Bondora AS

Group annual report 2016

GROUP ANNUAL REPORT

Beginning of financial year	1 January 2016
End of financial year	31 December 2016
Business name	Bondora AS
Registry number	11483929
Address	A. H. Tammsaare tee 47, 11316 Tallinn, Estonia
Telephone	+372 591 10955
E-mail	support@bondora.com
Website	www.bondora.com
Core business	Other activities auxiliary to financial services
Independent auditor	KPMG Baltics OÜ

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MANAGEMENT REPORT

In the period under review, Bondora (hereinafter also "the Group") sustained rapid growth and increased revenue by 69%. Active marketing, product development, the launch of a separate investor product, and an increase in the recognition of the Bondora brand in the target markets allowed us to achieve substantial growth in loans issued.

Sales grew the most in Estonia where annual revenue improved by 89% to 2.3 million euros. Sales in foreign markets totalled 1.8 million euros, a 49% improvement year on year. The figure includes 48% revenue growth in Finland and 56% revenue growth in Spain. Foreign revenues accounted for 44% of our total revenue. Sales growth was underpinned by business growth as well as the restructuring of service charges and the launch of additional services.

Loans issued grew by 19.5% to 28.5 million euros for the year.

In March 2016, the Estonian Financial Supervision Authority issued Bondora a credit provider's licence.

During the year, the Group's structure and operating principles changed. The two subsidiaries which were established in the previous financial year, Bondora Capital OÜ and Bondora Servicer OÜ, expanded their operations and several activities previously conducted by the parent were transferred to the subsidiaries. Bondora Capital OÜ is part of the Group's loan issuance structure, which acquires the receivables originated by Bondora AS. Where possible, the receivables are sold to third parties. During the period, all of the Group's investor-related activities such as marketing, product development and support functions were transferred to Bondora Capital. Bondora Servicer OÜ is engaged in debt handling and thanks to its active operations, the effectiveness of debt handling and the recovery of the past due amounts of loans funded by investors improved considerably. In addition, Bondora began to invest in loans issued, acquiring a part of each loan and thereby taking credit risk.

In 2016, also the merger of the subsidiary Social Developments OÜ with the parent was finalised.

Due to rapid growth in personnel and marketing expenses, the Group ended the year with a loss of 1.4 million euros.

Investments in property, plant and equipment and intangible assets totalled 240 thousand euros and the number of staff, converted to a full-time equivalent, declined from 47 to 40.

The Group's key financial indicators are as follows:

EUR	2015	2016	Change
Revenue	2,464,849	4,176,903,	69%
Loss for the year	-1,852,783	-1,443,847	-22%
Equity	2,644,641	1,203,268	-55%
Return on average equity (ROAE)	-118%	-75%	
Assets	3,112,857	2,116,631	-32%
Return on average assets (ROAA)	-88%	-55%	

During the period, we focused on enhancing the service and improving the efficiency of our development activities. The industry is continuously seeking opportunities for finding a more specific focus. Accordingly, Bondora's management board intends to further enhance the service concept and offer both investors and borrowers additional options for using the product.

In 2017, we intend to sustain business growth in our existing markets and analyse opportunities for expanding to new markets. We are also planning to further improve our investor services and launch new investment products. As regards the loan product, we will focus on enhancing credit analysis and improving the quality of our loan portfolio. Besides ensuring rapid growth, we have made significant efforts to improve our operating efficiency and thus expect to end the year 2017 with a profit.

Pärtel Tomberg,

Member of the Management Board

Rein Ojavere

Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In euros)

As at 31 December	2016	2015	Note
Assets			
Current assets			
Cash and cash equivalents	1,089,645	2,251,869	2
Prepayments	136,587	80,081	
Trade and other receivables	427,407	190,991	3
Total current assets	**1,653,639**	**2,522,941**	
Non-current assets			
Long-term receivables	28,858	0	
Property, plant and equipment	33,604	37,853	6
Intangible assets	400,530	555,169	7
Total non-current assets	**462,992**	**593,022**	
Total assets	**2,116,631**	**3,115,963**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and deferred income	913,363	471,322	8
Total current liabilities	**913,363**	**471,322**	
Total liabilities	**913,363**	**471,322**	
Equity			
Equity attributable to owners of the parent			
Share capital at par value	50,001	39,821	9
Own shares	-2,103	-1,691	
Share premium	4,461,504	4,459,293	
Accumulated losses	-1,862,287	0	
Loss for the year	-1,443,847	-1,852,783	
Total equity attributable to owners of the parent	**1,203,268**	**2,644,641**	
Total equity	**1,203,268**	**2,644,641**	
Total liabilities and equity	**2,116,631**	**3,115,963**	

The notes on pages 10-34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In euros)

	2016	2015	Note
Revenue	4,176,903	2,464,849	10
Other income	1,456	3,947	
Services purchased for sale	-1,042,340	-767,254	11
Other operating expenses	-2,343,997	-1,549,968	12
Personnel expenses	-1,862,355	-1,663,163	14
Depreciation, amortisation and impairment losses	-373,319	-326,828	6, 7
Other expenses	-2,610	-10,943	
Operating loss	**-1,446,262**	**-1,849,360**	
Interest income	3,257	0	
Interest expense	-790	-3,420	
Other finance income and costs	-52	-3	
Loss before income tax	**-1,443,847**	**-1,852,783**	
Loss for the year	**-1,443,847**	**-1,852,783**	
Loss attributable to owners of the parent	-1,443,847	-1,852,783	
Total comprehensive expense for the year	**-1,443,847**	**-1,852,783**	

The notes on pages 10-34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In euros)

