TRU | FIN

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2019

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COMPANY INFORMATION
For the year ended 31 December 2019

Directors	Simon Henry Kenner (Chairman) James van den Bergh (Chief Executive Officer) Raxita Kapashi (Chief Financial Officer) (resigned 31 July 2019) Steve Baldwin (Senior Independent Non-Executive Director) Peter Whiting (Non-Executive Director) (resigned 31 July 2019) Penny Judd (Non-Executive Director) Paul Dentskevich (Non-Executive Director) Stephen Greene (Non-Executive Director) (appointed 29 April 2020)
Company Secretary	Ocorian Secretaries (Jersey) Limited
Registered Office	26 New Street St Helier Jersey JE2 3RA
Business Address	Mercury House 109-117 Waterloo Road London SE1 8UL Previous Business Address (until 05 December 2019) 4 Bentinck Street London W1U 2EF
Registered Number	125245
Auditor	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
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

COMPANY INFORMATION (CONTINUED)
For the year ended 31 December 2019

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 2019

As I write this report, we are still in the midst of the Covid-19 pandemic – a global catastrophe and one that has caused enormous uncertainty for so many. And so, whilst expressing our heartfelt condolences to all those suffering, I have been hugely impressed and immensely proud at how our businesses have reacted, adapted and coped with this unprecedented occurrence. We owe them a large thank you for enabling the services we offer our customers to remain open and available.

The consequences of this pandemic are still far from certain and we are still assessing all potential impacts; it would be foolish and inappropriate to make too many overly assertive statements at this time.

As regards 2019 it was yet another eventful year with the following notable strategic transactions:

- The disposal of our stake in Zopa Limited ("Zopa") for £44.5m as part of a strategic assessment
- The demerger of Distribution Finance Capital Ltd ("DFC") and listing of Distribution Finance Capital Holdings plc as a pragmatic step towards its strategic goal of obtaining a bank licence
- The acquisition of 100% of Playstack Limited ("Playstack") to garner control and provide strategic leadership to this exciting growth company
- Conversion of the outstanding convertible loan in Vertus Capital Limited ("Vertus") resulting in a holding of 51% of Vertus
- External funding secured by Vertus enabling it to continue its growth
- £5m return of value to shareholders in June 2019 and a further £5m in December 2019

These transactions are a great tribute to all involved and belie the intense level of activity within the Group throughout the year as many other potential opportunities and developments were assessed. For a small executive team this represents a great achievement especially given that the team was restructured and reduced during the year.

My change of role to a non-executive role has enabled me to fulfil some lifelong ambitions in the field of ornithology for which I am extremely grateful, whilst allowing James van den Bergh to more than ably fill my shoes as our new Chief Executive Officer. In this roll call we should also not forget the considerable contribution made by Peter Whiting prior to his stepping down from the Board and those of our former executive management team Raxita Kapashi and Jason Rogers – thank you.

As to the businesses themselves, they continued to perform well in 2019, as detailed in our Chief Executive Officer's report below. Oxygen Finance's ("Oxygen") leading market position, Satago Financial Solutions Limited's ("Satago") strategic partnerships, Playstack's position in the games publishing and mobile game financing sector and Vertus's exciting pipeline mean we have good reason to be excited for the future. The leadership and management teams within all our businesses continue to develop, mature and deliver for you our shareholders. The businesses are each well positioned to pursue their paths to profitability. I see this continuing in 2020 and we hope and expect to be able to further report positively on all of this in the future.

Finally, it would be remiss of me not to mention that our share price has not performed as the Board would have liked. You will be aware that our 74 per cent shareholder, Arrowgrass Master Fund Limited ("AMFL"), announced in September 2019 that it would be closing and divesting of its positions over time. We believe that this resulted in an "overhang" on the share price. We remain in regular dialogue with AMFL and have been seeking ways to resolve this situation. On 29 April 2020, Stephen Greene joined the Board as a Non-Executive Director. This appointment was in accordance with AMFL's rights under its relationship agreement with TruFin as described at IPO. At this stage, we can provide no certainty over the future of AMFL's holding, but we remain focused on working with AMFL and Stephen Greene for a solution in the interests of TruFin's stakeholders as a whole.

From the business perspective we have started 2020 in good form with developments apace and, despite the pandemic, hope to show the fruits of all these efforts in our future results.

Henry Kenner

Chairman

14 May 2020

CEO's Review

2019 was a year of meaningful change for TruFin. Most notably we successfully demerged and listed our largest subsidiary (DFC) on AIM, sold our stake in Zopa (the largest consumer lending peer-to-peer platform in the UK), acquired a majority stake in Playstack and converted our outstanding loan in Vertus. Alongside these transactions, we secured a £15m funding facility for Vertus and executed a significant restructuring of the TruFin Group ("Group") HQ. Finally, our largest shareholder, AMFL, announced their closure and with it the future divestment of all its holdings.

Our subsidiaries operate in competitive markets and the objective of the team at Group level is to shield them from any unnecessary distractions which could be unsettling for their employees, cause a lack of focus, and ultimately be an edge for their rivals. In order to do this, we arm the subsidiaries with the capital – both human and financial – they need to compete in their marketplaces. Alongside maintaining a stable environment for our subsidiaries, we also implemented a number of material strategic changes during 2019 as further described below. This will ensure the momentum we experienced in 2019 is maintained in 2020 and beyond.

TruFin's performance in 2019

Alongside the corporate events that occurred during 2019 at Group level, the Group saw strong revenue growth of 68% across the continuing operations and despite the impact of the Covid-19 pandemic this momentum has, in the main, continued in the first quarter of 2020.

