. EUR	31.12.2018. EUR
AS mogo (Latvia)	298 738	298 738
UAB mogo (Lithuania)	646 063	646 063
Mogo UCO (Armenia)	182 028	182 028
OU mogo (Estonia)	451 894	451 894
Mogo LLC (Georgia)	80 050	80 050
Mogo Leasing d.o.o. Sarajevo (Bosnia and Herzegovina)	1 873 368	-
Mogo DOOEL (North Macedonia)	559 588	-
	4 091 729	**1 658 773**

Each cash generating unit represents a subsidiary of the Group.

21. Intangible assets (continued)

Goodwill impairment test

As at 31 December 2019, goodwill was tested for impairment.

The goodwill impairment test was performed for each cash generating unit separately.

The recoverable amounts for each unit were 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 flow to equity approach to each unit respectively, discounted by estimated cost of equity. 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.

Recoverable amount for the subsidiaries are assumed to be:

Name	Amount
AS mogo (Latvia)	36.6 million EUR
UAB mogo (Lithuania)	53.5 million EUR
Mogo UCO (Armenia)	17.9 million EUR
OU mogo (Estonia)	11.0 million EUR
Mogo LLC (Georgia)	25.7 million EUR
Mogo Leasing d.o.o. Sarajevo (Bosnia and Herzegovina)	4.2 million EUR
Mogo DOOEL (North Macedonia)	5.6 million EUR

2019 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.

Five years of cash flows were included in the discounted cash flow model. A long-term terminal 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 Group and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit.

Discount rates applied are:

Name	Amount
AS mogo (Latvia)	12.4%
UAB mogo (Lithuania)	13.1%
Mogo UCO (Armenia)	18.3%
OU mogo (Estonia)	13.4%
Mogo LLC (Georgia)	17.5%
Mogo Leasing d.o.o. Sarajevo (Bosnia and Herzegovina)	19.1%
Mogo DOOEL (North Macedonia)	16.2%

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 not be below the carrying amount including goodwill (i.e. goodwill would not become impaired), if terminal growth rates decreased by 0.5% and discount rates increased by 5%.

The recoverable amounts exceed the carrying amounts for:

Name	Amount
AS mogo (Latvia)	21.4 million EUR
UAB mogo (Lithuania)	42.0 million EUR
Mogo UCO (Armenia)	15.4 million EUR
OU mogo (Estonia)	1.0 million EUR
Mogo LLC (Georgia)	14.8 million EUR
Mogo Leasing d.o.o. Sarajevo (Bosnia and Herzegovina)	2.0 million EUR
Mogo DOOEL (North Macedonia)	5.8 million EUR

The following table shows currently applied terminal growth and discount rates and their adjusted values which would result in carrying value to be equal to recoverable value:

	Currently applied values		Adjusted values	
Name	Terminal growth rate	Discount rate	Terminal growth rate	Discount rate
AS mogo (Latvia)	1.0%	12.4%	0.0%	27.9%
UAB mogo (Lithuania)	1.0%	13.1%	0.0%	52.9%
Mogo UCO (Armenia)	1.0%	18.3%	0.0%	115.0%
OU mogo (Estonia)	1.0%	13.4%	0.0%	14.1%
Mogo LLC (Georgia)	1.0%	17.5%	0.0%	34.3%
Mogo Leasing d.o.o. Sarajevo (Bosnia and Herzegovina)	1.0%	19.1%	0.0%	25.0%
Mogo DOOEL (North Macedonia)	1.0%	16.2%	0.0%	50.5%

* Other intangible assets mainly consist of Group's developed ERP systems. Carrying amount of ERP systems at reporting year end was EUR 3 519 627. Expected amortization period is 7 years with year 2025 end date.
Carrying amount has significantly increased as the Group continued to make investments in further developemnt of the systems.
Amortization costs are included in the caption "Administrative expense".

22. Property, plant and equipment and Right-of-use assets

	Right-of-use premises	Right-of-use motor vehicles	*SUBTOTAL Right-of-use assets*	Rental fleet	Other property, plant and equipment	TOTAL
	EUR	EUR	*EUR*	EUR	EUR	EUR
Cost			-	-	1 127 958	**1 127 958**
Accumulated depreciation	-	-	-	-	(698 277)	**(698 277)**
As at 1 January 2018	**-**	**-**	**-**	**-**	**429 681**	**429 681**
2018						
Additions	3 306 854	117 962	*3 424 816*	1 437 196	1 452 547	**6 314 559**
Acquisition of a subsidiary	-	-	-	-	100 748	**100 748**
Disposals (cost)	(9 193)	(6 000)	*(15 193)*	-	(348 674)	**(363 867)**
Exchange difference, net	(4 606)	341	*(4 265)*	-	3 998	**(267)**
Depreciation charge	(999 789)	(44 708)	*(1 044 497)*	(6 771)	(356 091)	**(1 407 359)**
Acquisition of a subsidiary	-	-	-	-	(15 648)	**(15 648)**
Disposals (depreciation)	9 193	6 000	*15 193*	65	202 384	**217 642**
Exchange difference, net	3 069	(127)	*2 942*	-	(1 250)	**1 692**
Cost	3 293 055	112 303	*3 405 358*	1 437 196	2 336 577	**7 179 131**
Accumulated depreciation	(987 527)	(38 835)	*(1 026 362)*	(6 706)	(868 882)	**(1 901 950)**
As at 31 December 2018	**2 305 528**	**73 468**	***2 378 996***	**1 430 490**	**1 467 695**	**5 277 181**
2019						
Additions	9 082 712	197 220	*9 279 932*	13 423 404	2 632 766	**25 336 102**
Acquisition of a subsidiary	20 568	66 346	*86 914*	-	97 583	**184 497**
Disposals (cost)	(3 033 147)	(75 695)	*(3 108 842)*	(901 568)	(1 717 051)	**(5 727 461)**
Exchange difference, net	(20 413)	1 170	*(19 243)*	-	(8 640)	**(27 883)**
Depreciation charge	(1 853 097)	(117 246)	*(1 970 343)*	(212 180)	(644 334)	**(2 826 857)**
Acquisition of a subsidiary	(10 222)	(39 346)	*(49 568)*	-	(21 759)	**(71 327)**
Disposals (depreciation)	1 237 056	51 141	*1 288 197*	180 257	163 995	**1 632 449**
Impairment	-	-	-	(428 355)	-	**(428 355)**
Exchange difference, net	8 713	(296)	*8 417*	-	9 050	**17 467**
Cost	9 342 775	301 344	*9 644 119*	13 959 032	3 341 235	**26 944 386**
Accumulated depreciation	(1 605 077)	(144 582)	*(1 749 659)*	(466 984)	(1 361 930)	**(3 578 573)**
As at 31 December 2019	**7 737 698**	**156 762**	***7 894 460***	**13 492 048**	**1 979 305**	**23 365 813**

Operating leases maturity analysis		**Contractual cash flows**			
	Carrying value	Up to 1 year	1-5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Rental fleet	13 492 048	10 126 076	19 521 918	3 720 031	33 368 025

Impairment test of non-financial assets (rental fleet)

As at 31 December 2019, non-financial assets of rental fleet were tested for impairment. An impairment indication existed as Renti AS has not been profitable during its first year of its operations.

Out of total rental fleet with the carrying value of EUR 13 492 thousand, impairment was identified for total rental fleet with carrying amount of EUR 2 102 thousand. For those cars recoverable amount estimated to EUR 1 674 thousand. Recoverable amount was estimated based on value in use method using interest rate implicit in the asset rent contract, which on average equaled to 62%, and based on expected asset recovery mode. As a result, impairment loss was recognised in amount of EUR 428 thousand. For the remaining rental fleet with the carrying amount of EUR 11 818 thousand, recoverable amount was estimated as EUR 12 645 thousand.

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the rental fleet assets exceeded their recoverable amounts. If interest rates implicit in the lease agreements would have increased by 0.2% per month (2.4% per annum), all other assumptions remaining the same including the rental income, recoverable amount of assets would equal to EUR 13 412 thousand and additional impairment of EUR 80 thousand would need to be recognised.

For detailed description of impairment testing refer to 'Impairment of non-financial assets (rental fleet) (Note 3).

23. Right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities are shown as follows in the statement of financial position and statement of profit and loss:

ASSETS		31.12.2019. EUR	31.12.2018. EUR
Non-current assets			
Right-of-use assets - premises		7 737 698	2 305 528
Right-of-use assets - motor vehicles		156 762	73 468
	TOTAL:	**7 894 460**	**2 378 996**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities		6 598 582	1 322 950
Current liabilities			
Lease liabilities		1 346 961	1 121 482
	TOTAL:	**7 945 543**	**2 444 432**

The amount of right-of-use assets has considerably increased in 2019 due to the Group's further expansion in new countries as well as development of car sale business in existing countries as well as opening of new branches.

Leases in the statement of profit and loss	**2019 EUR**
Administrative expense	
Expense relating to leases of low-value assets and short-term leases	(277 416)
Depreciation	(1 487 570)
Net finance costs	
Interest expense on lease liabilities	(241 100)
Total cash outflow from lease liabilities	
Principal payments for finance lease liabilities	(1 548 373)
Interest payments for lease liabilities	(241 100)
Total cash outflow from leases	**(1 789 473)**

In 2019 the Group incurred expenses for lease agreements which did not qualify for recognition of Right-of-use assets in total amount of EUR 277 416.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2019. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

24. Finance Lease Receivables

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2019				2018
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL (reclassified)
Finance lease receivables	EUR	EUR	EUR	EUR	EUR
Not past due	87 405 402	3 177 686	654 681	91 237 769	74 410 016
Days past due up to 30 days	15 086 247	5 983 501	645 799	21 715 547	18 448 835
Days past due up to 60 days	-	1 024 441	2 077 137	3 101 578	2 442 477
Days past due over 60 days	-	-	19 816 420	19 816 420	15 132 440
TOTAL, GROSS:	**102 491 649**	**10 185 628**	**23 194 037**	**135 871 314**	**110 433 768**

24. Finance Lease Receivables (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019 (reclassified)	84 512 375	9 248 162	16 673 231	110 433 768
Transfer to Stage 1*	2 259 283	(1 954 193)	(305 090)	-
Transfer to Stage 2*	(4 795 948)	5 029 622	(233 674)	-
Transfer to Stage 3*	(4 863 711)	(1 856 238)	6 719 949	-
New financial assets acquired	59 280 098	3 683 382	6 021 599	68 985 079
Receivables settled	(25 311 183)	(2 229 919)	(1 340 707)	(28 881 809)
Receivables partly settled	(2 234 655)	(808 982)	(2 741 813)	(5 785 450)
Receivables written off	(5 950 189)	(877 509)	(1 351 316)	(8 179 014)
Foreign exchange movements	(404 421)	(48 697)	(248 142)	(701 260)
Balance at 31 December 2019	**102 491 649**	**10 185 628**	**23 194 037**	**135 871 314**

During 2019 the Group has put bigger emphasis on risk management and specifically on portfolio quality. Underwriting policy was reviewed across the Group, which led to improvement in portfolio quality metrics and it is subsequently reflected in reduced Impairment requirement for stage 1. Coverage for stage 1 at the beginning of period is 3.28% and at the end of period it improves to 2.11%. The Group several prudent changes to impairment model which increased coverages for stage 2 and 3. As a result of improved quality for stage 1 and more prudent approach, coverage increased from 12.9% at the beginning of period to 13.5% at the end of the period. Apart from mentioned above movements are in line with the expectations and risk appetite of the Group.

Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019 (reclassified)	2 801 477	888 108	10 601 675	14 291 260
Transfer to Stage 1*	240 996	(167 067)	(73 929)	-
Transfer to Stage 2*	(337 237)	401 381	(64 144)	-
Transfer to Stage 3*	(1 389 206)	(370 903)	1 760 109	-
Impairment for new financial assets acquired	1 356 794	392 287	3 221 828	4 970 909
Reversed impairment for settled receivables	479 152	68 434	(463 723)	83 863
Reversed impairment for written off receivables	(87 998)	(105 690)	(2 015 773)	(2 209 461)
Net remeasurement of loss allowance	(870 018)	350 377	2 040 650	1 521 009
Foreign exchange movements	(14 745)	(3 809)	(175 985)	(194 539)
Balance at 31 December 2019	**2 179 215**	**1 453 118**	**14 830 708**	**18 463 041**

* - Amounts presented as changes in finance lease receivables and impairment allowance due to transfer among stages include only movement of opening balances as at 1 January. Information about transfers among stages does not include new financial assets acquired and impairment calculated during the year.

The Group performed sensitivity analysis on LGD rates changes (simplified scenarios of 3% and 5% increase were tested) indicated that finance lease receivable loss impairment would increase respectively by EUR 1 747 617 and by EUR 2 912 681 across the Group.