	2016	2015	Note
Cash flows from operating activities			
Operating loss	**-1,446,262**	**-1,849,360**	
Adjustments for:	-9,504		
Depreciation, amortisation and impairment losses	373,319	326,828	6, 7
Total adjustments	**363,815,**	**326,828**	
Change in receivables and prepayments	-292,923	-188,677	
Change in payables and deferred income	442,041	62,185	
Interest paid	0	-1,732	
Net cash used in operating activities	**-933,329**	**-1,650,756**	
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment and intangible assets	-243,289	-416,316	6, 7
Interest received	3,257	35	
Net cash used in investing activities	**-240,032**	**-416,281**	
Cash flows from financing activities			
Repayment of loans received	0	-200,000	15
Interest paid	-841	-1,726	
Proceeds from issue of shares	10,180	4,002,381	9
Proceeds from sale of own shares	2,230	0	
Paid on repurchase of own shares	-432	-629	9
Net cash from financing activities	**11,137**	**3,800,026**	
Net cash flow	**-1,162,224**	**1,732,989**	
Cash and cash equivalents at beginning of period	2,251,869	518,881	2
Decrease/increase in cash and cash equivalents	**-1,162,224**	**1,732,989**	
Cash and cash equivalents at end of period	1,089,645	2,251,869	2

The notes on pages 10-34 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

(In euros)

	Share capital at par value	Unregistered share capital	Share premium	Own shares	Accumulated losses	Total equity
As at 31 December 2014	**34,710**	**1,182**	**1,662,643**	**-1,062**	**-1,201,802**	**495,671**
Loss for the year	0	0	0	0	-1,852,783	-1,852,783
Issue of share capital	5,111	-1,182	3,998,454	0	0	4,002,383
Covering of loss with share premium	0	0	-1,201,802	0	1,201,802	0
Other changes in equity	0	0	0	-629	0	-629
As at 31 December 2015	**39,821**	**0**	**4,459,293**	**-1,691**	**-1,852,783**	**2,644,641**
Loss for the year	0	0	0	0	-1,443,847	-1,443,847
Issue of share capital	10,180	0	2,211	0	0	12,391
Other changes in equity	0	0	0	-412	-9,504	-9,916
As at 31 December 2016	**50,001**	**0**	**4,461,504**	**-2,103**	**-3,306,134**	**1,203,268**

On 28 November 2015, shareholders decided to increase share capital by 10,180 euros. The subscription period lasted until 15 January 2016.

The increase in share capital was registered in the Commercial Register on 17 January 2016. After the increase, the company's share capital amounts to 50,001 euros. Share capital was increased by making monetary contributions.

In 2016, Bondora AS sold 199 own shares (at the par value of 0.10 euros per share) and repurchased 4,323 own shares (at the par value of 0.10 euros per share).

The change in equity of -9,504 euros represents the costs incurred on the merger of the subsidiary Social Developments OÜ with the parent.

Further information on share capital is provided in note 9.

The notes on pages 10-34 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

General information

Bondora AS (hereinafter "the Group") is a company incorporated and domiciled in the Republic of Estonia (registry number 11483929, address: A. H. Tammsaare tee 47, 11316 Tallinn), which is involved in the provision of consumer credit by issuing consumer loans in countries of the euro area. The Estonian Financial Supervision Authority has granted Bondora AS a licence for operating as a credit provider in Estonia. Where possible, the Group sells the receivables related to loans issued to investors.

These consolidated financial statements have been prepared and submitted for approval in conformity with the requirements and to meet the obligations set forth in the Estonian Accounting Act and the Estonian Commercial Code.

The management board authorised these consolidated financial statements for the year ended 31 December 2016 for issue on 28 June 2017. Under the Estonian Commercial Code, the annual report, which has been prepared by the management board and approved by the supervisory board must also be approved by the annual general meeting of the shareholders. These financial statements are part of the annual report which needs to be approved by the general meeting and a basis for adopting a resolution on the allocation of profit. Shareholders may decide not to approve the annual report which has been prepared by the management board and approved by the supervisory board and may demand that a new annual report be prepared.

Note 1. Significant accounting policies and measurement bases applied

These consolidated financial statements are presented in euros, which is the company's functional and presentation currency. All figures in the report have been rounded to the nearest full euro.

These consolidated financial statements for 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU).

The financial statements have been prepared using the historical cost basis and the accrual basis of accounting.

Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. These consolidated financial statements comprise the financial statements of Bondora AS and its subsidiaries Social Developments OÜ (merged with the parent on the basis of a merger agreement on 10 August 2016), Bondora Capital OÜ and Bondora Servicer OÜ and the Finnish branch Bondora AS Suomen sivuliikke. The financial statements of the subsidiaries are prepared for the same period as the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

From the date of acquisition, a subsidiary is recognised in the statement of financial position of the parent and fully consolidated in preparing consolidated financial statements. The date of acquisition is the date on which the Group obtains control of the subsidiary. A subsidiary is consolidated until the date the Group loses control of it.

Consolidation

The financial statements of the parent and all the subsidiaries under its control are consolidated line by line. All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

In accordance with the Estonian Accounting Act, the notes to consolidated financial statements must include the separate primary financial statements of the parent (the consolidating entity). The separate financial statements have been prepared using the same accounting policies and measurement bases that were used on the preparation of the consolidated financial statements, except for investments in subsidiaries which in the separate primary financial statements of the parent are measured at cost.

Management's estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Areas where management's estimates and judgements had the most significant effect on the amounts recognised in the financial statements and the financial performance include the valuation of receivables and the capitalisation of development expenditures which are described in these accounting policies and the estimation of the useful lives of items of property, plant and equipment and intangible assets. For further information see note 3 and notes 6 and 7.

