

FERRATUM UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

FERRATUM UK LIMITED

COMPANY INFORMATION

Directors	I. Dimitrova (appointed 14 June 2019) A. Troth (appointed 19 February 2020)
Registered number	07349566
Registered office	Suite 301 25 Goodlass Road Liverpool L24 9HJ

FERRATUM UK LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Introduction

The directors present their strategic report for the year ended 31 December 2019.

Ferratum UK Limited is a wholly owned subsidiary of Ferratum Oyj and is located in Liverpool.

Ferratum Oyj and its subsidiaries form Ferratum Group, a FinTech, that develops and operates a big data based global financial platform for real-time scoring, lending and banking services.

Ferratum, headquartered in Helsinki, Finland was founded in May 2005 and has expanded its operations across Europe, North America, South America, Africa, Asia and Australia.

Ferratum UK currently offers PlusLoan, a short-term instalment loan, is available from £300 - £1000 spread over 2-4 months and the maximum available to new customers is £700. We discontinued the Microloan product offering in September 2019.

In addition to consumer lending Ferratum UK offers business loans to SME's. These are available from £2,000 to £50,000.

Our business is about helping people in their everyday finances. The Ferratum customer portfolio is diverse and over 40 per cent have children or other dependants. By lending short-term loans to individuals quickly and confidentially we believe we have helped many customers in meeting liquidity challenges affecting their daily lives.

We strive to adhere to marketing practices which are transparent and responsible and aim that the information we provide regarding the cost of our consumer loan products are always transparent and accurate.

Business review

During 2019 we continued developing both the Consumer business to offer the best products and service to our customers. Focus remained on the development of our technological capabilities to automate and further develop our lending platform. With particular focus on our credit decisioning to maximise the use internal and external data sources.

Separately, on the 13th of December the FCA wrote to us following their on-site visit on the 10th of December during which we presented our new affordability policy, in their letter they provided feedback including recommendations where they felt we needed to make some further changes. As a result, we paused lending during December while implementing the recommended changes with the intention to restart lending once implemented.

The company continued to experience high numbers of irresponsible lending complaints during 2019 due to the activities of claims management companies resulting in additional costs to resolve such complaints. The changes to our go forward affordability have also been introduced in our irresponsible lending complaints process to determine if customers are due redress.

The unregulated SME portfolio was sold to Capitalbox AB during December 2019, the regulated portfolio remains with Ferratum UK.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The lending sector continues to be highly regulated with great deal of focus on the HCSTC sector. It has been reported that lenders in HCST sector have received a requirement notice under section 166, 3 (a) Financial Services and Markets Act 2000 (FSMA) to review loans issued from 2014 onwards to check if the loans issued were un-affordable and where this is the case to redress customers.

Besides this, the sector is still experiencing a lot of attention from claims management companies. Ferratum continues to formulate and enhance its risk governance which is of key importance to us as a company offering services to our customers and the general public.

Financial key performance indicators

Management use a range of measures to monitor and manage its business:

- Detailed monthly management accounts;
- Daily bank reporting;
- Loan repayment reporting;
- Forecast review; and
- Directors' monthly Board reports.

This report was approved by the board on 15 February 2021 and signed on its behalf.

I. Dimitrova
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £588,875 (2018 - profit £925,736).

The directors do not recommend the payment of a dividend for the year (prior year: *£nil*).

Directors

The directors who served during the year were:

S. E. Timonen (resigned 14 June 2019)
A. S. Gundersen (resigned 13 February 2020)
I. Dimitrova (appointed 14 June 2019)

Future developments

Ferratum will continue to review the market place it operates in and look for opportunities for product development based on consumer research and demand.

FERRATUM UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Langtons Chartered Accountants and Business Advisers, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15 February 2021 and signed on its behalf.

I. Dimitrova
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FERRATUM UK LIMITED

Opinion

We have audited the financial statements of Ferratum UK Limited (the 'Company') for the year ended 31 December 2019, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FERRATUM UK LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FERRATUM UK LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Talbot (Senior statutory auditor)

for and on behalf of

Langtons Chartered Accountants and Business Advisers

The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

15 February 2021

FERRATUM UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	20,267,780	25,379,213
Cost of sales		(3,677,816)	(3,110,454)
Gross profit		16,589,964	22,268,759
Administrative expenses		(14,640,464)	(19,985,619)
Operating profit	5	1,949,500	2,283,140
Interest receivable and similar income	8	221,876	118,158
Interest payable and similar expenses	9	(2,760,251)	(1,300,094)
(Loss)/profit before tax		(588,875)	1,101,204
Tax on (loss)/profit	10	-	(175,468)
(Loss)/profit for the financial year		(588,875)	925,736

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 13 to 26 form part of these financial statements.

FERRATUM UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
(Loss)/profit for the financial year		(588,875)	925,736
Other comprehensive income			
Total comprehensive income for the year		<u>(588,875)</u>	<u>925,736</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 13 to 26 form part of these financial statements.