	Minimum lease payments	Net investment in the lease	Minimum lease payments	Net investment in the lease
	EUR	EUR	EUR (reclassified)	EUR (reclassified)
Finance lease receivables	31.12.2019.	31.12.2019.	31.12.2018.	31.12.2018.
Up to one year	104 425 656	52 167 388	96 916 545	36 161 439
Years 2 through 5 combined	169 226 148	78 526 526	169 111 409	68 351 871
More than 5 years	8 355 792	5 177 400	9 125 649	5 920 458
TOTAL, GROSS:	**282 007 596**	**135 871 314**	**275 153 603**	**110 433 768**

Unearned finance income	31.12.2019. EUR	31.12.2018. (reclassified) EUR
Up to one year	52 258 267	60 755 107
Years 2 through 5 combined	90 699 622	100 759 538
More than 5 years	3 178 392	3 205 191
TOTAL, GROSS:	**146 136 282**	**164 719 836**

	Non-Current	**Current**	**Non-Current**	**Current**
	31.12.2019.	31.12.2019.	31.12.2018. (reclassified)	31.12.2018. (reclassified)
Finance lease receivables, net	EUR	EUR	EUR	EUR
Finance lease receivables	85 936 178	45 279 086	68 169 580	38 830 814
Accrued interest and handling fee	-	4 656 050	-	3 433 374
Fees paid and received upon lease disbursement	(823 114)	(433 693)	(1 614 756)	(888 392)
Impairment allowance	(6 899 633)	(11 563 408)	(3 967 697)	(10 323 563)
	78 213 431	**37 938 035**	**62 587 127**	**31 052 233**

24. Finance Lease Receivables (continued)

Transactions with peer-to-peer platforms

From year 2016 the Group started placing lease agreement receivables on peer-to-peer lending platform. Agreements were offered with buy back guarantee, which means that all risks of such agreements remain with the Group and in case of client default the Group has the liability to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform the Group also offered loans without buy back guarantee, which means that all risks related to client default were transferred to P2P investor. Portions of agreements purchased by investors are therefore considered as financial assets eligible for derecognition from the Group's statement of financial position.

Total gross portfolio and associated liabilities for the portfolio derecognized from Group financial assets were:

	31.12.2019.	31.12.2018.
Non-current	EUR	EUR
Finance lease receivable	59 539	180 458
Associated liabilities	(59 539)	(180 458)
NET POSITION:	**-**	**-**
Current	EUR	EUR
Finance lease receivable	34 596	119 798
Associated liabilities	(34 596)	(119 798)
NET POSITION:	**-**	**-**
Total gross portfolio derecognized from Group's financial assets	94 135	300 256
Total associated liabilities	(94 135)	(300 256)
TOTAL NET POSITION:	**-**	**-**

Information about liabilities for attracted funding through P2P platform where derecognition of portfolio was not applicable are disclosed in Note 38.

25. Loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2019				2018
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL (reclassified)
Loans and advances to customers	EUR	EUR	EUR	EUR	EUR
Not past due	52 400 795	1 686 857	261 513	54 349 165	37 808 427
Days past due up to 30 days	6 496 151	2 235 288	178 418	8 909 857	8 438 746
Days past due up to 60 days	-	1 091 082	756 574	1 847 656	1 145 422
Days past due over 60 days	-	-	11 550 499	11 550 499	6 357 645
TOTAL, GROSS:	**58 896 946**	**5 013 227**	**12 747 004**	**76 657 177**	**53 750 240**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers are, as follows:

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019 (reclassified)	42 344 426	4 140 646	7 265 168	53 750 240
Transfer to Stage 1	1 195 614	(1 009 259)	(186 355)	-
Transfer to Stage 2	(2 064 744)	2 149 505	(84 761)	-
Transfer to Stage 3	(3 264 874)	(1 031 049)	4 295 923	-
New financial assets acquired	41 561 780	2 638 122	4 355 822	48 555 724
Receivables settled	(14 061 834)	(914 857)	(396 282)	(15 372 973)
Receivables written off	(1 765 357)	(476 549)	(745 044)	(2 986 950)
Receivables partially settled	(5 335 216)	(471 764)	(1 691 052)	(7 498 032)
Foreign exchange movements	287 151	(11 568)	(66 415)	209 168
Balance at 31 December	**58 896 946**	**5 013 227**	**12 747 004**	**76 657 177**

Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019 (reclassified)	1 389 663	412 676	4 652 989	6 455 328
Transfer to Stage 1	145 961	(91 816)	(54 145)	-
Transfer to Stage 2	(72 333)	93 059	(20 726)	-
Transfer to Stage 3	(153 777)	(96 323)	250 100	-
Impairment for new financial assets acquired	1 168 578	631 245	2 679 658	4 479 481
Reversed impairment for settled receivables	(461 298)	(81 430)	(174 208)	(716 936)
Reversed impairment for written off receivables	(81 764)	(65 609)	(445 695)	(593 068)
Net remeasurement of loss allowance	(316 585)	226 957	1 946 442	1 856 814
Foreign exchange movements	(355)	(1 293)	(60 613)	(62 261)
Balance at 31 December	**1 618 090**	**1 027 466**	**8 773 802**	**11 419 358**

* - Amounts presented as changes in loans and advances to customers and impairment allowance due to transfer among stages include only movement of opening balances as at 1 January. Information about transfers among stages does not include new financial assets acquired and impairment calculated during the year.

The Group performed sensitivity analysis on LGD rates changes (simplified scenarios of 3% and 5% increase were tested) indicated that loans and advances to customers loss impairment would increase respectively by EUR 31 486 and by EUR 52 476 across the Group.

25. Loans and advances to customers (continued)

Loans and advances to customers, net	31.12.2019. EUR	31.12.2019. EUR	31.12.2018. (reclassified) EUR	31.12.2018. (reclassified) EUR
Loans and advances to customers	43 149 472	30 839 846	29 499 028	22 371 402
Accrued interest	-	2 667 859	-	1 879 810
Fees paid and received upon loan disbursement	(759 974)	(543 169)	(600 561)	(472 301)
Impairment allowance	(2 311 773)	(9 107 585)	(1 096 001)	(5 359 327)
	40 077 725	**23 856 951**	**27 802 466**	**18 419 584**

26. Loans to related parties

Non current	*Interest rate per annum (%)*	*Maturity*	31.12.2019. EUR	31.12.2018. EUR
Loans to related parties*	3-12,5%	2021-2023	14 780 754	5 257 221
Loans to related parties resulting from sale of Longo Group**	3%	2021	5 227 596	-
Impairment allowance			(43 619)	-
		TOTAL:	**19 964 731**	**5 257 221**

* - During 2019 the Group further increased the loan to SIA DCE Invest to a total amount of 2 823 724 EUR. Maturity date of this loan is 27.04.2023 with an interest rate of 10.5%. The Group also further increased the loan to SIA DCE Invest to a total amount of 1 731 715 EUR with a maturity date 27.04.2023 and interest rate of 12.5%. During 2019 DCE invest and Mogo Finance S.A. agreed to novate the loan agreement and as at the end of 31.12.2019 new borrower become 100x Treasury SIA, with the same conditions. In case of default of the debtors of these loans the Group has the right to net part of the loans with full amount of subordinated borrowings. Separate three party agreements are signed to grant the Group such an authority.

During 2019 the Group further increased the loan to Mogo SH.P.K. with maturity date 15.03.2023 and interest rate of 12%. Total loan amount as at end of reporting period was 1 445 000 EUR.

During the 2019 all loans provided to Longo Group and its subsidiaries have been novated towards its new shareholders, namely AK Family Investments SIA, AK Family Treasury, KM Invest AS, Obelo Capital AS, Nevia Finance SIA for total amount of 10 742 115 EUR.

** - Based on the provisions of the purchase agreement, receivables for sale of Longo Group have been recognized as loans with interest. All together the loan principal amount from companies reached 5 227 596 EUR with maturity 15.01.2021 and interest rate at 3% yearly. In case of default of the debtors of these loans the Group has the right to net part of the the loans with full amount of subordinated borrowings. Separate three party agreements are signed to grant the Group such an authority.

Current		31.12.2019. EUR	31.12.2018. EUR
Loans to related parties		2 058 262	-
Accrued interest		50 503	133 485
	TOTAL:	**2 108 765**	**133 485**

An analysis of Loans to related parties staging and the corresponding ECL allowances at the year end are as follows:

31.12.2019.	Stage 1	Stage 2	Stage 3	**Total**
Loans to related parties	22 022 993	-	-	22 022 993
Accrued interest	50 503			50 503
Total	**22 073 496**	**-**	**-**	**22 073 496**
Total ECL calculated	**(43 619)**	**-**	**-**	**(43 619)**

31.12.2018.	Stage 1	Stage 2	Stage 3	**Total**
Accrued interest	133 485			133 485
Total	**133 485**	**-**	**-**	**133 485**
Total ECL calculated	**-**	**-**	**-**	**-**

ECL was assessed for these receivables and concluded insignificant because in case of the borrower default the Group has the right to not to settle certain borrowings from another 3rd party lender linked to the borrower.

27. Equity-accounted investees

	31.12.2019. EUR	31.12.2018. EUR
Investments in associates	252 630	-
TOTAL:	**252 630**	**-**

In September 2019 the Group has sold 51% of its previously wholly owned investment in subsidiary Primero Finance AS. As a result the Group lost the control over the subsidiary and recognises investment in statement of financial position as equity-accounted investees. The result of disposal was a loss of EUR 14 043 and is included in the caption 'Other operating expense'.
Further information on entities performance disclosed below:

		31.12.2019.				31.12.2018.			
Name of the company	Country	Share capital EUR	Total Equity EUR	Interest in affiliate equity %	Net value according to equity method EUR	Share capital EUR	Total Equity EUR	Interest in affiliate equity %	Net value according to equity method EUR
Primero Finance AS	Latvia	425 000	534 035	49	252 630	-	-	-	-

Changes in investments in associates	2019	2018
Balance as at 1 January	-	-
Increase in investments in associates due to loss of control over subsidiary*	208 250	
Income from associates accounted under equity method	44 380	-
Balance as at 31 December	252 630	-

* - fair value of consideration retained on the date of loss of control approximates 49% of the carrying value of former subsidiary net assets.

Statement of financial position of affiliate for which loss of control occurred at the moment of disposal

	26.09.2019 **EUR**
ASSETS	
Property, plant and equipment	3 072
TOTAL NON-CURRENT ASSETS	**3 072**
Prepaid expense	71 148
Other receivables	1 349
Cash and cash equivalents	386 724
TOTAL CURRENT ASSETS	**459 221**
TOTAL ASSETS	**462 293**
EQUITY	
Share capital	425 000
Retained earnings/(losses)	36 505
TOTAL EQUITY	**461 505**
LIABILITIES	
Current liabilities	
Trade and other payables	300
Accrued liabilities	488
Total current liabilities	**788**
TOTAL LIABILITIES	**788**
TOTAL EQUITY AND LIABILITIES	**462 293**

27. Equity-accounted investees (continued)

Statement of financial position at year end of affiliate for which loss of control occurred during financial year

	31.12.2019.
ASSETS	**EUR**
Other intangible assets	67 583
Right-of-use assets	20 955
Property, plant and equipment	2 235
Finance lease receivables	3 009 700
TOTAL NON-CURRENT ASSETS	**3 100 473**
Finance lease receivables	824 122
Prepaid expense	14 602
Trade receivables	222 358
Other receivables	300
Cash and cash equivalents	252 394
Assets held for sale	17 010
TOTAL CURRENT ASSETS	**1 330 786**
TOTAL ASSETS	**4 431 259**
EQUITY	
Share capital	425 000
Retained earnings/(losses)	109 035
brought forward	20 181
for the period	88 854
TOTAL EQUITY	**534 035**
LIABILITIES	
Non-current liabilities	
Borrowings	3 777 337
Total non-current liabilities	**3 777 337**
Current liabilities	
Borrowings	24 168
Trade and other payables	45 433
Taxes payable	7 479
Other liabilities	6 815
Accrued liabilities	35 992
Total current liabilities	**119 887**
TOTAL LIABILITIES	**3 897 224**
TOTAL EQUITY AND LIABILITIES	**4 431 259**

Statement of profit and loss of affiliate for which loss of control occurred during financial year	**2019**
	EUR
Interest revenue	285 106
Interest expense	(57 006)
Net interest income	**228 100**
Fee and commission income	8 522
Impairment expense	14 025
Selling expense	(20 579)
Administrative expense	(137 574)
Other operating expense	(3 640)
Profit before tax	**88 854**
Corporate income tax	-
Net profit	**88 854**

28. Other non-current financial assets

	31.12.2019.	31.12.2018.
	EUR	EUR
Purchase consideration paid for business combinations not yet completed	831 556	983 479
Investments in government bonds	480 582	-
Impairment allowance	(6 180)	-
TOTAL:	**1 305 958**	**983 479**

During the reporting year the Group has signed a share acquisition agreement for a company registered in Kosovo. As at reporting date of these consolidated financial statements, the Group had paid the purchase price of this entity while formal process of registering change of shareholders were not yet finished. The Group is still in the extensive process of obtaining an approval from the local regulator in Kosovo. Control over the entity is still not obtained.

Purchase consideration paid for business combinations not yet completed:	31.12.2019.	31.12.2018.
Company in Kosovo	831 556	-
Company in North Macedonia	-	220 000
Company in Bosnia and Hercegovina	-	763 479
TOTAL:	**831 556**	**983 479**

28. Other non-current financial assets (continued)

Assessment of ECL of other non-current financial assets

As at 31 December 2019, other non-current financial assets were tested for impairment.

A detailed specific assessment of ECL for the purchase price paid for Kosovo company has been performed and it is considered as Stage 1 exposure. It is expected that the acquisition will be completed as it is a formal process to obtain the approval form the local regulator in Kosovo. There are currently no signs that would give any substantial evidence that would restrict Group to obtain the approval. Historically there have been no such cases where approval has not been obtained therefore it is assumed that the control over Kosovo company will be obtained in a foreseeable future. Given the above stated the PD is considered not significant for further assessment.