Financial assets

Financial assets comprise investments in equity and debt instruments, trade and other receivables, and cash and cash equivalents. The Group has classified its financial assets to the category of loans and receivables. On initial recognition, trade and other receivables are measured at their fair value. After initial recognition, receivables are measured at their amortised cost. The loans issued to customers are not carried in the Group's balance sheet because the receivables are resold to investors and they are thus not recognised as financial assets. Similarly, the funds raised from investors for the acquisition of receivables (issuance of loans) are not recognised as deposits from customers.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and term deposits with a maturity of up to three months. In the statement of financial position, cash and cash equivalents are measured at fair value by applying the official exchange rates of the European Central Bank as at the reporting date. Gains and losses on changes in fair value are recognised in profit or loss within *Other finance income and costs*.

Foreign currency transactions

A transaction in a foreign currency is recorded by applying to the foreign currency amount the exchange rate of the European Central Bank at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros by applying the exchange rates of the European Central Bank ruling at that date. Gains and losses on translation are recognised in the net amount in profit or loss (within expenses) in the period in which they arise.

The Group derecognises a financial asset when its contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Measurement of financial assets

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and it intends to exercise that right.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is measured by determining the change in its fair value.

Individually significant financial assets are assessed for impairment on an individual basis. Other financial assets are included in groups of financial assets with similar credit risk characteristics and tested for impairment collectively.

Al impairment losses are recognised in profit or loss for the period.

If the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. The amount of the reversal of an impairment loss on a financial asset measured at amortised cost is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible items which are used in the Group’s own economic activities and have a useful life of more than one year. Assets whose useful life exceeds one year but cost is insignificant are recognised as an expense.

On initial recognition, an item of property, plant and equipment is measured at cost, which consists of the purchase price (including customs duties and other non-recoverable taxes) and any other costs directly attributable to bringing the asset the location and condition necessary. When an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately.

The costs of subsequent improvements to items of property, plant and equipment are added to the carrying amount of the underlying asset or recognised as separate parts of the improved item if they meet the definition of property, plant and equipment and the recognition criteria (including it being probable that the costs will participate in the generation of future economic benefits). The original cost of the replaced item or a part of it and the related depreciation charge is derecognised. Current maintenance and repair costs are recognised as an expense as incurred.

In the statement of financial position an item of property, plant and equipment is carried at cost less any accumulated depreciation and any impairment losses. At the reporting date, the management of Bondora AS assesses whether there is any indication that an asset may be impaired. If the recoverable amount of an item of property, plant and equipment (the higher of the asset's net selling price and value in use) is lower than its carrying amount, the asset is written down to its recoverable amount.

Items of property, plant and equipment are depreciated under the straight-line method over the following estimated useful lives:

Machinery and equipment 3-5 years

Depreciation of an asset begins when it is in the location and condition intended by management. Depreciation of an asset ceases when the depreciable amount is fully depreciated or the asset is permanently retired from use. Depreciation of an asset temporarily retired from use does not cease.

At the reporting date the Group assesses whether the depreciation rates assigned to assets correspond to their remaining useful lives. Where necessary, the rates are adjusted. The effect of changes in estimates is recognised in the current and subsequent periods.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible non-current assets are intangible assets which the Group expects to use for more than one year.

An intangible asset is recognised in the statement of financial position only if the asset is controlled by the Group, it is probable that the expected future economic benefits which are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is measured initially at its cost, which comprises the purchase price and any other directly attributable acquisition costs.

Development expenditure is the expenditure incurred in the application of research findings to the development, design or testing of specific new products, services, processes or systems. Development expenditure is capitalised and recognised as an intangible asset if all of the following criteria are met: completion of the asset is technically and financially feasible, the Group intends to complete the asset, the Group can use or sell the asset, the future economic benefits expected from the asset are measurable (this includes the existence of a market for the output of the asset or the asset itself), and the development expenditure attributable to the asset can be measured reliably.

According to management's estimates, the useful lives of the Group's intangible assets range from 1 to 3 years.

At each reporting date, management assesses whether there is any indication that an asset may be impaired. If there is such indication, the asset is tested for impairment by estimating its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use calculated by applying the discounted cash flow method.

When tests indicate that the recoverable amount of an asset is lower than its carrying amount, the asset is written down to its recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest group of assets to which the asset belongs (the cash-generating unit) is determined. Write-downs (impairment losses) are recognised as an expense in the period in which they are made.

When the test of the recoverable amount of an asset written down in a prior period indicates that the asset's recoverable amount has increased above its carrying amount, the previously recognised impairment loss is reversed and the carrying amount of the asset is increased. The increased carrying amount may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised.

Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee is classified as a finance lease. Other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Financial liabilities

All financial liabilities (trade payables, borrowings and other liabilities) are initially recognised at cost, which is equal to the fair value of the consideration received plus all directly attributable transaction costs. After initial recognition, financial liabilities are measured at their amortised cost.

The amortised cost of a current financial liability is generally equal to its fair value; therefore, a current financial liability is measured in the statement of financial position at the amount payable. In measuring the amortised cost of non-current financial liabilities, interest expense is calculated using the effective interest method.

A financial liability is classified as current when it is due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Loan liabilities are classified as current when they are due to be settled within twelve months after the reporting date even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorised for issue. Liabilities that become payable on demand due to breach of contract on or before the reporting date are also classified as current.

Share-based payments

The option agreements signed with the Group's key personnel are accounted for as equity-settled share-based payment transactions, i.e. as payment transactions in which the Group receives services in consideration for its own equity instruments. As it is complicated to estimate the fair value of the services received directly, the Group measures the fair value of the services provided by its key personnel by reference to the fair value of the equity instruments granted at their grant date.

An employee may exercise a share option which has been granted within 42 months after the grant date in accordance with the terms of the option agreement by paying the price assigned to the option. Options granted allow the key personnel to acquire shares in the company in proportion to the period they have worked during the life of the agreement. The grant of an equity instrument is conditional upon an employee remaining in the company's employ and at the end of the life of the option the employee may acquire the full amount of shares specified in the option agreement. The agreement also outlines special cases where the exercise terms of the options may change.