FERRATUM UK LIMITED
REGISTERED NUMBER: 07349566

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Current assets			
Debtors	13	17,781,685	44,788,911
Cash at bank and in hand	14	2,944,208	1,991,382
		<u>20,725,893</u>	<u>46,780,293</u>
Creditors: amounts falling due within one year	15	(14,248,899)	(40,451,222)
Net current assets		<u>6,476,994</u>	<u>6,329,071</u>
Total assets less current liabilities		<u>6,476,994</u>	<u>6,329,071</u>
Creditors: amounts falling due after more than one year	16	(7,810,471)	(7,073,671)
Net liabilities		<u>(1,333,477)</u>	<u>(744,600)</u>
Capital and reserves			
Called up share capital	18	1	1
Profit and loss account	19	(1,333,478)	(744,601)
		<u>(1,333,477)</u>	<u>(744,600)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 February 2021.

I. Dimitrova
Director

The notes on pages 13 to 26 form part of these financial statements.

FERRATUM UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	1	(796,058)	(796,057)
Comprehensive income for the year			
Profit for the year	-	925,736	925,736
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	925,736	925,736
Change on initial application of measurement provisions of IFRS9	-	(874,279)	(874,279)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	(874,279)	(874,279)
At 1 January 2019	1	(744,601)	(744,600)
Comprehensive income for the year			
Loss for the year	-	(588,875)	(588,875)
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(588,875)	(588,875)
Change on initial application of measurement provisions of IFRS9	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	1	(1,333,478)	(1,333,477)

The notes on pages 13 to 26 form part of these financial statements.

FERRATUM UK LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	1,991,382	952,826	2,944,208
	<u>1,991,382</u>	<u>952,826</u>	<u>2,944,208</u>

The notes on pages 13 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

The company is a private company limited by shares which is incorporated under the Companies Act 2006 and is registered in England and Wales (number 07349566). The address of the registered office is Suite 301, 25 Goodlass Road, Liverpool, L24 9HJ.

These financial statements present information about the company as an individual undertaking: it is a subsidiary company. The principal activity of the company is the provision of micro-loans to individuals in the UK and The Netherlands.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company has chosen to adopt the recognition and measurement provisions of IFRS 9 as permitted under FRS 102. This introduces a more logical approach to the classification of financial assets including a new impairment model for all financial assets.

The adoption of IFRS9 as at 1 January 2018 has resulted in changes in the accounting policies for the classification of financial assets and liabilities and impairment of financial assets. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 2.13.

As permitted by the transitional provisions of IFRS 9, the Company has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.2 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Interest income

Interest income is recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.5 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.7 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- 20% straight line
Fixtures & fittings	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments issued by the company are financial assets.

The financial instruments include no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the company.

2.13.1 Loans and Receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.13 Financial instruments (continued)

active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classed as non-current assets. Management reviews these loans monthly and where doubt exists about collectability an allowance is made to reduce the carrying value to its realisable value.

2.13.2 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost. The measurement of ECLs reflects:

- I. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- II. The time value of money, and
- III. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit loss allowances are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial instruments with both a drawn and undrawn component, whereby the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components, as a deduction from the gross carrying amount of the drawn component.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The trade debtors figure includes a credit loss provision. The figure is based on the best estimate of probable losses inherent in the portfolio as at the balance sheet date. The Ferratum Group's Credit Loss reserving policy is used to collectively assess loans for the reserves calculation based on statistical analysis of the portfolio data.

The previous 18 months of the UK portfolio for a given period are analysed. This analysis gives rise to a percentage which is applied to the outstanding balances of each month in order to calculate gross reserve requirements.

The provision is calculated as gross reserves reduced by the amount of expected sales price of bad debt. Expected sales price is set as a Group-wide best estimate of the price, which could be agreed if loans were sold to a third party.

FERRATUM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

The whole of the turnover is attributable to the principal activity as disclosed in Note 1.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	11,898,928	19,126,674
Rest of Europe	8,368,852	6,252,539
	<u>20,267,780</u>	<u>25,379,213</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	<u>148,421</u>	<u>96,249</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	1,470,510	1,277,917
Social security costs	194,489	136,627
Cost of defined contribution scheme	16,465	12,645
	<u>1,681,464</u>	<u>1,427,189</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Directors	1	3
Administration	18	28
	<u>19</u>	<u>31</u>

FERRATUM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	84,000	243,699
Company contributions to defined contribution pension schemes	1,180	1,134
	<u>85,180</u>	<u>244,833</u>

The highest paid director received remuneration of £84,000 (2018 - £124,506).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,180 (2018 - £399).