The LGD component is assessed as the recoverable amount of the Kosovo entity given that the share acquisition transaction is completed. The recoverable amount was calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of Kosovo company. No impairment loss was recognized because the recoverable amounts were determined to be higher than their carrying amounts, i.e. the purchase price paid. The calculations of value-in-use were based on free cash flow to equity approach, discounted by estimated cost of equity. 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.

Five 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 Group and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit.

Discount rates reflect the current market assessment of the risk specific to Kosovo and was determined to be 20%.

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 not be below the carrying amount, if terminal growth rates decreased by 0.5% and discount rates increased by 10%.

An analysis of Other non-current financial assets staging and the corresponding ECL allowances at the year end are as follows:

31.12.2019.	Stage 1	Stage 2	Stage 3	**Total**
Purchase consideration paid for business combinations not yet completed	831 556	-	-	831 556
Investments in government bonds	480 582	-	-	480 582
Total	**1 312 138**	**-**	**-**	**1 312 138**
Total ECL calculated	**(6 180)**	**-**	**-**	**(6 180)**

29. Finished goods and goods for resale

	31.12.2019. EUR	31.12.2018. EUR
Acquired vehicles for purpose of selling them to customers	619 235	1 696 167
Other inventory	8 879	-
TOTAL:	**628 114**	**1 696 167**

As at end of 2019 the amount of stock balance has significantly decreased compared to previous year due to sale of group of subsidiaries performing car retail activities (Note 20).

Expenses from sale of vehicles during the reporting year were EUR 1 799 081 (2018: EUR 2 493 220).

There were no inventory write downs to net realizable value as of 31.12.2019. (31.12.2018.: 0 EUR).

30. Other loans and receivables

Non current	*Interest rate per annum (%)*	*Maturity*	31.12.2019. EUR	31.12.2018. EUR
Loans to non-related parties	3%	January 2021	32 804	-
Impairment allowance			(1 154)	-
		TOTAL:	**31 650**	**-**

Current	*Interest rate per annum (%)*	*Maturity*	31.12.2019. EUR	31.12.2018. EUR
Deposit in bank in Armenia	12.5%	April 2023	744 518	4 515 488
Loans to non-related parties	24%	January 2021	120 000	150 000
Accrued interest			16 899	1 000
Impairment allowance			(4 814)	-
		TOTAL:	**876 603**	**4 666 488**

An analysis of Loans to non-related parties staging and the corresponding ECL allowances at the year end are as follows:

31.12.2019.	Stage 1	Stage 2	Stage 3	**Total**
Deposit in bank in Armenia	744 518	-	-	744 518
Loans to non-related parties	152 804	-	-	152 804
Accrued interest	16 899	-	-	16 899
Total	**914 221**	**-**	**-**	**914 221**
Total ECL calculated	**(5 968)**	**-**	**-**	**(5 968)**

31. Prepaid expense

	31.12.2019. EUR	31.12.2018. EUR
Prepaid Mintos service fee	147 510	234 416
Advances paid for services	270 169	178 809
Prepaid insurance expenses	92 635	-
Other prepaid expenses	514 727	419 346
TOTAL:	**1 025 041**	**832 571**

32. Trade receivables

	31.12.2019. EUR	31.12.2018. EUR
Receivables for ceased financial assets	819 843	173 474
Receivables for rent services	348 486	-
Receivables for provided management services	255 338	581 848
Receivables for recharged property tax to customers	-	-
Receivables for sold motor vehicles	17 210	49 605
Impairment allowance	(7 852)	-
TOTAL:	**1 433 025**	**804 927**

An analysis of trade receivables staging and the corresponding ECL allowances at the year end are as follows:

31.12.2019.	Current	21-90 DPD	>90 DPD	**Total**
Receivables for ceased financial assets	819 843			819 843
Receivables for rent services	348 486			348 486
Receivables for provided management services	255 338			255 338
Receivables for sold motor vehicles	17 210			17 210
Total	**1 440 877**	**-**	**-**	**1 440 877**
Total ECL calculated	**(7 852)**	**-**	**-**	**-**

The Group does not have contract assets and contract liabilities at 31.12.2019. (EUR 0 at 31.12.2018.).

33. Other receivables

	31.12.2019. EUR	31.12.2018. EUR
Other receivables		
Overpaid VAT from subsidiary in Latvia	423 270	482 287
Impairment allowance for overpaid VAT	(423 270)	(482 287)
Net overpaid VAT*	-	-
Receivables from P2P platform for attracted funding	880 976	-
Disputed tax audit measurement in Georgia**	460 705	-
Receivables for payments received from customers through online payment systems	336 532	46 623
Overpaid VAT in other subsidiaries	369 861	358 402
Advances to employees	105 358	146 133
Security deposit for office lease (more information in Note 23).	57 955	96 601
Receivable for attracted funding through P2P platform (Note 38).	-	262 256
Receivables for refundable nature resource tax	-	104 829
Other debtors	298 285	329 146
TOTAL:	**2 509 672**	**1 343 990**

* - All receivables are expected to be paid within the following year, except VAT overpayment where the date of settlement is unclear due to ongoing litigation process in Latvia.

This resulted in full settlement of payable VAT and recognition of VAT overpayment. Considering the uncertainty disclosed in Note 37, the Group has decided to recognize the impairment provision in full amount for VAT receivable in the statement of financial position and additional provisions in amount of VAT payable settled by VAT return adjustment and related penalties (see Note 37).

** - Georgian tax administration has initiated transfer pricing audit for Mogo LLC (Georgia). The audit covers financial years 2016, 2017 and 2018. The Decision issued by the Georgian tax administration has been received only for financial year 2016. Georgian tax administration has challenged that interest rate applied by Mogo Finance S.A. on loan issued to Mogo LLC (Georgia) complies with arm's lengths principle. According to this decision additional tax amount of EUR 362 010 has been assessed. The amount has been withheld by the Georgian tax administration from a tax overpayment of Mogo LLC.

Mogo LLC (Georgia) has appealed the decision. The management of the Group considers that interest rate applied by Mogo Finance S.A. on loans issued to related parties fully complies with arm's length principle. The applied interest rate is justified by transfer pricing policies held by the Group, which have been developed by independent external tax advisors. The management of the Group considers that the approach of Georgian tax administration doesn't comply with basic loan pricing principles and international guidelines. In order to determine the market interest rate for Mogo Finance S.A. loan issued to Mogo LLC, Georgian tax administration has used coupon rate of bonds issued by credit institutions as a comparable source. Coupon rate of such bonds are not comparable as represents lower risk market comparing with that where the Group operates. Additionally, when issuing the decision Georgian tax administration has not considered borrowing costs of Mogo Finance S.A. The interest rate applied by the Georgian tax administration in the decision for year 2016 is significantly lower than borrowing costs of Mogo Finance S.A.

The Group is in a position to use all available local and international measures to justify its transfer pricing policies and achieve the result that the decision for year 2016 is fully cancelled. According to management's best estimate no significant economical outflows in relation to transfer pricing audit for years 2017 and 2018 is expected in the future as the possibility of such has been assessed as remote.

The Group expects to fully recover paid tax.

34. Cash and cash equivalents

	31.12.2019.	31.12.2018.
Cash at bank	8 497 666	6 400 304
Cash on hand*	158 864	122 534
TOTAL:	**8 656 530**	**6 522 838**

* - The Group provides the possibility to its customers to pay their monthly receivables in cash, therefore it holds cash on hand at period end.

An analysis of cash and cash equivalent staging and the corresponding ECL allowances at the year end are as follows:

31.12.2019.	Stage 1	Stage 2	Stage 3	**Total**
Cash at bank	8 497 666	-	-	8 497 666
Cash on hand	158 864	-	-	158 864
Total	**8 656 530**	**-**	**-**	**8 656 530**
Total ECL calculated	**-**	**-**	**-**	**-**

The Group has not calculated an ECL allowance for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2018: EUR 0).

The Group cooperates with banks with credit ratings no less than BBB-.

35. Assets held for sale

Other non-current assets held for sale	31.12.2019. EUR	31.12.2018. EUR
Repossessed collateral	1 934 248	2 633 743
	1 934 248	**2 633 743**

Changes in other assets held for sale	31.12.2018.	Net changes during the year	31.12.2019.
Repossessed collateral	2 633 743	(699 495)	1 934 248
TOTAL:	**2 633 743**	**(699 495)**	**1 934 248**

Repossessed collaterals are vehicles taken over by the Group in case of default by the Group's clients on the related lease agreements. After the default of the client, the Group has the right to repossess the vehicle and sell it to third parties. The Group does not have the right to repossess, sell or pledge the vehicle in the absence of default by Group's clients. The Group usually sells the repossessed vehicles within 90 days after repossession. There are no balances left unsold from previous reporting period.

36. Share capital and reserves

Share capital

The subscribed share capital of the Group amounts to EUR 1 000 000 and is divided into 100 000 000 shares fully paid up.

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

	Share capital EUR	**Number of regular Shares**	**Total number of Shares**
Opening balance as at 1 January 2018	**31 036**	**3 103 600**	**3 103 600**
Subscriptions	-	-	-
Redemptions	-	-	-
Closing balance as at 31 December 2018	**31 036**	**3 103 600**	**3 103 600**
Opening balance as at 1 January 2019	**31 036**	**3 103 600**	**3 103 600**
Subscriptions	968 964	96 896 400	96 896 400
Redemptions	-	-	-
Closing balance as at 31 December 2019	**1 000 000**	**100 000 000**	**100 000 000**

During the Extraordinary General Meetings held on 29 October 2019. it was decided to increase share capital to 1 000 000 EUR. Share capital was fully paid during year 2019. Par value of 1 share is 0.01 EUR and has not changed due to increase of share capital.

Foreign currency translation reserve

As explained in Note 2, foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserves

	31.12.2019. EUR	31.12.2018. EUR
Mandatory reserves in Mogo LT UAB (Lithuania)*	249 984	86 568
Mandatory reserves in Mogo Finance S.A. (Luxembourg)*	3 104	-
TOTAL:	**253 088**	**86 568**

* - further information disclosed in Note 2.

37. Provisions

Non-current	31.12.2019. EUR	31.12.2018. EUR
Provision for VAT liabilities in Latvia*	365 496	279 138
Provision for VAT liabilities in Romania***	-	362 451
Provision for CIT liabilities in Lithuania****	400 066	280 000
Provision for taxes and duties in Latvia*	127 175	169 890
TOTAL:	**892 737**	**1 091 479**

Current	31.12.2019. EUR	31.12.2018. EUR
Provision for WHT liabilities in Lithuania**	-	362 711
TOTAL:	**-**	**362 711**

* Provision for taxes and duties in Latvia are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 1.15% for estimated litigation process period of 5 years.
** Provisions for withholding tax in Lithuania recognized due to uncertainty related to withholding tax application to interest payments for funding attracted through peer-to-peer platforms. The Group recognized provision while it was in process of obtaining a confirmation from local tax authorities. Provisions were reversed and tax liabilities recognized in 2019 when clarification from tax authorities was received.
*** Provisions for VAT liabilities in Romania were recognized due uncertainty related to VAT application to services provided by the Group. The Group recognized provision while it was in process of obtaining a confirmation from local tax authorities that respective tax regulation is not applicable for such transactions. After further actions taken in 2019, it was concluded that there is no need for these provisions and they were reversed.
**** Provisions for CIT in Lithuania is recognized due to uncertainty related to application of CIT for an intra-group agreement concluded.

In 2019 the Group increased the provisions for transactions mentioned above taking place in the current year.
Change in provisions for possible VAT liabilities and WHT liabilities is recognized in Other operating expense (Note 15).
See Notes 15, 33 and for more information.

Changes in provisions	01.01.2019.	Additional provisions recognized	Unused provisions reversed	Provisions used	Unwinding of discount	31.12.2019.
Provision for VAT liabilities in Latvia	279 138	80 534	-	-	5 824	365 496
Provision for possible WHT liabilities in Lithuania	362 711	-	-	(362 711)	-	-
Provision for possible VAT liabilities in Romania	362 451	-	(362 451)	-	-	-
Provision for CIT liabilities in Lithuania	280 000	120 066	-	-	-	400 066
Provision for taxes and duties in Latvia	169 890	(46 260)	-	-	3 545	127 175
	1 454 190	**154 340**	**(362 451)**	**(362 711)**	**9 369**	**892 737**

38. Borrowings

Non-current

Subordinated loans	*Interest rate per annum (%)*	*Maturity*	EUR 31.12.2019.	EUR 31.12.2018.
Loan from related parties (Note 44)	3% - 10%	11.07.2022	6 782 061	2 500 000
		TOTAL:	**6 782 061**	**2 500 000**

Subordinated loans comprise of loans received by the Parent company from its shareholders. The subordinated loans were acquired as one of the conditions to obtain financing from Eurobonds described further below. The loans are denominated in EUR with an interest rate of 10% and maturing on July 2022 and are subordinated to the Parent company's obligations arisng from the Eurobonds described further below. Till all the Parent company's outstanding liabilities under the Eurobonds are fulfilled the Parent company as the borrower under subordinated loans is allowed to make payments of principal and interest only to the extent that any such payment is in accordance with the terms and conditions of the Eurobonds. On 31 December 2019 the terms and conditions of the Eurobonds that would allow the Parent company to make payments of principal and interest under the subordinated loans were not met.