Oxygen

- During 2019 Oxygen maintained a 100% renewal record for local authority Early Payment Programme Services with three customers renewing their contract for a further 5 years
- The total amount of invoices, for which Oxygen accelerated payment, rose by 26% to £550 million and further efficiencies were made reducing EBITD losses by 36%
- A refined commercial model has resulted in clients acquired in the second half of 2019 contracting on a gain share model, alongside a new fixed monthly service fee. This is now the standard model for all new business and results in even greater income predictability for the five-year term of every new contract

Satago

- In a direct response to customer and partner demand, Satago launched a paid subscription model for its core software services in October 2019
- The monthly subscription model growth was bolstered by the signing of a reseller agreement with a leading software provider in the fourth quarter of 2019
- In addition to the many thousands of customers who currently use Satago's software on a free basis, Satago is targeting 2,000 paid subscribers by 31 December 2020
- Satago's key strength remains the technology platform; to ensure they maintain their competitive position the development team was enhanced during 2019 to allow for complimentary product builds during 2020 and beyond
- Minimal defaults with the loans advanced constrained only by a lack of capital

Playstack

- TruFin acquired a majority controlling stake in Playstack in September 2019
- Lending in PlayIgnite, the financing subsidiary of Playstack, experienced zero losses and showcased the opportunity set within the mobile-game lending space

- The Group remains capital constrained and as such the full lending opportunity set cannot yet be fully exploited
- Playstack released six new titles including 'Doctor Who: Edge of Time' VR game under licence from the BBC
- Playstack also pioneered and tested a proprietary technology platform to scale mobile game revenue in 2020 and beyond

Vertus

- TruFin converted its outstanding loan to Vertus in July 2019, resulting in a 51% holding of Vertus
- In September 2019 Vertus concluded a secured debt facility of £15 million with a UK high street bank, with the potential for it to be increased by a further £10 million
- Approved loan facilities to clients increased by 58% between September and December of 2019
- In 2019, approved loan facilities grew by 82% from £9 million to £16.5 million
- The business experienced zero defaults or write downs in the year

Current Trading and Prospects

I am pleased to report that the Group's robust growth has remained resilient with Group revenues for the first quarter ended 31 March 2020 of £2.1 million (unaudited). This is an increase of 36% over the same period in 2019 and a 5% increase over the fourth quarter of 2019.

Given the ongoing Covid-19 pandemic we felt it important to reassure shareholders that April 2020 also saw revenue growth from continuing operations of not less than 40% over April 2019 (unaudited).

Oxygen

- Oxygen has maintained their 100% renewal success rate in 2020, with four renewals already secured
- During April 2020 Oxygen was notified, following a full Official Journal of the European Union (OJEU) process, that the North East Procurement Organisation (NEPO) will award a contract to Oxygen enabling their 520 NEPO member organisations to procure Oxygen's Early Payment Programme Services. The framework contract is available for 8 years
- Oxygen's pipeline of opportunities remains strong overall although we expect to see some 'pushing back' of the pipeline in the second and third quarters of 2020
- As a result of the Covid-19 pandemic some UK Government bodies are delaying the tendering of certain capital projects which we anticipate will have a knock-on financial impact for Oxygen during the second half of 2020 and into early 2021

Satago

- A £5 million revolving credit facility was signed in March 2020. This is the first step to resolving Satago's capital constraints
- Satago anticipates writing in excess of £60 million of loans during 2020
- All else being equal, Satago expects paying subscribers to hit 2,000 by 31 December 2020 and this momentum to continue into 2021

- Satago continues to have strategic dialogue with new and existing partners and is now in discussions with a leading UK clearing bank, which is looking at the feasibility of leveraging Satago's best-in-class invoice financing software for its SME customers

- During this period of macro uncertainty Satago will continue to manage the book cautiously

Playstack

- During the first quarter of 2020 Playstack signed a significant exclusivity contract with a leading games platform for one of its upcoming launches, highlighting the pedigree of the Playstack portfolio

- Due to the Group's capital constraints, PlayIgnite has begun to source capital from external debt providers which has led to their pipeline of international funding opportunities growing meaningfully

- Given interest from investors in the 'Covid-19 resilient' gaming space and the momentum of the Playstack portfolio, we are currently exploring the feasibility of a third-party equity investment into Playstack. Discussions are at an early stage and may or may not lead to a transaction

Vertus

- Vertus expects a mature pipeline to result in completed applications as the market environment stabilises

- The Covid-19 pandemic has had a short-term impact on new loan applications, although Vertus believes that the IFA sector will be robust through the crisis

- All else being equal, Vertus is targeting a loan book of £16m by 31 December 2020

Outlook

It is with considerable pride that I can write that during the Covid-19 crisis all of our businesses have stood by their customers and are working closely with their customers and partners to ensure we all come through this pandemic stronger. This collaborative approach is not only the right thing to do, but we are convinced will, in time, yield meaningful financial benefits. This is an ever-changing situation and, although we are cautiously optimistic about how the Group is weathering the crisis, we will be sure to update shareholders as and when the effects (both positive and negative) of the pandemic are clear.

As demonstrated by the pursuit of external investors directly into Playstack, the Board remains opportunistic. This fresh approach of inviting new investors into our subsidiaries in order to drive further growth without an equity injection from TruFin, demonstrates the Board's pragmatism and ability to quickly adapt to changing market sentiment. If successful, this could be a model we look to replicate across the Group, and we look forward to updating shareholders in due course.

Despite the uncertainty caused by the Covid-19 crisis we believe each of the subsidiaries have excellent prospects. They operate in resilient sectors such as public procurement, mobile gaming, independent financial advice, and, in the case of Satago, provide cashflow management software for SMEs. As a result, we believe, there are considerable opportunities for meaningful capital realisations over time within the Group.

James van den Bergh
Chief Executive Officer
14 May 2020

Goals and Objectives

TruFin was founded with the belief that it could generate significant value by focusing on poorly served niches. These are markets where the large lenders and operators cannot navigate or are unable to make a return, due to cumbersome cost bases and ineffective use of technology. These markets need servicing and the customers we serve are loyal, reliable and can scale with us. This belief has not changed. In fact, it has been solidified over the last three months as a number of our competitors begin to rein in their lending or have stopped operating all together.

We remain focused on these niches. We remain committed to our markets and we remain committed to our partners. The way our businesses are acting now, in the face of adversity, will ensure they become more valuable in the medium term. Our strategic objective remains the realisation of value from each of our assets, ensuring our shareholders' commitment and support is well rewarded.

