TRU | FIN

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2018

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COMPANY INFORMATION
For the year ended 31 December 2018

Directors	Simon Henry Kenner (Chairman & Chief Executive Officer) James van den Bergh (Deputy Chief Executive Officer) Raxita Kapashi (Chief Financial Officer) Steve Baldwin (Senior Independent Non-Executive Director) Peter Whiting (Non-Executive Director) Penny Judd (Non-Executive Director) Paul Dentskevich (Non-Executive Director)
Company Secretary	Ocorian Secretaries (Jersey) Limited
Registered Office	26 New Street St Helier Jersey JE2 3RA
Business Address	4 Bentinck Street London W1U 2EF
Registered Number	125245
Auditor	Deloitte LLP 2 New Street Square London EC4A 3BZ
Nominated Advisor and Broker	Macquarie Capital (Europe) Limited Ropemaker Place 28 Ropemaker Street London EC2Y 9HD
Joint Broker	Liberum Capital Limited 25 Ropemaker Street London EC2Y 9LY
Advisors	Travers Smith LLP (Solicitors – UK law) 10 Snow Hill London EC1A 2AL Ogier (Solicitors – Jersey law) 44 Esplanade St Helier Jersey JE4 9WG Equiniti (Jersey) Limited (Registrar) 26 New Street St Helier Jersey JE2 3RA

CHAIRMAN'S STATEMENT
For the year ended 31 December 2018

A year of continued progress with a material restructuring to meet the needs of a changing world.

As I write this Chairman's Statement reflecting on the whole of 2018, it is hard not to concentrate on the very immediate focus of the Group notably the announcement today of the proposed demerger of DFC and its Admission to trading on AIM. In the view of the Directors, this is necessary to give DFC the best possible chance of obtaining a bank licence in the short to medium term and is in the best interests of our shareholders.

Before I address the restructuring in detail let me first reflect on the results and progress made by the Group during the year. We said at the IPO, that our businesses were set to scale and 2018 was a year that confirmed precisely that. To that end I am pleased to announce that the progress announced at the interim results stage has continued into the second half of the year resulting in annual gross revenues increasing by in excess of 150% during 2018.

The customer franchise across the subsidiaries has, as anticipated, grown in strength and depth over the year. The demand for our product offerings has been strong and the consistent theme from customers has been the strength of our customer offering and service – put simply we are good at what we do and customers want more of it! As such, we are justifiably proud and we look to this as a core value and business differentiator as the Group progresses.

Looking across the Group notable achievements during the year include:

- DFC surpassing 500 UK dealers signing on to its financing programmes
- Oxygen continuing its pursuit of market leadership in the UK public sector with a more than doubling of its live clients
- Satago seeing the first funded customers as a direct result of its investment in partnerships
- Zopa obtaining its bank licence with restriction

However, this success has also created a situation where demand for resources, most notably capital, has been greater than we had anticipated. Nowhere has the thirst for capital been greater than at DFC where the team has been extremely effective in both client and product mix management. As DFC goes forward, the securing of a bank licence becomes ever more important and remains the Group's priority.

With such strength in the underlying business, it was undoubtedly disappointing to have to announce a delay to the granting of DFC's bank licence in December 2018. However, we have been working assiduously to resolve this situation as quickly as possible.

The result is the announcement today of a restructuring of the Group that will, subject to our shareholders approval, result in:

- the sale of our investment in Zopa for £44.5 million
- an equity investment of £25 million in DFC
- the demerger and Admission of DFC to trading on AIM in early May 2019

This proposed restructuring has been driven by the primary consideration namely that of obtaining a banking licence for DFC. The regulatory authorities and our advisors have been extremely resourceful in establishing, what we believe is, a basis on which to go forward successfully and thus now enable DFC to be in the best possible position to obtain its bank licence in the short to medium term. We anticipate a final conclusion to this process shortly.

In addition to this, the restructuring also anticipates the sale of our investment in Zopa for £44.5 million which is an uplift of 22% on the independent valuation at the end of 2017. The proceeds from this will be used to invest a further £25 million in DFC and the remainder will be used to fund the existing businesses and form the basis of a proposed £10 million return of value to shareholders during 2019.

At the time of the TruFin IPO we told shareholders of our plans and ambitions. Today's news, whilst radically changing the Group, is in reality an early execution of some aspects of those plans and we believe represents what is in the best interest of shareholders. It provides certainty across the businesses, and going forward, management remains committed to delivering value for shareholders from the existing businesses, whilst continuing to seek out further opportunities.

Our Performance

Demand in each of our businesses was strong throughout the year and we have seen this continue post year end.

DFC and Satago

- Combined loans and advances to customers were approaching £130 million at 31 December 2018 representing growth in excess of 290% from the previous year
- Combined revenue grew to £6.6 million for the year ended 31 December 2018 representing an increase of 450% since 2017, highlighting the strong growth trajectory of these companies
- DFC ended the year with in excess of 500 dealers signed on to its financing programmes in the UK on behalf of 45 manufacturers, representing 117% and 69% year on year growth respectively
- Clients signing up to Satago's digital platform has increased markedly during the year and the development of partnerships with leading accounting and financial institutions continues apace
- At DFC there were a minimal amount of actual defaults and no write offs during the period
- Operating expenses grew over the period, driven by new hires and professional services costs arising from, inter alia, DFC's banking application to the regulatory authorities
- DFC's application for a UK banking licence progressed during the year. However, in December 2018, we announced a delay to DFC obtaining a bank licence. After due consideration and in order to provide DFC with the best possible opportunity of obtaining a bank licence in the short to medium term, we have decided to propose a demerger and Admission of DFC to trading on AIM.

Oxygen

- Oxygen continued to make significant progress in the public sector with the number of live clients rising more than 100% during 2018
- Oxygen secured contracts with significant new clients resulting in total annual procurement spend under contract moving to £19.7 billion annually by the year end representing a growth of over 74%
- Efforts to monetise these client wins are starting to see results with revenues rising to £2.9 million
- In August 2018, Oxygen acquired 100% of Porge Limited ("Porge"). Porge provides an evidence based public sector market insight service and research product. This provides Oxygen with an additional product offering and initial indications are that this has been warmly welcomed by existing customers of both companies.

Zopa

- During the year, Zopa has continued its digital disruption story, and 2018 saw an upward revaluation in the Group's investment of £8.0 million to £44.5 million
- In December 2018, Zopa was granted a banking licence with restrictions, a critical milestone for Zopa on its journey towards a full banking licence

- As part of the Group's restructuring the sale of this stake for £44.5 million has been announced.

For the Group as a whole, operating loss before tax excluding share-based payments was £12.8 million which was in line with expectations.

Current trading and prospects

- 2019 has commenced well and Group revenues for the first quarter ended 31 March 2019 were £3.9 million (unaudited)
- As at 31 March 2019, the combined loans and advances from DFC were not less than £142 million (unaudited), representing growth in excess of 25% since 31 December 2018
- DFC's client base of 26 manufacturers and 246 dealers at the time of TruFin's IPO has expanded rapidly to 58 active manufacturers and 616 dealers as at 31 March 2019, with proposals signed with a further 48 manufacturers
- Satago is experiencing strong demand to-date during 2019 from the partnerships it has formed, with capital being the constraining factor.

Our Strategy

Our strategy remains to operate and create a stable of niche lenders and early payment providers with a primary focus on Europe.

The proposed restructuring demonstrates our focus on delivering value for shareholders. We believe it will provide DFC the best opportunity to achieve a bank licence whilst providing certainty to the rest of the Group.

Moreover, the sale of our investment in Zopa (which showed a 22% increase in value during 2018) represents a pragmatic approach to ensuring the Group is adequately funded to pursue its businesses objectives.

A return of value to shareholders of £10 million during 2019 is being proposed. Meanwhile, the Directors are focused on ensuring that the remaining businesses deliver on their business plans.

Our Outlook

The Directors believe that the organic growth opportunities for the businesses remain strong whilst the proposed restructuring is a pragmatic solution that delivers the best opportunity for DFC to obtain a bank licence in the short to medium term.

The demerger does provide us with an opportunity to reflect with pride on the growth of DFC into what it is today - an origination engine. We wish them well for the future.

Meanwhile we look forward to developing the next powerful origination engine from our remaining stable of businesses or one out there waiting to be found.

Henry Kenner

Chairman and Chief Executive Officer

17 April 2019

GROUP STRATEGIC REPORT
For the year ended 31 December 2018

Goals and Objectives

The strategic goal is to operate and create a stable of niche lenders and payment providers whether through organic growth or acquisition.

The Directors believe that each of the current businesses operates in attractive niche markets with the commensurate benefits associated with high sustainable returns. TruFin's flexible product offerings focus on customer service and the delivery of extremely effective technology allows it to address challenges of scalability and increased customer acquisition costs. As such, TruFin is committed to continue investing in both its people and technology.

To achieve the strategic goal, the first deliverable is to demonstrate to the shareholders and customers that the business strategy as applied to the existing businesses can deliver for all interested parties. As such, the focus of the management teams' efforts is on optimising the performance of the existing businesses.

At present, the Directors continue to believe that the individual businesses will flourish optimally through organic growth. However, the Directors will also continue to monitor acquisition opportunities that arise in the normal course of business.

At the time of writing the Board are pursuing the demerger of DFC from the Group as a strategic goal to enable it to have the best opportunity to obtain a banking licence.

The Directors have the following strategic objectives for each business:

Oxygen's future objectives and strategy

Oxygen has continued to build new client and supplier relationships which, given the operational gearing in the business, are expected to lead in turn to profitability and enhanced performance. During 2018 Oxygen signed up 19 new clients and as such saw procurement spend under contract rise to £19.7 billion by 31 December 2018. The sales pipeline for 2019 remains robust.

With sales seemingly secure, the main focus remains on monetising for both the live clients and Oxygen following implementation of the programmes. Building on 2017, 2018 has seen Oxygen implement several new initiatives both internally and externally to improve this. With a continued focus during 2019, the Directors remain confident of continued progress.

In the medium term, Oxygen aims to continue its expansion in the UK public sector including with smaller councils and through further expansion into the NHS and Central Government. Simultaneously, Oxygen will pursue growth in the corporate sector, initially targeting large corporates with similar characteristics to the public sector.

Additionally, Oxygen plans to expand its product offering to its customer base. To that end it acquired Porge during 2018 and this has now been integrated into Oxygen. The strategy here is to roll out this research insight service to existing customers of both companies.

Satago's future objectives and strategy

At the TruFin IPO we stated that Satago was a nascent business with great potential. During 2018, that potential has begun to be realised with the loan increasing to £15.4 million at the year end.

In the core invoice financing business, customer acquisition is the key to success. The business's strategy was, and remains, to adopt a partnership model as a means of gaining the necessary traction and brand awareness. During 2018 the number of interested partners has grown materially and the business is starting to see the direct benefits in terms of business volumes. The management is extremely optimistic as to these materialising further during 2019 and forming the basis for future growth.

As the business has grown the demand for a wider range of financing products has become increasingly apparent and as such it a strategic objective to explore the launching of such products during 2019. These products will initially focus on other short term working capital facilities and will round out the business's overall customer offering.

Satago's technology has been a key factor in attracting potential partners and customers. To that end it is a core objective to continue to invest in the platform.

With an increasing market presence and the business's technological strength, various fee-paying services are now being considered in addition to the core lending business as another source of revenues.

In addition, to the core business there is speciality lending. This occurs where there is a specific niche funding vertical which exhibits attractive funding opportunities whilst the niche operator itself also requires working capital. Currently, the business has exposure to two such verticals namely mobile games publishing and independent financial intermediaries. It is a strategic goal to continue to explore for further niche verticals.

Satago will target origination of high yielding short-dated working capital assets, while managing risk via a superior understanding of the credit risk of prospective counterparties provided by its advanced technology and fully integrated customer business model.

Satago's strategy for effecting this is to focus on building the right strategic partnerships to drive lead generation and to use its technology platform to take advantage of any disruptive trends in the industry.

The Directors recognise that Satago needs to extend its product range and continue enhancing its proprietary technology. This will enable Satago to increase its customer satisfaction and to explore opportunities presented by regulatory change and the demand for advanced receivables finance and short term working capital loans.

DFC's future objectives and strategy

DFC's loan book grew strongly during 2018 with the loan book ending the year at £114 million. This was all achieved through increased customer penetration in terms of the number of manufacturers being signed up to the programme expanding to 45 and number of dealers to 533.

Accordingly, revenues grew to £5.2 million in 2018 and costs rose as staff numbers increased as DFC readied itself for a banking licence. The interest expense expanded as the financing facility became a core tool in facilitating customer demand.

DFC will continue to build its book of distribution finance assets via established client relationships and continues to pursue a banking licence. As specified in its Regulatory Business Plan, DFC will in the medium term launch a leasing product suite for the dealer-to-consumer leg of each business vertical in which it is operates. This will complement the wider working capital product offering.

From the successful stock market listing proceeds, £36 million equity has been invested in the year to enable DFC to execute its business plan with a further £25 million being invested post year end as part of the restructuring and demerger.

DFC has made an application for a bank licence in order to scale its balance sheet and provide a wider range of defined products across the SME and consumer lending environment. As described earlier, this licence has been delayed and much focus had been on creating the optimal structure in which to have DFC obtain a bank licence.

This structure is now achieved and, subject to shareholders approval, a demerger and listing of DFC will occur shortly. A such, it is likely that we will see the departure of DFC from the TruFin family. Whilst this departure is earlier than we originally anticipated we are immensely proud of DFC and wish them well in what looks to be an exciting future.

Zopa

Zopa is a technology-led financial services innovator and is currently a leading UK consumer peer-to-peer lender.

In December 2018, Zopa was granted a bank licence with restrictions. This will enable Zopa to lend directly from its own balance sheet and offer customers a broader set of products (including deposits, credit cards and auto loans) and services. In doing so, it will significantly increase its addressable market and capture the full return from these loans, as opposed to solely a brokerage fee.

As at 31 December 2018, the holding in Zopa which is accounted for as investment was valued by an external independent valuer at £44.5 million.

As part of the restructuring announced today this investment is due to be sold to Arrowgrass Master Fund subject to shareholder approval for £44.5 million representing an uplift of 22% on 31 December 2017. As such the Group will no longer have any involvement with Zopa. We wish them well in the future.

Technologically advanced

The Directors fundamentally believe that, together with origination, technology is the key component in bringing the Group as the provider of finance closer to its current and future customers, the consumers of finance. As such, the Directors have placed great emphasis across TruFin on building or utilising the latest technology to deliver products more effectively to its customers.

TruFin has built leading edge proprietary technology that gives it a competitive advantage. The Directors believe that this will represent an increasingly important part of the Group's ability to satisfy the growing expectations of its existing and future customers. The Directors are therefore committed to ensuring continued investment in this area.

Key Performance Indicators

£'000	Year ended 31 December 2018	Year ended 31 December 2017
Gross Revenue	9,544	3,774
	As at 31 December 2018	**As at 31 December 2017**
Loan Book	129,221	32,709
KPIs (unaudited)		
DFC: # of Manufacturers signed up	45	26
DFC: # of Dealers on to programme	533	246
DFC: # of Active Dealers signed up	424	163
Oxygen: Clients' total annual procurement spend under contract	£19.7bn	£11.3bn

Principal Risks and uncertainties

The directors of TruFin plc confirm that we have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Principal Risks are a risk or combination of risks that, given the Group's current position, could seriously affect the performance, future prospects or reputation of the Group. These risks could potentially threaten the businesses, performance, solvency or liquidity, or prevent the delivery of the strategic objectives. The Board has overall responsibility for ensuring that risk is appropriately managed across the Group.

As well as external reviews and audits from the Group's statutory auditors, the Group has internal checks and policies. Initial responsibility rests with the management team of each business for identifying and managing risks arising in their business areas. This is augmented by the Group's central compliance and finance function with responsibility for reporting to the Board.