Bonds	*Interest rate per annum (%)*	*Maturity*	EUR 31.12.2019.	EUR 31.12.2018.
Mogo Finance S.A. bonds nominal value[1)]	9.5%	July 2022	94 491 656	68 034 250
Mogo AS 20m bonds nominal value[2)]	10%	31.03.2021	19 300 000	9 616 218
Mogo AS 10m bonds nominal value[3)]	10%	31.03.2021	7 488 000	2 588 782
Bond additional interest accrual	10%	31.03.2021	299 203	182 493
Bonds acquisition costs			(5 280 300)	(2 765 347)
		TOTAL:	**116 298 559**	**77 656 396**
Other borrowings				
Long term loan from banks[4)]	7.8%-12%	September 2021	8 919 988	8 224 781
Lease liabilities for rent of premises[5)]	2%-12%	up to 10 years	6 520 497	1 288 265
Lease liabilities for rent of vehicles[5)]	2%-12%	up to 3 years	78 085	34 685
Financing received from P2P investors[6)]	8% - 14%	up to 30.12.2025.	49 167 706	33 486 997
Loan acquisition costs			(287 961)	(585 138)
		TOTAL:	**64 398 315**	**42 449 590**
		TOTAL NON CURRENT BORROWINGS:	**187 478 935**	**122 605 986**

38. Borrowings (continued)

Current

Other borrowings	*Interest rate per annum (%)*	*Maturity*	31.12.2019. EUR	31.12.2018. EUR
Financing received from P2P investors[6)]	8% - 14%	up to 30.12.2025.	20 989 501	15 442 105
Mogo AS 20m bonds nominal value[2)]	10%	31.03.2021	-	8 863 782
Mogo AS 10m bonds nominal value[3)]	10%	31.03.2021	-	2 386 218
Accrued interest for bonds			4 426 550	3 186 292
Lease liabilities for rent of premises[5)]	2%-12%	up to 10 years	1 263 024	1 081 209
Accrued interest for financing received from P2P investors			363 369	274 961
Lease liabilities for rent of vehicles[5)]	2%-12%	up to 3 years	83 937	40 273
Short term loans from banks[4)]	7.8%-12%	Nov 2020 - September 2021	7 534 608	-
Accrued interest for loans from non related parties			17 304	58 708
Accrued interest for loans from related parties			6 567	-
Accrued interest for loan from bank			86 050	70 901
Bonds acquisition costs			-	(1 106 139)
		TOTAL:	**34 770 910**	**30 298 310**

Mogo Finance S.A. bonds

1) On 11 July 2018, Mogo Finance successfully issued a 4-year corporate bond (XS1831877755), listed on the Open Market of the Frankfurt Stock Exchange for EUR 50 million at par with an annual interest rate of 9.5%, followed on 16 November 2018 by a EUR 25 million tap at par and 13 November 2019 by another EUR 25 million. After both tap issues, the total amount outstanding of Mogo Finance's 9.50% corporate bonds 2018/2022 (XS1831877755) amounts to EUR 100 million. On 30 November 2018, the corporate bond 2018/2022 (XS1831877755) was uplisted to the regulated market (General Standard) of the Frankfurt Stock Exchange. The bond will mature in July 2022. See Note 45 for further information about pledges and other additional information.

Mogo AS bonds

2) On 17 March 2014 subsidiary in Latvia - Mogo AS registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. Company has raised a total of EUR 20 000 000 as at 31 December 2019 (20 000 000 EUR at 31 December 2018).

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.

3) On 1 December 2017 subsidiary in Latvia Mogo AS registered with the Latvian Central Depository a bond facility through which it raised EUR 10 million. This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the regulated market of NASDAQ OMX Baltic and are "private issued notes".

In accordance with the initial terms repayment of both bond facilities issued in Latvia should have started from 30.06.2019. Accordingly, those liabilities were split between current and non-current as at 31 December 2018. In 2019 the initial repayment terms were amended. The subsidiary in Latvia exercised a voting process for rescheduling payment schedule for both bonds issued in Latvia. New repayment schedule is in force starting March 29, 2019 and requires a one time payment at the end of maturity on 31.03.2021.

Other borrowings

4) Loans from banks comprise loans received by Mogo Armenia from a local bank. The loans are denominated in local currency, thus fully eliminating forex risk for the Group, with an interest rate of 12.0% and maturing on November 2020. Loans received by Mogo Georgia in the amount of EUR 1 million with an interest rate of 7.8% are maturing on March 2021. See Note 45 for further information about pledges and other additional information.

5) Group has entered into several lease agreements for office premises and branches as well as several vehicle rent agreements, which are accounted under IFRS 16.

6) Attracted funding from P2P platform non-current/ current split is aligned with the related non-current/ current split of the lease or loan agreement which is assigned to investors through the P2P platform. Funds are transferred to Group's bank accounts once per week.

Total (payable)/receivable for attracted funding not yet received from P2P platform as at statement of financial position dates were:

		31.12.2019. EUR	31.12.2018. EUR
(Payable)/Receivable from attracted funding through P2P platform (Note 41)		(1 579 245)	262 256
	TOTAL:	**(1 579 245)**	**262 256**

See additional information in Note 24.

Total accrued expenses for services for attracted funding through P2P platform as at statement of financial position dates were:

		31.12.2019. EUR	31.12.2018. EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 42)		24 575	24 761
	TOTAL:	**24 575**	**24 761**

See Note 45 for further information about pledges and other additional information.

The Group has satisfied all other covenants.

38. Borrowings (continued)

Changes in liabilities

Subordinated loans	01.01.2019.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2019.
Loan from related parties	2 500 000	-	4 282 061	-	-	6 782 061
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	**2 500 000**	**-**	**4 282 061**	**-**	**-**	**6 782 061**
Other borrowings						
Bonds nominal value	91 489 250	-	28 988 771	-	801 635	121 279 656
Financing received from P2P investors	48 929 102	-	21 475 352	(247 247)	-	70 157 207
Loans from banks	8 224 781	-	8 056 304	173 511	-	16 454 596
Lease liabilities	2 444 431	-	(1 789 473)	(10 909)	7 301 494	7 945 543
TOTAL OTHER BORROWINGS PRINCIPAL:	**151 087 564**	**-**	**56 730 954**	**(84 645)**	**8 103 129**	**215 837 002**
TOTAL BORROWINGS PRINCIPAL:	**153 587 564**	**-**	**61 013 015**	**(84 645)**	**8 103 129**	**222 619 063**

Total cash flow of borrowings of EUR 61 013 015 consists of cash inflows EUR 108 315 210, cash outflows of EUR 45 512 722 and payments for lease liabilities in amount of EUR 1 789 473.

	01.01.2019.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2019.
Bonds acquisition costs	(3 871 486)	-	(1 250 282)	-	(158 532)	(5 280 300)
Loan acquisition costs	(585 138)	-	(262 424)	2 413	557 188	(287 961)
Acquisition costs of borrowings	**(4 456 624)**	**-**	**(1 512 706)**	**2 413**	**398 656**	**(5 568 261)**
Accrued interest for loans from non related parties	58 708	-	(479 612)	(248)	438 456	17 304
Accrued interest for loans from related parties	-	-	(87)	66	6 588	6 567
Accrued interest for financing received from P2P investors	274 961	-	(7 652 561)	(1 253)	7 742 222	363 369
Additional bond interest accrual	3 368 785	-	(10 119 918)	-	11 476 886	4 725 753
Accrued interest for loan from bank	70 902	-	(1 135 015)	2 128	1 148 035	86 050
Accrued interest	**3 773 356**	**-**	**(19 387 193)**	**693**	**20 812 187**	**5 199 043**
TOTAL BORROWINGS:	**152 904 296**	**-**	**40 113 116**	**(81 539)**	**29 313 972**	**222 249 845**

Subordinated loans	01.01.2018.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2018.
Loan from related parties			2 500 000		-	2 500 000
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	**-**	**-**	**2 500 000**	**-**	**-**	**2 500 000**
Other borrowings						
Bonds nominal value	26 900 000		67 490 000	-	(2 900 750)	91 489 250
Financing received from P2P investors	52 039 555		(2 904 996)	(205 457)	-	48 929 102
Loans from banks	-	6 908 997	1 315 784	-	-	8 224 781
Lease liabilities	697 597		(1 809 657)	2 725	3 553 766	2 444 431
Long term loan from non-related parties	12 000 000		(12 000 000)	-	-	-
Loan from related parties (Note 44)	5 803 640		(5 777 434)	(26 206)	-	-
TOTAL OTHER BORROWINGS PRINCIPAL:	**97 440 792**	**6 908 997**	**46 313 697**	**(228 938)**	**653 016**	**151 087 564**
TOTAL BORROWINGS PRINCIPAL:	**97 440 792**	**6 908 997**	**48 813 697**	**(228 938)**	**653 016**	**153 587 564**

Total cash flow of borrowings of EUR 48 813 697 consists of cash inflows EUR 304 668 737, cash outflows of EUR 254 045 383 and payments for lease liabilities in amount of EUR 1 809 657.

	01.01.2018.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2018.
Bonds acquisition costs	(460 967)		(4 105 051)	-	694 532	(3 871 486)
Loan acquisition costs	(591 207)		(1 304 610)	643	1 310 036	(585 138)
Acquisition costs of borrowings	**(1 052 174)**	**-**	**(5 409 661)**	**643**	**2 004 568**	**(4 456 624)**
Accrued interest for loans from non related parties	493 298		(1 762 639)	(174)	1 328 223	58 708
Accrued interest for financing received from P2P investors	330 159		(7 183 219)	(1 153)	7 129 174	274 961
Additional bond interest accrual	124 270		(3 145 450)	-	6 389 965	3 368 785
Accrued interest for loan from bank	-		(274 099)		345 001	70 902
Accrued interest	**947 727**	**-**	**(12 365 407)**	**(1 327)**	**15 192 363**	**3 773 356**
TOTAL BORROWINGS:	**97 336 345**	**6 908 997**	**31 038 629**	**(229 622)**	**17 849 947**	**152 904 296**

39. Prepayments and other payments received from customers

	31.12.2019. EUR	31.12.2018. EUR
Unrecognized payments received*	106 964	45 724
Advances for sold cars	634	9 418
Payments received from ceased receivables	2 663	1 241
Overpayments from historical customers	51 787	53 375
TOTAL:	**162 048**	**109 758**

* - Unrecognized payments are payments received from former clients after contractual terms are ended and payments received which cannot be identified and allocated to a respective finance lease or loan and advance to customer balance at 31 December 2019.

40. Taxes payable

	31.12.2019. EUR	31.12.2018. EUR
Social security contributions	444 759	268 699
Personal income tax	198 267	98 584
Property tax	(8 543)	87 513
Value added tax	507 701	117 391
Other taxes	318 962	77 619
TOTAL:	**1 461 146**	**649 806**

41. Other liabilities

	31.12.2019. EUR	31.12.2018. EUR
Payable for attracted funding through P2P platform	1 579 245	-
Liabilities against employees for salaries	766 570	98 784
Deferred income for recharged property tax to customers	-	103 410
Unpaid dividends	-	21 800
Other liabilities	15 932	-
TOTAL:	**2 361 747**	**223 994**

Increase in liabilities against employees has incurred due to change in payment date of the salaries which is moved to early days of the following month.

42. Accrued liabilities

	31.12.2019. EUR	31.12.2018. EUR
Accrued unused vacation	872 955	595 490
Accruals for bonuses	613 613	295 331
Accrued expenses from attracted funding through peer-to-peer platform (Note 38)	24 575	24 761
Other accrued liabilities for received services	1 041 878	857 719
TOTAL:	**2 553 021**	**1 773 301**

The amount of accrued liabilities has increased compared to previous reporting period due to the Group's further expansion of business in new countries.

43. Other non-current financial liabilities

On 1 October 2017, the Group acquired an additional 2% interest in the shares of Mogo OU (Estonia), increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo OU (Estonia), a contingent consideration has been agreed. There will be additional cash payments to the previous non-controlling interest holder of:

1) 2% of the net profit earned by Mogo OU for the years 2018 through 2019;

2) 1% of the net profit earned by Mogo OU for the year 2020.

As at the additional interest acquisition date, the fair value of the contingent consideration was estimated to be 127 018 EUR based on the expected probable outcome. During 2019 the Group settled part of the liabilities. Value of remaining amount was reassessed and concluded that no additional income or expenses need to be recognized.

The significant unobservable inputs used in the fair value measurement of the contingent consideration are disclosed in Note 3.

The contingent consideration liability is due for yearly measurement and payment to the former non-controlling interest holder after issuance of the respective year's annual report. Contingent consideration liability is recognized as follows:

	31.12.2019. EUR	31.12.2018. EUR
Non-current		
Non-current contingent consideration liability	22 569	74 418
Current		
Current contingent consideration liability	34 163	52 600
TOTAL OTHER FINANCIAL LIABILITIES:	**56 732**	**127 018**

Sensitivity analysis

An analysis of sensitivity of the Group's possible liabilities for purchase of shares in subsidiary based on positions existing as at 31 December 2019 using a simplified scenario of a 10% change in estimated future profits would result in change of liabilities for 7 603 EUR.

Changes in liabilities

	01.01.2019.	Cash flows	Reassessment	Reclass	31.12.2019.
Non-current contingent consideration liability	74 418		-	(51 849)	22 569
Current contingent consideration liability	52 600	(70 286)	-	51 849	34 163
TOTAL BORROWINGS PRINCIPAL:	**127 018**	**(70 286)**	**-**	**-**	**56 732**

44. Related party disclosures

All ultimate beneficial shareholders and entities controlled or jointly controlled by these individuals or close family members of these individuals are deemed as related parties of the Group. All shareholders have equal rights in making decisions proportional to their share value.