The shares repurchased for carrying out the share option plan are reported within equity as *Own shares*. On the vesting date, the amounts recorded in *Own shares* and the relevant reserve in equity are offset. Any difference is recognised in retained earnings.

Corporate income tax

Under the Income Tax Act in force in Estonia, a company's profit for the year is not subject to income tax. Income tax is levied on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenses and adjustments to transfer prices. Since 1 January 2015 the profit distributed as dividends has been subject to income tax calculated as 20/80 of the amount distributed as the net dividend. The corporate income tax payable on dividends is recognised as a liability and income tax expense in the period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are actually distributed. The obligation to pay income tax arises on the 10th day of the month following the month in which the dividends were distributed.

Due to the specific nature of the taxation system, there are no differences between the tax bases and carrying amounts of the assets of companies registered in Estonia that could give rise to deferred tax assets or liabilities. The contingent income tax liability that would arise if all of the retained earnings were distributed as dividends is not recognised in the statement of financial position.

Related parties

For the purposes of the consolidated financial statements of Bondora AS, related parties include:

a) the owners of the Group;
b) the members of the executive and higher management and key personnel;
c) close family members of and companies under the control or significant influence of the above persons.

Revenue

Revenue is recognised on an accrual basis and measured at the fair value of the consideration received or receivable for services provided less any trade discounts and volume rebates allowed.

Revenue from the rendering of services is recognised when the service has been rendered or, if the service is rendered over an extended period, on a straight-line basis over the loan term.

In the reporting period, 75% of revenue resulted from two services:

a) contract fees charged for the conclusion of loan agreements between investors and loan recipients;
b) monthly loan contract administration fees.

A contract fee is recognised as income when the contract between the investor and the loan recipient has been concluded. The service is paid for at the same time. The service is considered to be rendered when the contract has been signed.

The administration fee is recognised as income on a monthly basis over the agreed schedule. Revenue is recognised regardless of whether the service is paid for on time or with a delay.

Interest income is recognised on an accrual basis.

Events after the reporting period

The consolidated financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorised for issue but are related to transactions of the reporting or prior periods. Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the result of the next financial year, are disclosed in the notes to the consolidated financial statements.

Adoption of new or revised standards and interpretations

New or revised standards and interpretations which became effective for annual periods beginning on 1 January 2016 had no significant impact on the Group's financial statements.

Amendments which became effective in the reporting period

The following amendments to standards and interpretation issued by IASB and endorsed by the European Commission became effective in the reporting period:

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 *Separate Financial Statements* – The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.
- Amendments to IFRS 11 *Joint Arrangements* – was endorsed by the European Commission on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 *Presentation of Financial Statements* - was endorsed by the European Commission on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 *Property, plant and Equipment* and IAS 38 *Intangible Assets* – was endorsed by the European Commission on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 *Property, plant and Equipment* and IAS 41 *Agriculture* - was endorsed by the European Commission on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- *Annual Improvements to IFRSs 2012-2014 Cycle* which includes amendments to various standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) is related to the annual improvement of IFRSs which is aimed at eliminating inconsistencies and clarifying wording - was endorsed by the European Commission on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

Application of the above amendments together with the existing standards did not result in any changes to the Group's financial statements.

Standards issued but not yet effective

At the date these consolidated financial statements were authorised for issue, the following standards issued by IASB and endorsed by the European Commission were not yet effective.

- IFRS 9 *Financial Instruments* (2014) (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions). This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Group does not expect IFRS 9 (2014) to have a significant impact on its financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of its operations and the types of financial instruments that it holds. However, the Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the expected credit loss model. The Group has not yet finalised the impairment methodologies that it will apply under IFRS 9.

- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018; early application is permitted). The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) the entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:
  - over time, in a manner that depicts the company's performance; or
  - at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity must apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Group's financial statements, management does not expect that the new standard, when initially applied, will have a significant impact on Group's financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of its operations and the types of revenues it earns.

- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019; early application is permitted if the entity also applies IFRS 15; not yet adopted by the European Union). IFRS 16 supersedes IAS 17 *Leases* and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals. The new standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting will remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained. The Group holds furniture, computers and office equipment under operating leases but has not yet analysed the impact of the new standard on its financial statements.

Note 2. Cash and cash equivalents

(In euros)

As at 31 December	**2016**	**2015**
Current accounts	1,089,645	2,251,869
Total cash and cash equivalents	**1,089,645**	**2,251,869**

Bank accounts accounted for off the statement of financial position:

Account title: Debt recovery account
As at 31 December 2016: 14,942
As at 31 December 2015: 18,527
Currency: EUR

Debt recovery account:
An account opened for administering the recovery of receivables assigned by the portal administrator (Bondora), which is used for coordinating repayments collected from debtors. Bailiffs and debt collection agencies transfer the amounts they collect to Bondora’s debt recovery account from where they are transferred to investors in the Bondora portal. Bondora AS has the obligation to immediately transfer the amounts paid into the debt recovery account to the accounts of the portal. Accordingly, relevant funds are not part of the portal administrator’s bankruptcy estate and no claim can be made on those funds in enforcement proceedings against the portal administrator, nor are the funds recognised in the portal administrator’s statement of financial position. For users this means, above all, that the cash they transfer to the account of Bondora AS does not become the property of Bondora AS but the user retains all the necessary rights for reclaiming the cash in full should Bondora AS run into financial difficulty.