Specifically, the Directors have the following strategic objectives for each business:

Oxygen

- The absolute focus of the business remains on monetising live clients through the onboarding of their suppliers to Oxygen programmes
- The formation of the client led 'Advisory Boards' is leading to far greater client engagement and best practice, which will continue to drive improved efficiencies for both Oxygen and their clients
- Oxygen has signed several partnerships with organisations that are keen to leverage Oxygen's client relationships. These complimentary services augment the value that Oxygen can bring to existing clients whilst strengthening relationships
- New products will be launched in 2020 combining the deep technical connectivity Oxygen has with its client's data and the research and insight capabilities of its subsidiary Porge. These new chargeable services have already been successfully tested and deployed in 2020

Satago

- Satago's core strategic goal is unchanged: to be the leading comprehensive cash flow management solution for SMEs. To achieve this goal Satago is leveraging technology to enhance credit control, risk monitoring, customer experience and its product suite
- Satago's customer acquisition strategy is focused on the deep partnerships it has formed to-date with accountants and software providers whilst seeking new routes to market through other financial intermediaries
- The rapid adoption of the paid subscription model has given management the confidence to reinforce the technology investment already made, in order to solidify the competitive advantage Satago has built

Playstack

- Raise 3rd party equity capital in order to exploit the growing pipeline of opportunities for both PlayIgnite and Playstack
- Market testing of proprietary technology platform to grow additional revenues in 2020 and beyond
- Increase reach on console and PC platforms

Vertus

- Vertus aims to be the UK leader in providing debt capital and support to IFAs for succession planning (acquisitions and MBOs)
- Vertus has an established management team, a strong partner (in IntegraFin Holdings plc) and an efficient capital structure
- Following the focus on capital raising in 2019, Vertus is now solely focussed on sales and origination opportunities to capitalise on the significant consolidation that is taking place in the UK IFA market
- Vertus, along with their partner, anticipate that the Covid-19 crisis will accelerate consolidation in the IFA market, increasing their lending opportunities

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:

- **Covid-19** – The overarching risk of the Covid-19 crisis is how it impacts our customers and partners. The inevitable rescheduling of meetings, agreements and partnerships makes this pandemic a headwind on the Group. It is too early to say what the medium-term financial impacts are and we will be sure to update shareholders when the full impact is more accurately measurable
- **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 include: 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 and continually review this risk
- **Credit risk** - The risk of default, potential write-off, 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 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. Both Vertus and Satago have secured external funding in the last six months with which they can continue to grow their loan books. Playstack has started to explore the feasibility of third-party equity investment and PlayIgnite has begun to source capital from external debt providers

There is ongoing uncertainty amongst potential funding partners and delivery partners concerning the intentions of TruFin's largest shareholder, AMFL, which announced in September 2019 that it would be closing its fund, leading in due course to the divestment of its investment positions. AMFL has appointed a representative director to the board and the Board remains actively engaged with AMFL

- **Liquidity risk** - The Group is due to receive repayments of £5.3m from DFC in June 2020 and £9.1m in December 2020. There are risks that these payments become impaired or delayed and this would cause a considerable risk to the Group. The Group regularly conducts liquidity stress tests, based on a range of different scenarios to ensure it can meet all of its liabilities as they fall due

- **Operational risk** - 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 Group has also factored in the strengthening of processes and systems

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 Satago and Vertus 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.

Significant events post reporting date

Since the year end, it has become clear that the spread of the Covid-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the Covid-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact.

Since the year end Satago has implemented its Management Incentive Plan (“Satago MIP”). Under the Satago MIP key Satago managers were given the opportunity to acquire new created ordinary shares in the capital of Satago Financial Solutions Limited. 20% (750,000 ordinary shares) of the fully diluted share capital has been made available under the Satago MIP and, to date, 590,625 ordinary shares have been issued to Satago managers. It is expected that Satago MIP participants will receive value for their shares on an exit event in relation to Satago.

James van den Bergh
Chief Executive Officer
14 May 2020

REPORT OF THE DIRECTORS
For the year ended 31 December 2019

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2019.

Principal activity

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

Dividends and return of capital

The Directors have confirmed that no dividends have been declared for the year to 31 December 2019. 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. During the year £10m was returned to shareholders via a share buyback of £5m in June 2019 and £5m in December 2019.

Events since the end of the year

Since the year end, it has become clear that the spread of the Covid-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the Covid-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact.

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 (resigned 31 July 2019)

Steve Baldwin

Peter Whiting (resigned 31 July 2019)

Penny Judd

Paul Dentskevich

Stephen Greene (appointed 29 April 2020)

The Directors' interests in the shares of TruFin plc, all of which were beneficial interests, at 31 December 2019 are as follows:

Number of Shares	2019	2018
S H Kenner	18,441	–
J van den Bergh	165,982	150,000
P Whiting	26,315	26,315
P Judd	24,723	24,723
Shares jointly held by the trustee of the Company's employee benefit trust (the "EBT") and S H Kenner	–	1,825,658
Shares jointly held by the EBT and J van den Bergh	1,186,678	1,582,237

During the year 1,825,658 shares that were jointly held by the EBT and Henry Kenner vested. 1,807,217 became fully owned by the EBT and 18,441 became fully owned by Henry Kenner. Henry Kenner holds a nil cost option in respect of 1,807,217 shares.

During the year 395,559 shares that were jointly held by the EBT and James van den Bergh vested. 379,577 became fully owned by the EBT and 15,982 became fully owned by James van den Bergh. James van den Bergh holds a nil cost option in respect of 1,186,678 shares.

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 2019:

	Number of shares	% of issued share capital
Arrowgrass Master Fund Limited	59,470,670	73.58%
Watrium AS	5,260,588	6.51%
TruFin plc Employee Benefit Trust	3,373,472	4.17%
Liontrust Asset Management	2,938,523	3.64%

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

The directors have completed a final assessment of the Group's financial resources, including forecasts. Based on this review, the directors believe that the Group is well placed to manage its business risks successfully within the expected economic outlook.

After making enquiries, and taking into consideration the potential uncertainties of Covid-19, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and 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.

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 one Executive Director and five Non-Executive Directors, three of which are independent.

Brief biographies of the Directors are set out below:

Henry Kenner – *Chairman (Chairman and Chief Executive Officer until 11 September 2019)*

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 – *Chief Executive Officer (Deputy Chief Executive Officer until 11 September 2019)*

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 Chartered Financial Analyst (CFA) Charterholder.

Steve Baldwin – *Senior Independent Non-Executive Director*

Steve has an extensive corporate finance background and is currently a Non-Executive Director at The Edinburgh Investment Trust plc and Plus500 Limited. He is also 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.

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.

Stephen Greene – *Non-Executive Director*

Stephen has investment banking, investing and capital markets experience, previously holding positions at Keel Harbour Capital Limited, Arrowgrass Capital Partners, RMG Wealth Management, ACPI Investments and Deutsche Bank. Having recently transitioned into more technology focused roles, specifically within financial services and artificial intelligence, Stephen currently serves as a Non-Executive Director of Distribution Finance Capital Holdings plc, Managing Director of Orsus Ventures Limited and Coleura Labs Limited and formerly served as Managing Director of Satalia. Stephen is a CFA Charterholder.

Stephen was appointed to the Board as Director Representative of Arrowgrass Master Fund Limited on 29 April 2020 pursuant to the relationship agreement entered into with Arrowgrass Master Fund Limited at IPO.