The key risks identified and which the Board has reasonable expectation are appropriately mitigated are:

- **Strategic risk** – Strategic and business risk is the risk which can affect the Group's ability to achieve its corporate and strategic objectives. The risk on the performance of the Group arising from its strategic decisions, change in the business conditions, improper implementation of decisions or lack of responsiveness to industry changes. It is particularly important as the Group continues its growth strategy. Mitigating factors are: the Group will not put its core strategic and business objectives at a level of risk which is beyond its financial resources and operational capabilities; the Group will monitor, review and challenge its performance against its strategic objectives. The Strategic risk for the Group remains unchanged from the previous year.

- **Credit risk** – the risk of default, potential write-off, risk of financial loss arising from a borrower or counterparty failing to meet its financial obligations. This is mitigated by the Group adopting prescribed lending policies and adhering to strict credit and underwriting criteria specifically tailored to each business area. The exposure to credit risk has increased since the previous year as the size of the loan book has grown significantly. The loans issued are in most cases collateralised to a large extent and the majority of the loans are short dated and therefore the risk of loss is mitigated to the extent the Directors deem appropriate in accordance with the relevant risk policies.

- **Funding risk** – the risk of the Group not being able to meet its current and future financial obligations over time, specifically that funding is not available to meet the Group's growth targets. The Group's major shareholder is very supportive and the strategic sale of Zopa in the coming weeks will release sufficient capital to fund DFC and the remaining Group for the foreseeable future. The Group will also be reviewing costs and efficiencies.

- **Operational risk** – which is the risk of financial loss and/or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events. The exposure to operational risk has increased from the previous year as the businesses have grown. Mitigants are:- the Group reviews its operational infrastructure to ensure that it is secure and fit for purpose. The Group maintains a strong internal control environment and the growth has also factored in strengthening processes and systems.

- **Liquidity risk** – The restructuring which takes place after the reporting period and which is discussed in note 28, Post Balance Sheet Events, is significant and the sale of Zopa together with the demerger represents a fundamental change in the business of TruFin. There is an execution risk that these events do not happen. The Sale and Purchase agreement relating to the sale of the Group's investment in Zopa to Arrowgrass Master Fund ("Arrowgrass") contains a Material Adverse Change clause which states that if between exchange and completion there is a material adverse change then Arrowgrass has the right not proceed to completion. The date of exchange document is on 17 April 2019 and completion is timetabled for 7 May 2019.

  A Material Adverse Change means a material adverse change in the business, operations, assets, management or legal, financial, tax or regulatory position of Zopa.

  In the event that the sale of the Group's investment in Zopa does not complete, then TruFin will not be able to provide DFC with £25 million of equity funding within the existing arrangements. TruFin will then need to consider whether a demerger and subsequent IPO should proceed given the risk that DFC may not be fully capitalised. The consequence of DFC not being demerged would likely result in a delay and/or reapplication of the bank licence.

- **Brexit risk** – DFC's structure and license requirements are not impacted by Brexit as it only lends to UK based firms from a UK legal entity. DFC could be impacted by varying demand for credit and higher loss rates from customers due to changes in macro-economic factors (such as weak GDP or higher interest rates in the UK), or from higher costs of doing business for DFC's customers (such as higher import prices due to potential new tariffs or extreme movements in the purchasing power of Sterling). These potential risks could impact DFC's customers margins, profitability and in more extreme scenarios lead to much higher levels of insolvency. However, as DFC is primarily a secured lender on short duration loans with uncommitted lines, there are a number of management levers which can be applied rapidly and the Directors will continue to actively monitor the situation to ensure customers are supported within the agreed risk appetite.

  Oxygen and Satago has predominantly UK customers and suppliers, limiting any expected adverse impact of Brexit.

  On this basis Brexit is not expected to cause a material adverse impact on the Group's resources. The Directors will continue to closely monitor the economic and political situation in the UK and the EU and adjust the operating and business models where appropriate.

Strict adherence to managing risk

The Group manages such risks, among other things, with robust systems and processes, guidelines and policies which are forward-looking, clearly articulated, documented and communicated throughout the businesses and which enable the accurate identification and control of potentially problematic transactions and events.

Due to DFC and Satago being lending businesses, they each have their own risk committees and formal risk procedures in place that aim to manage risk effectively. The systems and processes, guidelines and policies are continually reviewed and updated and effectively communicated to all personnel to ensure that resources, governance and infrastructure are appropriate for the increasing size and complexity of the business.

The Group manages the risks by making complex judgements, including decisions (based on assumptions about economic factors) about the level and types of risk that it is willing to accept in order to achieve its business objectives, the maximum level of risk the Group can assume before breaching constraints determined by liquidity needs and its regulatory and legal obligations, including, amongst other things, from a conduct and prudential perspective.

Funding

TruFin successfully listed on AIM raising on 21 February 2018 raising £66 million of net proceeds from the IPO.

During the year, the Group provided equity funding to DFC for £36 million and a loan of £10 million. DFC signed an initial £40 million committed facility with a leading bank in 2017, the facility was increased to £100 million in 2018. The funding was instrumental in DFC's loan book growth during 2018 and for DFC to invest in people, processes and systems to build out its operations that are commensurate with being a bank.

During the year, the Group extended net facilities to Satago totalling £2 million; this facility is funding the continuation of Satago's development and loan book growth. The team continues to invest in the ongoing development of its proprietary technology platform and in securing strategic partnerships over the coming year.

During the year, the Group extended facilities to Oxygen totalling £5 million. £2 million of this funding was for the acquisition of Porge Limited and the remaining £3 million was to fund Oxygen's investment in client take-on and supplier on-boarding.

Significant events post balance sheet

On 17 April 2019, DFC increased its existing wholesale funding from £100 million to £155 million and extended the term by 12 months such that the funding line has a maturity of December 2020.

DFC's application for its banking licence progressed in 2018. In December 2018, the regulator raised some queries relating to the structure of the Group. In order to give DFC the best opportunity to obtain its banking licence it is proposed to demerge and IPO DFC on AIM. Whilst this is consistent with TruFin's broader longer-term strategy (namely that of maximising shareholder value through disposal when appropriate) the proposed demerger is earlier than anticipated. Nevertheless, the structure, size, speed of growth and ambitions to become a bank mean that the Directors consider an accelerated demerger is in the best interests of the shareholders.

As described earlier the investment in Zopa is to be sold for £44.5 million with the proceeds being invested in DFC, a return of value to shareholders and for general corporate purposes.

Strategy of the Group following the demerger of DFC

Following the restructuring and sale of Zopa, the Group will be significantly reduced in size, but the Directors remain committed to maximise value for its shareholders. We will continue to focus on the existing businesses whilst looking for new opportunities in the sector. In seeking out new origination capabilities or exciting new disruptive technologies we believe the Group is well placed to demonstrate its proven track record in this regard.

That said in undertaking a full review of the cost structure we will ensure that it is appropriately scaled to the new structure.

The Group has an exciting future and we look forward to pursuing the Group's strategy.

ON BEHALF OF THE BOARD

Henry Kenner
Chairman and Chief Executive Officer
17 April 2019

REPORT OF THE DIRECTORS
For the year ended 31 December 2018

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2018.

Principal activity

The principal activities of the Group in the year under review were those of providing niche lending and early payment services.

Dividends and return of capital

The Directors' have confirmed that no dividends have been declared for the year to 31 December 2018. The Directors' current view is that the earnings of Group will first be reinvested in the businesses to fund the Group's growth strategy and any surplus cash, if not reinvested in the foreseeable future, will be returned to shareholders. Subject to shareholder approval and legal requirements, it is the intention of the Board to make a distribution of £5 million in June 2019 and another £5 million in December 2019. The mechanism by which the distribution will be made will be determined near the time of the distribution.

Events since the end of the year

Subject to shareholder approval on 7 May 2019, the Group is to undergo a significant restructuring which will involve the demerger of DFC and the sale of Zopa. The details of this restructuring are given in note 28, post balance sheet event note.

Directors

The Directors who held office during the year and up to the date of the Directors' report were as follows:

Simon Henry Kenner

James van den Bergh

Raxita Kapashi

Steve Baldwin

Peter Whiting

Penny Judd

Paul Dentskevich

The Directors' interests in the shares of TruFin plc, all of which were beneficial interests, at 31 December 2018 are as follows:

Number of Shares	2018	2017
S H Kenner	1,825,658	–
J van den Bergh	1,732,237	–
P Whiting	26,315	–
P Judd	24,723	–

Directors insurance and indemnities

Throughout the year the Company has maintained Directors and Officers liability insurance for the benefit of the Company, the Directors and its officers. The Directors consider the level of cover appropriate for the business and will remain in place for the foreseeable future.

Significant shareholders

The following parties held greater than 3% of the issued share capital of TruFin plc as at 31 December 2018:

	Number of shares	% of issued share capital
Arrowgrass Master Fund Limited	71,228,774	73.15%
Watrium AS	6,063,157	6.23%
Liontrust Asset Management	3,526,315	3.62%
TruFin plc Employee Benefit Trust	3,407,895	3.50%

Statement of Directors' responsibility

The Directors are required by the Companies (Jersey) Law 1991, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the company for that period. The directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 accounting records that are sufficient to show and explain the Company's transactions. These records must disclose with reasonable accuracy at any time the financial position of the Company and enable the Directors to ensure that any financial statements prepared comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

Statement of Going Concern

As described in the Strategic Report on page 6, the Group is undergoing a significant restructuring that includes an immediate investment of £25 million in DFC funded by the sale of the Group's investment in Zopa for £44.5 million and, subsequently, the demerger of DFC in May.

Subject to receipt of the proceeds from the sale of the Group's investment in Zopa, the Directors have assessed the Company's ability to continue in operational existence for at least 12 months from the reporting date. However, whilst the sale has been agreed, the contract is subject to clauses that could result in it being cancelled. In the event that the proceeds are not received, this could delay or prevent the demerger of DFC and the ability of DFC to obtain a banking license within the current timeframe. As described on page 8, this uncertainty is considered to be a principal risk for the Group.

The Directors have considered the impact of this uncertainty on the Group's ability to continue in operational existence for the foreseeable future. Whilst the impact to the Group would be material and the strategic objectives would need to be reconsidered, the Group can manage short term liquidity through a reduction in loan originations and, therefore, the Directors have a reasonable expectation that the Group has adequate resources to meet its obligations for at least 12 months from the date of signing the accounts. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Corporate Governance and Internal Controls

The Directors acknowledge the importance of high standards of corporate governance and how the Board and its committees operate. The corporate governance framework which TruFin operates, including Board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values.

The Board has decided to adhere to the Quoted Companies Alliance's Corporate Governance Code ("QCA Code") for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26). The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA itself has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

The Board has considered how it applies each principle and the extent to which the Board judges these to be appropriate in the circumstances. Details of how TruFin adhere to these principles can be found on our website www.TruFin.com

TruFin's Chairman of the Board, Henry Kenner, also fulfils the role of Chief Executive Officer and consequently participates in the running of the Company's day-to-day business. It is understood that this does not comply with the QCA code, but the Directors believe it is in the best interests of the Company and its Shareholders for Henry to carry out both of these roles.

In line with the QCA Code, the Board and Committees conducted a formal performance evaluation process during the year. The process was carried out by way of tailored questionnaires completed by each member of the Board and Committees.

With respect to the Board, the question covered a variety of topics, including the composition of the Board, the quality and timeliness of information provided to the Board, succession planning and shareholder engagement. In general, the responses found the Board comprises an appropriate balance of skills and experience and that it is operating effectively.

The Board comprises three Executive Directors and four independent Non-Executive Directors.

REPORT OF THE DIRECTORS (CONTINUED)
For the year ended 31 December 2018

Brief biographies of the Directors are set out below:

Henry Kenner – *Executive Chairman and Chief Executive Officer*

Henry possesses over 30 years of investment banking and capital markets experience. Henry co-founded Arrowgrass Capital Partners LLP in 2008 and was CEO until late 2017. Prior to that, Henry served as a Managing Director at Deutsche Bank. Henry has also worked as a Managing Director at Swiss Re Capital Management and at ABN Amro Hoare Govett having started his capital markets career at NatWest Markets. Henry qualified as a Chartered Accountant.

James van den Bergh – *Deputy Chief Executive Officer*

James possesses over 16 years of investment banking and capital markets experience. James led the alternative finance team at Arrowgrass Capital Partners since its inception in 2013 to its transfer to TruFin. James began his career at Merrill Lynch before transitioning into investment management in 2003. James was formerly a partner at SAC Capital Advisors, Walter Capital Management LLP and Ivaldi Capital LLP. James is a CFA Charterholder.

Raxita Kapashi – *Chief Financial Officer*

Raxita has over 20 years of experience in various senior finance roles. Most recently she was Head of Finance and Compliance at Inflexion Private Equity. Prior to that she was Head of Finance at Oakley Capital Limited. Raxita qualified as a Chartered Accountant.

Steve Baldwin – *Senior Independent Non-Executive Director*

Steve has an extensive corporate finance background and is currently a Non-Executive Director at Edinburgh Investment Trust plc, Plus500 Limited and Elegant Hotels Group plc and a Trustee at Howard de Walden Estate Limited. Steve was the Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until February 2015. Prior to this, Steve was a Director at JPMorgan Cazenove for ten years and was a Vice President of Corporate Finance at UBS from 1995 to 1998. Steve qualified as a Chartered Accountant.

Penny Judd – *Independent Non-Executive Director*

Penny has over 30 years of experience in Compliance, Regulation, Corporate Finance and Audit and is currently Chairman of Plus500. Penny was until June 2016, a Managing Director and EMEA Head of Compliance at Nomura International plc, a position she held for three years. Prior to this, Penny worked at UBS Investment Bank for nine years and held the position of Managing Director, EMEA Head of Compliance. Penny qualified as a Chartered Accountant. Penny is also currently Non-executive Director of Alpha Financial Management Consulting Plc and Team17 plc.

Peter Whiting – *Independent Non-Executive Director*

Peter has over twenty years of experience as an investment analyst, specialising in the software and IT services sector. Peter joined UBS in 2000 and led its UK small and mid-cap research team. Between 2007 and 2011 Peter was Chief Operating Officer of UBS European Equity Research. Peter is currently the Senior Independent Director of FDM Group Limited and Microgen plc and a Non-Executive Director of Keystone Law Group plc and D4T4 solutions plc.

Paul Dentskevich – *Independent Non-Executive Director*

Paul has over 30 years of financial services experience, specialising in risk management, investment management and corporate governance of hedge and other multi-asset funds. Paul is currently Risk Director at Crestbridge, having previously been at Brevan Howard, 2008 to 2015, where he was a member of the Manager's investment committee and sat on a number of boards. Paul has a PhD in Economics from Imperial College London.

Senior Management

Jason Rogers – *Chief Operating Officer*

Jason possesses over 20 years of investment banking and capital markets experience. Jason was involved with the alternative finance team at Arrowgrass Capital Partners from 2014. Jason has previously worked at Bennelong Asset Management, Ruby Capital Partners, Swiss Re, Deutsche Bank and Bankers Trust.

Our Committees

Subsequent to the year end, the Board established the Audit Committee, the Remuneration Committee and the Nomination Committee each with written terms of reference and agreed schedules of work.

(a) Audit Committee

The Audit Committee is chaired by Penny Judd. Its other member is Peter Whiting. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets at least twice a year and will have unrestricted access to the Company's auditors. A copy of the Audit Committee Terms of Reference can be found on our website.

(b) Remuneration Committee

The Remuneration Committee is chaired by Peter Whiting. Its other member is Steve Baldwin. The Remuneration Committee reviews the performance of the Company's Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time by the Company. The remuneration and terms and conditions of appointment of the Non-Executive Directors is set by the Board. The Remuneration Committee meets formally at least once a year and otherwise as required. A copy of the Remuneration Committee Terms of Reference can be found on our website.

(c) Nomination Committee

The Nomination Committee is chaired by Steve Baldwin. Its other members are Penny Judd and Henry Kenner. The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new Directors, appointment of committee members and succession planning for senior management of the Company. The Nomination Committee is responsible for evaluation the balance of skills, knowledge, diversity and experience of the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters including succession planning. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee meets formally at least once a year and otherwise as required. A copy of the Nomination Committee Terms of Reference can be found on our website.