Account title: Customer account
As at 31 December 2016: 3,637,726
As at 31 December 2015: 3,087,099
Currency: EUR

Customer account/Portal administrator's current account:
The cash the users transfer to the Bondora environment under the User Agreement and the Loan Agreement is held in the portal administrator's current account with SEB Pank (also referred to as "portal administrator's current account"). The portal administrator does not pay the users interest on the cash the users have transferred to the portal administrator's current account.
The portal administrator may use the cash the users have transferred to the environment of Bondora AS under the User Agreement and the Loan Agreement solely in accordance with the terms of the said agreements and for fulfilling its obligations under those agreements. Thus, the cash transferred by a user constitutes property (an asset) transferred for the performance of a mandate as defined in section 626 of the Law of Obligations Act. By nature, the underlying amount at bank constitutes a claim (against the bank) which the portal administrator has acquired in its own name but for the account of the user and which the portal administrator may use for performing its mandate only. Accordingly, relevant funds are not part of the portal administrator's bankruptcy estate and no claim can be made on those funds in enforcement proceedings against the portal administrator, nor are the funds recognised in the portal administrator's statement of financial position. For users this means, above all, that the cash they transfer to the account of Bondora AS does not become the property of Bondora AS but the user retains all the necessary rights for reclaiming the cash in full should Bondora AS run into financial difficulty.

Note 3. Trade and other receivables

(In euros)

As at 31 December	2016	Within 12 months	Note
Trade receivables	419,391	419,391	
Accounts receivable	*1,418,057*	*1,418,057*	
Allowance for doubtful receivables	*-998,666*	*-998,666*	
Other receivables	8,016	8,016	
Total trade and other receivables	**427,407**	**427,407**	

As at 31 December	2015	Within 12 months	Note
Trade receivables	187,926	187,926	
Accounts receivable	*566,131*	*566,131*	
Allowance for doubtful receivables	*-378,205*	*-378,205*	
Other receivables	3,065	3,065	
Total trade and other receivables	**190,991**	**190,991**	

Trade receivables – geographical breakdown

As at 31 December 2016

	Total	Up to 30 days	30-365 days	Over 365 days
Estonia	436,770	131,684	151,482	153,604
Spain	468,162	40,141	150,780	277,241
Finland	439,596	58,251	178,550	202,795
Slovakia	59,736	7,099	8,551	44,086
Other	13,793	235	11,146	2,413
Total	1,418,057	237,410	500,509	680,139
Write-down	-998,666	0	-318,527	-680,139
Total trade receivables	**419,391**	**237,410**	**181,982**	**0**

As at 31 December 2015

	Total	Up to 30 days	30-365 days	Over 365 days
Estonia	170,888	11,836	105,533	53,519
Spain	207,909	7,285	123,181	77,444
Finland	149,830	18,129	117,455	14,246
Slovakia	37,118	1,470	11,181	24,467
Other	385	9	343	33
Total	**566,131**	**38,728**	**357,693**	**169,710**
Write-down	-378,205	0	-208,495	-169,710
Total trade receivables	**187,926**	**38,728**	**149,198**	**0**

Note 4. Prepaid taxes and taxes payable
(In euros)

As at 31 December	**2016**		**2015**	
	Prepayment	**Payable**	**Prepayment**	**Payable**
Value added tax	0	70,843	0	8,205
Personal income tax	0	20,157	0	24,862
Income tax paid in special cases	0	1,148	0	1,273
Social security tax	0	38,255	0	77,599
Mandatory funded pension contributions	0	2,179	0	2,649
Unemployment insurance contributions	0	2,366	0	3,597
Balance on the prepayment account	1,600	0	1,119	0
Total	**1,600**	**134,949**	**1,119**	**118,186**

Note 5. Investments in subsidiaries
(In euros)

Investments in subsidiaries, general information

Registry number	**Name of subsidiary**	**Domicile**	**Core business**	**Ownership interest (%)**	
				31 Dec 2015	**31 Dec 2016**
11948423	Social Developments OÜ	Estonia	Software development	100	0
12831019	Bondora Servicer OÜ	Estonia	Debt recovery	100	100
12831506	Bondora Capital OÜ	Estonia	Support activities	100	100

Investments in subsidiaries at cost	**As at 31 December**	
Name of subsidiary	**2015**	**2016**
Social Developments OÜ	0	0
Bondora Servicer OÜ	2,500	2,500
Bondora Capital OÜ	2,500	2,500
Total	**5,000**	**5,000**

By the date these financial statements were authorised for issue, Social Developments OÜ had been merged with the parent Bondora AS. The date of the merger agreement was 10 August 2016.

Note 6. Property, plant and equipment
(In euros)

	Machinery and equipment
As at 31 December 2015	
Cost	48,378
Accumulated depreciation	-10,525
Carrying amount	**37,853**
Additions	7,683
Depreciation charge for the year	-11,932
As at 31 December 2016	
Cost	56,061
Accumulated depreciation	-22,457
Carrying amount	**33,604**

Note 7. Intangible assets
(In euros)

	Licences	Development expenditures	Total
As at 31 December 2015			
Cost	18,366	1,082,528	1,100,894
Accumulated amortisation	-1,617	-544,107	-545,724
Carrying amount	**16,749**	**538,421**	**555,170**
Additions	5,786	249,774	255,560
Write-off (-)		-272,269	-272,269
Amortisation charge for the year	-7,338	-354,050	-361,388
Write-off (+)		223,458	223,458
As at 31 December 2016			
Cost	24,152	1,060,033	1,084,185
Accumulated amortisation	-8,955	-674,699	-683,654
Carrying amount	**15,197**	**385,334**	**400,531**

Development expenditures comprise the expenditures incurred in connection with the development of the online environment www.bondora.com administered by the Group.