Our Committees

The Board has 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 members are Steve Baldwin and Paul Dentskevich who joined the committee on 6 August 2019. Peter Whiting was a member of this committee prior to him leaving the Group. 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 Steve Baldwin. Its other members are Penny Judd and Paul Dentskevich who both joined the committee on 6 August 2019. Peter Whiting chaired this committee prior to him leaving the Group. 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, Henry Kenner and Paul Dentskevich. Paul joined the committee on 6 August 2019. 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 evaluating 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	20 / 20	3 / 3		
James van den Bergh	19/ 20			
Raxita Kapashi	11 / 12			
Steve Baldwin	19 /20	3 / 3	3 / 3	8 / 8
Peter Whiting	10 / 12		1 / 2	4 / 4
Penny Judd	18 / 20	3 / 3	3 / 3	3 / 4
Paul Dentskevich	20 / 20	2 / 2	1 / 1	3 / 4

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
14 May 2020

AUDIT COMMITTEE REPORT
For the year ended 31 December 2019

Members of the Committee

- Penny Judd (Chair)
- Peter Whiting (resigned 31 July 2019)
- Steve Baldwin (joined committee 6 August 2019)
- Paul Dentskevich (joined committee 6 August 2019)

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 Committee has considered the need for an internal audit function during the year and continues to be of the view that, given the size and nature of the Group's operations and finance team, there is no current requirement to establish a separate internal audit function.

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 calculation and valuation of Goodwill recognised in the Group financial statements
- appropriateness of going concern assumptions

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF TRUFIN PLC
For the year ended 31 December 2019

Opinion

We have audited the financial statements of TruFin plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise:

- the Group consolidated statement of comprehensive income for the year ended 31 December 2019;
- the Group consolidated and parent company statements of financial position as at 31 December 2019;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £300,000 (FY18: £766,250), based on 0.5% of Total Assets (FY18: 0.5% of equity).

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Board of Directors to report to it all identified errors in excess of £15,000 (2018: £38,312). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The group consists of TruFin plc itself, TruFin Holdings Ltd (the holding entity) and the subsidiaries as disclosed in note 1.

All of the trading subsidiaries, excluding the non-UK registered entities, have been subject to a full scope audit.

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.

This is not a complete list of all risks identified by our audit.

Revenue Recognition	
Key audit matter description	The Group derives its revenue from interest, fee and publishing income. During the year ended 31 December 2019, the Group recorded total revenue of £7,339k (FY18: £4,365k). Interest income is earned on loans and advances to customers and accounts for 46% of total revenue. Fee income is earned on payment services provided by Oxygen and accounts for approximately 47% of total revenue. Publishing income is provided by Playstack and accounts for approximately 7% of total revenue. The key revenue recognition risk is in respect of ensuring revenue is recognised in the year that has not been performed.
How the scope of our audit addressed the key audit matter	• For each company in the Group, we gained an understanding of its business model and the services and products it delivers to its customers; • Based on that understanding we identified when "control" passes to the customer and, consequently, when revenue is earned; • We selected a sample of contracts to confirm our understanding of the principal terms and obligations; • We gained an understanding of the key systems used to capture and record that income and evaluate any key controls; • Where the Group utilises third party platforms we evaluated those platforms and the safeguards management have in place to corroborate the output from those platforms; • We performed an overall analytical review and corroborated the reasons for any large and unusual variances; • For a selection of transactions, we confirmed that the recognition criteria in relation to the income earned in the period has been met; • We reviewed and tested the basis for accrued and deferred income; • We reviewed aged receivables profile and credit notes issued post balance sheet date; and • Where relevant, we reviewed and tested revenue cut off procedures

Carrying value of goodwill and other intangible assets	
Key audit matter description	The Group's intangible assets comprises of goodwill, client contracts, software licenses and project costs. When assessing the carrying value of goodwill and intangible assets, management make judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill and/or other intangible assets were impaired.
How the scope of our audit addressed the key audit matter	• We evaluated, in comparison to the requirements set out in IAS 36, management's assessment (using discounted cash flow models) as to whether goodwill and/or other intangible assets were impaired • We challenged, reviewed and considered by reference to external evidence, management's impairment and fair value models as appropriate and their key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates

Recognition and carrying value of deferred tax	
Key audit matter description	As at 31 December 2019, the Group is carrying a deferred tax asset of £2.50m in respect of the gross value of the accumulated tax losses in Oxygen. The estimation of this carrying value requires the exercise of considerable judgement about the ability of the Group to utilise the accumulated tax losses.
How the scope of our audit addressed the key audit matter	• We obtained and assessed extended projections and financial analyses to support management valuation for balances. • We challenged management's projections and forecasts which the management used as basis for recognition and carrying value of the deferred tax assets by holding discussions with management, reviewing the inputs and assumptions used such as the forecasted profit levels and growth rate.

Carrying value of the loan book	
Key audit matter description	The Group's total revenue is derived mainly from the loan books under Satago and Vertus. There is a risk the loan book is not appropriately carried at the expected recoverable amount which includes the expected credit loss required under IFRS 9. We also considered the ageing analysis to ensure that an appropriate approach has been taken to dealing with any loans which are deemed past due either in terms of capital or interest.
How the scope of our audit addressed the key audit matter	• We selected a sample of agreements entered into to confirm our understanding of the principal terms and obligations. • We examined the ageing analysis to ensure that an appropriate approach has been taken to dealing with any loans which are deemed past due either in terms of capital or interest. • We challenged management in relation to the assumptions applied in the ECL model by holding discussions with the management and challenging the inputs applied in the Loss Given Default assumption used in the ECL model.

Going concern	
Key audit matter description	The Board is responsible for ensuring it is appropriate to prepare the Group's financial statements on the basis that it is a going concern for a period of at least 12 months from the date of approving the financial statements.
How the scope of our audit addressed the key audit matter	• We obtained and reviewed the Board's assessment of going concern, which included considerations arising from the Covid-19 pandemic. The directors have completed a full assessment of the Group's financial resources, including forecast projections. • We challenged budgets used by management in their going concern assessment by assessing the degree of effectivity in the management's budgeting process by comparing the prior year budgets with actual figures and by comparing the first quarter of the 2020 budget to the actual Q1 2020 results. • We examined within the working capital forecasts the key inputs within the model and corroborated them through discussions with management.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report to you in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the 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; or
- we have not received all the information and explanations we require for our audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 13, 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 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 OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF TRUFIN PLC (CONTINUED)
For the year ended 31 December 2019

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.