Board and Committee attendance record

	Board	Committee Membership		
	Meetings attended	Nomination Committee	Audit Committee	Remuneration Committee
Henry Kenner	11 / 11	1 / 1		
James van den Bergh	11 / 11			
Raxita Kapashi	11 / 11			
Steve Baldwin	9 / 9	1 / 1		3 / 3
Peter Whiting	9 / 9		3 / 3	3 / 3
Penny Judd	8 / 9	1 / 1	3 / 3	
Paul Dentskevich	9 / 9			

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ON BEHALF OF THE BOARD

Henry Kenner
Chairman and Chief Executive Officer
17 April 2019

AUDIT COMMITTEE REPORT
For the year ended 31 December 2018

Members of the Committee

- Penny Judd (Chair)
- Peter Whiting

Role of the committee

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives reviews reports from the Company's management and auditors related to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditors. A copy of the Audit Committee Terms of Reference can be found on our website.

External Audit

The Audit Committee approves the appointment and remuneration of the Group's external auditors. They also ensure that they are satisfied with the external auditors' independence in relation to any other non-audit work undertaken by them.

Internal Audit

The Audit Committee approves the appointment, scope and remuneration of the Group's internal auditors.

Significant issues considered in relation to the financial statements

The Audit Committee assesses whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. The Committee also reviews accounting papers prepared by management, and reviews reports by the external auditors. The specific areas reviewed by the Committee in respect of the year were:

- appropriateness of the accounting for share based payments and their disclosure within the Group financial statements
- appropriateness of the calculation and disclosure of earnings per share in the Group financial statements
- appropriateness of the accounting for the fair value of investments and convertible loan notes
- appropriateness of going concern assumptions

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF TRUFIN PLC

For the year ended 31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of TruFin Plc (the 'parent company') and its subsidiaries ('the group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Statements of Cash Flows; and
- the Notes to the Consolidated Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard as applied to listed entities, 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF TRUFIN PLC (CONTINUED)
For the year ended 31 December 2018

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition; • Loan loss provisioning; • Recognition of a deferred tax asset in respect of the unutilised tax losses; and • Valuation of convertible debt balances. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used for the group financial statements was £766,250 (2017: £454,000) which was determined on the basis of 0.5% of equity (2017: 0.5% of equity).
Scoping	The following component companies were deemed to be financially significant to the group: • Oxygen Finance Ltd (“OF”); • Distribution Finance Capital Ltd (“DFC”); and • Satago Financial Solutions Ltd (“SFS”).
Significant changes in our approach	Last year our report included one other key audit matter which is not included in our report this year, being the valuation of the investment held in Zopa Ltd (“Zopa”). As a result of the growth of the Group, the Zopa investment no longer constitutes such a significant proportion of the total assets of the Group and, additionally, Zopa completed a funding round in November 2018 so the uncertainty with respect to the estimation of the fair value of the investment has reduced. Therefore, it is no longer considered to represent a key audit matter. Additionally, we have identified a new key audit matter for the 2018 year end audit, in relation to the valuation of convertible debt.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors’ use of the going concern basis of accounting in 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 group’s or the parent 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.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition	
Key audit matter description	The Group recorded total revenue of £9,544k (2017: £3,774k) for the year ended 31 December 2018 which, as detailed in the Principal Accounting Policies in note 1 and in note 3, comprises interest and fee income. Interest income, earned on loans and advances to customer, makes up the majority of this amount. However, most of these loans had redeemed at the balance sheet date and the remaining deferred income balance is immaterial. Therefore, we have determined that the key audit matter relates to fee income. Fee income is predominantly recognised in relation to payment services provided by Oxygen and accounts for approximately 30% of total revenue. There is a risk that fee income has been recorded in the year in respect of payment services that have not been performed or that were performed after the year end. Manual intervention is involved in calculating amounts rebated to clients and judgement is applied in the satisfaction of the performance obligation.
How the scope of our audit responded to the key audit matter	We performed walkthroughs of the revenue business process and evaluated the design and implementation of relevant controls over the recognition of fee income in Oxygen. We reviewed management's revenue recognition policy to determine whether it was in accordance with the requirements of IFRS 15. For a sample of clients, we tested the monthly fee income recognised with reference to client contracts and obtained evidence for manual rebates where applied. We performed cut-off testing to assess whether revenue recognised in the year related to payment services provided before the year end.
Key observations	We concluded that fee income in relation to payment services was recognised appropriately for the year ended 31 December 2018.

Expected Credit losses – Loss Given Default	
Key audit matter description	As stated in note 16, the Group has a total loans and advances to customers balance of £129,678k (2017: £32,835k) and an associated expected credit losses ("ECL") of £308k (2017: £126k), representing 0.2% of the total loans and advances to customers balance (2017: 0.4%). As detailed in the summary of critical accounting judgements and estimates, the estimation of expected credit losses is inherently uncertain and requires significant management judgement. The key judgement in the assessment of expected credit losses under IFRS 9 is the assessment of the loss given default ("LGD") for loans originated by DFC, being the estimation of sale proceeds for collateral held against these loans. Therefore, we

	have determined that there is a potential risk of error in or manipulation of this balance.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of relevant controls over the calculation of expected credit losses for loans originated by DFC in accordance with IFRS 9. For a sample of loans, we challenged management in relation to the LGD assumption applied in the ECL model by independently verifying the retail prices of assets held as collateral and challenging the discount applied to the valuation by management to reflect a forced sale and selling costs.
Key observations	Overall, we concluded that the loan loss provision balance as at 31 December 2018 is reasonable.

Deferred Tax Asset Measurement

Key audit matter description	The Group has recognised a deferred tax asset of £5,579k (2017: £5,189k), as shown in note 1 and in note 11, relating solely to Oxygen. The deferred tax asset is recognised in line with IAS 12 which requires that deferred tax assets, in the context of a history of recent losses, should only be recognised to the extent that there is convincing evidence of sufficient future taxable profits against which the tax losses can be utilised. There is considerable judgement in the assessment of whether sufficient taxable profit will be available in the future and, therefore, this is considered to be a key audit matter.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of relevant controls over the production, and subsequent review of, forecasts used to determine the recoverability of the deferred tax asset. We challenged management's forecasts by reviewing the expected pipeline of clients that management had included in their forecast, assessing the revenue growth rate assumptions applied by management, reviewing forecasting accuracy by comparing budgeted figures to actual results and stress testing the model to determine how sensitive the forecast was to adverse movements to relevant inputs.
Key observations	We concluded that convincing evidence existed such that the deferred tax asset recognised in the Consolidated Statement of Financial Position is appropriate.

Convertible Debt Valuation

Key audit matter description	During the year the Group provided funding to Playstack Limited ("Playstack") and Vertus Capital Limited ("Vertus") in the form of convertible loans, with a recorded balance of £7,150k as at 31 December 2018 (2017: £nil). As detailed in note 1 and note 16, the instruments are measured at fair value through profit/loss ("FVTPL") under IFRS 9 and, due to the nature of the instruments, the fair value considerations are highly complex and involve a significant degree of judgement. As such, we have identified the valuation of convertible debt as a new key audit matter for the 2018 year end audit.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of relevant controls over the valuation of the convertible, including management's review of the valuation model prepared by their expert. We challenged the valuation determined by management by reviewing the competence, capabilities, and objectivity of management's experts used in the valuation of the balance, as well as testing the accuracy and completeness of data

	inputs in the valuation methodology by reconciling relevant terms to signed loan agreements.
Key observations	Having considered the available evidence, we concluded that the valuation was reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parents company financial statements
Materiality	£766,250 (2017: £454,000)	£382,552 (2017: £227,000)
Basis for determining materiality	0.5% of equity	Parent company materiality equates to less than 0.5% of shareholders equity of the parent and is capped at 50% of Group materiality.
Rationale for the benchmark applied	Financial performance to date is not a key metric as a result of the fact that this is an emerging growth company. Accordingly, the capital structure of the entity and focus of the users on balance sheet growth has been identified as the appropriate benchmark balance.	

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £38,312 (2017: £22,700) for the Group and £34,400 (2017: £19,120) for the parent company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The group consists of TruFin Plc itself, the holding company TruFin Holdings Ltd, and eight subsidiaries as detailed within note 1. In addition there is one associate, one joint venture, and one financial investment.

Three of the subsidiaries are determined to be financially significant to the group based on chosen benchmarks being in excess of 15% of the group aggregated balance. These subsidiaries are:

- Oxygen Finance Ltd;
- Distribution Finance Capital Ltd; and
- Satago Financial Solutions Ltd.

These subsidiaries have been subject to a full scope audit. All other subsidiaries as well as the associate and joint venture have been subject to analytical procedures at the Group level. Lastly, the financial investment in Zopa Ltd has been subject to specified audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including Chairman's Statement, Group Strategic Report, and Report of the Directors, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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 respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. 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 auditor's 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.

Alastair Morley
For and on behalf of Deloitte LLP
London, UK
17 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Interest income	3	6,295	1,136
Fee income	3	3,249	2,638
Interest and fee expenses		(2,302)	(121)
Net interest and fee income		**7,242**	**3,653**
Staff costs	5	(16,095)	(8,188)
Other operating expenses		(6,116)	(4,251)
Depreciation & amortisation		(283)	(146)
Net impairment loss on financial assets	9	(248)	(158)
Operating loss before share of loss from joint venture		**(15,500)**	**(9,090)**
Share of loss of joint venture accounted for using the equity method		–	(582)
Operating loss		**(15,500)**	**(9,672)**
Exceptional expenses	8	–	(330)
Loss before tax		**(15,500)**	**(10,002)**
Taxation	11	390	867
Loss after tax		**(15,110)**	**(9,135)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Gains on investments in equity instruments	15	8,000	2,600
		8,000	**2,600**
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		275	(357)
		275	**(357)**
Other comprehensive income for the year, net of tax		**8,275**	**2,243**
Total comprehensive loss for the year		**(6,835)**	**(6,892)**
Loss after tax attributable to:			
Owners of TruFin plc		(14,688)	(8,103)
Non-controlling interests		(422)	(1,032)
		(15,110)	**(9,135)**
Total comprehensive loss for the year attributable to:			
Owners of TruFin plc		(6,413)	(5,860)
Non-controlling interests		(422)	(1,032)
		(6,835)	**(6,892)**

The activities of the Group relate entirely to continuing operations. The notes on pages 34 to 82 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

Earnings per Share

	Notes	2018 pence	2017 pence
Basic and Diluted EPS	26	(15.8)	(12.4)
Adjusted EPS	26	(12.9)	(12.4)
Adjusted EPS (2)	26	(4.3)	(8.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Intangible assets	12	6,038	649
Property, plant and equipment	13	303	131
Deferred tax asset	11	5,579	5,189
Total non-current assets		**11,920**	**5,969**
Current assets			
Cash and cash equivalents		24,888	26,049
Loan and advances to customers	16	129,221	32,709
Other investments	15	49,494	36,500
Assets classified as Held for Sale	17	266	–
Trade receivables	18	417	487
Other receivables	18	3,202	1,821
Total current assets		**207,488**	**97,566**
Total assets		**219,408**	**103,535**
Equity and liabilities			
Equity			
Issued share capital	19	185,000	123,966
Retained earnings		15,375	(4,962)
Foreign exchange reserve		(121)	(396)
Other reserves		(50,261)	(26,919)
Equity attributable to owners of the company		**149,993**	**91,689**
Non-controlling interest	23	3,255	(293)
Total equity		**153,248**	**91,396**
Liabilities			
Non-current liabilities			
Borrowings	20	–	9,000
Total non-current liabilities		**–**	**9,000**
Current liabilities			
Borrowings	20	59,041	35
Trade and other payables	21	6,066	2,805
Provision for commitments and other liabilities	7	1,053	299
Total current liabilities		**66,160**	**3,139**
Total liabilities		**66,160**	**12,139**
Total equity and liabilities		**219,408**	**103,535**

The notes on pages 34 to 82 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2019. They were signed on its behalf by:

Henry Kenner
Chairman and Chief Executive Officer

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	2	-
Investments in subsidiaries		123,966	123,966
Total non-current assets		**123,968**	**123,966**
Current assets			
Cash and cash equivalents		8,448	-
Trade and other receivables	18	56,652	81
Total current assets		**65,100**	**81**
Total assets		**189,068**	**124,047**
Equity and liabilities			
Equity			
Issued share capital	19	185,000	123,966
Retained earnings		(6,033)	(720)
Other reserves		8,966	-
Total equity		**187,933**	**123,246**
Liabilities			
Current liabilities			
Trade and other payables	21	1,135	801
Total current liabilities		**1,135**	**801**
Total liabilities		**1,135**	**801**
Total equity and liabilities		**189,068**	**124,047**

The Company reported a loss for the year to 31 December 2018 of £4,391,000 (2017: £720,000).

The notes on pages 34 to 82 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2019. They were signed on its behalf by:

Henry Kenner
Chairman and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Foreign exchange reserve £'000	Other reserves £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2018	**123,966**	**-**	**(4,962)**	**(396)**	**(26,919)**	**91,689**	**(293)**	**91,396**
Loss for the year	–	–	(14,688)	–	–	(14,688)	(422)	(15,110)
Other comprehensive income for the year	–	–	8,000	275	–	8,275	–	8,275
Total comprehensive loss for the year	**–**	**–**	**(6,688)**	**275**	**–**	**(6,413)**	**(422)**	**(6,835)**
New issue of shares	70,000	–	(3,661)	–	–	66,339	–	66,339
Share cancellation	(8,966)	–	–	–	8,966	–	–	–
Share based payment	–	–	2,739	–	–	2,739	–	2,739
Reduction of Capital	–	–	28,752	–	(28,752)	–	1,819	1,819
NCI Share Premium	–	–	–	–	–	–	1,482	1,482
Adjustment arising from change in NCI	–	–	(805)	–	(3,556)	(4,361)	669	(3,692)
Balance at 31 December 2018	**185,000**	**–**	**15,375**	**(121)**	**(50,261)**	**149,993**	**3,255**	**153,248**
Balance at 1 January 2017	**2,202**	**31,249**	**541**	**(39)**	**–**	**33,953**	**547**	**34,500**
Loss for the year	–	–	(8,103)	–	–	(8,103)	(1,032)	(9,135)
Other comprehensive income for the year	–	–	2,600	(357)	–	2,243	–	2,243
Total comprehensive loss for the year	**–**	**–**	**(5,503)**	**(357)**	**–**	**(5,503)**	**(1,032)**	**(6,892)**
Capital contribution in relation to the issue of preference shares	–	–	–	–	–	–	192	192
New issue of shares	123,966	–	–	–	–	123,966	–	123,966
Arising on consolidation	(2,202)	(31,249)	–	–	(26,919)	(60,370)	–	(60,370)
Balance at 31 December 2017	**123,966**	**–**	**(4,962)**	**(396)**	**(26,919)**	**91,689**	**(293)**	**91,396**

The notes on pages 34 to 82 are an integral part of these financial statements.

Share capital

Share capital represents the nominal value of equity share capital issued.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at a premium, net of associated share issue costs.

Retained earnings

The retained earnings reserve represents cumulative net gains and losses.

Foreign exchange reserve

The foreign exchange reserve represents exchange differences which arise on consolidation from the translation of the financial statements of foreign subsidiaries.

Other reserves

Other reserves consist of the merger reserve and the share revaluation reserve.

The merger reserve arises as a result of combining businesses that are under common control. As at 31 December 2018 it was a debit balance of £59,227,000 (2017: £26,919,000).

The share revaluation reserve arose from the share cancellation that took place in February 2018. As at 31 December its balance was £8,966,000 (2017: £nil).

Non-Controlling Interest

The non-controlling interest relates to the minority interest held in DFC.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2018	**123,966**	**(720)**	**–**	**123,246**
Total comprehensive loss for the year	–	(4,391)	–	(4,391)
New issue of shares	70,000	(3,661)	–	66,339
Share cancellation	(8,966)	–	8,966	–
Share options issued	–	2,739	–	2,739
Balance at 31 December 2018	**185,000**	**(6,033)**	**8,966**	**187,933**
Balance at 29 November 2017	**–**	**–**	**–**	**–**
Total comprehensive loss for the period	–	(720)	–	(720)
Shares issued during the period	123,966	–	–	123,966
Balance at 31 December 2017	**123,966**	**(720)**	**–**	**123,246**

The Company was incorporated on 29 November 2017.