As at 31 December 2019 and 31 December 2018 none of the 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 detailed information about transactions with related parties is provided in Notes 36 and 38.

Other related parties are entities which are under control or joint control of the shareholders of the Group, but not part of the Group.

The information related to remuneration of the Group`s Management Board and council members is provided in Note 13.

The income and expense items with related parties for 2019 were as follows:

Related party	Shareholder controlled companies EUR	Other related parties EUR
Interest income	946 052	-
Interest expenses	(337 216)	-

The income and expense items with related parties for 2018 were as follows:

Related party	Shareholder controlled companies EUR	Other related parties EUR
Interest income	335 495	-
Interest expenses	(237 806)	-

The receivables and liabilities with related parties as at 31.12.2019. and 31.12.2018. were as follows:

	31.12.2019. EUR	31.12.2018. EUR
Amounts owed by related parties		
Receivables from minority shareholders of the Group*	-	42 367
Loans to related parties**	22 073 496	5 390 706
Trade receivables***	255 338	581 848
Amounts owed to related parties		
Subordinated loans from shareholders of the Parent Company	6 782 061	2 500 000
Unpaid dividends	-	21 800
Accrued interest	-	52 083

44. Related party disclosures (continued)

* 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.

** All loans to related parties are issued to shareholder controlled companies and have 10.5% to 12.5% interest rate and maturity of March to September of 2023. See Note 26 for more information.

*** Other short term receivables from related parties contain receivables for provided management services to equity accounted investees and subsidiaries in the process of acquisition.

Movement in amounts owed by related parties	**Amounts owed by related parties**
Amounts owed by related parties as of 01 January 2018	110 567
Receivables acquired in period	513 648
Amounts owed by related parties as of 31 December 2018	624 215
Amounts owed by related parties as of 01 January 2019	624 215
Receivables acquired in period	(368 877)
Amounts owed by related parties as of 31 December 2019	255 338

Movement in amounts owed to related parties	**Amounts owed to related parties**
Amounts owed to related parties as of 01 January 2018	4 014 577
Loans received in period	7 500 000
Loans repaid/settled in period	(8 916 564)
Interest calculated in period	345 761
Interest repaid in period	(391 691)
Dividends calculated for minority shareholders	90 000
Dividends paid to minority shareholders	(68 200)
Amounts owed to related parties as of 31 December 2018	2 573 883
Amounts owed to related parties as of 01 January 2019	2 573 883
Loans received in period	4 282 061
Loans repaid/settled in period	-
Interest calculated in period	337 216
Interest repaid in period	(389 299)
Dividends calculated for minority shareholders	-
Dividends paid to minority shareholders	(21 800)
Amounts owed to related parties as of 31 December 2019	6 782 061

45. Commitments and contingencies

Externally imposed regulatory capital requirements

The Group considers both equity capital as well as borrowings a part of its overall capital risk management strategy (see Note 46).

The Group is subject to externally imposed capital requirements in several countries. The main requirements are listed below:

Albania
Acquired license on performing financing activities requires to maintain amount of equity at all times not lower than 10% of the total assets of the entity. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

Armenia
Acquired license on performing financing activities require:
1) To maintain minimum amount of statutory capital of 150mln AMD;
2) To maintain minimum amount of total capital of 150mln AMD;
3) To maintain minimum ratio of amounts of total capital and risk-weighted assets at 10%.
Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

Bulgaria
Acquired license on performing financing activities require to maintain amount of equity at all times not lower that 1 000 000 BGN. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

Romania
Acquired license on performing financing activities require to ensure the level of equity is not less than company's finance receivables portfolio divided 15 times. Management of the Group monitors and increases the share capital or issues subordinated loans l if needed to satisfy this requirement.

North Macedonia
Loan portfolio limit is set as Share capital multiplied with 10.

Bosnia&Herzegovina
Acquired license on performing financing activities requires to maintain amount of equity at all times not lower that 250 000 BAM. Management of the Group monitors and increases the share capital if needed to satisfy this requirement. Loan portfolio limit is set as Share capital multiplied with 10.

45. Commitments and contingencies (continued)

Moldova
The non-bank credit organization is required to hold and maintain its own capital in relation to the value of the assets at any date in the amount of at least 5%.

Cooperation agreement with P2P platforms

Cooperation agreements with P2P platforms require to maintain positive amount of equity at all times in Estonia, Georgia, Lithuania, Moldova, Poland, Romania, Belarus, Albania and Bulgaria. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group is in compliance with these covenants at 31 December 2019 and 31 December 2018.

Mogo Finance S.A. bonds

There are restrictions in the prospectus for bonds issued in Frankfurt Stock exchange (ISIN (XS1831877755)). Financial covenants are following:
1) Interest coverage ratio (EBITDA) is at least 1.25 x at any time
2) Capitalization ratio is at least:
   a. 8% starting from 31.12.2018
   b. 10% starting from 31.12.2019
   c. 15% starting from 31.12.2020 and until full repayment of the Bonds
There are other limitations regarding additional and permitted debt, restricted and permitted payments, permitted loans and securities.
The Group is in compliance with all covenants.

Mogo AS bonds

There are restrictions in prospectus for bonds issued in Nasdaq Baltic (ISIN: LV0000801363 and LV0000880029):
1) to maintain positive amount of equity at all times;
2) to maintain Net Debt/Equity (total liabilities minus cash against equity) indicator at certain level.

During the reporting period the Group complied with all externally imposed capital requirements to which it was subjected to.

Other contingent liabilities and commitments

1) Starting from 9 July 2018 Mogo Finance S.A. and its subsidiaries entered into several pledge agreements with Greenmarck Restructuring Solutions GmbH, establishing pledge over shares of the subsidiaries, pledge over present and future loan receivables of the subsidiaries, pledge over trademarks of the subsidiaries, general business pledge over the subsidiaries, pledge over primary bank accounts if feasible, in order to secure Mogo Finance S.A. obligations towards bondholders deriving from Mogo Finance S.A. bonds. Subsequently additional pledgors were added who became material (subsidiaries with net portfolio of more than EUR 7 500 000) according to terms and conditions of the bonds.
Total amount of pledged assets as at 31 December 2019 was 131 153 097 EUR.

2) On November 13, 2018 the Group as Issuer and its subsidiaries as Guarantors signed a guarantee agreement dated 9 July 2018 as amended and restated on 13 November 2018 according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Mogo Finance S.A. bonds the due and punctual payment of principal of, and interest on, and any other amounts payable under the Mogo Finance S.A. bonds prospectus.

3) On 5 May 2015 Bonriki Holdings Limited entered into a mezzanine facility agreement with the Group, amended on 23 May 2016. In accordance with the Bonriki mezzanine facility agreement a facility in amount of EUR 12,000,000 was made available to the Group. The Bonriki mezzanine facility agreement provided for an interest rate of 12.5% and maturity date 31 August 2018. In addition, Bonriki was granted a warrant over the shares of the Group whereby Bonriki may acquire 2.5% shares of the Group by 21 June 2021. The amended and restated warrant agreement signed on 23 May 2016 stipulates that the warrant holder has the right to exercise warrant within three year period after full repayment of the Mezzanine loan and other accrued amounts. As the full repayment of Mezzanine loan and other accrued amounts was made on 13 July 2018, the warrant's exercise period ends on 13 July 2021. Upon the exercise of the warrant the warrant holder may also elect to have the warrant redeemed at fair market value of the shares of Group. According to the shareholders agreement signed by Bonriki as a Warrant holder, shareholders and Mogo Finance S.A., the warrant holder does have the option to sell to the shareholders or the Mogo Finance S.A. (selected at the entire discretion of the warrant holder) shares owned by the warrant holder, this option can only be exercised only within one year after the full repayment of the loan and other amounts accrued (i.e. 31 December 2020).

4) The Group has signed Covenant Agreements with P2P platform companies AS Mintos Marketplace and Mintos OU according to which in order to secure P2P platform's claims towards the subsidiaries if certain subsidiaries cooperating with P2P platform fail to perform their obligations. The claims are limited by amounts borrowed by each subsidiary.

5) On 29 September 2017 the subsidiary in Armenia - Mogo UCO LLC entered into a pledge agreement over deposit and right of claim with Ardshinbank CJSC, establishing a pledge over the funds in the bank accounts of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 29 September 2017.

45. Commitments and contingencies (continued)

6) On 2 November 2017 the subsidiary in Armenia Mogo UCO LLC entered into a pledge agreement over deposit and right of claim with Ardshinbank CJSC, establishing a pledge over the funds in the bank accounts of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 2 November 2017.

7) On 27 November 2018 the subsidiary in Armenia Mogo UCO LLC entered into an agreement on pledge of right of claim and funds with Ardshinbank CJSC, pledging Mogo UCO LLC right of claim and funds, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 27 November 2017.

8) On 26 February 2018 the subsidiary in Latvia mogo AS entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018. The principal amount of the loan agreement is EUR 1 000 000.

9) On 26 February 2018 the subsidiary in Georgia - Mogo LLC entered into an agreement on pledge of right of claim and funds with Ardshinbank CJSC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from the loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018.

10) According to the non-binding opinion of the Bank of Lithuania, released in third quarter of 2018 regarding the interest charged on a commission fee, the subsidiary in Lithuania - mogo LT UAB at the respective clients` request should compensate interest charged on its commission fee. Since in accordance with the recommendations of the Bank of Lithuania mogo LT UAB has made the necessary amendments and is not adding commission fee to the loan amount starting from the end of 2017, and has not received any requests by affected consumers. However, for the purpose of transparency, the grand total material adverse effect could be up to EUR 552 679.

11) On 11 December 2018 the subsidiary in Latvia - mogo AS issued a payment guarantee No.2018.12.05 for the benefit of third party with a maximum liability not exceeding EUR 200 000, where the liability of mogo AS is limited to the performance of other subsidiary's HUB1 AS obligations from the secured agreement with this party.

12) On 12 December 2018 the subsidiary in Latvia - mogo AS issued guarantee letters for the benefit of SWH Grupa AS to secure Mogo Group AS and Longo Group AS obligations from the secured office space lease agreements concluded on 12 December 2018. According to the guarantee letters mogo AS undertook to fulfil Mogo Group AS and Longo Group AS obligations towards SWH Grupa AS if they are overdue on liabilities under the agreements terms. The guarantees expire if the lease agreements are amended, renewed without prior written approval by mogo AS and is effective for the entire duration of the respective lease agreements. At the beginning of Y2020 both lease agreements were amended and mogo AS provided the new guarantee to secure only obligations of Mogo Group AS. The guarantee for Longo Group AS is deemed to be expired.

13) On 15 April 2019 Mogo Finance S,A. as the guarantor and the subsidiary in Armenia - Mogo UCO LLC entered into a surety agreement with Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 2 November 2017.

14) On 26 September 2019 the subsidiary in Armenia - Mogo UCO LLC entered into a pledge agreement over right of claim with Ardshinbank CJSC, establishing a pledge over certain receivables of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 2 November 2017.

15) On 5 December 2017 the subsidiary in Latvia - mogo AS entered into a commercial pledge agreement with Mintos OU, in order to secure mogo AS obligations towards Mintos OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017.

16) On 25 January 2019 the subsidiary in Latvia - Renti AS entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure Renti AS obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 49/2018-L, dated 25 January 2019.

17) On 31 July 2019 the subsidiary in Latvia - mogo AS entered into a commercial pledge agreement with Citadele banka AS, establishing a pledge over rights of claim arising from certain agreements concluded between mogo AS and its clients, to secure mogo AS, mogo OÜ and UAB mogo LT obligations towards Citadele banka AS deriving from the Credit line agreement dated 8 July 2019.

18) On 9 August 2019 the subsidiary in Estonia - mogo OÜ entered into a claims pledge agreement with Citadele banka AS, establishing a pledge over all present and future claims arising from certain agreements concluded between mogo OÜ and its clients, to secure mogo AS, mogo OÜ and UAB mogo LT obligations towards Citadele banka AS deriving from the Credit line agreement dated 8 July 2019.

19) On 9 September 2019 the subsidiary in Lithuania - UAB mogo LT entered into a contractual pledge agreement with Citadele banka AS, establishing a pledge over rights of claim arising from certain agreements concluded between UAB mogo LT and its clients, to secure mogo AS, mogo OÜ and UAB mogo LT obligations towards Citadele banka AS deriving from the Credit line agreement dated 8 July 2019.

20) On 23 December, 2019 the subsidiary in Albania – Mogo Albania SH.A. entered into a securing charge agreement with Mintos Finance SIA, in order to secure Mogo Albania SH.A. obligations towards Mintos Finance SIA deriving from Cooperation agreement on issuance of loans No.88/2019-L, dated as of 20 December 2019.

46. 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 and interest rate 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 minimize operational and legal risks.

Operational risks

The Group takes on exposure to certain operational risks, which result from general and specific market and industry requirements.

Compliance risk

Compliance risk refers to the risk of losses or business process disruption resulting from inadequate or failed internal processes systems, that have resulted in a breach of applicable law or other regulation currently in place.