8. Interest receivable

	2019 £	2018 £
Interest receivable from group companies	221,876	118,158
	<u>221,876</u>	<u>118,158</u>

9. Interest payable and similar expenses

	2019 £	2018 £
Loans from group undertakings	2,760,251	1,300,094
	<u>2,760,251</u>	<u>1,300,094</u>

FERRATUM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	-	24,968
	<u>-</u>	<u>24,968</u>
Total current tax	<u>-</u>	<u>24,968</u>
Deferred tax		
Origination and reversal of timing differences	-	150,500
	<u>-</u>	<u>150,500</u>
Total deferred tax	<u>-</u>	<u>150,500</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>175,468</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	<u>(588,875)</u>	<u>1,101,204</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	-	209,229
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	202	30
Utilisation of tax losses	16,409	-
IFRS 9 adjustment	(16,611)	(16,811)
Changes in the rate of deferred tax	-	(16,685)
Deferred tax not recognised	-	(295)
Total tax charge for the year	<u>-</u>	<u>175,468</u>

Factors that may affect future tax charges

Unrelieved trading losses of approximately £675,000 are carried forward and are available to reduce the tax liability arising from future trading profits.

FERRATUM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Intangible assets

	Licences £
Cost	
At 1 January 2019	15,000
At 31 December 2019	15,000
Amortisation	
At 1 January 2019	15,000
At 31 December 2019	15,000
Net book value	
At 31 December 2019	-
At 31 December 2018	-

FERRATUM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Tangible fixed assets

	Plant & machinery £	Fixtures & fittings £	Total £
At 1 January 2019	3,560	4,064	7,624
Disposals	(3,560)	(4,064)	(7,624)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 January 2019	3,560	4,064	7,624
Disposals	(3,560)	(4,064)	(7,624)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2019	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2018	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FERRATUM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Debtors

	2019 £	2018 £
Trade debtors	15,909,520	24,181,680
Amounts owed by group undertakings	1,382,322	20,518,281
Other debtors	272,899	7,586
Called up share capital not paid	1	1
Prepayments and accrued income	216,943	81,363
	<u>17,781,685</u>	<u>44,788,911</u>

14. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	2,944,208	1,991,382
	<u>2,944,208</u>	<u>1,991,382</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	13,229,957	38,326,127
Corporation tax	24,967	24,968
Other taxation and social security	251,483	177,395
Other creditors	69,958	66,485
Accruals and deferred income	672,534	1,856,247
	<u>14,248,899</u>	<u>40,451,222</u>

FERRATUM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	7,810,471	7,073,671
	<u>7,810,471</u>	<u>7,073,671</u>

Amounts falling due after more than one year relate to a subordinated loan from group undertakings. This creditor is subordinated to other indebtedness.

17. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,944,208	1,991,382
Financial assets that are debt instruments measured at amortised cost	17,564,741	44,707,547
	<u>20,508,949</u>	<u>46,698,929</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(21,782,918)</u>	<u>(47,347,498)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank.

Financial assets measured at amortised cost comprise trade debtors, group debtors, other debtors and prepayments and accrued income.

Financial liabilities measured at amortised cost comprise group creditors, other creditors and accruals.

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

19. Reserves

Profit & loss account

Retaining earnings includes all current and prior period retained profits and losses.

FERRATUM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £16,465 (2018: £11,510). Contributions totalling £8,650 (2018: £6,153) were payable to the fund at the balance sheet date.

21. Commitments under operating leases

The Company had no commitments under non-cancellable operating leases at the balance sheet date.

22. Related party transactions

	2018 M'vmt £	2018 M'vmt £	2019 Balance £	2018 Balance £
Loan from Ferratum OYJ	7,944,986	(1,297,217)	(15,132,520)	(23,077,506)
Interest on loan from Ferratum OYJ	(1,821,960)	(714,209)	(3,729,777)	(1,907,817)
Loan to Ferratum OYJ	(896,279)	(5,006,036)	-	896,279
Interest on loan to Ferratum OYJ	(884)	(48,742)	-	884
Owing to Global Guarantee OU	11,640,364	(3,692,820)	(586,133)	(12,226,497)
Owed by Global IT Services s.r.o.	(2,379,621)	2,379,621	-	2,379,621
Owed to Global IT Services s.r.o.	5,689,788	(5,689,788)	-	(5,689,788)
Owed to Ferratum OYJ	917,829	(2,317,861)	(1,400,032)	(2,317,861)
	<u>21,094,223</u>	<u>(16,387,052)</u>	<u>(20,848,462)</u>	<u>(41,942,685)</u>

Ferratum OYJ is the parent company.

Global Guarantee OU is a subsidiary of Ferratum OYJ.

Global IT Services s.r.o. (formerly Ferratum Slovakia) is a subsidiary of Ferratum OYJ.

Interest is charged on the loans on arm's-length rates.

23. Controlling party

The company is a wholly-owned subsidiary of Ferratum OYJ, a company registered in Finland.

The controlling party of the parent company is not known.

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