The notes on pages 34 to 82 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Loss before income tax	(15,500)	(10,002)
Adjustments for		
Depreciation of property, plant and equipment	109	43
Amortisation of intangible fixed assets	225	156
Share based payments	2,739	–
Finance costs	–	27
Share in joint venture	–	582
	(12,427)	**(9,194)**
Working capital adjustments		
Loans to customers	(270,457)	(62,512)
Loans repaid by customers	173,945	30,673
Increase in trade and other receivables	(1,311)	(1,214)
Increase in trade and other payables	3,318	1,979
Net payables on acquisition of subsidiary	(325)	–
Additions to assets held for sale	(266)	–
	(95,096)	**(31,074)**
Tax paid	(36)	–
Net cash used in operating activities	**(107,559)**	**(40,268)**
Cash flows from investing activities:		
Additions to intangible assets	(2,855)	(805)
Additions to property, plant and equipment	(275)	(107)
Net increase in debt securities	(4,993)	–
Acquisition of subsidiary	(2,014)	–
Cash from acquisition of subsidiaries	382	–
Net cash used in investing activities	**(9,755)**	**(912)**
Cash flows from financing activities:		
Issue of ordinary share capital	70,000	2,000
Issue of preference share capital	–	3,500
Share issue costs	(3,661)	–
Net borrowings from Group undertakings	–	46,000
New borrowings	49,926	9,000
Net interest received	–	38
Net cash generated from financing activities	**116,265**	**60,538**
Net (decrease)/increase in cash and cash equivalents	**(1,049)**	**19,358**
Cash and cash equivalents at beginning of the year	26,049	6,690
Effect of foreign exchange rate changes	(112)	1
Cash and cash equivalents at end of the year	**24,888**	**26,049**

The notes on pages 34 to 82 are an integral part of these financial statements

All cash and cash equivalents are cash at bank.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Loss before income tax	(4,391)	(720)
Adjustments for:		
Depreciation of property, plant and equipment	1	–
Share based payments	2,739	–
	(1,651)	**(720)**
Working capital adjustments		
Increase in trade and other receivables	(3,407)	(81)
Increase in trade and other payables	334	801
	(3,073)	**720**
Net cash used in operating activities	**(4,724)**	**–**
Cash flows from investing activities		
Increase in intragroup loans	(53,164)	–
Additions to property, plant and equipment	(3)	–
Net cash used in investing activities	**(53,167)**	**–**
Cash flows from financing activities		
Issue of ordinary share capital	70,000	–
Share issue costs	(3,661)	–
Net cash generated from financing activities	**66,339**	**–**
Net increase in cash and cash equivalents	**8,448**	**–**
Cash and cash equivalents at beginning of the year	–	–
Cash and cash equivalents at end of the year	**8,448**	**–**

The notes on pages 34 to 82 are an integral part of these financial statements.

All cash and cash equivalents are cash at bank.

Statutory information

TruFin plc is a Company registered in Jersey and incorporated under Companies (Jersey) Law 1991. The Company's ordinary shares were listed on the Alternative Investment Market of the London Stock Exchange. The address of the registered office is 26 New Street, St Helier, Jersey, JE2 3RA.

The Company was listed on 21 February 2018 and issued 36,842,106 Capital Raising Shares at a price of 190p per share to raise a total of £70 million (£66 million net of expenses).

1. Accounting policies

General information

The TruFin Group (the "Group") is the consolidation of TruFin plc, TruFin Holdings Limited, Oxygen Finance Group Limited, Oxygen Finance Limited, Oxygen Finance Americas Inc., Porge Limited, TruFin Software Limited, Satago Financial Solutions Limited, Distribution Finance Capital Limited, AltLending (UK) Limited, (as set out in "Basis of consolidation" below).

Additionally, the Company held:

- a 50% interest in a joint venture – Clear Funding Limited ("Clear Funding"), which has been winding down its operations since July 2018 and will be struck off in April 2019 and as such, the investment in the joint venture has been written down to nil at the balance sheet date;
- a 40% interest in an associate, PlayIgnite Ltd, which is not material to the Group;
- a minority interest investment in Zopa Group Limited.

The principal activities of the Group are the provision of niche lending and early payment services.

The financial statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Group operates. Amounts are rounded to the nearest thousand.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Prior to 29 November 2017 and before the incorporation of TruFin plc and TruFin Holdings, the entities named above were under common control and therefore, have been accounted for as a common control transaction – that is a business combination in which all the combining entities or businesses are ultimately controlled by the same company both before and after the combination. IFRS 3 provides no specific guidance on accounting for entities under common control and therefore other relevant standards have been considered. These standards refer to pooling of assets and merger accounting and this is the methodology that has been used to consolidate the Group.

After 29 December 2017, post the reorganisation, the entities constitute a legal group and accordingly the consolidated financial statements have been prepared by applying relevant principles underlying the consolidation procedures of IFRS.

Basis of preparation

The results of the Group companies have been included in the consolidated statement of comprehensive income. Where necessary, adjustments have been made to the underlying financial information of the companies to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements contained in this document consolidates the statements of total comprehensive income, statements of financial position, cash flow statements, statements of changes in equity and related notes for each of the companies listed in the "Basis of consolidation" below, which have been prepared in accordance with IFRS.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Basis of consolidation

The consolidated financial statements include all of the companies controlled by the Group, which are as follows:-

Entities	Country of incorporation	Registered address	Nature of the business	% voting rights and shares held
TruFin Holdings Limited ("THL")	Jersey	26 New Street, St Helier, Jersey JE2 3RA	Holding Company	100% of ordinary shares
Satago Financial Solutions Limited ("SFSL")	UK	4 Bentinck Street, London, United Kingdom, W1U 2EF	Provision of short term finance	100% of ordinary shares
Distribution Finance Capital Ltd ("DFC")	UK	12 Groveland Court, London, United Kingdom, EC4M 9EH	Provision of short term finance	94% of ordinary shares
Oxygen Finance Group Limited ("OFGL") (together with OFL and OFAI) ("Oxygen")	UK	Cathedral Place, 42-44 Waterloo Street, Birmingham, United Kingdom, B2 5QB	Holding Company	100% of ordinary shares
Oxygen Finance Limited ("OFL")	UK	Cathedral Place, 42-44 Waterloo Street, Birmingham, United Kingdom, B2 5QB	Provision of early payment services	100% of ordinary shares
Oxygen Finance Americas, Inc ("OFAI")	USA	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801, USA	Provision of early payment services	99.99% of ordinary shares
Porge Ltd ("Porge") – acquired on 3 August 2018	UK	Cathedral Place, 42-44 Waterloo Street, Birmingham, United Kingdom, B2 5QB	Provision of market research information.	100% of ordinary shares
TruFin Software Limited ("TSL") (previously Satago Solutions Limited)	UK	4 Bentinck Street, London, United Kingdom, W1U 2EF	Provision of technology services	100% of ordinary shares
AltLending UK Limited ("AltLending")	UK	4 Bentinck Street, London, United Kingdom, W1U 2EF	Provision of short term finance	100% of ordinary shares

The consolidated financial information also includes three further investments, as follows:

- a 50% interest in a joint venture, Clear Funding Limited ("Clear Funding"), which is accounted for using the equity method,
- a 40% interest in an associate, PlayIgnite Ltd ("PlayIgnite"), which is accounted for using the equity method and
- an undiluted economic interest of 13.3% in Zopa Group Limited ("Zopa") (12.5% fully diluted), as at 31 December 2018, which is measured at fair value with changes in value recognised through other comprehensive income.

All three investments are incorporated in the UK.

Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been applied consistently to all the financial periods presented.

The consolidated financial statements have been prepared in accordance with European Union Endorsed International Financial Reporting Standards (IFRSs) and the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee (IFRIC)) interpretations. These statements have been prepared on a going concern basis and under the historical cost convention except for the treatment of certain financial instruments.

Going concern

The Group's forecasts and projections, taking into account reasonable possible changes in trading performance, show that the Group should be able to operate in the foreseeable future. As a consequence, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing these financial statements.

Revenue recognition

Net interest and fee income

Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or measured or designated as at Fair Value Through Profit and Loss ("FVTPL") are recognised in "Net interest and fee income" as "Interest income" and "Interest and fee expenses" in the profit or loss account using the effective interest method.

The Effective Interest Rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs and all other premiums or discounts.

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (that is, to the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets, as defined in the financial instruments accounting policy, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets, that is, to the gross carrying amount less the allowance for Expected Credit Losses ("ECLs").

Fee income

Fee income for the Group is earned from payments services fees provided by Oxygen and facility fees provided by DFC.

Payment services provided by Oxygen and DFC comprises the following elements:

Early Payment Programme Services ("EPPS") contracts

Oxygen's Early Payment Programme Services generate rebates (i.e. discounts on invoice value) for its clients by facilitating the early payment of supplier invoices. Oxygen's single performance obligation is to make its intellectual property and software platform available to its clients for the duration of their contracts.

Oxygen bills its clients monthly for a contractually agreed share of supplier rebates generated by their respective Early Payment Programmes during the previous month. This revenue is recognised in the month the rebates are generated.

Assessment Fees

Assessment fees include Oxygen consultants reviewing the client's internal processes and technology and analysing the financial business case for setting up an Early Payment Programme. The assessment is a self-contained consultancy project which is not contingent on any future Early Payment Programme being entered into by the client and accordingly Oxygen's single performance obligation is to deliver a report that summarises the assessment findings. Revenue from assessment fees is deferred and is accrued over the period of the assessment.

Implementation Fees

Implementation fees are charged to some clients to cover Oxygen's costs in establishing a client's technological access to the Early Payment Programme Services and in otherwise readying a client to benefit from the Services. Establishing access to the company's intellectual property and software platform does not amount to a distinct service as the client cannot benefit from the initial access except by the company continuing to provide access for the contract period. Where an implementation fee is charged, it is therefore a component of the aggregate transaction price of the Early Payment Programme Services. Accordingly, such revenue is initially deferred and then recognised in the statement of comprehensive income over the life of the related Early Payment Programme Services contract.

Consultancy Fees

Oxygen provides stand-alone advisory services to clients. Revenue is accrued as the underlying services are provided to the client.

Facility Fees

Facility fees are fees charged by DFC to customers. These fees do not meet the criteria for inclusion within interest income under the EIR method as they are not deemed to be integral to the EIR. The company satisfies its performance obligations as the services are rendered. These fees are billed in arrears of the period they relate to.

Subscription Fees

Subscription fees are fees that are typically annual fees for the access to Porge's market insight and research database. Subscriptions are received in advance and recognised over the length of the contract as access to the database is provided.

Fee Expenses

Fee expenses are directly attributable costs, associated with the Oxygen's Early Payment Programme Services. The expenses include amortisation arising from capitalised contract costs incurred directly through activities which generate fee income. Amortisation arising from other intangible assets is recognised in depreciation and amortisation of non-financial assets before operating profit/loss.

Other income from financial instruments

Dividends from equity investments measured at Fair Value Through Other Comprehensive Income ("FVTOCI") are recognised in profit and loss when the Group becomes entitled to them.

For financial instruments that are classified as FVTPL, any interest or fee income is included in the profit and loss account within the fair value gain or loss.

Debt securities are measured at fair value through other comprehensive income. The securities are measured at their closing bid prices at the reporting date with any unrealised gain or loss recognised through other comprehensive income. Once the assets have been derecognised, the corresponding gain or loss is reclassified to the income statement.

The Group presently holds no financial instruments for trading or hedging purposes, nor has it designated any other items as FVTPL.

Operating profit/loss

Operating profit/loss is net interest and fee income less staff costs, depreciation and amortisation, impairment loss on financial assets and other operating expenses.

Foreign currencies

The results and financial position of each group company are expressed in Pounds Sterling, which is the functional currency of the UK based members of the Group and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income.

Property, plant and equipment

All property, plant and equipment is stated at historical cost (or deemed historical cost) less accumulated depreciation and less any identified impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value on a straight line basis at the following annual rates:

Leasehold improvements	–	5 years
Office equipment	–	3 years
Computer equipment	–	3 -5 years

Useful economic lives and estimated residual values are reviewed annually and adjusted as appropriate.

Intangible and contract assets

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Intangible assets with finite lives are stated at acquisition or development cost less accumulated amortisation and less any identified impairment. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and are treated as changes in accounting estimates.

Computer Software

Computer software which has been purchased by the Group from third party vendors is measured at initial cost less accumulated amortisation and less accumulated impairments.

Computer software also comprises internally developed platforms and the costs directly associated with the production of these identifiable and unique software products controlled by the Group. They are probable of producing future economic benefits. They primarily include employee costs and directly attributable overheads.

Internally generated intangible assets are only recognised by the Group when the recognition criteria have been met in accordance with IAS 38: Intangible Assets as follows:

- expenditure can be reliably measured;
- the product or process is technically and commercially feasible;
- future economic benefits are likely to be received;
- intention and ability to complete the development; and
- view to either use or sell the asset in the future.

The Group will only recognise an internally-generated asset should it meet all the above criteria. In the event of a development not meeting the criteria it will be recognised within the statement of profit or loss in the period incurred.

Capitalised costs include all directly attributable costs to the development of the asset. Internally generated assets are measured at capitalised cost less accumulated amortisation less accumulated impairment losses. The internally generated asset is amortised at the point the asset is available for use or sale. The asset is amortised on a straight-line basis over the useful economic life with the remaining useful economic life and residual value being assessed annually.

Any subsequent expenditure on the internally generated asset is only capitalised if the cost increases the future economic benefits of the related asset. Otherwise all additional expenditure should be recognised through the statement of profit or loss in the period it occurs.

Contract Assets

Contract assets comprise the directly attributable costs incurred at the beginning of an Early Payment Scheme Service contract to revise a client's existing payment systems and provide access to the Group's software and other intellectual property. These implementation (or "set up") costs are comprised primarily of employee costs.

Amortisation is charged to the statement of comprehensive income over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

Estimated useful lives

The estimated useful lives of finite intangible assets are as follows:

Computer software	–	3 -5 years
Contract assets	–	Life of underlying contract (typically 5 years)
Computer equipment	–	3 -5 years

Goodwill

Goodwill arising on acquisition represents the excess cost of a business combination over the fair values of the Group's share of the identifiable assets and liabilities at the date of the acquisition. When part of the consideration transferred by the Group is deferred or contingent, this is valued at its acquisition date fair value, and is included in the consideration transferred in a business combination. Changes in the deferred or contingent consideration, which occur in the measurement period, are adjusted retrospectively, with corresponding adjustments to goodwill.

Goodwill is not amortised but is reviewed at least annually for impairment. For the purpose of impairment testing, goodwill is allocated to each Cash Generating Unit ("CGU"). Each CGU is consistent with the Group's primary reporting segment. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Assets classified as held for sale

Whilst assessing whether any assets should be classified as held for sale, the management of the Group ensure that the status of the asset satisfies all of the following criteria as set out within IFRS 5:

- The carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use;
- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- its sale must be highly probable and within one year from the date of classification;
- management must be committed to a plan to sell the asset; and
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value.

In the event an asset satisfies the criteria, prior to reclassification the asset should be valued in accordance with IFRS accounting standards applicable to the asset in question.

At initial recognition the asset is measured at the lower of carrying amount and fair value less costs to sell. Any unrealised gains or losses are recognised in the profit and loss account.

Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Classification and reclassification of financial assets

Recognised financial assets within the scope of IFRS 9 are required to be classified as subsequently measured at amortised cost, FVTOCI or FVTPL on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are reclassified if and only if, the business model under which they are held is changed. There has been no such change in the allocation of assets to business models in the periods under review.

Loans and advances to customers

Other than convertible debt instruments, loans and advances to customers are held within a business model whose objective is to hold those financial assets in order to collect contractual cash flows. The contractual terms of the loan agreements give rise on specified dates to cash flows that are solely payments of principal and interest or fees on the principal amount outstanding.