Leo Malkin (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
14 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Interest income	3	3,347	1,467
Fee income	3	3,445	2,898
Publishing income	3	547	–
Interest, fee and publishing expenses		(1,115)	(157)
Net revenue		**6,224**	**4,208**
Staff costs	5	(12,722)	(10,244)
Other operating expenses		(4,406)	(3,490)
Depreciation & amortisation		(963)	(175)
Net impairment gain/(loss) on financial assets	8	18	(128)
Operating loss before share of loss from joint venture		**(11,849)**	**(9,829)**
Share of profit from associates accounted for using the equity method		15	–
Loss before tax		**(11,834)**	**(9,829)**
Taxation	11	(3,090)	390
Loss from continuing operations		**(14,924)**	**(9,439)**
Loss from discontinued operations	10	(3,463)	(5,671)
Loss for the year		**(18,387)**	**(15,110)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Gains on investments in equity instruments	14	–	8,000
		–	**8,000**
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		81	275
Other comprehensive income for the year, net of tax		**81**	**8,275**
Total comprehensive loss for the year		**(18,306)**	**(6,835)**
Loss from continuing operations attributable to:			
Owners of TruFin plc		(14,783)	(9,439)
Non-controlling interests		(141)	–
		(14,924)	**(9,439)**
Loss from discontinued operations attributable to:			
Owners of TruFin plc		(3,287)	(5,249)
Non-controlling interests		(176)	(422)
		(3,463)	**(5,671)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Total comprehensive loss for the period attributable to the owners of TruFin plc from			
Continuing operations		(14,702)	(1,164)
Discontinued operations		(3,287)	(5,249)
		(17,989)	**(6,413)**

Earnings per Share

	Notes	2019 pence	2018 pence
Basic and Diluted EPS	27	(19.2)	(15.8)
Adjusted EPS	27	(13.1)	(7.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	12	20,571	6,038
Property, plant and equipment	13	237	303
Deferred tax asset	11	2,503	5,579
Total non-current assets		**23,311**	**11,920**
Current assets			
Cash and cash equivalents		6,971	24,888
Loans and advances	16	27,705	129,221
Other investments	14	–	49,494
Assets classified as held for sale	17	–	266
Trade receivables	18	1,075	417
Other receivables	18	2,932	3,202
Total current assets		**38,683**	**207,488**
Total assets		**61,994**	**219,408**
Equity and liabilities			
Equity			
Issued share capital	19	73,548	185,000
Retained earnings		(63)	15,375
Foreign exchange reserve		(40)	(121)
Other reserves		(24,395)	(50,261)
Equity attributable to owners of the company		**49,050**	**149,993**
Non-controlling interest	23	1,293	3,255
Total equity		**50,343**	**153,248**
Liabilities			
Current liabilities			
Borrowings	20	6,194	59,041
Trade and other payables	21	4,757	6,066
Provision for commitments and other liabilities	7	700	1,053
Total current liabilities		**11,651**	**66,160**
Total liabilities		**11,651**	**66,160**
Total equity and liabilities		**61,994**	**219,408**

The notes on pages 34 to 84 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2020. They were signed on its behalf by:

James van den Bergh
Chief Executive Officer

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	1	2
Investments in subsidiaries	15	30,189	123,966
Amounts owed by group undertakings		49,083	–
Total non-current assets		**79,273**	**123,968**
Current assets			
Cash and cash equivalents		184	8,448
Trade and other receivables	18	195	56,652
Total current assets		**379**	**65,100**
Total assets		**79,652**	**189,068**
Equity and liabilities			
Equity			
Issued share capital	19	73,548	185,000
Retained earnings		(5,006)	(6,033)
Other reserves		8,966	8,966
Total equity		**77,508**	**187,933**
Liabilities			
Current liabilities			
Trade and other payables	21	1,444	1,135
Provisions		700	–
Total current liabilities		**2,144**	**1,135**
Total liabilities		**2,144**	**1,135**
Total equity and liabilities		**79,652**	**189,068**

The Company reported a loss for the year to 31 December 2019 of £6,530,000 (2018: £4,391,000).

The notes on pages 34 to 84 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2020. They were signed on its behalf by:

James van den Bergh
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Foreign exchange reserve £'000	Other reserves £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2019	**185,000**	**15,375**	**(121)**	**(50,261)**	**149,993**	**3,255**	**153,248**
IFRS 16 adjustment	–	(18)	–	–	(18)	1	(17)
Revised Balance at 1 January 2019	**185,000**	**15,357**	**(121)**	**(50,261)**	**149,975**	**3,256**	**153,231**
Loss for the year	–	(14,783)	–	–	(14,783)	(141)	(14,924)
Other comprehensive income for the year	–	–	81	–	81	–	81
Loss from discontinued operations	–	(3,287)	–	–	(3,287)	(176)	(3,463)
Total comprehensive loss for the year	**–**	**(18,070)**	**81**	**–**	**(17,989)**	**(317)**	**(18,306)**
Acquisition of subsidiaries	–	–	–	–	–	1,435	1,435
Demerger of subsidiary	(96,395)	(13,916)	–	34,866	(75,445)	(3,081)	(78,526)
Share buyback	(15,057)	5,057	–	–	(10,000)	–	(10,000)
Share based payment	–	2,509	–	–	2,509	–	2,509
Reduction of capital	–	9,000	–	(9,000)	–	–	–
Balance at 31 December 2019	**73,548**	**(63)**	**(40)**	**(24,395)**	**49,050**	**1,293**	**50,343**

	Share capital £'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**

The notes on pages 34 to 84 are an integral part of these financial statements

Share capital

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

Retained earnings

The retained earnings reserve represents cumulative net gains and losses. Retained earnings for the year include a credit of £5,057,000 arising from two share buybacks that took place in 2019.

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, the share revaluation reserve and share buyback reserve.

The merger reserve arose as a result of combining businesses that are under common control. As at 31 December 2019 it was a debit balance of £33,360,000 (2018: £59,227,000). The merger reserve balance related to Distribution Finance Capital Limited pre demerger was £34,866,000.

The share revaluation reserve arose from the share cancellation that took place in February 2018. As at 31 December 2019 its balance was £8,966,000 (2018: £8,966,000).