Note 8. Payables and deferred income

(In euros)

As at 31 December	2016	Within 12 months	Note
Trade payables	499,325	499,325	
Payables to employees	118,789	118,789	
Taxes payable	134,949	134,949	4
Other accruals	160,300	160,300	
Total payables and deferred income	**913,363**	**913,363**	

As at 31 December	2015	Within 12 months	Note
Trade payables	239,156	239,156	
Payables to employees	111,923	111,923	
Taxes payable	118,186	118,186	4
Other payables	2,057	2,057	
Other accruals	*2,057*	*2,057*	
Total payables and deferred income	471,322	471,322	

Note 9. Share capital

(In euros)

As at 31 December	2016	2015
Share capital	50,001	39,821
Number of shares	500,014	398,208
Par value of a share	0.10	0.10

The company has shares of three classes: A, B and C shares. At the end of the reporting period, there were 341,602 A shares, 102,303 B shares and 56,109 C shares outstanding.

A shares are ordinary voting shares which grant the holder all shareholder rights provided by law. B shares grant the holder all shareholder rights provided by law as well as additional rights provided by the articles of association. C shares carry ordinary voting rights and also grant the holder certain special rights.

Holders of B and C shares have additional rights in the event of the company's liquidation. Upon the liquidation of the company, a holder of a C share will be paid (before any allocations or payments to holders of any other shares) an amount equal to the two-fold price paid for the C share or, if higher, the amount the holder of a C share would have received if the share had been converted into an A share. A holder of a B share will be paid (before any allocations or payments to holders of A shares) an amount which is the higher of the price paid for the B share or the amount which the holder of a B share would have received if the share had been converted into an A share.

On 28 November 2015, shareholders decided to increase share capital by 10,180 euros during a subscription period which lasted until 15 January 2016.

The increase in share capital was registered in the Commercial Register on 17 January 2016. After the increase, share capital amounts to 50,001 euros. Share capital was increased with monetary contributions.

In 2016, the company sold 199 own shares (at the par value of 0.10 euros per share) and repurchased 4,323 own shares (at the par value of 0.10 euros per share). As a result of the transactions, share premium increased by 2,111 euros.

The number of shares which can be subscribed for under the option agreements signed by the company during the reporting period differs by person; generally up to 500 shares can be subscribed for. Each option grants the right to purchase 1 (one) share in Bondora AS. The maximum period during which the options can be exercised is 42 months after the grant date. After the end of each year of the life of the option, the holder may subscribe for 1/3 of the shares which have been granted.

	Number of options
Options outstanding at 31 December 2015	3,500
Granted during the year	5,550
Exercised during the year	199
Options exercisable at 31 December 2016	8,851

According to management's estimates, at the reporting date the fair value of the share options was nil euros. By the reporting date, the company had acquired 21,031 own shares to cover the options. If the options are exercised, the company will not incur any additional expenses.

In accordance with IFRS 2, share options granted to employees are measured at their fair value at the grant date and their value is subsequently not restated. Share options granted to other persons are measured at the fair value of services received. On granting the share options and determining the conditions for exercising them, the purpose was to ensure that the acquirers of the options would benefit from growth in the company's value only. Therefore, at the grant date the fair value of the options was nil euros.

Note 10. Revenue

(In euros)

	2016	2015
Revenue by geographical area		
Sales to countries of the European Union		
Estonia	2,347,610	1,239,749
Finland	1,089,292	736,584
Spain	711,016	455,287
Slovakia	27,286	32,814
Other	1,700	415
Total sales to countries of the European Union	**4,176,903**	**2,464,849**
Total revenue	**4,176,903**	**2,464,849**
Revenue by activity		
Contract fees	1,656,485	902,665
Administration fees	1,479,158	1,101,976
Other	1,041,261	460,208
Total	**4,176,903**	**2,464,849**

Other revenue comprises revenue from services related to lending and debt recovery services.

Note 11. Services purchased for sale

(In euros)

	2016	2015
IT administration expenses	375,876	261,779
Other services purchased for sale	234,044	113,225
Debt recovery expenses	203,058	39,964
Customer administration charges	87,907	121,463
Consulting services	141,455	182,535
Postage charges	0	48,288
Total services purchased for sale	**1,042,340**	**767,254**

Note 12. Other operating expenses

(In euros)

	2016	2015	Note
Lease and rental expenses	107,170	90,505	13
Advertising expenses	33,823	15,194	
Marketing expenses	922,539	823,745	
Miscellaneous office expenses	40,924	19,434	
Expenses on assets of insignificant value	14,474	15,296	
Training expenses	6,383	3,012	
Services purchased	345,746	67,180	
Telecommunication and postage expenses	21,017	2,066	
Fringe benefits and related taxes	117,135	92,949	
Lease of equipment	0	33,157	13
IT administration expenses	0	3,195	
Entertainment and business travel expenses	28,769	43,759	
Transport expenses	13,477	20,864	
Other	4,703	0	
Expenses on doubtful receivables	687,837	319,614	
Total other operating expenses	**2,343,997**	**1,549,970**	

The item of *Lease and rental expenses* comprises rental expenses on office premises of 83,902 euros (note 13) and utilities expenses of 23,268 euros.

Note 13. Operating leases

(In euros)

	Expenses of 2016	Future operating lease rental payable under non-cancellable contracts Not later than 12 months
Lease and rental	107,170	107,170
Total	**107,170**	**107,170**

Note 14. Personnel expenses

(In euros)

	2016	2015
Salary expenses	1,394,740	1,244,189
Social security charges	467,615	418,974
Total personnel expenses	**1,862,355**	**1,663,163**
Average number of staff converted to full-time equivalent	**40**	**47**

Note 15. Related party disclosures

(In euros)

For the purposes of the consolidated financial statements of Bondora AS, related parties include:

a) the owners of the Group;
b) the members of the executive and higher management and key personnel;
c) close family members of and companies under the control or significant influence of the above persons.

Parties that have a significant interest in Bondora AS include: Global Founders Capital GmbH & Co, Tomberg Management & Consulting OÜ, and Mosaic Capital Partners Ltd.