After initial measurement, loans and advance to customers are subsequently measured at amortised cost using the Effective Interest Rate method (EIR) less impairment. Amortised cost is calculated by taking into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income and disclosed with any other similar losses within the line item "Net impairment losses on financial assets".

Where cash flows are significantly different from the original expectations used to determine EIR, but where this difference does not arise from a modification of the terms of the financial instrument, the Group revises its estimates of receipts and adjusts the gross carrying amount of the financial asset to reflect actual and revised estimated contractual cash flows. The Group recalculates the gross carrying amount of the financial asset as the present value of the estimated future contractual cash flows discounted at the financial instrument's original EIR. The adjustment is recognised in statement of comprehensive income as income or expense.

Convertible debt instruments

Convertible debt instruments, included within loans and advances to customers, are held by the Group and are measured at Fair Value through Profit and Loss as they fail the contractual cash flow characteristics test required by IFRS 9 for classification under amortised cost. Movements in the fair value of these assets are recognised in the profit and loss account.

Trade and other receivables

Trade receivables do not contain any significant financing component and accordingly are recognised initially at transaction price, and subsequently measured at cost less expected credit losses.

Investments in equity shares

The Group's investment in the equity shares of Zopa is not held for trading. The Group has made an irrevocable election to classify and subsequently measure the investment at FVTOCI. Movements in the fair value of the investment are recognised in the statement of other comprehensive income and are not reclassified to profit on loss on derecognition.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the Company's financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment

The Group (and Company) recognises loss allowances for Expected Credit Losses ("ECLs") on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers
- Other receivables
- Trade receivables and
- Loan commitments
- Intercompany receivables

With the exception of Purchased or Originated Credit Impaired ("POCI") financial assets (which are considered separately below), ECLs are measured through loss allowances calculated on the following bases:

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of future economic scenarios, discounted at the asset's EIR within the current performing book.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar credit risk characteristics. The loss allowance is measured as the present value of the difference between the contractual cash flows and cash flows that the Group expects to receive using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset that gives rise to credit risk, is referred to (and analysed in the notes to this financial information) as being in "Stage 1" provided that since initial recognition (or since the previous reporting date) there has not been a significant increase in credit risk, nor has it has become credit impaired.

For a Stage 1 asset, the loss allowance is the "12-month ECL", that is, the ECL that results from those default events on the financial instrument that are possible within 12 months from the reporting date.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in "Stage 2" if since initial recognition there has been a significant increase in credit risk but it is not credit impaired.

For a Stage 2 asset, the loss allowance is the "lifetime ECL", that is, the ECL that results from all possible default events over the life of the financial instrument.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in "Stage 3" if since initial recognition it has become credit impaired.

For a Stage 3 asset, the loss allowance is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. Further, the recognition of interest income is calculated on the carrying amount net of impairment rather than the gross carrying amount as for stage 1 and stage 2 assets.

If circumstances change sufficiently at subsequent reporting dates, an asset is referred to by its newly appropriate Stage and is re-analysed in the notes to the financial information.

Where an asset is expected to mature in 12 months or less, the "12 month ECL" and the "lifetime ECL" have the same effective meaning and accordingly for such assets the calculated loss allowance will be the same whether such an asset is at Stage 1 or Stage 2. However, the Group monitors significant increase in credit risk for all assets so that it can accurately disclose Stage 1 and Stage 2 assets at each reporting date.

Lifetime ECLs are recognised for all trade receivables using the simplified approach.

Significant increase in credit risk – policies and procedures for identifying Stage 2 assets

The Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition in order to determine whether credit risk has increased significantly.

See note 22 for further details about how the Group assesses increases in significant credit risk.

Definition of a default

Critical to the determination of significant increases in credit risk (and to the determination of ECLs) is the definition of default. Default is a component of the Probability of Default ("PD"), changes in which lead to the identification of a significant increase in credit risk and PD is then a factor in the measurement of ECLs.

The Group's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 90 days overdue, or
- Within the core invoice finance proposition, where one or more individual finance repayments are beyond 90 days overdue, management judgement is applied in considering default status of the client.
- The collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the lending company; or
- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

The definition of default is similarly critical in the determination of whether an asset is credit-impaired (as explained below).

Credit-impaired financial assets – policies and procedures for identifying Stage 3 assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. IFRS 9 states that evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default (as defined above) or past due event, or
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Group would not otherwise consider.

The Group assesses whether debt instruments that are financial assets measured at amortised cost or at FVTOCI are credit-impaired at each reporting date. When assessing whether there is evidence of credit-impairment, the Group takes into account both qualitative and quantitative indicators relating to both the borrower and to the asset. The information assessed depends on the borrower and the type of the asset. It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired.

See note 22 for further details about how the Group identifies credit-impaired assets.

Purchased or originated credit-impaired ("POCI") financial assets

POCI financial assets are treated differently because they are in Stage 3 from the point of original recognition. It is not in the nature of the Group's business to purchase financial assets originated by other lenders, nor has the Group to date originated any loans or advances to borrowers that it would define as credit impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments: as a provision; and
- For debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investment revaluation reserve.

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing a financial asset are renegotiated without the original contract being replaced and derecognised and:

- The gross carrying amount of the asset is recalculated and a modification gain or loss is recognised in profit or loss;
- Any fees charged are added to the asset and amortised over the new expected life of the asset; and
- The asset is individually assessed to determine whether there has been a significant increase in credit risk.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset have expired. The Group also de-recognises the assets if it has both transferred the asset and the transfer qualifies for de-recognition.

A transfer only qualifies for de-recognition if either

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Write offs

Loans and advances are written off when the Group has no reasonable expectation of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Debt securities

Debt securities are financial assets that are not held for trading and are intended to be held within a business model to collect contractual cash flows or sell. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently changes in the fair value are recognised in other comprehensive income except for interest calculated at the asset's EIR, foreign exchange and impairment gains and losses.

Financial liabilities

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a non-derivative contract that will or may be settled in a variable number of the Group's own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as at the proceeds received, net of direct issue costs. Distributions on equity instruments are recognised directly in equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL may include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

During the period under review the Group has held no financial liabilities for trading, nor designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

Interest bearing borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest and fee expenses" in the profit and loss account.

Derecognition of financial liabilities

The Group derecognises financial liabilities when and only when, the Group's obligations are discharged, cancelled or they expire.

Impairment of non-financial assets

The carrying amounts of the entity's non-financial assets, other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the Cash-Generating Unit or "CGU").

Contract assets are reviewed for impairment based on the performance of the underlying contract.

Goodwill is tested annually for impairment in accordance with IFRS. The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to CGU that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if the acquired entity has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the unit (or group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. An impairment loss recognised for goodwill is not reversed.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Current and deferred income tax

Income tax on the result for the period comprises current and deferred income tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee benefits – pension costs

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have a legal or constructive obligation to pay further amounts. Contributions to defined contribution schemes are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Leasing

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

The Group does not currently hold any assets under finance leases.

Provisions for commitments and other liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (discounted at the Group's weighted average cost of capital when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Merger Reserve

Prior to 29 December 2017, the entities within the Group were held by Arrowgrass Master Fund Limited. On 29 December 2017, these entities were acquired by TruFin plc via TruFin Holdings Limited. The consideration provided to Arrowgrass for the companies acquired was in exchange for shares of TruFin plc based on the fair value of the underlying companies. Upon consolidation of the group, the difference between the book value of the entities and the amount of the consideration paid was accounted through a merger reserve, in accordance with relevant accounting standards relating to businesses under common control.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) and whose operating results are regularly reviewed by the Board of Directors in order to make decisions about resources to be allocated to that component and assess its performance and for which discrete financial information is available.

For the purposes of the financial statements, the Directors consider the Group's operations to be made up of three operating segments: the provision of short term finance, payment services and other operations.

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole.

Further details are provided in note 4.

Share based payments

Where the Group engages in share-based payment transactions in respect of services received from certain of its employees, these are accounted for as equity-settled share-based payments in accordance with IFRS 2 'Share-based payments'. The equity is in the form of ordinary shares.

The grant date fair value of a share-based payment transaction is recognised as an employee expense, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. In the absence of market prices, the fair value of the equity at the date of the grant is estimated using an appropriate valuation technique

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related services and non-market vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with market performance conditions the grant date fair value of the award is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Refer to note 6 for the amounts disclosed.

New standards and interpretations – in issue but not yet effective/adopted

IFRS 16 Leases

IFRS 16, which has been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group will adopt IFRS 16 for the year beginning 1 January 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

An initial assessment has been conducted on the adoption of IFRS 16 against the current methodology followed in accordance with IAS 17. The estimated impact of IFRS 16 is not expected to be material.

The impact of all other IFRSs not yet adopted is not expected to be material.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apart from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Critical accounting judgements

- Early Payment Programme Services set up costs: the Group capitalises the direct costs of implementing Early Payment Programme Services contracts for clients. These costs are essential to the satisfaction of the Group's performance obligation under that contract and accordingly the Group considers that these costs meet the applicable criteria for recognition as contract assets.

  The amount capitalised is disclosed in note 12.

- Deferred tax asset: There is inherent uncertainty in forecasting beyond the immediate future and significant judgement is required to estimate whether future taxable profits are probable in order to utilise the carried forward tax losses. However, the Group has determined that convincing evidence exists to support the recognition of a deferred tax asset in respect of carried forward losses for Oxygen.

  For Oxygen, a high proportion of the forecast revenue is expected to be generated from clients that are either already "live" or have already signed contracts with Oxygen. Oxygen's fixed cost base is already scaled for continued business growth and variable cost growth is not expected to be significant.

  DFC and Satago have carried forward losses which will be utilised against future taxable profits. However, a deferred tax asset has not been recognised for these two companies as there is uncertainty surrounding the timing of when these losses will be used.

  Refer to note 11 for more information on the deferred tax asset.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Expected credit losses

- Where an asset has a maturity of 12 months or less, the "12 month ECL" and the "lifetime ECL" have the same effective meaning and accordingly for such assets the calculated loss allowance will be the same whether such an asset is at stage 1 or stage 2. Given the preponderance of short term lending, the Group's consolidated loss allowance is not materially affected by the allocation of assets between stages 1 and 2, nor by any significant subjectivity in the forward looking estimates that are applied.

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon and is a key input to the ECL calculation. The Group primarily uses credit scores from credit reference agencies to calculate the PD for loans and advances to customers. The score is a 12-month predictor of credit failure and, in the absence of internally generated loss history, the Group believes that it provides the best proxy for the credit quality of the loan portfolio.

- Exposure At Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

- Loss Given Default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, in particular taking into account wholesale collateral values and certain buy back options.

The Group has considered the key areas of estimation used within the IFRS 9 impairment calculation and identified the variables which propose a material risk in terms of the preparation of the financial statements. The only variable considered to present a material risk of estimation uncertainty are the collateral values which are used within the loss given default (LGD) calculation. The Group has assessed that if the loss given default increased by a factor of 4, this would generate an additional provision of approximately £400,000.

Measurement of fair values of level 3 instruments

In estimating the fair value of a financial asset or liability, the Group uses market observable data to the extent that it is available. Where such level 1 inputs are not available, the Group uses valuation models to estimate the fair value of its financial instruments.

Refer to note 15 for more information on fair value measurement.

3. Interest and fee income

	2018 £'000	2017 £'000
Revenue		
Interest income	6,295	1,136
Total interest income	**6,295**	**1,136**
EPPS* contracts	2,373	2,153
Assessment fees	145	219
Consultancy fees	35	78
Facility fees	351	188
Subscription fees	345	-
Total fee income	**3,249**	**2,638**
Total revenue	**9,544**	**3,774**

*Early Payment Programme Services

4. Segmental reporting

The results of the Group are broken down into segments based on the products and services from which it derives its revenue:

Short term finance:

Provision of distribution finance products and invoice discounting. For results during the reporting period, this corresponds to the results of DFC, SFSL and AltLending.

Payment services:

Provision of Early Payment Programme Services. For results during the reporting period, this corresponds to the results of Oxygen and Porge.

Other:

Revenue and costs arising from investment activities and peer-to-peer lending. For results during the reporting period, this corresponds to the results of TSL, THL, the Group's investment in Zopa and joint venture in Clear Funding, and TruFin plc.

The results of each segment, prepared using accounting policies consistent with those of the Group as a whole, are as follows:

Year ended 31 December 2018	Short term finance £'000	Payment services £'000	Other £'000	Total £'000
Interest and fee income	6,590	2,894	60	9,544
Interest and fee expenses	(2,251)	(51)	-	(2,302)
Net interest and fee income	4,339	2,843	60	7,242
Adjusted operating loss*	(6,627)	(2,333)	(3,801)	(12,761)
Operating loss	(6,627)	(2,333)	(6,540)	(15,500)
Loss before tax	(6,627)	(2,333)	(6,540)	(15,500)
Taxation	-	390	-	390
Loss for the year	(6,627)	(1,943)	(6,540)	(15,110)
Total assets	153,451	11,889	54,068	219,408
Total liabilities	(62,331)	(2,649)	(1,180)	(66,160)
Net assets	91,120	9,240	52,888	153,248

*adjusted operating loss excludes share-based payment expense

Year ended 31 December 2017	Short term Finance £'000	Payment services £'000	Other £'000	Total £'000
Interest and fee income	1,324	2,444	6	3,774
Interest and fee expenses	(68)	(53)	–	(121)
Net interest and fee income	1,256	2,391	6	3,653
Operating loss	(3,896)	(3,630)	(2,147)	(9,672)
Loss before tax	(3,896)	(3,959)	(2,147)	(10,002)
Taxation	–	867	–	867
Loss for the year	(3,896)	(3,092)	(2,147)	(9,135)
Total assets	59,493	7,051	36,991	103,535
Total liabilities	(10,098)	(1,333)	(708)	(12,139)
Net assets	49,395	5,718	36,283	91,396

5. Staff costs

Analysis of staff costs:

	2018 £'000	2017 £'000
Wages and salaries	10,251	6,111
Consulting costs	1,405	1,262
Social security costs	1,413	710
Pension costs arising on defined contribution schemes	287	105
Share based payment	2,739	-
	16,095	**8,188**

Consulting costs are recognised within staff costs where the work performed would otherwise have been performed by employees. Consulting costs arising from the performance of other services are included within other operating expenses.

Average monthly number of persons (including Executive Directors) employed:

	2018 Number	2017 Number
Management	18	10
Finance	12	4
Sales & marketing	25	12
Operations	67	35
Technology	21	8
	143	**69**

Directors' emoluments

The number of directors who received share options during the year was as follows:

	2018 Number	2017 Number
Long term incentive schemes	3	–

There were no directors who exercised share options during the year.

The directors' aggregate emoluments in respect of qualifying services were:

	Salary £'000s	Bonus £'000s	Pension £'000s	Benefits £'000s	2018 Total £'000s	2017 Total £'000s
Executive Directors:						
S H Kenner	350	270	–	8	628	–
J v d Bergh	250	193	8	5	456	–
R Kapashi	175	135	9	–	319	–
	775	598	17	13	1,403	–
Non-executive Directors:						
S Baldwin	69	–	–	–	69	–
P Whiting	58	–	–	–	58	–
P Judd	58	–	–	–	58	–
P Dentskevich	49	–	–	–	49	–
	234	–	–	–	234	–

Key management

The Directors consider that key management personnel include the Executive Directors of TruFin plc and the Chief Operating Officer. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group.

6. Employee share-based payment transactions

The employment share-based payment charge comprises:

	2018 £'000	2017 £'000
Performance Share Plan and Joint Share Ownership Plan Founder Award	2,671	–
Performance Share Plan Market Value Award	68	–
Performance Share Plan 2018 Award	–	–
Total	2,739	–

Performance Share Plan and Joint Share Ownership Plan Founder Award ("PSP and JSOP")

On 21 February 2018, 3,407,895 shares were granted to selected members of senior management of which the share price at date of grant was £1.90 per share. The award is structured as a Performance Share Plan and a Joint Share Ownership Plan. The Performance Share Plan is structured as a nil cost option with no performance conditions attached, although the individuals are subject to continued employment until February 2021. The Joint Share Ownership Plan allows the employee to participate in the growth in value over and above the grant price of £1.90. The shares vest 25% on each anniversary of the grant date.