Regulatory risks

Group's operations are subject to regulation by a variety of consumer protection, financial services and other state authorities in various jurisdictions, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing . Formal licences issued by respective regulators are required in all countries where the Group operates in, except for Lithuania, Georgia, Belarus, Moldova, Uzbekistan, Kazakhstan and Poland. The Group closely monitors all the changes in regulatory framework for each of the countries it operates in. The Group employs both in-house as well as outsourced legal specialists to assist in addressing any current or future regulatory developments that might have an impact on Group's business activities.
See further information on regulatory matters in Note 45.

Anti-money laundering and Know Your Customer laws compliance risk

The Group is subject to anti-money laundering laws and related compliance obligations in most of the jurisdictions in which it does business. The Group has put in place local anti-money laundering policies in those jurisdictions where it is required under local law to do so and in certain other jurisdictions. As a financial institution, the Group is required to comply with anti-money laundering regulations that are generally less restrictive than those that apply to banks.

As a result, the Group often relies on anti-money laundering and know your customer checks performed by our customers' banks when such customers open new bank accounts, however Group has implemented further internal policies to minimise these risks. Group has put in place internal control framework to identify and report all suspicious transactions with a combination of IT based solutions and human involvement. Internal policies of the Group typically include customers' background check against sanctioned lists and other public sources as required by each local law.

Privacy, data protection compliance risk

The Group's business is subject to a variety of laws and regulations internationally that involve user privacy, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The Group has put in place an internal control framework consisting from a combination of IT based solutions and business procedures that are designed to capture any potential non-compliance matter before it has occurred and to ensure compliance with these requirements.

Market risks

The Group takes on exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility or market rates or prices such as interest rates and foreign exchange rates.

46. Financial risk management (continued)

Market risks (continued)

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

Foreign currency 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 constantly looking for ways to fund local country operations with local currency funds.

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 Armenia, Georgia and Poland, 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 those currencies.

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2019:

Currency	Assets in EUR	Equity and liabilities in EUR	Net assets exposed to currency risk in EUR
AMD (Armenia)	21 704 837	- 3 651 518	18 053 319
GEL (Georgia)	18 131 954	- 10 500 625	7 631 330
PLN (Poland)	4 050 507	4 035 057	8 085 564
BAM (Bosnia&Herzegovina)	4 276 659	367 995	4 644 654
MDL (Moldova)	13 940 315	- 2 126 738	11 813 577
RON (Romania)	16 011 427	- 10 196 055	5 815 372
BYR (Belarus)	13 994 482	- 388 926	13 605 556
ALL (Albania)	5 123 001	- 1 663 153	3 459 848
KEL (Kenya)	8 288 679	- 5 393 179	2 895 500
MKD (North Macedonia)	3 294 418	- 968 524	2 325 894
BGN (Bulgaria)	11 433 907	- 3 655 294	7 778 614
UAH (Ukraine)	149 907	- 149 907	-
UGX (Uganda)	3 135 879	73 121	3 209 000
UZS (Uzbekistan)	4 275 465	99 535	4 375 000
KZT (Kazakhstan)	6 947 239	598 615	7 545 853
	134 758 677	- 33 519 596	101 239 081

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2018:

Currency	Assets in EUR	Equity and liabilities in EUR	Net assets exposed to currency risk in EUR
AMD (Armenia)	15 757 006	- 2 624 225	13 132 781
GEL (Georgia)	21 799 970	- 10 633 365	11 166 605
PLN (Poland)	5 824 778	4 195 143	10 019 921
MDL (Moldova)	6 485 325	- 948 144	5 537 181
RON (Romania)	8 858 767	- 6 297 212	2 561 555
BGN (Bulgaria)	9 811 960	- 5 772 474	4 039 486
BYR (Belarus)	2 264 436	75 564	2 340 000
ALL (Albania)	1 159 063	- 487 141	671 922
UAH (Ukraine)	190 533	77 267	267 800
UZS (Uzbekistan)	76 592	74 457	151 049
KZT (Kazakhstan)	110 293	34 207	144 500
	72 338 723	- 22 305 923	50 032 800

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 2019 and 31 December 2018 and a simplified scenario of a +/- 5% change in respective currency to EUR exchange rates (which is considered a reasonable historical approximation of average currency fluctuations) is as follows*:

Foreign currency rate risk exposure	31.12.2019.	31.12.2018.
AMD currency*	+/- 1 805 332	+/- 656 639
GEL currency*	+/- 763 133	+/- 558 330
PLN currency	+/- 404 278	+/- 500 996
BGN currency	+/- 388 931	+/- 201 974
BAM currency	+/- 232 233	-
MDL currency	+/- 590 679	+/- 276 859
RON currency	+/- 290 769	+/- 128 078
BYR currency*	+/- 1 360 556	+/- 117 000
ALL currency	+/- 172 992	+/- 33 596
KEL currency	+/- 144 775	-
MKD currency	+/- 116 295	-
UAH currency	-	+/- 13 390
UGX currency	+/- 160 450	-
UZS currency*	+/- 437 500	+/- 7 552
KZT currency*	+/- 754 585	+/- 7 225
TOTAL:	**+/- 7 622 508**	**+/- 2 501 639**

* - In beginning of 2020 the currency rates of several countries have experienced bigger fluctuations due to their dependence from international oil market performance which have experienced a significant reduction in prices in first quarter of 2020. For this reason a higher sensitivity rate of 10% has been used for currencies affected by these events.

46. Financial risk management (continued)

An analysis of sensitivity of the Group's net profit to changes in foreign currency exchange rates based on positions existing as at 31 December 2019 and 31 December 2018 and a simplified scenario of a +/- 5% change in respective currency to EUR exchange rates (which is considered a reasonable historical approximation of average currency fluctuations) is as follows:

Foreign currency rate risk exposure	31.12.2019.	31.12.2018.
RON currency	+/- 6 455	+/- 55 069
PLN currency	+/- 6 261	+/- 141 174
GEL currency	+/- 148 676	+/- 123 738
ALL currency	+/- 64 756	+/- 31 903
BYR currency	+/- 6 858	+/- 21 079
UAH currency	+/- 11 737	+/- 12 898
AMD currency	+/- 34 354	+/- 7 249
MDL currency	+/- 34 647	+/- 3 748
MKD currency	+/- 26 579	-
KEL currency	+/- 18 709	-
KZT currency	+/- 71 078	+/- 5 088
UGX currency	+/- 16 800	-
UZS currency	+/- 39 152	+/- 4 083
TOTAL:	**+/- 486 062**	**+/- 406 029**

The Group is not exposed to currency risk in Bulgaria and Bosnia since currency rates are fixed by respective national banks.

Interest rate risk
The Group is not exposed to interest rate risk because all of its assets and liabilities are interest bearing items with a fixed interest rate.

Financial risks

Capital risk management

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy.
The Group manages its capital to ensure that it will be able to continue as going concern. In order to maintain or adjust the capital structure, the Group may attract new credit facilities or increase its share capital. The Group fulfils externally imposed equity capital requirements as stated in Note 45.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio.
In order to maintain or adjust the overall capital structure, the Group may issue new bonds, borrow in P2P platform or sell assets to reduce debt.
The management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties, P2P investors and by issuing bonds. The Group monitors daily cash flows and plans for milestone dates for cash outflows to cover major liabilities like semi-annual interest payments for Eurobonds. The Group regulates its issuances of new loans to ensure the adequate funds are available when upcoming larger settlement of liabilities is approaching.

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 31.12.2019.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash in bank	8 656 530	8 656 530	-	-	-	**8 656 530**
Loans and advances to customers	63 934 676	-	43 809 649	69 335 984	3 940 456	**117 086 089**
Loans to related parties	22 073 496	-	4 944 338	19 491 261	-	**24 435 599**
Other loans and receivables	876 603	-	929 848	9 456	-	**939 304**
Finance lease receivables	116 151 466	-	90 164 587	145 473 894	7 823 558	**243 462 039**
Total undiscounted financial assets	211 692 771	8 656 530	139 848 422	234 310 595	11 764 014	**394 579 561**
Liabilities						
Borrowings	(222 249 845)	-	(42 693 618)	(202 867 770)	(23 891 095)	**(269 452 483)**
Other current liabilities	(6 537 604)	-	(6 537 604)	-	-	**(6 537 604)**
Total undiscounted financial liabilities	(228 787 449)	-	(49 231 222)	(202 867 770)	(23 891 095)	**(275 990 087)**
Net undiscounted financial assets / (liabilities)	(17 094 678)	8 656 530	90 617 200	31 442 825	(12 127 081)	**118 589 474**

46. Financial risk management (continued)

	Carrying value	Contractual cash flows				
		On demand	Up to 1 year	1-5 years	More than 5 years	Total
As at 31.12.2018.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash in bank	6 522 838	6 522 838	-	-	-	**6 522 838**
Loans and advances to customers (reclassified)	46 222 050	-	35 664 471	54 398 723	6 391 902	**96 455 095**
Loans to related parties	5 390 706	-	-	7 932 426	-	**7 932 426**
Other loans and receivables	4 666 488	-	253 422	-	-	**253 422**
Other short term receivables from related parties	42 367	-	42 367	-	-	**42 367**
Finance lease receivables (reclassified)	93 639 360	-	69 813 037	116 006 504	14 617 786	**200 437 328**
Total undiscounted financial assets	156 483 809	6 522 838	105 773 297	178 337 653	21 009 688	**311 643 476**
Liabilities						
Borrowings	(152 904 296)	-	(13 855 200)	(174 293 523)	(3 609 409)	**(191 758 132)**
Other current liabilities	(4 678 231)	-	(4 758 228)	-	-	**(4 758 228)**
Total undiscounted financial liabilities	(157 582 527)	-	(18 613 428)	(174 293 523)	(3 609 409)	**(196 516 360)**
Net undiscounted financial assets / (liabilities)	(1 098 718)	6 522 838	87 159 869	4 044 130	17 400 279	**115 127 116**

Credit risk

The Group is exposed to credit risk through its finance lease receivables, loans and advances to customers, loans to related parties, trade and other receivables as well as cash and cash equivalents. Maximum credit risk exposure is represented by the gross carrying value of the respective financial assets. The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles.

	31.12.2019.	31.12.2018. (reclassified)
Finance lease receivables	135 871 314	110 433 768
Loans and advances to customers	76 657 177	53 750 240
Loans to related parties	22 073 496	133 485
Trade and other receivables	5 163 029	7 092 919
Cash and cash equivalents	8 656 530	6 522 838
TOTAL:	**248 421 546**	**177 933 250**

The Group collateralizes the finance lease assets it finances and provides loans in amount of no more than 85% of the market values of the collateral.

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, but has risk to group of counterparties having similar characteristics.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group is maintaining a diversified portfolio. It's main product is subprime lease, however it is offering also near prime lease, as well as instalment loan and long-term rent products.

The concentration risk on Groups financial assets (based on net exposure) is the following:	31.12.2019.	31.12.2018.
Lithuania	28 715 516	37 582 909
Latvia	22 716 419	25 076 382
Luxembourg	26 316 941	7 988 617
Armenia	20 639 050	14 939 579
Estonia	17 049 142	19 126 727
Georgia	17 028 883	19 042 320
Romania	14 106 265	8 377 464
Moldova	13 513 902	6 206 978
Belarus	13 214 702	2 117 589
Bulgaria	10 888 692	9 417 275
Poland	3 828 180	5 470 844
Kazakhstan	4 832 639	12 677
Albania	4 618 548	963 659
Uzbekistan	3 596 077	36 181
Uganda	2 853 145	-
Kenya	2 717 721	-
North Macedonia	2 247 330	-
Bosnia&Herzegovina	2 682 284	-
Ukraine	124 336	83 126
Spain	3 000	3 000
Netherlands	-	9 153
Belgium	-	29 329
TOTAL:	**211 692 771**	**156 483 809**

47. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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).

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 on demand with the central banks, balances due from banks and other financial liabilities. Bonds fair value is observable in Frankfurt Stock Exchange 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 loans and receivables.

Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2019 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.

The annual discount rate was determined between 10.53% and 15.97% depending on the Group's component holding the respective financial asset. Impairment loss is estimated by applying PD and LGD rates, which are in line with ECL methodology described under 'The calculation of ECLs' (Note 2).

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	Fair value	Carrying value (reclassified)	Fair value
	31.12.2019.	31.12.2019.	31.12.2018.	31.12.2018.
Assets for which fair value is disclosed	**EUR**	**EUR**	**EUR**	**EUR**
Loans to related parties	22 073 496	21 848 308	5 390 706	5 028 099
Finance lease receivables*	116 151 466	158 558 456	93 639 360	-
Loans and advances to customers*	63 934 676	87 628 871	46 222 050	-
Other loans and receivables	908 253	908 253	4 666 488	4 666 488
Trade receivables	1 433 025	1 433 025	804 927	804 927
Other short term receivables from related parties	-	-	42 367	42 367
Other receivables	2 509 672	2 509 672	1 343 990	1 343 990
Cash and cash equivalents	8 656 530	8 656 530	6 522 838	6 522 838
Total assets for which fair value is disclosed	**215 667 118**	**281 543 116**	**158 632 726**	**18 408 709**
Liabilities for which fair value is disclosed				
Borrowings				
Loan from related parties	6 782 061	6 782 061	2 500 000	2 500 000
Mogo Finance S.A. bonds	93 733 897	95 465 550	67 675 386	69 516 300
Mogo AS bonds	27 087 203	26 788 000	23 311 163	23 455 000
Lease liabilities for right-of-use assets	7 945 543	7 945 543	2 444 432	2 444 432
Long term loan from banks	16 454 596	16 454 596	8 224 781	8 224 781
Financing received from P2P investors	69 869 246	69 869 246	48 343 964	48 343 964
Other borrowings	377 299	424 294	404 570	367 791
Trade payables	1 285 498	1 285 498	1 168 462	1 168 462
Other liabilities	2 361 747	2 361 747	223 994	223 994
Total liabilities for which fair value is disclosed	**225 897 090**	**227 376 534**	**154 296 752**	**156 244 724**
Liabilities measured at fair value				
Other financial liabilities	56 732	56 732	127 018	127 018
Total liabilities measured at fair value and liabilities for which fair value is disclosed	**225 953 822**	**227 433 266**	**154 423 770**	**156 371 742**

* - The magnitude of excess of the fair value over the carrying value of finance lease receivables and loans and advances to customers is consistent as at 31.12.2019 and as at 31.12.2018. The precise quantification of fair value of finance lease receivables as at 31.12.2018 has not been estimated as considered impracticable due to fair value estimation being a resource-intensive task and thus bearing high costs.