Transactions with related parties:

	2016	2015
Services purchased		
Executive and higher management, key personnel, individuals with a significant shareholding, and companies under their control or significant influence	69,361	156,131
Repayment of loans received		
Executive and higher management, key personnel, individuals with a significant shareholding, and companies under their control or significant influence	0	200,000
Accrued interest		
Executive and higher management, key personnel, individuals with a significant shareholding, and companies under their control or significant influence	0	1,726

Note 16. Risk management

Introduction

Risks which may have a significant impact on the Group's operation are assessed by the parent company's management board and daily risk management is the responsibility of the chief financial officer. To analyse risks and implement risk mitigation measures, the Group has set up a risk management system which produces risk reports which identify all significant risks and the activities for mitigating those risks. The reports are updated on a quarterly basis: the activities undertaken for managing the risks are evaluated and new targets are set. The reports are also submitted to and reviewed by the Group's supervisory board. The Group's management has identified the following significant risks: credit, liquidity, operational, currency, interest rate, and other price risk.

Credit risk

Credit risk is the risk that a counterparty to a transaction will fail, or will not be willing to, discharge an obligation and the collateral provided for the transaction is insufficient for covering the Group's claims. Credit risk may arise from any transaction which gives rise to an actual or potential claim against a counterparty. The Group's credit risk exposures result from cash and cash equivalents, trade receivables and other short-term receivables. Since the Group's available liquid funds are predominantly deposited at banks which belong to banking groups whose credit rating is "A", these items are not exposed to any significant credit risk.

Cash and cash equivalents by credit rating assigned to the bank where the funds are held:

Bank	Rating	31 December 2016	31 December 2015
SEB	Without rating	1,089,645	2,251,818
Other banks		0	51
Total		**1,089,645**	**2,251,869**
SEB (accounts accounted for off the statement of financial position)	Without rating	3,637,726	3,087,099

Although SEB Pank AS has no credit rating, it belongs to SEB Group whose long-term credit rating is Aa3 (Moody's). The rating presented is the most recent long-term credit rating disclosed on the bank's website.

Prior to signing an agreement with a customer, Bondora AS evaluates the customer's creditworthiness and obtains information about the customer's earlier settlement behaviour (credit history). For better selection of customers, the Group cooperates in all its target markets with companies that provide credit information and, where necessary, also debt collection companies.

In addition, Bondora evaluates customers' credit history for the past 6 months and monitors how they discharge their obligations to Bondora AS. Based on that information, Bondora estimates the probability of proper discharge of obligations. Bondora makes sure that the staff authorised to analyse the customers' creditworthiness and settlement behaviour receive adequate training.

On the whole, according to Bondora's estimation the Group's credit risk is considerably lower than its operational risk because Bondora resells its claims (receivables) to investors and loans in which Bondora itself has invested currently account for a small share of the Group's total assets.

On issuing loans, the Group takes into account the situations in the markets where it operates and the distribution of funds available to investors for investment purposes. The loan portfolio is diversified between different countries and the Group monitors the breakdown of the loan portfolio and the revenue structure between countries to ensure stability of operations and avoid excessive reliance on a single market. Since the Bondora AS issues consumer loans to individuals and the maximum loan amount is limited to 11,000 euros, the customer base is sufficiently diversified and the Group's operation is not highly dependent on any single customer.

During the period, trade receivables of 620,461 euros (2015: 378,205 euros) were classified as doubtful (impaired). Management evaluates the quality of receivables on a monthly basis. According to the write-down policy, receivables which are 30-365 days past due are written down by 60% and receivables past due for more than 365 days are written down in full.

Further information on receivables is provided in note 3.

Liquidity risk and capital management

Liquidity risk is the risk that the Group will not be able to meet its obligations on a timely basis without incurring significant expenses. Liquidity risk is also the risk that on raising additional funds the Group will incur a loss or unreasonably large expenses.

In capital management the Group's goal is to ensure its sustainable operation and the availability of sufficient capital for continuing and developing its activities. In setting its capital management targets, the Group takes into account both the regulatory minimum capital requirements and the internally determined capital buffer requirement.

The most important regulatory requirement is the minimum share capital requirement of 50,000 euros set forth in the Creditors and Credit Intermediaries Act. To meet the regulatory minimum capital requirement, the Group has planned its activities so that profitability is achieved over a sufficient time horizon; in addition, the Group continuously assesses opportunities for raising additional capital to make sure that own funds do not decrease below the regulatory minimum.

The Group finances its operations mostly based on own funds and the share of debt capital in the Group's statement of financial position is small. Available cash is held in current accounts and term deposits opened at banks operating in Estonia. Capital management and liquidity planning are embedded in the Group's daily financial activities and management has set liquidity limits which are monitored on a monthly basis.

The Group has no long-term liabilities.

More detailed information on financial assets and liabilities is provided in notes 3 and 8.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from people's activities, inadequate or failed systems, or external events. Operational risk (including legal risk) results from employees, agreements and documentation, technology, infrastructure, natural disasters, external factors and customer relations. Operational risk does not include business risk and reputational risk. Any of the Group's activities may be a source of operational risk.

The Group pays particular attention to mapping its operational risks on launching new products or product improvements, implementing new IT systems or system upgrades, implementing new hardware, implementing new physical locations, making changes to its organisational structure, accepting new business partners, adopting new agreement templates, and outsourcing services to external service providers.

The impacts of loss events which may arise from the realisation of operational risk are mitigated by developing and updating business continuity plans, applying appropriate and adequate crisis management methods and purchasing insurance where necessary.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and liabilities denominated in euros are regarded as items without currency risk.

The Group's main source of currency risk is purchase transactions conducted in foreign currencies. Since the volume of transactions in foreign currencies is marginal, management believes that currency risk is immaterial and therefore no procedures have been established to mitigate this risk.