Non-Controlling Interest

The non-controlling interest relates to the minority interest held in Bandana Media Limited, Playstack OY, Foxglove Studios AB, Vertus Capital Limited, Vertus SPV1 Limited and Distribution Finance Capital Limited prior to its demerger from the Group.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2019	**185,000**	**(6,033)**	**8,966**	**187,933**
IFRS 16 adjustment	–	(9)	–	(9)
Revised balance at 1 January 2019	**185,000**	**(6,042)**	**8,966**	**187,924**
Total comprehensive loss for the year	–	(6,530)	–	(6,530)
Share buyback	(15,057)	5,057	–	(10,000)
Demerger of subsidiary	(96,395)	–	–	(96,395)
Share based payment	–	2,509	–	2,509
Balance at 31 December 2019	**73,548**	**(5,006)**	**8,966**	**77,508**
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**

The notes on pages 34 to 84 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss before income tax		
Continuing operations	(11,849)	(9,829)
Discontinued operations	(3,463)	(5,671)
Adjustments for		
Depreciation of property, plant and equipment	307	109
Amortisation of intangible fixed assets	1,032	225
Share based payments	2,509	2,739
Increase in provision	506	–
Impairment of intangible assets	186	–
Fair value increase of demerged subsidiary	(2,618)	–
Underlying trading loss on discontinued operations	2,963	–
	(10,427)	**(12,427)**
Working capital adjustments		
Movement in Loans and advances	770	(96,512)
Increase in trade and other receivables	(2,637)	(1,311)
Increase in trade and other payables	1,165	3,318
Net payables on acquisition of subsidiary	1,162	(325)
IFRS 16 adjustment	(462)	–
Additions to assets held for sale	–	(266)
	(2)	**(95,096)**
Tax paid	(36)	(36)
Net cash used in operating activities	**(10,465)**	**(107,559)**
Cash flows from investing activities:		
Additions to intangible assets	(1,695)	(2,855)
Additions to property, plant and equipment	(38)	(275)
Net increase in debt securities	–	(4,993)
Acquisition of subsidiaries	(1,105)	(2,014)
Movement in loans in year to subsidiaries pre acquisition	(7,201)	–
Cash from acquisition of subsidiaries	516	382
Disposal of equity investment	44,500	–
Net cash generated from/(used in) investing activities	**34,977**	**(9,755)**
Cash flows from financing activities:		
Issue of ordinary share capital	–	70,000
Issue of ordinary share capital of subsidiary	30	–
Share issue costs	–	(3,661)
New borrowings	5,011	49,926
Share buybacks	(10,000)	–
Net cash (used)/generated from financing activities	**(4,959)**	**116,265**
Net increase/(decrease) in cash and cash equivalents from continuing operations	**19,553**	**(1,049)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2019

Net cash from discontinued operations	**(37,556)**	**–**
Cash and cash equivalents at beginning of the year	24,888	26,049
Effect of foreign exchange rate changes	86	(112)
Cash and cash equivalents at end of the year	**6,971**	**24,888**

All cash and cash equivalents are cash at bank.

The notes on pages 34 to 84 are an integral part of these financial statements

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss before income tax	(6,530)	(4,391)
Adjustments for:		
Depreciation of property, plant and equipment	167	1
Fair value of intangible fixed assets	(2,618)	–
Share based payments	2,509	2,739
Increase in provision	700	–
	(5,772)	**(1,651)**
Working capital adjustments		
Decrease/(increase) in trade and other receivables	190	(3,407)
Increase in trade and other payables	140	334
	330	**(3,073)**
Net cash used in operating activities	**(5,442)**	**(4,724)**
Cash flows from investing activities		
Decrease/(increase) in intragroup loans	7,178	(53,164)
Additions to property, plant and equipment	–	(3)
Net cash used in investing activities	**7,178**	**(53,167)**
Cash flows from financing activities		
Issue of ordinary share capital	–	70,000
Share issue costs	–	(3,661)
Share buyback	(10,000)	–
Net cash generated from financing activities	**(10,000)**	**66,339**
Net increase in cash and cash equivalents	**(8,264)**	**8,448**
Cash and cash equivalents at beginning of the year	8,448	–
Cash and cash equivalents at end of the year	**184**	**8,448**

All cash and cash equivalents are cash at bank.

The notes on pages 34 to 84 are an integral part of these financial statements.

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.

1. Accounting policies

General information

The TruFin Group (the "Group") is the consolidation of TruFin plc and the companies set out in the "Basis of consolidation" (below).

The principal activities of the Group are the provision of niche lending, early payment services and mobile game publishing.

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 ("Satago")	UK	48 Warwick Street, London, United Kingdom, W1B 5AW	Provision of short term finance	100% of ordinary shares
Satago SPV 1 Limited ("Satago SPV 1") – incorporated on 11 September 2019	UK	48 Warwick Street, London, United Kingdom, W1B 5AW	Provision of short term finance	100% of ordinary shares
Satago z.o.o (Satago Poland)	Poland	32-023 Krakow ul. Sw. Krzyza 19/6 Poland	Provision of short term finance	100% 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")	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")	UK	Mercury House, 109-117 Waterloo Road, London, United Kingdom, SE1 8UL	Provision of technology services	100% of ordinary shares
AltLending UK Limited ("AltLending")	UK	48 Warwick Street, London, United Kingdom, W1B 5AW	Provision of short term finance	100% of ordinary shares
Vertus Capital Limited ("Vertus Capital") (together with Vertus SPV 1 Limited) ("Vertus") – acquired on 29 July 2019	UK	Building 1 Chalfont Park, Gerrards Cross, United Kingdom, SL9 0BG	Provision of short term finance	51% of ordinary shares
Vertus Capital SPV 1 Limited ("Vertus SPV 1") – acquired on 29 July 2019	UK	Building 1 Chalfont Park, Gerrards Cross, United Kingdom, SL9 0BG	Provision of short term finance	51% of ordinary shares
Playstack Limited ("Playstack")*	UK	56a Poland Street, London United Kingdom, W1F 7NN	Publishing of computer games	100% of ordinary shares
Bandana Media Limited ("Bandana")*	UK	56a Poland Street, London United Kingdom, W1F 7NN	Publishing of computer games	72% of ordinary shares
PlayIgnite Ltd ("PlayIgnite")*	UK	56a Poland Street, London United Kingdom, W1F 7NN	Business and domestic software developer	100% of ordinary shares
Playtest Limited ("Playtest")* - dissolved on 24 March 2020	UK	56a Poland Street, London United Kingdom, W1F 7NN	Publishing of computer games	100% of ordinary shares
Playstack z.o.o ("PS Poland") *	Poland	Kamienna 21, 31-403 Krakow, Poland	Publishing activities in the field of computer games	100% of ordinary shares
Playstack OY ("PS Finland")*	Finland	Mikonkatu 17 B, 00100 Helsinki, Finland	Publishing activities in the field of computer games	75% of ordinary shares
Foxglove Studios AB ("Foxglove")*	Sweden	Solbergavägen 17, 17998 Färentuna, Sweden	Developing, publishing and selling electronic games	80% of ordinary shares
Playstack Inc ("Playstack USA")*	USA	Gust Delaware, 16192 Coastal Hwy, Lewes, DE 19958	Publishing of computer games	100% of ordinary shares
PlayIgnite Inc ("PlayIgnite USA")*	USA	Cogency Global Inc, 850 New Burton Road, Suite 201, Dover DE 19904	Business and domestic software developer	100% of ordinary shares