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

The table below specified analysis by fair value levels as at 31 December 2019 (based on their fair values):

	Level 1 31.12.2019.	Level 2 31.12.2019.	Level 3 31.12.2019.	Level 1 31.12.2018.	Level 2 31.12.2018.	Level 3 31.12.2018.
Assets for which fair value is disclosed	EUR	EUR	EUR	EUR	EUR	EUR
Loans to related parties	-	-	21 848 308	-	-	5 028 099
Finance lease receivables	-	-	158 558 456	-	-	-
Loans and advances to customers	-	-	87 628 871	-	-	-
Other loans and receivables	-	-	908 253	-	-	4 666 488
Trade receivables	-	-	1 433 025	-	-	804 927
Other short term receivables from related parties	-	-	-	-	-	42 367
Other receivables	-	-	2 509 672	-	-	1 343 990
Cash and cash equivalents	8 656 530	-	-	6 522 838	-	-
Total assets for which fair value is disclosed	**8 656 530**	**-**	**272 886 586**	**6 522 838**	**-**	**11 885 871**
Liabilities for which fair value is disclosed						
Borrowings						
Loan from related parties	-	-	6 782 061	-	-	2 500 000
Mogo Finance S.A. bonds	-	95 465 550	-	-	69 516 300	-
Mogo AS bonds	-	-	26 788 000	-	-	23 455 000
Lease liabilities for right-of-use assets	-	-	7 945 543	-	-	2 444 432
Long term loan from banks	-	-	16 454 596	-	-	8 224 781
Financing received from P2P investors	-	-	69 869 246	-	-	48 343 964
Other borrowings	-	-	424 294	-	-	367 791
Trade payables	-	-	1 285 498	-	-	1 168 462
Other liabilities	-	-	2 361 747	-	-	223 994
Total liabilities for which fair value is disclosed	**-**	**95 465 550**	**131 910 985**	**-**	**69 516 300**	**86 728 424**
Liabilities measured at fair value						
Other financial liabilities	-	-	56 732	-	-	127 018
Total liabilities measured at fair value and liabilities for which fair value is disclosed	**-**	**95 465 550**	**131 967 717**	**-**	**69 516 300**	**86 855 442**

Bonds issued by Mogo Finance S.A. have been classified as Level 2 fair value measurement given that there are observable market quotations in markets. The market for Mogo AS bonds is not assessed as an active market thus classified as Level 3. Fair value of the bonds has been determined based on observable quotes.
There have been no transfers between fair value hierarchy levels during 2019 and 2018.

48. Share-based payments

General Employee Share Option Plan

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. The share options vest within four years time with front loaded vesting of 25% of the granted shares after one year of employment. The maximum term of options granted is 4 years.

Senior Executive Share Option Plan

The Group, at its discretion, may grant share options of the Parent Company or a subsidiary to its senior executives. Vesting of the share options is dependent on the profitability of the Group or the respective subsidiary.

Fair value of the respective share options

The fair value of share options granted is estimated at the date of grant. Group's management has assessed that the fair value of the respective share options, due to reasons described in Note 3 is not material. Accordingly, no expense and liability arising from these equity-settled share-based payment transactions is recognized.

The exercise price of the share options under typical circumstances is equal to the nominal price of the underlying shares. The contractual maximum term of the share options are till 2025 for Senior Executive Plan and till 2023 for General Employee Share Option Plan. There are cash settlement alternatives. Given absence of an ongoing sale of subsidiaries or Mogo Finance S.A. or any listing process initiated and any other relevant cash settlement events, cash settlement is considered not to be probable. The Group does not have a past practice of cash settlement for these awards and the Group does not have a present obligation to settle in cash.

48. Share-based payments (continued)

The following table illustrates the number and weighted average exercise prices of Senior Executive Plan share options:

	2019		2018	
	Number	Weighted average exercise price, EUR	Number	Weighted average exercise price, EUR
Outstanding at 1 January	**4**	**0.70**	**5**	**0.49**
Granted during the year	-	-	-	-
Exercised during the year	(2)	0.01	-	-
Terminated during the year	(2)	1.06	(1)	0.01
Outstanding at 31 December	**-**	**-**	**4**	**0.70**
Exercisable at the end of the period	-	-	3	0.01

Two participants of this program exercised the share option plan in the current reporting period. One participant exited the share option plan due to leaving the Group. The Group has no obligations regarding this share option plan.

Two participants of this program exited the share option plan in the previous reporting period due to leaving the Group. The Group has no obligations against them regarding this share option plan.

The following table illustrates the number and weighted average exercise prices of the General Employee share option plan:

	2019		2018	
	Number	Weighted average exercise price, EUR	Number	Weighted average exercise price, EUR
Outstanding at 1 January	**47**	**0.1**	**-**	**-**
Granted during the year	34	0.1	47	0.1
Terminated due to failed vesting conditions	-18	-	-	-
Outstanding at 31 December	**63**	**0.1**	**47**	**0.1**
Exercisable at the end of the period	-	-	-	-

There have been no forfeited, exercised or expired share options during the year.

The exercise price for options outstanding at the end of the year was 0.1 EUR (2018: 0.1 EUR). The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 is 3 years (2018: 4).

The main purpose of both share option plans is to attract and retain highly experienced employees for extensive period of time and build strong management team.

49. Segment information

For management purposes, the Group is organized into business units based on their geographical locations and on internal management structure, which is the basis for reporting system. These consolidated financial statements provide information, including comparative information of previous period, on the following five operating segments:

- HUB 1. This is the major segment of the Group representing entities performing financing activities in Baltic countries, Georgia and Armenia.
- HUB 2. This is the major segment of the Group representing entities performing financing activities in Bulgaria, Bosnia and Herzegovina, North Macedonia and Albania.
- HUB 3. This is the major segment of the Group representing entities performing financing activities in Romania, Moldova, Ukraine and Belarus.
- HUB 4. This is the major segment of the Group representing entities performing financing activities in Kazakhstan and Uzbekistan.
- HUB 5. This is the major segment of the Group representing entities performing financing activities in Kenya and Uganda.
- Entities performing sales of motor vehicles. This is the major segment of the Group representing entities performing sales activities of motor vehicles in Baltics, Armenia and Georgia.
- Other segments. This segment comprises Group's business lines with aggregate unconsolidated revenue below 10% of the total unconsolidated revenue of all operating segments.
- Other. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments hence these are presented in "Other".

Management monitors mainly the following indicators of operating segments for the purpose of making decisions about resource allocation and performance assessment: net revenue, profit before tax, gross portfolio and impairment. Other segment is not monitored on segment level but on comprising subsidiaries level.

49. Segment information (continued)

The Group`s Chief operating decision maker is Group`s CEO.
Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2018 or 2019.
Segment information below shows main income and expense items of profit and loss statement. Other smaller income and expense items are summarized and shown under 'Other income/(expense)' column.

Segment information for the period ended on 31 December 2019 is presented below:

Operating segment	Interest income	Interest expenses	Impairment expense*	Other operating income	Other operating expense	Corporate income tax	Segment profit/(loss) for the period	Total assets	Total liabilities
HUB 1	47 124 898	(12 954 370)	(11 398 576)	17 103 344	(22 730 241)	(1 093 209)	16 051 846	171 053 182	125 784 648
HUB 2	6 187 535	(1 802 481)	(2 494 241)	1 977 929	(6 502 836)	327 797	(2 306 297)	29 348 023	22 381 094
HUB 3	14 477 607	(4 139 502)	(2 483 167)	1 785 856	(8 600 448)	(176 450)	863 896	56 741 355	48 635 900
HUB 4	1 994 940	(797 353)	(1 060 261)	2 137 450	(4 635 543)	325 646	(2 035 121)	13 055 874	15 151 811
HUB 5	1 142 180	(356 473)	(344 708)	3 813 644	(2 643 252)	279 472	1 890 863	10 950 037	8 973 721
Entities performing sales of motor vehicles	4	(698 223)	8 630	26 792 468	(28 406 674)	136 009	(2 167 786)	-	-
Other segments	9 861	(11 877)	-	945 997	(994 165)	(300)	(50 484)	2 044 641	1 981 393
Total segments	70 937 025	(20 760 279)	(17 772 323)	54 556 688	(74 513 159)	(201 035)	12 246 917	283 193 112	222 908 567
Other	909 995	(11 196 550)	-	10 198 420	(815 345)	(4 815)	(908 295)	93 222 939	126 435 474
Total	**71 847 020**	**(31 956 829)**	**(17 772 323)**	**64 755 108**	**(75 328 504)**	**(205 850)**	**11 338 622**	**376 416 051**	**349 344 041**
Adjustments and eliminations	586 652	10 049 089	751 311	(53 574 971)	36 269 335	(136 009)	(6 054 593)	(122 778 552)	(118 012 293)
Consolidated	**72 433 672**	**(21 907 740)**	**(17 021 012)**	**11 180 137**	**(39 059 169)**	**(341 859)**	**5 284 029**	**253 637 499**	**231 331 748**

* - includes net gain/(loss) from de-recognition of financial assets measured at amortized cost

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Revenue	2019 EUR
External customers (interest income and other income)	17 948 706
Inter-segment (interest income and other income)	52 988 319
TOTAL:	**70 937 025**

49. Segment information (continued)

Reconciliation of profit	31.12.2019. EUR
Segment profit	12 246 917
Profit from other	*(908 295)*
Elimination of inter-segment revenue	*(16 854 993)*
Elimination of intragroup interest income	(7 014 017)
Elimination of intragroup income from dividends	(3 200 920)
Elimination of intragroup other income/(expenses)	(7 226 708)
Elimination of intragroup income from dealership commissions	586 652
Elimination of inter-segment expenses	*10 800 400*
Elimination of intragroup interest expenses	10 049 089
Elimination of impairment expenses	751 311
Consolidated profit for the period	5 284 029

Reconciliation of assets	
Segment operating assets	283 193 112
Loans to subsidiaries	70 644 249
Loans to non related parties	4 555 439
Other short term receivables	18 023 251
Elimination of intragroup loans	(121 465 829)
Elimination of other intragroup receivables	(1 312 723)
Total assets	253 637 499

Reconciliation of liabilities	
Segment operating liabilities	222 908 567
Borrowings	97 540 397
Other liabilities	28 895 077
Elimination of intragroup borrowings	(119 514 449)
Elimination of other intragroup accounts payable	1 502 156
Total liabilities	231 331 748

Reconciliation of other operating income for 2019:

							Timing of revenue recognition		
Operating segment	Revenue from car sales	Revenue from leases	Management services	Income from providing services to external customers	Other operating income	**Total other operating income**	Services provided at a point in time	Services provided over time	**TOTAL**
HUB 1	1 800 206	3 992 485	2 715 953	5 077 313	3 517 387	**17 103 344**	14 387 391	2 715 953	**17 103 344**
HUB 2	-	-	1 673 331	227 123	77 475	**1 977 929**	753 223	1 224 706	**1 977 929**
HUB 3	-	-	1 570 343	136 406	79 107	**1 785 856**	215 513	1 570 343	**1 785 856**
HUB 4	-	-	1 803 302	246 411	87 737	**2 137 450**	478 708	1 658 742	**2 137 450**
HUB 5	-	-	-	3 627	3 810 017	**3 813 644**	3 813 644	-	**3 813 644**
Entities performing sales of motor vehicles	23 914 121	-	976 256	256 182	1 645 909	**26 792 468**	25 816 212	976 256	**26 792 468**
Other segments	-	-	925 257	-	20 740	**945 997**	67 643	878 354	**945 997**
Other	-	-	-	-	10 198 420	**10 198 420**	10 198 420	-	**10 198 420**
TOTAL	25 714 327	3 992 485	9 664 442	5 947 062	19 436 792	**64 755 108**	55 730 754	9 024 354	**64 755 108**

49. Segment information (continued)

Segment information for the period ended on 31 December 2018 is presented below:

	Interest income	Interest expenses	Impairment expense*	Other operating income	Other operating expense	Corporate income tax	Segment profit for the period	Total assets	Total liabilities
HUB 1	44 881 793	(14 470 146)	(13 249 615)	11 743 013	(15 298 422)	(1 308 649)	12 297 974	141 737 029	109 718 154
HUB 2	2 623 787	(877 396)	(1 309 266)	695 111	(3 081 193)	183 111	(1 765 846)	12 886 893	11 518 520
HUB 3	6 925 931	(2 527 982)	(3 878 428)	813 678	(5 949 925)	78 291	(4 538 435)	24 823 718	25 459 925
Entities performing sales of motor vehicles**	439	(135 081)	(9 153)	6 120 768	(6 940 979)	5 839	(958 167)	7 040 185	7 734 203
Other segments	250	(30 939)	-	1 083 930	(1 183 528)	(5 596)	(135 883)	2 476 397	2 107 795
Total segments	54 432 200	(18 041 544)	(18 446 462)	20 456 500	(32 454 047)	(1 047 004)	4 899 643	188 964 222	156 538 597
Other	335 495	(4 011 214)	-	8 597 658	(448 381)	(3 210)	4 470 348	56 962 528	75 550 271
Total	**54 767 695**	**(22 052 758)**	**(18 446 462)**	**29 054 158**	**(32 902 428)**	**(1 050 214)**	**9 369 991**	**245 926 750**	**232 088 868**
Adjustments and eliminations	(390 605)	7 898 385	186 796	(20 813 905)	9 217 745	(6 552)	(3 908 133)	(71 622 693)	(73 076 057)
Consolidated	**54 377 090**	**(14 154 373)**	**(18 259 666)**	**8 240 253**	**(23 684 683)**	**(1 056 766)**	**5 461 858**	**174 304 057**	**159 012 811**

* - includes net gain/(loss) from de-recognition of financial assets measured at amortized cost
** - segment has been discontinued at the end of the reporting year. See Note 20 for further information.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Revenue	2018 EUR
External customers (interest income and other income)	33 227 690
Inter-segment (interest income and other income)	21 204 510
TOTAL:	**54 432 200**

Reconciliation of profit	31.12.2018. EUR
Segment profit	4 899 643
Profit from other	*4 470 348*
Elimination of inter-segment revenue	*(11 993 314)*
Elimination of intragroup interest income	(7 002 413)
Elimination of intragroup income from dividends	(4 413 500)
Elimination of intragroup interest income	(186 796)
Elimination of intragroup income from dealership commissions	(390 605)
Elimination of inter-segment expenses	*8 085 181*
Elimination of intragroup interest expenses	7 898 385
Elimination of intragroup other income/(expenses)	186 796
Consolidated profit for the period	5 461 858

Reconciliation of assets	
Segment operating assets	188 964 222
Loans to subsidiaries	48 316 950
Loans to non related parties	4 375 563
Other short term receivables	4 270 015
Elimination of intragroup loans	(69 570 480)
Elimination of other intragroup receivables	(2 052 213)
Total assets	174 304 057

Reconciliation of liabilities	
Segment operating liabilities	156 538 597
Borrowings	74 854 780
Other liabilities	695 491
Elimination of intragroup borrowings	(69 570 480)
Elimination of other intragroup accounts payable	(3 505 577)
Total liabilities	159 012 811

49. Segment information (continued)

Reconciliation of other operating income for 2018:

Operating segment	Revenue from car sales	Revenue from leases	Management services	Income from providing services to external customers	Other operating income	**Total other operating income**	Services provided at a point in time	Services provided over time	**TOTAL**
HUB 1	2 033 306	42 754	794 830	707 072	8 165 051	**11 743 013**	10 948 183	794 830	**11 743 013**
HUB 2	-	-	522 700	16 206	156 205	**695 111**	400 726	294 385	**695 111**
HUB 3	-	-	597 776	35 851	180 051	**813 678**	215 902	597 776	**813 678**
Entities performing sales of motor vehicles	5 339 599	-	399 062	153 936	228 171	**6 120 768**	5 721 706	399 062	**6 120 768**
Other segments	-	-	1 061 586	-	22 344	**1 083 930**	155 574	928 356	**1 083 930**
Other	-	-	-	-	8 597 658	**8 597 658**	8 597 658	-	**8 597 658**
TOTAL	7 372 905	42 754	3 375 954		17 349 480	**29 054 158**	26 039 749	3 014 409	**29 054 158**

50. Events after balance sheet date

Since the last day of the reporting year several significant events took place:

1) The Group has issued additional loans to related parties - Mogo entity in Balkans - which is in the process to be incorporated within Mogo Group in amount of EUR 300 000.
2) The Group has attracted funding by selling it's own issued bonds in amount of EUR 3 348 000.
3) The Group has acquired 2% of minority interest in its subsidiary in Georgia. The Group now owns 100% shares in that subsidiary.
4) The Group has attracted funding of EUR 5 070 000 as subordinated borrowings.
5) The Group has started to attract funding through P2P platform also for its subsidiary in Kazakhstan.
6) The Group attracted additional funding through P2P platform in amount of EUR 6 600 000 by 30 April 2020.

Subsequent events and their impact on the Company's ability to continue as a going concern

On 11 March 2020 the World Health Organization declared the coronavirus (Covid-19) outbreak a pandemic, due to which many countries, including those the Group operates in, declared the state of emergency. Under these circumstances, governments of the Group's operating countries have enforced various measures, which include mainly imposed social or physical distancing restrictions and curfews. Responding to the serious threat that the COVID–19 presents to public health, all governments of countries in which the Group operates have taken similar measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries. In particular, airlines, sea carriers and railways suspended international transport of people. Schools, universities, restaurants, cinemas, theatres, museums and sport facilities were closed or restricted their activities. Many businesses have also instructed employees to remain at home and some have curtailed or temporarily suspended their business operations. Details about the impacts on the Group and the management's plans have been provided in note 2 and 3 respectively.

When preparing these consolidated financial statements, Management has considered that the COVID-19 outbreak and its related impacts are non-adjusting events.

It is the responsibility of the directors to make estimates about recoverability of goodwill, right of use assets, rental fleet, property, plant and equipment, finance lease receivables, loans and advances to customers, loans to related parties, trade receivables, other receivables and deferred tax asset and the appropriateness of the related disclosures and of the going concern basis of preparation of the consolidated financial statements.

The valuation of the goodwill, right of use assets, rental fleet, property, plant and equipment, finance lease receivables, loans and advances to customers, loans to related parties, trade receivables, other receivables and deferred tax asset as at 31 December 2019 as disclosed in the consolidated financial statements reflects the economic conditions in existence at that date.

As of the reporting date until the date of signing these consolidated financial statements, there have been no other events requiring adjustment of or disclosure in the consolidated financial statements.

Signed on behalf of the Group on 5 June 2020 by:

Māris Kreics
Type A director

Delphine Glessinger
Type B director

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To the Shareholders of
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the 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 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises Agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Going Concern Assessment

a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019

The Group's financial statements are prepared on a going concern basis.

The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic, following which government measures and restrictions to counter the effects of the outbreak were imposed in the Group's markets, affecting its business in the affected jurisdictions. These measures and restrictions include border closure, quarantine, severe limitations imposed on cross-border and domestic transportation and ban on social, cultural, leisure or sport events. As a consequence, the Group was forced to temporarily close offline sales channels and transfer to mostly remote working regime. Due to these conditions during March and April 2020, the Group experienced a significant decrease in revenues and profitability.

The Group's going concern assessment is based on cash flow forecasts, which, in the Board of Directors' view, support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporates a number of assumptions and significant judgment under a number of scenarios, including those considered by the Board of Directors to be severe but plausible, such as an extended closure of offline channels and a substantial reduction in new loan issuance. As part of the assessment, the Group also considers a number of actions aimed at alleviating the potential disruption to its business and liquidity position, such as increased debt collection control, cost cutting initiatives and available tax payment deferrals.

The Board of Directors concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 3 further explains how this judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of approval of the consolidated financial statements for issue, its effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Board of Directors' plans for future actions and their financial impact.

b) How the matter was addressed in our audit

Our procedures over the going concern assumption included but were not limited to:

— Understanding through inquiries and inspection the Group's business planning process, including the process to assess the Group's ability to continue as a going concern, and the preparation and validation of cash flow forecasts used in the assessment;

— inspecting the Board of Directors' going concern assessment, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure, we also made corroborating inquiries of the Group's CEO and CFO;

— evaluating the reasonableness and feasibility of the management's plans for future actions in order to alleviate the effects of the outbreak by reference to the procedures as follows :

  - challenging the key assumptions used in the determination of the forecasted financial information under various scenarios. This primarily included challenging the assumed lockdown and sales channel closure periods, forecast amounts of new loans attracted, borrower payment discipline trends, capital expenditure and cost optimization volumes, based on our understanding of the Group's activities and by reference to publicly available industry/market reports;

  - performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in management's assessment;

  - Assessing the availability of financing facilities and arrangements, by inspecting underlying documentation, such as agreements signed before the reporting period end, and assessing the impact of any covenants and other restrictive terms therein;

— considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment;

— evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements.

Impairment allowance for finance lease receivables, loans and advances to customers

a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019

The gross amount of finance lease receivables as at 31 December 2019: EUR 135 871 thousand; impairment allowances on lease receivables recognised in 2019: EUR 4 172 thousand; total impairment allowance as at 31 December 2019: EUR 18 463 thousand.

The gross amount of loans and advances to customers as at 31 December 2019: EUR 76 657 thousand; impairment allowances on loans and advances to customers recognised in 2019: EUR 4 964 thousand; total impairment allowance as at 31 December2019: EUR 11 419 thousand.

We refer to the financial statements: Note 2 and Note 3 (accounting policy), Note 24 and Note 25 (financial disclosures).

Finance lease receivables, and loans and advances to customers, collectively ("exposures"), represent approximately 72% of the Group's total assets as at 31 December 2019. Related impairment allowances represent the Board of Directors' best estimate of the expected credit losses associated with those exposures at the reporting date.

The Group estimates impairment allowances under the expected credit losses (ECLs) model of IFRS 9, considering multiple scenarios. During this process, the exposures are assigned into one of three stages. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 exposures being those where a significant increase in credit risk since origination ("SICR") has been observed. Stage 3 loans are non-performing exposures. The ECLs for all are determined collectively, by applying modelling techniques, based on the historical pattern of losses and changes in the exposures' risk characteristics, adjusted by relevant forward-looking information. Key parameters within the model include those in respect of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

Determination of key parameters and timely identification of exposures with significant increase in credit risk and those credit impaired also requires significant management judgment. This is because the Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

b) How the matter was addressed in our audit

Our procedures over impairment allowance for finance lease receivables, loans and advances to customers included but were not limited to:

— inspecting the Group's ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;

— testing selected key controls over the approval and recording of finance lease receivables and loans, and also those over the management review and approval of the key ECL model inputs and outcomes;

— testing the application and general IT controls related to the ECL estimation process, data flows between source systems and calculation of days past due with the assistance of our own information technology (IT) specialists;

— independently assessing the forward-looking information used in the ECL model, by means of corroborating inquiries of the Board of Directors and inspection of publicly available information with the assistance of our own financial risk management specialists;

— assessing the LGD, PD and EAD parameters in the model, by inspecting the Group's experience studies, evaluating any changes thereto in 2019 and making related inquiries of the Board of Directors and relevant credit risk personnel;

— assessing the appropriateness of the Group's staging of exposures, including identification of exposures with SICR. As part of the procedure, we tested the appropriateness of the impairment rates applied in the model for exposures in a given stage;

— assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage;

— assessing the adequacy of the Group's disclosures on the loss allowances and credit risk management in the notes to the consolidated financial statements.

Interest income recognition

a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019

Interest income from finance lease receivables in 2019: EUR 49 387 thousand; Interest income from loans and advances to customers in 2019: EUR 21 151 thousand;

We refer to the financial statements: Note 2 (accounting policy), Note 4 (financial disclosures).

Interest income represented 83% of the total revenue and other income of the Group for the year ended 31 December 2019.

The calculation of interest income relies on the application of complex information technology systems, which process substantial amounts of data requiring frequent updates.

In addition, interest income to be recognized is determined using the effective interest rate ("EIR") method. In making the determination, the Group applies a model whereby manual adjustments are made to the interest amounts calculated in an automated manner based on contractual interest rate, to reflect incremental costs incurred in securing the underlying lease and loan contracts in the measurement of the EIR and resulting interest income recognized in profit or loss.

The above complexities increase the risk of a material error in the recognition of interest income and, because interest income represents one of the Group's key performance indicators, there is an inherent risk that the timing of recognition and the amounts recognized could be manipulated to meet specific targets or expectations.

In the wake of the above factors, we considered interest income recognition to be associated with a significant risk of material misstatement due to both error and fraud. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

b) How the matter was addressed in our audit

Our procedures over interest income recognition included but were not limited to:

— obtaining understanding of and evaluating the Group's interest income recognition policies against the requirements of the relevant financial reporting standards;

— testing the design and implementation of selected key controls within the interest recognition process, including those over application of appropriate contractual interest rates and other contractual terms in interest revenue recognition process and review and approval of manual accounting entries to measure EIR;

— testing IT general controls and selected key process level controls for the systems supporting the automated element of the interest income calculation, using contractual (nominal) interest rates with the assistance of our own information technology (IT) specialists;

— in respect of the internal reports and computations for manual adjustments to recognized interest income, testing the mathematical and logical accuracy of the reports and computations and, on a sample basis, tracing selected data inputs used in the reports, as follows:

  - commissions – by reference to supporting counterparty invoices;
  - interest rate implicit in the lease, principal outstanding at the year end and remaining lease term - by reference to the terms of the underlying finance lease and loan agreements;

— examining whether the interest income-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 21 May 2019.

Other information

The Board of directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report, the Corporate Governance Statement, the Corporate Social Responsibility report and the message from the CEO but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises Agréé" 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.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

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

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

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern·

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 21 November 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letter c) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Luxembourg, 5 June 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Jahke