Performance Share Plan Market Value Award ("PSP Market Value")

On 21 February 2018, 4,868,420 shares were granted to the senior management team. The vesting of this award is based on market-based performance conditions. The vesting of these awards is subject to the holder remaining an employee of the Company and the Company's share price achieving five distinct milestones vesting at 20% each milestone. The exercise price of the shares on vesting is £1.90 per share. A Monte Carlo simulation was used to determine the fair value of these options. The model used an expected volatility of 10% and a risk free rate of 1.3%.

Performance Share Plan 2018 Award ("PSP 2018")

On 21 February 2018, 1,000,001 shares were granted to the senior management team. The PSP 2018 award is structured as a nil cost option. The vesting of this award is subject to the holder being in continued employment until February 2021 and the Company achieving certain financial metrics over a three-year period. The fair value of these options as at 31 December 2018 was deemed to be nil as it is highly improbable that the vesting conditions will be met.

Details of share based awards during the year.

	PSP and JSOP	PSP Market Value	PSP 2018
Type of instrument granted	**Shares (#)**	**Options (#)**	**Options (#)**
Outstanding at 1 January 2018	–	–	–
Granted during the year	3,407,895	4,868,420	1,000,001
Outstanding at 31 December 2018	**3,407,895**	**4,868,420**	**1,000,001**
Vested at 31 December 2018	–	–	–

No options have been forfeited, exercised or have expired during the year.

Employees are responsible for settling their own tax obligations related to these awards as and when they arise. The Company will pay any Employers NI that becomes due on these awards.

7. Provision for commitments and other liabilities

Management have recognised a provision of £299,000 (2017: £299,000) in relation to uncertain tax positions prior to 31 December 2016. Although advice has been taken, the legislation is complex and could result in different interpretations. The amount recognised is the best estimate of the consideration required to settle the present obligation at the balance sheet date.

A provision of £750,000 has been made in 2018 for the deferred consideration payable for the acquisition of Porge by Oxygen. The deferred consideration is payable in the second quarter of 2019 and is dependent upon Porge meeting certain revenue targets.

Group	£'000
At 1 January 2018	299
Additional provision during the year	754
At 31 December 2018	**1,053**

Group	£'000
At 1 January 2017	299
Additional provision during the year	–
At 31 December 2017	**299**

The Company had no provisions at the year end.

8. Exceptional expenses

Loss before income tax is stated after charging the following material items:

	2018 £'000	2017 £'000
Oxygen IT platform transition	–	330
	–	**330**

Items of income or expense are disclosed separately when they are material to an understanding of the financial statements.

Oxygen's legacy business strategy had been based around a technology platform operated by a third- party provider on Oxygen's behalf. Oxygen incurred material costs in 2016 and 2017 only to transfer the platform to a cloud based environment under its own control. As a result these are items which management does not expect to be repeated and are exceptional in nature.

9. Net impairment loss on financial assets

	2018 £'000	2017 £'000
At 1 January	126	13
Charge for impairment loss	248	158
Amounts written off in the year	(55)	(45)
Amounts recovered in the year	–	–
At 31 December	**319**	**126**

At 31 December 2018, the Group had an impairment balance of £319,000 of which £308,000 is allocated against loans and advances to customers and the residual £11,000 allocated to trade receivables.

The net impairment charge on financial assets during the year ended 31 December 2018 derives from £237,000 for loans to customers and the residual £11,000 for trade receivables.

In the year ended 31 December 2017 all impairment charges were against loans to customers.

10. Loss before income tax

Loss before income tax is stated after charging:

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	109	43
Amortisation of intangible assets	225	156
Staff costs including share based payments charge	16,095	8,188
Operating lease rentals	641	258

Fees payable to the Group's auditor (Deloitte LLP)	2018 £'000	2017 £'000
Fees payable for the audit of the company's annual accounts	68	70
Fees payable for the audit of the company's subsidiaries	132	37
Total audit fees	**200**	**107**
Non audit services		
Other taxation advisory services	–	187
Other assurance services	68	665
Corporate finance services	–	42
Total non audit fees	**68**	**894**

11. Taxation

Analysis of tax credit recognised in the period

	2018 £'000	2017 £'000
Current tax credit	–	–
Deferred tax credit	(390)	(867)
Total tax credit	**(390)**	**(867)**

Reconciliation of loss before tax to total tax credit recognised

	2018 £'000	2017 £'000
Loss before tax	(15,500)	(10,002)
Loss before tax multiplied by the standard rate of corporation tax in the UK of (19%/19.25%)	(2,884)	(1,925)
Tax effect of:		
Expenses not deductible	543	42
Depreciation in excess of capital allowances	23	2
R&D expenditure credits	–	(6)
Capital allowances	(10)	(8)
Other short term timing differences	4	8
Capitalised revenue expenditure	1	–
Deferred tax on brought forward assets	(1,461)	(87)
Adjust closing deferred tax to rate at which losses expect to be utilised (17%)	560	129
Adjust closing deferred tax to average rate of (19%/19.25%)	656	(271)
Adjust opening deferred tax to average rate of (19%/19.25%)	(612)	–
Deferred tax not recognised	2,790	1,249
Total tax credit	**(390)**	**(867)**

Reductions in the UK corporation tax rate from 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been based on the rates substantively enacted at the balance sheet date.

Deferred tax asset

Group	2018 £'000	2017 £'000
Balance at start of the year	5,189	4,322
Credit to the statement of comprehensive income	390	867
Balance at end of the year	**5,579**	**5,189**
Comprised of:		
Losses	5,579	5,189
Total deferred tax asset	**5,579**	**5,189**

A deferred tax asset has been recognised in respect of Oxygen. It is considered probable that future taxable profits will be available to be realised against Oxygen's historical losses. This determination is based on Oxygen's forecasts. A high proportion of the revenue forecast is expected to be generated from clients which have either already onboarded or which have already signed contracts with Oxygen. Oxygen's fixed cost base is already scaled for continued business growth, whilst variable costs are not expected to be material. Unutilised tax losses in DFC and Satago as at 31 December 2018 were £10,858,000 (2017:£3,854,000) and £2,559,000 (2017:£905,000).

12. Intangible assets

Group	Client contracts £'000	Software licenses and similar assets £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2018	305	500	–	805
Additions	1,860	995	–	2,855
Arising on acquisition of subsidiary	–	–	2,759	2,759
At 31 December 2018	2,165	1,495	2,759	6,419
Amortisation				
At 1 January 2018	(52)	(104)	–	(156)
Charge	(51)	(174)	–	(225)
At 31 December 2018	(103)	(278)	–	(381)
Accumulated impairment losses				
At 1 January 2018	–	–	–	–
Charge	–	–	–	–
At 31 December 2018	–	–	–	–
Net book value				
At 31 December 2018	2,062	1,217	2,759	6,038
At 31 December 2017	253	396	–	649

Group	Client contracts £'000	Software licenses and similar assets £'000	Total £'000
Cost			
At 1 January 2017	–	–	–
Additions	305	500	805
At 31 December 2017	305	500	805
Amortisation			
At 1 January 2017	–	–	–
Charge	(52)	(104)	(156)
At 31 December 2017	(52)	(104)	(156)
Net book value			
At 31 December 2017	253	396	649
At 31 December 2016	–	–	–

The Company had no intangibles assets at the year end.

Client contracts comprise the directly attributable costs incurred at the beginning of an Early Payment Scheme Service contract to revise a client's existing payment systems and provide access to the Group's software and other intellectual property. These implementation (or "set up") costs are comprised primarily of employee costs.

The useful economic life for each individual asset is deemed to be the term of the underlying Client Contract (generally 5 years) which has been deemed appropriate and for impairment review purposes, projected cash flows have been discounted over this period.

The amortisation charge is recognised in fee expenses within the statement of comprehensive income, as these costs are incurred directly through activities which generate fee income.

Software, licenses and similar assets comprises separately acquired software, as well as costs directly attributable to internally developed platforms across the Group. These directly attributable costs are associated with the production of identifiable and unique software products controlled by the Group and are probable of producing future economic benefits. They primarily include employee costs and directly attributable overheads.

A useful economic life of 3 to 5 years has been deemed appropriate and for impairment review purposes projected cash flows have been discounted over this period.

The amortisation charge is recognised in depreciation and amortisation on non-financial assets within the statement of comprehensive income.

The Group performed an impairment review at 31 December 2018 and concluded no impairment was required.

The 'Software, licenses and similar assets' net book value balance related to internally generated intangible assets at 31 December 2018 was £1,198,000 (2017: £396,000). This consists of cost of £1,471,000 (2017: £500,000) and accumulated amortisation of £273,000 (2017: £104,000) During the year there were additions of £971,000 (2017: £500,000) and amortisation of £169,000 (2017: £104,000).

Goodwill relates to Oxygen Finance Group Limited ("Oxygen") and arises from the acquisition of a subsidiary Company, Porge Limited ("Porge") in August 2018. This is included within the payment services segment of the Group. Further details of the acquisition are included in note 24.

The rationale for the acquisition was to enhance Oxygen's product offering. Porge is a provider of evidence based public sector market insight services and research products.

Impairment testing of intangibles

An impairment review of the goodwill was carried out at the year end. Porge was valued using the discounted cash flow methodology. The net earnings of Porge were forecasted to 2022, a discount rate of 12% was used and terminal growth rate of 2%. The valuation of Porge was greater than the amount of goodwill and therefore the goodwill is not deemed to be impaired.

13. Property, plant and equipment

Group	Leasehold improvements £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	44	221	35	300
Additions	23	113	139	275
Arising on acquisition of subsidiary	-	3	3	6
At 31 December 2018	**67**	**337**	**177**	**581**
Depreciation				
At 1 January 2018	(6)	(157)	(6)	(169)
Charge	(18)	(48)	(43)	(109)
At 31 December 2018	**(24)**	**(205)**	**(49)**	**(278)**
Net book value				
At 31 December 2018	**43**	**132**	**128**	**303**
At 31 December 2017	38	64	29	131

Group	Leasehold improvements £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2017	–	188	5	193
Additions	44	33	30	107
At 31 December 2017	**44**	**221**	**35**	**300**
Depreciation				
At 1 January 2017	–	(126)	–	(126)
Charge	(6)	(31)	(6)	(43)
At 31 December 2017	**(6)**	**(157)**	**(6)**	**(169)**
Net book value				
At 31 December 2017	**38**	**64**	**29**	**131**
At 31 December 2016	–	62	5	67

The Group holds no assets under finance leases.

Company	Computer equipment £'000	Total £'000
Cost		
At 1 January 2018	–	–
Additions	3	3
At 31 December 2018	**3**	**3**
Depreciation		
At 1 January 2018	–	–
Charge	(1)	(1)
At 31 December 2018	**(1)**	**(1)**
Net book value		
At 31 December 2018	**2**	**2**

14. Investment in joint venture

Joint ventures

The summarised financial information for Clear Funding Limited, prepared in accordance with IFRS, is set out below. The Group equity accounts for its 50% share in the joint venture.

Group	2018 £'000	2017 £'000
Income statement	–	–
Cost of sales	–	(59)
Administrative expenses	–	(1,777)
Loss from continuing operations	**–**	**(1,836)**

	2018 £'000	2017 £'000
Statement of financial position		
Non-current assets	–	5
Cash	–	88
Other current assets	–	91
Current liabilities	–	(855)
Equity shareholders funds	**–**	**(671)**

There are no restrictions in the ability of Clear Funding to transfer funds to the investor in the form of cash dividends, repayment of loans, or advances. The Group did not receive a dividend in the year to 31 December 2018 (2017: £nil). There is no unrecognised share of losses in Clear Funding for the years ended 31 December 2018 or 31 December 2017.

Clear Funding has been winding down its operations from July 2018 and will be struck off in April 2019 and as such, the investment in the joint venture has been recognised as £nil.

15. Other investments

Group	2018 £'000	2017 £'000
Investments in equity instruments	44,500	36,500
Debt securities	4,944	–
	49,494	**36,500**

Investment in equity instruments

	Group Level 3 valuation £'000	Company £'000
Fair value at 1 January 2018	36,500	–
Gain on revaluation at 31 December 2018	8,000	–
Fair value at 31 December 2018	**44,500**	**–**

	Group Level 3 valuation £'000	Company £'000
Fair value at 1 January 2017	33,900	–
Gain on revaluation at 31 December 2017	2,600	–
Fair value at 31 December 2017	**36,500**	**–**

At 31 December 2018, the Group had an economic interest in Zopa Group Limited (the ultimate owner of the UK-based Zopa peer-to-peer lending business). The table below represents the economic ownership both on an undiluted basis and a fully diluted basis (i.e. assuming that all holders of options, warrants and preferred shares were to have exercised their subscription and conversion rights).

Group	2018	2017
Undiluted	13.3%	17.7%
Fully diluted	12.5%	15.7%

A level 3 valuation is one that relies on unobservable inputs to the valuation process.

The shares are not quoted in any market. TruFin values it investment in Zopa using an independent valuer at the year end. This valuation has utilised, amongst other things, recent financial data provided by Zopa, peer group valuation metrics and the most recent funding round. A combination of these provide the best estimate for the investment's market value. TruFin values the investment on a monthly basis. At the half year end and the year end an independent valuation is carried out by an independent valuation service provider.

Debt Securities

Group	£'000
Balance at 1 January 2018	-
Purchased debt securities	5,993
Fair value gain	1
Proceeds from maturing securities	(1,000)
Balance at 31 December 2018	4,994
Balance at 1 January 2017	–
Movement in the year ended 31 December 2017	–
Balance at 31 December 2017	–

During the year ending 31 December 2018 the Group purchased UK Treasury Bills with a total nominal value of £6 million of which £1 million contractually matured during the year. The securities are valued at fair value through other comprehensive income ("FVTOCI") using closing bid prices at the reporting date.

The Company had no debt securities at the year end (£nil).

16. Loans and advances to customers

Group	2018 £'000	2017 £'000
Total loans and advances to customers	129,678	32,835
Less: loss allowance	(308)	(126)
Less: deferred income	(149)	–
	129,221	32,709

Total loans and advances are made up of:	2018 £'000	2017 £'000
Loans and advances to customers	122,528	32,835
Financial assets at Fair Value	7,150	–
	129,678	32,835

The financial assets held at fair value correspond to convertible loan notes of £3.5 million to a company called Playstack Limited ("Playstack") and a convertible loan note of £3.65 million to a company called Vertus Capital Limited ("Vertus"). These loans are valued at fair value using a combination of income and market-based approach and any recent funding rounds.

If the Group were to exercise the conversion rights on Playstack, the percentage ownership would be dependent on the conversion price at the time of conversion and also on any funding rounds from other investors at the time of conversion. If the Group were to exercise their conversion rights on the Vertus convertible loan then the Group would own 51% of Vertus.

Past due receivables relating to loans and advances are analysed as follows:

	2018 £'000	2017 £'000
Neither past due nor impaired	128,341	32,402
Past due: 0–30 days	742	254
Past due: 31–60 days	219	16
Past due: 61–90 days	30	1
Past due: more than 91 days	38	36
	129,370	**32,709**

The Company had no loans and advances to customers at the year end (2017: £nil).

17. Assets classified as held for sale

In December 2018 a customer of DFC went into administration and defaulted on their outstanding loans. DFC repossessed the assets held as collateral against the outstanding loans which were moved into a third-party storage facility at the expense of DFC. The outstanding loan to the customer at the time of default was £287,000.

At 31 December 2018 DFC was proactively marketing the assets for sale. The assets were being marketed by the customer at the time of repossession so are deemed as fit for sale in their current condition. Given this the directors are satisfied the assets meet the classification criteria for 'assets classified as held for sale'.

DFC have estimated the expected selling and legal costs associated with a proposed transaction at £30,000.

As such, the fair value less costs to sell at initial recognition was been estimated at £257,000 and the residual £30,000 expected shortfall remains as a loan receivable due from the customer's appointed administrators.

At 31 December 2018 none of the assets had been disposed so there are no transfers to the profit or loss.

The asset is included within the Short term finance Group segment.