As at 31 December 2016, all of the Group's financial assets and liabilities were denominated in euros.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the Group had no interest-bearing liabilities and interest-bearing receivables had fixed interest rates, which are not exposed to interest rate risk. The Group has currently no interest rate risk exposures. Accordingly, management believes that interest rate risk is currently not material and therefore no procedures have been established to mitigate this risk.

Other price risk

Price risk is the risk which results from fluctuations in market prices. The Group issues loans and, where possible, sells relevant receivables to investors. Therefore, management is of the opinion that the impact of other price risk on the Group's operations is insignificant.

Fair value

According to the Group's estimates, as at 31 December 2016 and 31 December 2015 the carrying amounts of its financial assets (notes 2 and 3) and liabilities (note 8) measured in the consolidated statement of financial position at amortised cost did not differ significantly from their fair values.

Trade receivables and trade payables are measured at amortised cost and both trade receivables and payables are short-term items. Accordingly, management estimates that their carrying amount approximates their fair value.

Note 17. Parent company's statement of financial position
(In euros)

As at 31 December	**2016**	**2015**
Assets		
Current assets		
Cash and cash equivalents	916,637	2,246,869
Receivables and prepayments	654,646	271,013
Total current assets	**1,571,281**	**2,517,882**
Non-current assets		
Investments in financial assets	28,858	0
Investments in subsidiaries	5,000	5,000
Property, plant and equipment	33,604	37,853
Intangible assets	383,583	545,723
Total non-current assets	**451,045**	**588,576**
Total assets	**2,022,326**	**3,106,458**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	0	0
Payables and deferred income	927,513	471,322
Total current liabilities	**927,513**	**471,322**
Total liabilities	**927,513**	**471,322**
Equity		
Equity attributable to owners of the parent		
Share capital at par value	50,001	39,821
Unregistered shares	0	0
Share premium	4,461,504	4,459,293
Own shares	-2,103	-1,691
Accumulated losses	-1,862,287	-34,477
Loss for the year	-1,552,302	-1,827,811
Total equity attributable to owners of the parent	**1,094,813**	**2,635,136**
Total equity	**1,094,813**	**2,635,136**
Total liabilities and equity	**2,022,326**	**3,106,458**

Note 18. Parent company's statement of comprehensive income
(In euros)

	2016	**2015**
Revenue	3,713,332	2,464,849
Other income	1,457	3,948
Services purchased for sale	-1,868,607	-767,254
Other operating expenses	-1,562,807	-1,549,968
Personnel expenses	-1,464,105	-1,663,163
Depreciation, amortisation and impairment losses	-371,567	-301,855
Other expenses	-2,472	-10,945
Operating loss	**-1,554,769**	**-1,824,389**
Interest income	3,257	
Interest expense	-790	-3,420
Other finance income and costs	0	-3
Loss before income tax	**-1,552,302**	**-1,827,811**
Loss for the year	**-1,552,302**	**-1,827,811**
Total comprehensive expense for the year	**-1,552,302**	**-1,827,811**

Note 19. Parent company's statement of cash flows

(In euros)

	2016	2015
Cash flows from operating activities		
Operating loss	-1,554,769	-1,824,389
Adjustments for:		
Depreciation, amortisation and impairment losses	371,567	301,855
Total adjustments	**371,567**	**301,855**
Change in receivables and prepayments	-383,633	-188,677
Change in payables and deferred income	456,191	62,185
Interest paid	0	-1,730
Net cash used in operating activities	**-1,110,644**	**-1,650,756**
Cash flows from investing activities		
Paid on acquisition of property, plant and equipment and intangible assets	-234,034	-416,316
Paid on acquisition of subsidiaries	0	-5,000
Interest received	3,257	35
Proceeds from sale of property, plant and equipment	0	0
Net cash used in investing activities	**-230,777**	**-421,281**
Cash flows from financing activities		
Repayment of loans received	0	-200,000
Interest paid	-790	-1,726
Proceeds from issue of shares	10,180	4,002,380
Proceeds from sale of own shares	2,230	0
Paid on repurchase of own shares	-431	-629
Net cash from financing activities	**11,189**	**3,800,025**
Net cash flow	**-1,330,232**	**1,727,988**
Cash and cash equivalents at beginning of period	2,246,869	518,881
Decrease/increase in cash and cash equivalents	**-1,330,232**	**1,727,988**
Cash and cash equivalents at end of period	916,637	2,246,869

Note 20. Parent company’s statement of changes in equity
(In euros)

	Equity attributable to owners of the parent					Total
	Share capital at par value	**Unregistered share capital**	**Share premium**	**Own shares**	**Accumulated losses**	
As at 31 December 2014	**34,710**	**1,182**	**1,662,643**	**-1,062**	**-1,236,278**	**461,194**
Loss for the year	0	0	0	0	-1,827,811	-1,827,811
Issue of share capital	5,111	-1,182	3,998,454	0	0	4,002,383
Covering of loss with share premium	0	0	-1,201,802	0	1,201,802	0
Other changes in equity	0	0	0	-629	0	**-629**
As at 31 December 2015	**39,821**	**0**	**4,459,293**	**-1,691**	**-1,862,287**	**2,635,136**
Carrying amount of interests under control and significant influence						-5,000
Value of interests under control and significant influence under the equity method						14,505
Adjusted unconsolidated equity at 31 December 2015						**2,644,641**
Loss for the year	0	0	0	0	-1,552,302	-1,552,302
Issue of share capital	10,180	0	2,211	0	0	12,391
Covering of loss with share premium	0	0	0	0	0	0
Other changes in equity	0	0	0	-412	0	-412
As at 31 December 2016	**50,001**	**0**	**4,461,504**	**-2,103**	**-3,414,589**	**1,094,813**
Carrying amount of interests under control and significant influence						-5,000
Value of interests under control and significant influence under the equity method						116,455
Adjusted unconsolidated equity at 31 December 2016						**1,203,268**