*These companies (together the "Playstack Group") were acquired on 11 September 2019. The Group had a 40% interest in PlayIgnite prior to this date and until then was accounted for using the equity method. The Playstack Group acquisition also included 4 associate companies incorporated in the UK which have been accounted for using the equity method. These are:

- A 49% interest in PlayFinder Games Ltd
- A 49% interest in Snackbox Games Ltd
- A 42% interest in Military Games International Ltd
- A 26% interest in Stormchaser Games Ltd

The consolidated financial information also includes:

- a 50% interest in a joint venture, Clear Funding Limited ("Clear Funding"), which was struck off on 30 April 2019.

On 7 May 2019 Distribution Finance Capital Limited ("DFC") demerged from the Group. The Group held 94% of the ordinary shares in DFC prior to the demerger.

The Group had a minority interest in Zopa Group Limited ("Zopa") which was sold on 7 May 2019.

All of these three investments were 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. This assessment takes into consideration the potential uncertainties arising from Covid-19 mentioned earlier in the report.

Revenue recognition

Net revenue

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 revenue" as "Interest income" and "Interest, fee and publishing 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 subscription fees from Porge and Satago.

Payment services provided by Oxygen 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.

Subscription fees

Porge subscription fees

These are typically annual fees for 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.

Satago subscription fees

These are monthly fees for access to Satago's platform. Subscriptions are received in advance and recognised during the month the subscription relates to.

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.

Publishing income

Publishing income for the Group is earned by companies in the Playstack Group and comprises the following elements. Publishing income is recognised at the fair value of consideration received or receivable for goods and services provided and is shown net of VAT and any other sales taxes. The fair value takes into account any trade or volume discounts and commission retained.

In App Purchases (IAP)revenue

IAP revenue is earned on the sale of mobile games and features within those games. It is recognised when the game or feature is sold.

Advertising revenue

Advertising revenue is earnings from featuring third party advertising within mobile games. It is recognised when these advertisements are featured within the games.

Console revenue

Console revenue is earned on the sale of video games for consoles. It is recognised when the game is sold.

Brand revenue

Brand revenue is when a mobile game player signs up to an advertised brand in a mobile game. Revenue is recognised when the brand has confirmed acquisition of the customer.

Publishing expenses

Publishing expenses are directly attributable costs, associated with the Playstack Group's publishing income. These costs are included at their invoiced value and are net of VAT and any other sales tax.

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.

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 reporting 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

Other than convertible debt instruments, loans and advances 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, 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

Prior to its disposal the Group's investment in the equity shares of Zopa was not held for trading. The Group made an irrevocable election to classify and subsequently measure the investment at FVTOCI. Movements in the fair value of the investment were recognised in the statement of other comprehensive income and were 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;
- Other receivables;
- Trade receivables; and
- Intercompany receivables

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.

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 derecognised when the rights to receive cash flows from the asset have expired. The Group also derecognises the assets if it has both transferred the asset and the transfer qualifies for derecognition.

A transfer only qualifies for derecognition if either

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

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 reporting 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 reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting 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.

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 reporting 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.

Investments in associates

Associates are entities in which the Group has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at costs, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates profits or losses is recognised in the consolidated income statement. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of the associate.

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 four operating segments: the provision of short term finance, payment services, publishing 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

IFRS 16 - Leases

IFRS 16 became effective for accounting periods beginning on or after 1 January 2019 and has superseded IAS 17 Leases.

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 has been 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.

Note 25 explains the impact of the adoption of this standard on the Group’s financial statements.

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.

Other companies in the Group have carried forward losses which will be utilised against future taxable profits. However, a deferred tax asset has not been recognised for these 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.
- 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. 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.

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 14 for more information on fair value measurement.

3. Gross revenue

	2019 £'000	2018 £'000
Revenue		
Interest income	3,347	1,467
Total interest income	**3,347**	**1,467**
EPPS* contracts	2,502	2,373
Assessment fees	–	145
Consultancy fees	45	35
Subscription fees	898	345
Total fee income	**3,445**	**2,898**
IAP revenue	223	–
Advertising revenue	181	–
Console revenue	98	–
Brand revenue	45	–
Total publishing income	**547**	**–**
Gross revenue	**7,339**	**4,365**

*Early Payment Programme Services

The above figures are from continuing activities with comparatives restated accordingly based on information drawn from prior financial statements.

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, Satago, Vertus 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.

Publishing

Publishing of video games. For results during the reporting period, this corresponds to the results of the Playstack Group.

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 2019	Short term finance £'000	Payment services £'000	Publishing £'000	Other £'000	Total £'000
Gross revenue	2,752	3,436	547	604	7,339
Cost of sales	(269)	(562)	(284)	–	(1,115)
Net revenue	**2,483**	**2,874**	**263**	**604**	**6,224**
Adjusted operating loss*	(880)	(2,015)	(2,003)	(4,442)	(9,340)
Share of profit from associates	15	–	–	–	15
Loss before tax	(865)	(2,015)	(2,003)	(6,951)	(11,834)
Taxation	–	(3,090)	–	–	(3,090)
Loss for the year from continuing operations	(865)	(5,105)	(2,003)	(6,951)	(14,924)
Loss for the year from discontinued operations	(2,963)	–	–	(500)	(3,463)
Loss for the year	**(3,828)**	**(5,105)**	**(2,003)**	**(7,451)**	**(18,387)**
Total assets	21,385	9,440	15,804	15,365	61,994
Total liabilities	(7,010)	(1,814)	(673)	(2,154)	(11,651)
Net assets	**14,375**	**7,626**	**15,131**	**13,211**	**50,343**

*adjusted operating loss before tax excludes share-based payment expense

Year ended 31 December 2018	Short term Finance £'000	Payment services £'000	Other £'000	Total £'000
Gross revenue	1,411	2,894	60	4,365
Cost of sales	(106)	(51)	–	(157)
Net revenue	**1,305**	**2,843**	**60**	**4,208**
Adjusted operating loss*	(956)	(2,333)	(3,801)	(7,090)
Loss before tax	(956)	(2,333)	(6,540)	(9,829)
Taxation	–	390	–	390
Loss for the year from continuing operations	(956)	(1,943)	(6,540)	(9,439)
Loss for the year from discontinued operations	(5,671)	–	–	(5,671)
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**

The figures in this note are from continuing activities with comparatives restated accordingly based on information drawn from prior period financial statements.