Summary of assets classified as held for sale

Group	2018 £'000
Fair value less costs to sell at initial recognition	**257**
Proceeds from disposal of assets	–
Transaction costs paid up to 31 December 2018	9
Balance at 31 December 2018	**266**

18. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade and other receivables	417	487	–	–
Prepayments	1,387	1,062	72	37
Accrued Income	676	354	–	–
VAT	–	29	24	–
Other debtors	1,139	376	296	44
Intercompany receivable	–	–	56,261	–
	3,619	**2,308**	**56,652**	**81**

Trade receivables above are stated net of a loss allowance of £11,000 (2017: £nil). All receivables are due within one year.

Past due trade receivables are analysed as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Not yet due	135	328	–	–
Past due: 0–30 days	90	10	–	–
Past due: 31–60 days	66	8	–	–
Past due: 61–90 days	10	–	–	–
Past due: more than 91 days	116	141	–	–
	417	**487**	**–**	**–**

19. Stated capital

Group and Company	Stated Capital £'000	Total £'000
97,368,421 shares at £nil par value	185,000	185,000

At 31 December 2017, 123,965,702 shares were issued and fully paid. 1 share was issued and unpaid.

In February 2018, these were consolidated to form 60,526,315 ordinary shares and on 21 February 2018, the shares of TruFin plc were listed on the Alternative Investment Market of the London Stock Exchange. The company raised £70 million from the IPO issuing 36,842,106 shares at a price of 190p per share.

The Company is a no par value company. The liability of each member arising from their holding of a share is limited to the amount (if any) unpaid on it. There is no limit on the number of shares of any class which the Company is authorised to issue.

All ordinary shares carry equal entitlements to any distributions by the company. No dividends were proposed by the Directors for the year ended 31 December 2018.

20. Borrowings

Group	2018 £'000	2017 £'000
Loans due within one year	59,041	35
Loans due in over a year	–	9,000
	59,041	9,035

On 12 December 2017, DFC entered into a two-year senior debt facility with a leading bank which is secured on a floating pool of underlying assets. Interest is payable at 3 month LIBOR + 4%.

Movements in borrowings during the year

The below table identifies the movements in borrowings during the year.

Group	£'000
Balance at 1 January 2018	9,035
Funding drawdown	49,926
Interest expense	2,145
Interest paid	(2,065)
Balance at 31 December 2018	59,041
Balance at 1 January 2017	–
Funding drawdown	9,000
Interest expense	35
Balance at 31 December 2017	9,035

21. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	1,606	212	24	–
Accruals	3,526	1,430	1,045	801
Other payables	228	652	1	–
Corporation tax	22	–	–	–
Other taxation and social security	438	511	65	–
VAT	246	–	–	–
	6,066	2,805	1,135	801

22. Financial instruments

The Directors have performed an assessment of the risks affecting the Group through its use of financial instruments and believe the principal risks to be: capital risk; credit risk, and market risk including interest rate risk.

This note describes the Group's objectives, policies and processes for managing the material risks and the methods used to measure them. The significant accounting policies regarding financial instruments are disclosed in note 1.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while providing an adequate return to shareholders.

The capital structure of the Group consists of borrowings disclosed in note 20 and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in note 19 and note 23).

The Group is not subject to any externally imposed capital requirements.

Principal financial instruments

The principal financial instruments to which the Group is party and from which financial instrument risk arises, are as follows:

- Loans and advances to customers, primarily credit risk and liquidity risk;
- Trade receivables, primarily credit risk and liquidity risk;
- Investments, primarily fair value or market price risk;
- Cash and cash equivalents, which can be a source of credit risk but are primarily liquid assets available to further business objectives or to settle liabilities as necessary;
- Trade and other payables; and
- Borrowings which are used as sources of funds and to manage liquidity risk.

Analysis of financial instruments by valuation model

Financial assets included in the statement of financial position at fair value:

Group	2018 £'000	2017 £'000
Debt securities (level 1)	4,994	–
Investments (level 3)	44,500	36,500
Financial assets at fair value (level 3)	7,150	–

Debt securities carried at fair value by the Group are treasury bills. Treasury bills are traded in active markets and fair values are based on quoted market prices. There were no transfers between levels during the periods, all debt securities have been measured at level 1 from acquisition.

A level 3 valuation is one that relies on unobservable inputs to the valuation process.

- The Zopa valuation is calculated by reference to the independent valuer's valuation at the year end. This valuation has utilised, amongst other things, recent financial data provided by Zopa, peer group valuation metrics and the most recent funding round. A combination of these provide the best estimate for the investment's market value.
- Financial assets at fair value have been valued by considering the valuation of the convertible loans as well as the value of the underlying companies (Playstack and Vertus). The valuations were prepared using a discounted cash flow. The Vertus valuation used a discount rate of 25%. A 3% increase in the discount rate reduces the enterprise value of Vertus by 22% and 3% increase in the discount rate decreases the enterprise value of the company by 30%.
- The Playstack valuation was prepared using a discount rate of 45%. A 3% increase in the discount rate reduced the enterprise value by 24% and 3% increase in the discount rate decreased the enterprise value of the asset by 18%.

- In addition to the discount cash flow methodology, a market based approach was also prepared, using comparable EBITDA and revenue multiples.

There were no transfers of assets between level 1 and level 2 during the current or prior year.

Reconciliation of level 3 financial assets included in the statement of financial position at fair value

Group	Investments £'000	Financial assets at fair value £'000	Total £'000
Balance at 1 January 2018	36,500	–	36,500
Gains in other comprehensive income	8,000	–	8,000
Additions	–	7,150	7,150
Balance at 31 December 2018	44,500	7,150	51,650

There are no financial liabilities included in the statement of financial position at fair value.

31 December 2018

Financial assets and financial liabilities included in the statement of financial position that are not measured at fair value:

Group	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value					
Loans and advances to customers	122,071	122,071	–	–	122,071
Trade receivables	417	417	–	–	417
Other receivables	3,202	3,202	–	–	3,202
Cash and cash equivalents	24,888	24,888	24,888	–	–
	150,578	150,578	24,888	–	125,690
Financial liabilities not measured at fair value					
Borrowings	59,041	59,041	–	–	59,041
Trade, other payables and accruals	5,361	5,361	–	–	5,361
	64,402	64,402	–	–	64,402

31 December 2017

Group	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value					
Loans and advances to customers	32,709	32,709	–	–	32,709
Trade receivables	487	487	–	–	487
Other receivables	1,821	1,821	–	–	1,821
Cash and cash equivalents	26,049	26,049	26,049	–	–
	61,066	**61,066**	**26,049**	**–**	**35,017**
Financial liabilities not measured at fair value					
Borrowings	9,035	9,035	–	–	9,035
Trade, other payables and accruals	2,805	2,805	–	27	2,778
	11,840	**11,840**	**–**	**27**	**11,813**

31 December 2018

Company	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value					
Other receivables	56,628	56,628	–	–	56,628
Cash and cash equivalents	8,448	8,448	8,448	–	–
	65,076	**65,076**	**8,448**	**–**	**56,628**
Financial liabilities not measured at fair value					
Trade, other payables and accruals	1,070	1,070	–	–	1,070
	1,070	**1,070**	**–**	**–**	**1,070**

31 December 2017

Company	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value					
Other receivables	81	81	–	–	81
	81	**81**	**–**	**–**	**81**
Financial liabilities not measured at fair value					
Trade, other payables and accruals	801	801	–	–	801
	801	**801**	**–**	**–**	**801**

Fair values for level 3 assets and liabilities were calculated using a discounted cash flow model and the Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Loans and advances to customers

Due to the short term nature of loans and advances to customers, their carrying value is considered to be approximately equal to their fair value. These items are short term in nature such that the impact of the choice of discount rate would not make a material difference to the calculations.

Trade and other receivables, other borrowings and other liabilities

These represent short term receivables and payables and as such their carrying value is considered to be equal to their fair value.

Financial risk management

The Group's activities and the existence of the above financial instruments expose it to a variety of financial risks.

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board of Directors is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. One of the Group's main income generating activities is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The credit committees within the wider Group are responsible for managing the credit risk by:

- Ensuring that it has appropriate credit risk practices, including an effective system of internal control;
- Identifying, assessing and measuring credit risks across the Group from an individual instrument to a portfolio level;
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits;
- Limiting concentrations of exposure by type of asset, counterparty, industry, credit rating, geographical location;
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities;
- Developing and maintaining the risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews; and
- Developing and maintaining the processes for measuring Expected Credit Loss (ECL) including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

Significant increase in credit risk

The Group continuously monitors all assets subject to Expected Credit Loss as to whether there has been a significant increase in credit risk since initial recognition, either through a significant increase in Probability of Default (“PD”) or in Loss Given Default (“LGD”).

The following is based on the procedures adopted by the Group:

Granting of credit

The Business Development Team prepare a Credit Application which sets out the rationale and the pricing for the proposed loan facility and confirms that it meets the Group’s product risk and pricing policies. The Application will include the proposed counterparty’s latest financial information and any other relevant information but as a minimum:

- Details of the limit requirement e.g. product, amount, tenor, repayment plan etc.;
- Facility purpose or reason for increase;
- Counterparty details, background, management, financials and ratios (actuals and forecast);
- Key risks and mitigants for the application;
- Conditions, covenants & information (and monitoring proposals) and security (including comments on valuation);
- Pricing;
- Confirmation that the proposed exposure falls within risk appetite; and
- Clear indication where the application falls outside of risk appetite.

The Credit Risk Department will analyse the financial information, obtain reports from credit reference agencies, allocate a risk rating and make a decision on the application. The process may require further dialogue with the Business Development Team to ascertain additional information or clarification.

Each mandate holder and Committee is authorised to approve loans up to agreed financial limits provided that the risk rating of the counterparty is within agreed parameters. If the financial limit requested is higher than the credit authority of the first reviewer of the loan facility request, the application is sent to the next credit authority level with a recommendation.

The Executive Risk Committee reviews all applications that are outside the credit approval mandate of the mandate holder due to the financial limit requested or if the risk rating is outside of policy but there is a rationale and/or mitigation for considering the loan on an exceptional basis.

Applications where the counterparty has a high risk rating are sent to the Executive Risk Committee for a decision based on a positive recommendation from the Credit Risk department. Where a limited company has such a risk rating, the Executive Risk Committee will consider the following mitigants:

- Existing counterparty which has met all obligations in time and in accordance with loan agreements,
- Counterparty known to Group personnel who can confirm positive experience,
- Additional security, either tangible or personal guarantees where there is verifiable evidence of personal net worth,
- A commercial rationale for approving the application, although this mitigant will generally be in addition to at least one of the other mitigants.

Identifying significant increases in credit risk

The short tenor of the current loan facilities reduces the possible adverse effect of changes in economic conditions and/or the credit risk profile of the counterparty.

The Group nonetheless measures a change in a counterparty's credit risk mainly on payment and end of contract repayment behaviour and the collateral audit process. Although regular and interim reviews may highlight other changes in a counterparty's risk profile, such as the security asset no longer being under the control of the borrower. The Group views a significant increase in credit risk as:

- A two-notch reduction in the Group's counterparty's risk rating since origination, as notified through the credit rating agency;
- A counterparty defaults on a payment due under a loan agreement;
- Late contractual payments which although cured, re-occur on a regular basis;
- Counterparty confirmation that it has sold Group assets but delays in processing payments;
- Evidence of a reduction in a counterparty's working capital facilities which has had an adverse effect on its liquidity; or
- Evidence of actual or attempted sales out of trust or of double financing of assets funded by the Group.

An increase in significant credit risk is identified when any of the above events happen after the date of initial recognition.

Default

Identifying loans and advances in default and credit impaired

The Group's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is overdue on its terms, or
- The collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the lending company, or
- A counterparty commits an event of default under the terms and conditions of the loan agreement which

leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

Exposure at default

Exposure at default ("EAD") is the expected loan balance at the point of default and, for the purpose of calculating the Expected Credit Losses ("ECL"), management have assumed this to be the balance at the reporting date.

Expected Credit Losses

The ECL on an individual loan is based on the credit losses expected to arise over the life of the loan, being defined as the difference between all the contractual cash flows that are due to the Group and the cash flows that it actually expects to receive.

This difference is then discounted at the original effective interest rate on the loan to reflect the disposal period of underlying collateral.

Regardless of the loan status stage, the aggregated ECL is the value that the Group expects to lose on its current loan book having assessed each loan individually.

To calculate the ECL on a loan, the Group considers:

1. Counterparty PD; and
2. LGD on the asset

   whereby: ECL = EAD x PD x LGD

Forward looking information

In its ECL models, the Group applies the following sensitivity analysis of forward looking economic inputs:

- GDP growth
- LIBOR
- Retail Price Index ("RPI")

However, in making its assessment of the impact of these key forward looking economic assumptions, the Group has placed reliance on the short dated nature of its loans which do not extend beyond 12 months. Given the current loan book has an average tenor of less than 4 months, the forward looking economic inputs above do not affect the ECL significantly.

Maximum exposure to credit risk

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents	24,888	26,049	8,448	–
Loans and advances to customers	129,221	32,709	–	–
Trade and other receivables	3,619	2,308	56,629	81
Maximum exposure to credit risk	**157,728**	**61,066**	**65,077**	**81**

Loans and advances to customers:

Collateral held as security

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Fully collateralised				
Loan-to-value* ratio:				
Less than 50%	2,408	6	–	–
50% to 70%	6,000	5	–	–
71% to 80%	36,126	3,893	–	–
81% to 90%	31,756	5,161	–	–
91% to 100%	45,994	23,311	–	–
	122,284	**32,376**	**–**	**–**
Partially collateralised				
Collateral value relating to loans over 100% loan-to-value	–	–	–	–
Unsecured lending	**160**	**459**	**–**	**–**

* Calculated using wholesale collateral values

The majority of the Group's lending activities are asset-backed and the Group expects that the majority of its exposure is secured by the collateral value of the asset that has been funded under the loan agreement. The Group has title to the collateral which is funded under loan agreements. The collateral comprises boats, motorcycles, recreational vehicles, caravans and industrial and agricultural equipment. The collateral has low depreciation and is not subject to rapid technological changes or redundancy. There has been no change in the Group's assessment of collateral and its underlying value in the reporting period.

The assets are generally in the counterparty's possession, but this is controlled and managed by the asset audit process. The audit process checks on an agreed periodic basis that the asset is in the counterparty's possession and has not been sold out of trust or is otherwise not in the counterparty's control. The frequency of the audits is determined by the risk rating assessed at the time that the borrowing facility is first approved.

Additional security may also be taken to further secure the counterparty's obligations and further mitigate risk. Further to this, in many cases the Group is often granted by the counterparty, an option to sell-back the underlying collateral.

Based on the Group's current principal products, the counterparty repays its obligation under a loan agreement with the Group at or before the point that it sells the asset. If the asset is not sold and the loan agreement reaches maturity, the counterparty is required to pay the amount due under the loan agreement plus any other amounts due. In the event that the counterparty does not pay on the due date, the Group's customer management process will maintain frequent contact with the counterparty to establish the reason for the delay and agree a timescale for payment. Senior management will review actions on a regular basis to ensure that the Group's position is not being prejudiced by delays.

In the event that the Group determines that payment will not be made voluntarily, it will enforce the terms of its loan agreement and recover the asset, instituting legal proceedings for delivery, if necessary. If there is a shortfall between the net sales proceeds from the sale of the asset and the counterparty's obligations under the loan agreement, the shortfall is payable by the counterparty on demand.

Concentration of credit risk

The Group maintains policies and procedures to manage concentrations of credit at the counterparty level and industry level to achieve a diversified loan portfolio. As at 31 December 2018, the largest counterparty exposure was 9% of the total loan portfolio and the largest industry sector exposure was 34% of the total loan portfolio.

Credit quality

An analysis of the Group's credit risk exposure for loan and advances per class of financial asset, internal rating and "stage" is provided in the following tables. A description of the meanings of stages 1, 2 and 3 is given in the accounting policies set out in note 1.

Risk rating	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	2018 Total £'000	2017 Total £'000
Above average (risk rating 1-2)	55,698	–	–	55,698	14,305
Average (risk rating 3-5)	31,868	14,916	–	46,784	16,207
Below average (risk rating 6+)	12,191	7,705	150	20,046	2,323
Gross carrying amount	**99,757**	**22,621**	**150**	**122,528**	**32,835**
Loss allowance	(217)	(31)	(60)	(308)	(126)
Carrying amount	**99,540**	**22,590**	**90**	**122,220**	**32,709**

Gross Carrying Amount	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 31 December 2017	32,835	–	–	32,835
Transfer to stage 2	521	(521)	–	–
Transfer to stage 2	(26,577)	26,577	–	–
Transfer to stage 3	(128)	(286)	414	–
Loans originated	208,281	–	–	208,281
Loans repaid	(115,175)	(3,149)	(264)	(118,588)
As at 31 December 2018	**99,757**	**22,621**	**150**	**122,528**

Trade receivables

Status at balance sheet date

The Group has assessed the trade and other receivables in accordance with IFRS 9 and determined that, at the balance sheet date, the lifetime ECL is £11,000 (2017: £nil).

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £nil at 31 December 2018 (31 December 2017: £nil).

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Group specific and market-wide events.

Liquidity risk management

The Group delegates liquidity risk management to its subsidiary, DFC, which has in place a policy and control framework for managing liquidity risk. DFC's Asset and Liability Management Committee (ALCO) is responsible for managing the liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. The ALCO meets on a monthly basis to review the liquidity position and risks. Daily liquidity reports are produced and reviewed by the management team to track liquidity and pipeline.

DFC is in the process of applying for a Bank Licence. One of the key requirements is to a have a comprehensive liquidity management process & documentation which is submitted to the Prudential Regulation Authority (PRA) for approval. These documents have been approved by DFC's Board of Directors and submitted to the PRA.

Group Finance performs treasury management for the Group, with responsibility for the treasury for each business entity being delegated to the individual subsidiaries. However, in line with the wider Group governance structure, Group Finance performs an important oversight role in the wider treasury considerations of the Group. The primary mechanism for maintaining this oversight is a formal requirement that subsidiaries' Finance teams notify all material Treasury matters to Group Finance.

The main Group responsibilities are to maintain banking relationships, manage and maximise the efficiency of the Group's working capital and long term funding and ensure ongoing compliance with banking arrangements. The Group currently does not have any offsetting arrangements.

Liquidity stress testing

DFC has assessed its liquidity adequacy and viability for the first 12 months of operations, based on its 5 year business plan projections. Under this analysis, DFC is confident that it will be able to meet all of its liabilities as they fall due, even in a stress scenario.

A range of liquidity stress scenarios has been conducted (as detailed in the capital and liquidity requirements), which demonstrates that DFC's liquidity profile at the end of this 12-month period will be sufficient to withstand a severe stress at this time.

Maturity analysis for financial assets and financial liabilities

The following maturity analysis is based on expected gross cash flows.

As at 31 December 2018	Carrying Amount £'000s	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	>5 years £'000s
Financial Assets						
Cash and cash equivalents	24,888	24,888	–	–	–	–
Trade receivables	417	265	71	81	–	–
Loans and advances to customers	129,221	25,494	34,208	53,408	13,245	3,184
Investment in equity instruments	44,500	–	–	–	–	–
Debt Securities	4,994	–	5,000	–	–	–
	204,020	50,647	39,279	53,489	13,245	3,184
Financial Liabilities						
Trade other payables and accruals	5,361	5,361	–	–	–	–
Borrowings	59,041	246	739	60,897	–	–
	64,402	5,607	739	60,897	–	–

Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the TruFin Group's income or the value of its portfolios.

Market risk management

The TruFin Group's management objective is to manage and control market risk exposures in order to optimise return on risk while ensuring solvency.

The core market risk management activities are:

- The identification of all key market risk and their drivers,
- The independent measurement and evaluation of key market risks and their drivers,
- The use of results and estimates as the basis for the TruFin Group's risk/return-oriented management, and
- Monitoring risks and reporting on them.

Interest rate risk management

The TruFin Group is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates.

Interest rate risk

Interest rates on loans and advances are charged at competitive rates given current market condition. Should rates fluctuate, this will be reviewed and pricing will be adjusted accordingly.

DFC's borrowings are at both fixed rates of interest at LIBOR based. To help mitigate interest rate risk DFC may increase asset pricing on new assets funded at its discretion. Additionally, the limited asset average loan duration helps mitigate this interest rate risk.

23. Non-controlling interests

Distribution Finance Capital Ltd, a 94% owned subsidiary of the Company, has material non-controlling interests (NCI).

The summarised financial information below represents amounts before intragroup eliminations.

	2018 £'000	2017 £'000
Current assets	128,903	37,858
Non-current assets	851	37
Current liabilities	(61,630)	(2,795)
Non-current liabilities	(13,404)	(36,560)
Equity attributable to owners of the Company	51,465	(1,168)
Non-controlling interests	3,255	(291)

	2018 £'000	2017 £'000
Revenue	5,179	1,116
Expenses	(12,276)	(6,273)
Loss after tax	(7,097)	(5,157)
Loss after tax attributable to owners of the Company	(6,675)	(4,125)
Loss after tax attributable to the non-controlling interests	(422)	(1,032)

	2018 £'000	2017 £'000
Net cash used in operating activities	(86,703)	(33,727)
Net cash used in investing activities	(5,915)	(42)
Net cash generated from financing activities	93,716	37,416
Net increase in cash and cash equivalents	1,098	3,647

	£'000
Balance at 1 January 2017	547
Share of loss for the year	(1,032)
Capital contribution	192
Balance at 1 January 2018	(293)
Share of loss for the year	(422)
Reduction of capital and equity injection	3,301
Change of ownership percentage	669
Balance at 31 December 2018	3,255

24. Acquisition of Subsidiary

On 3 August 2018, Oxygen Finance Group Limited acquired 100% of the issued share capital of Porge. Porge provides an evidence based public sector market insight service and research product, which provides Oxygen with an additional product offering.

Porge was acquired at a cost of £2 million plus a deferred consideration of £0.75 million payable in May 2019. The deferred consideration was subject to Porge achieving certain performance targets which have now been met.

Porge's financial year end date is 31 March 2019. Its results have been consolidated from the date of acquisition to 31 December 2018, in line with the Group's financial year end.

The amounts recognised in respect of the identifiable assets of Porge acquired and liabilities assumed are as set out in the table below.

	£'000
Total assets	502
Total liabilities	(497)
	5
Goodwill arising on acquisition	
Total consideration	2,764
Less: fair value of identifiable net assets acquired	(5)
	2,759
Consideration satisfied by:	
Cash	2,014
Contingent consideration	750

In accordance with IFRS 3, we have up to one year to finalise the initial accounting for a business combination. At the reporting date, our assessment in relation to the recognition and measurement of separately identifiable intangible assets acquired is ongoing. Whilst we expect to recognise intangible assets, including computer software and the customer list, the directors believe that the majority of the purchase price represents goodwill as a result of synergies generated between Porge and Oxygen's businesses. Nevertheless, we have assessed the impact on the 2018 financial statements if half of the £2.8m goodwill balance was determined to consist of separately identifiable intangible assets. Assuming a useful economic life of 5 years, this would result in an amortisation charge of £115,000 for the 5 months since the acquisition of Porge. Based on analysis to date, we expect the separately identifiable intangible asset balance and associated amortisation to be below the level illustrated.

25. Leasing commitments

The Group only has operating leases in the form of leasing property for office space. The lease agreements have a fixed term with a maximum lease term of 5 years. The leasing arrangements clearly specify the rental expense for the year which is fixed over the life of the leases. The service charge expense has been estimated over the life of the term and is not considered materially variable. Rent and service charge invoices are paid quarterly in advance. Should the Group wish to renew these leases in the future, this would require signing new agreements.

The Group did not engage in any subleasing arrangements in any of the reporting periods and there was no contingent rent payable for any of the reporting periods.

	2018 £'000	2017 £'000
Lease payments under operating leases recognised as an expense in the year	641	258

At the year end date the TruFin Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years. The future minimum lease payments under non-cancellable leases are as follows:

	2018 £'000	2017 £'000
Due in less than one year	456	391
Due between one and five years	735	450
Total future lease payments committed	**1,191**	**841**

26. Earnings per share

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of the basis and adjusted earnings per share is based on the following data:

	2018	2017
Number of shares		
At year end	97,368,421	123,965,703
Weighted average	92,791,949	65,245,107
Earnings attributable to ordinary shareholders	**£'000**	**£'000**
Loss after tax attributable to the owners of TruFin plc	(14,688)	(8,103)
Adjusted earnings attributable to ordinary shareholders		
Loss after tax attributable to the owners of TruFin plc	(14,688)	(8,103)
Adjusted for share-based payment	2,739	–
Adjusted loss after tax attributable to the owners of TruFin plc	(11,948)	(8,103)
Earnings per share*	pence	pence
Basic and Diluted	(15.8)	(12.4)
Adjusted[1]	(12.9)	(12.4)
Adjusted[2]	(4.3)	(8.4)

* All Earnings per share figures are undiluted and diluted.

Adjusted[1] EPS excludes share-based payment expense from loss after tax

Adjusted[2] EPS includes the unrealised gain on the revaluation of the TruFin Group's investment in Zopa - £8.0m for the year ended 31 December 2018 (2017: £2.6m)

At 31 December 2017 there were 123,965,703 shares in issue at £1 per share. In February 2018 these were consolidated to form 60,526,315 shares at £1.90 per share. This consolidation effectively consisted of a share cancellation of 8,965,703 shares as well as a 1 for 1.9 share consolidation. Following the share consolidation, the shares were listed on AIM and on 21 February 2018 and 36,842,106 shares were issued at £1.90 per share. A reconciliation of the impact of these transactions on the number of shares and the value of share capital is shown in the table below.

	Number of shares	£'000
Balance at 1 January 2018	123,965,703	123,966
Share cancellation	(8,965,703)	(8,966)
	115,000,000	115,000
Share consolidation	(54,473,685)	–
	60,526,315	115,000
Share issue	36,842,106	70,000
Balance at 31 December 2018	**97,368,421**	**185,000**

The weighted average shares in the EPS disclosure have been reduced by the number of shares that were absorbed as part of the share consolidation as if the transaction took place at the start of the period. Similarly, the EPS disclosure for 2017 has been restated by incorporating the same adjustment to the weighted average shares of that period.

During the year 9,276,316 share options were granted to management (see note 6 for details). These could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS as they are antidilutive for the years presented, as the Group is loss making.

27. Related party disclosures

Transactions with Directors

Transactions with Directors, or entities in which a Director is also a Director or partner:

	2018 £'000	2017 £'000
Loans provided to directors	140	–
Consultancy services provided by a director	–	13
Other related parties	9	–

Key management personnel disclosures are provided in note 5.

Loans were issued to Henry Kenner (£74,878) and James van den Bergh (£64,894) on 21 February 2018 relating to the tax and national insurance payable on the JSOP founder awards in the month that these were granted. These loans have a nil interest charge and remain outstanding at the year end.

28. Post balance sheet events

On 17 April 2019, DFC increased its existing wholesale funding facility from £100 million to £155 million and extended the term by 12 months such that the funding line now has a maturity date of December 2020.

The Board of TruFin is seeking shareholder approval to sell its investment in Zopa to Arrowgrass for a gross cash consideration of £44.5 million which is equal to the fair value of Zopa as at 31 December 2018. The Zopa transaction is conditional and is subject to a shareholder resolution at the General Meeting to be held on 7 May 2019. The sale constitutes a related party transaction under Rule 13 of the AIM Rules as a result of Arrowgrass owning more than 10% of TruFin plc. The independent directors of TruFin, having consulted with the Nominated Adviser, consider the terms of the Zopa sale to be fair and reasonable.

It has always been TruFin's intention to realise its investment in Zopa and TruFin believes this is an appropriate time to sell Zopa as it releases cash to the Group. £25 million of the proceeds will be invested in DFC as equity which in turn will be used to fund DFC's balance sheet for lending. The remaining cash will be used to support and implement the strategy of the remaining group and for the costs and expenses relating to the sale of Zopa and the costs of the demerger. It is also the intention of the Directors to make a cash distribution of £5 million in both June and December 2019.

On 17 April 2019, the Board made a decision to restructure the Group which would provide DFC the best opportunity to be granted a bank licence as a standalone entity without the restriction of it being part of a controlling group. The Board is therefore proposing the demerger of DFC into a separate AIM listed company, with the existing shareholders in TruFin being given one new share in DFC for each existing TruFin share. In order to achieve these steps, the Board is seeking shareholder approval at a General Meeting to be held on 7 May 2019. It is proposed that DFC will be demerged to a new company called DFC Holdings plc. DFC Holdings will seek admission of its entire issued share capital on AIM on 9 May 2019. Following the demerger, TruFin shareholders will own TruFin ordinary shares and DFC Ordinary shares. The demerger is expected to become effective on 8 May 2019. On Admission, DFC Holdings is expected to have a market capitalisation of £96 million.

Concurrently with these proposals, Arrowgrass has informed the Board that it has arranged the disposal of sufficient new shares in DFC such that after completion of the demerger, it will own less than 50% of the votes in the equity share capital of DFC Holdings.

Modifications proposed to the existing Share Incentive Plans

Following the demerger and subsequent IPO of DFC scheduled for May 2019, the share incentive plans have been modified to incorporate the effects of the new structure and to provide management with some level of neutrality with respect to their incentive plans whilst also balancing tax and regulatory requirements.

Founder Awards

The Founder Award comprises (i) the JSOP Awards and (ii) the PSP Founder Awards (details of which are set out in note 6). As part of the demerger, all TruFin shareholders will receive one DFC listed share for each TruFin share they hold. It has been agreed that the Founder Awards, in so far as they relate to the DFC listed shares, will be cancelled and replaced with an alternative arrangement. The intended outcome of the new arrangement is that the TruFin Founders will hold DFC listed shares directly, but will be subject to the same clawback and transfer restrictions as the original Founder Awards. The effect of this new arrangement will give rise to an Employers national insurance liability on TruFin plc which is £419,000. It has been determined that the valuation of the JSOP and PSP awards has not changed as a result of the demerger.

PSP Market Value Awards

The PSP Market Value awards comprise options to acquire TruFin shares at 190p per share (share price at Admission) and vest upon the achievement of set share price thresholds. In order to reflect the impact of the demerger, it has been agreed that the PSP Market Value Awards will be split in two so that:

- Part of the award will remain as an option in respect of TruFin shares (“TruFin Market Value Awards”)
- Part of the award will be in respect of DFC listed shares

The TruFin Market Value Awards will be on materially the same terms as the original PSP Market Value Awards except that:

- The exercise price will be adjusted by reference to the respective share prices of DFC Holdings and TruFin using the closing prices on the first day of trading of DFC Holdings shares (expected to be 9 May 2019) to reflect the demerger.

The DFC Market Value award will take the form of a restricted share award of 2% of the DFC Listed Shares under which the award holder will receive nil cost DFC listed shares. These transfer restrictions and clawback will fall away over time (i.e. 33.33% per year over three years). The first 33% will become freely transferable and cease to be subject to clawback on 21 February 2020 and each subsequent tranche on the following two anniversaries. The effect of this award will give rise to an Employer’s national insurance liability on TruFin plc which is £265,000.

PSP Performance Awards

The PSP Performance Awards comprise nil cost options to acquire TruFin Shares at the end of a three year vesting period. In order to reflect the impact of the demerger and as the performance condition relating to the business of DFC will be achieved in full due to the demerger, it has been agreed that the 2018 PSP

Performance Award will be adjusted so that:

- the awards will part vest and will be satisfied by way of a cash payment calculated by reference to 50% of the shares subject to the award and a price of 190p per share. The cash payment will be made at the time of the annual bonus cycle in February 2020
- the awards will continue in respect of 100% of the TruFin shares but the performance condition will relate solely to the business of Oxygen.

The valuation of the 2018 PSP Performance Awards as at 31 December 2018 was nil. However due to the part-vesting as a result of the demerger the value of these shares is deemed to have a value of approximately £900,000.

TruFin plc

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