5. Staff costs

Analysis of staff costs:

	2019 £'000	2018 £'000
Wages and salaries	8,203	5,673
Consulting costs	506	783
Social security costs	1,275	898
Pension costs arising on defined contribution schemes	229	151
Share based payment	2,509	2,739
	12,722	10,244

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:

	2019 Number	2018 Number
Management	15	8
Finance	6	7
Sales & marketing	20	16
Operations	42	46
Technology	36	15
	119	92

Directors' emoluments

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

	2019 Number	2018 Number
Long term incentive schemes	1	3

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

The figures in this note are from continuing activities with comparatives restated accordingly based on information drawn from prior period financial statements.

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

	Salary £'000	Bonus £'000	Change of role/ Settlement £'000	Transaction dependent payments £'000	Pension and Benefits £'000	2019 Total £'000	2018 Total £'000
Executive Directors:							
S H Kenner	285	–	224	575	7	1,091	628
J v d Bergh	255	79	122	739	9	1,204	456
R Kapashi*	111	–	207	200	3	521	319
	651	79	553	1,514	19	2,816	1,403
Non-executive Directors:							
S Baldwin	70	–	–	–	–	70	69
P Whiting**	45	–	–	–	–	45	58
P Judd	60	–	–	–	–	60	58
P Dentskevich	50	–	–	–	–	50	49
	225	–	–	–	–	225	234

* R Kapashi left the Group in July 2019

** P Whiting left the Group in July 2019

Transaction dependent payments relate to one-off amounts, that were payable as a result of the successful Zopa sale, the subsequent returns of value and DFC demerger that took place in 2019.

The change of role payments for Henry Kenner were due to his change of role from an executive to a non-executive director.

Key management

The Directors consider that key management personnel include the Executive Directors of TruFin plc and the Chief Operating Officer (the Chief Operating Officer left the Group in July 2019). 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:

	2019 £'000	2018 £'000
Performance Share Plan and Joint Share Ownership Plan Founder Award	2,430	2,671
Performance Share Plan Market Value Award	79	68
Performance Share Plan 2018 Award	–	–
Performance Share Plan 2019 Award	–	–
Total	2,509	2,739

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

On 21 February 2018, 3,407,895 shares were granted to selected founder members of senior management of which the share price at date of grant was £1.90 per share. The awards are 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. The awards were also granted 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.

The first 25% of shares (851,973 shares) vested on 21 February 2019 when the share price was £1.98. As a result 817,550 shares subject to the Joint Share Ownership Plan became fully owned by the trustee of the Company's employee benefit trust (the "EBT") and 34,423 became fully owned by senior management.

At the time of DFC's demerger from the Group, there was a modification to the Founder Award. The £1.90 price above which the employee was able to participate in value growth under the Joint Share Ownership Plan was adjusted proportionally by reference to the respective share prices of DFC and TruFin to £0.85. This modification has not resulted in a change in the valuation of the award and this continues to be recognised over the remainder of the original vesting period.

As part of the demerger, holders of Founder Awards also received an award in respect of DFC shares which gave rise to an Employers National Insurance liability of £419,000, which was paid in July 2019.

On 11 September 2019, in connection with his change of role, the unvested Founder Awards in respect of 1,369,244 shares held by Henry Kenner fully vested, the result of which was that all of the relevant shares ceased to be subject to the Joint Share Ownership Plan and instead become fully owned by the EBT. In addition, 1,369,244 shares subject to the Performance Share Plan ceased to be subject to continued employment condition.

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

On 21 February 2018, options to acquire 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 awards at the time of grant was £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%.

In order to reflect the impact of the demerger, the PSP Market Value Award was split into two:

- Part of the award remained as an option in respect of TruFin shares ("TruFin Market Value Award")
- Part of the award became an award in respect of DFC shares ("DFC market Value Award")

The TruFin Market Value Award is on the same terms as the original PSP Market Value Award except that:

- The exercise price was adjusted to £0.85, and the share price milestones were adjusted to reflect the demerger
- The exercise price was further adjusted to £0.80 and the share price milestones were further adjusted, to reflect the return of value to shareholders in June 2019
- The exercise price will be further adjusted to £0.71, and the share price milestones will be further adjusted to reflect the return of value to shareholders in December 2019

The modification has not resulted in a change in the valuation of the award and this continues to be recognised over the remainder of the original vesting period.

The grant of the DFC Market Value Award gave rise to an Employer's national insurance liability for the Company of £265,000 which was paid in July 2019.

Performance Share Plan 2018 Award ("PSP 2018 Award")

On 21 February 2018, options to acquire 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 subsidiary companies achieving certain financial metrics over a three-year period.

In order to reflect the impact of the demerger, and as the performance condition relating to the business of DFC was deemed to be achieved in full due to the demerger, the PSP 2018 Award was adjusted as follows:

- the award part vested and was satisfied by way of a cash payment calculated by reference to 50% of the shares subject to the award and a price of £1.90 per share. The cash payments were made in September 2019; and
- the awards have otherwise continued in respect of 100% of the TruFin shares, but the performance condition now relates solely to the business of Oxygen

During the year, PSP 2018 Awards in respect of 736,843 shares lapsed following members of senior management leaving the Group and changing roles.

The fair value of the unvested part of the award as at 31 December 2019 was deemed to be nil as it is highly improbable that the vesting conditions will be met.

Performance Share Plan 2019 Award ("PSP 2019 Award")

On 11 September 2019 an option to acquire 320,000 shares was granted to James van den Bergh. The PSP 2019 Award is structured as a nil cost option. The vesting of this award is subject to the holder being in continued employment until September 2022 and subsidiary companies achieving certain financial metrics over a three-year period. The fair value of the award as at 31 December 2019 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:

	JSOP Founder Award*	PSP Founder Award*	PSP Market Value	PSP 2018	PSP 2019
Type of instrument granted	**Shares (#)**	**Options (#)**	**Options (#)**	**Options (#)**	**Options (#)**
Outstanding at 1 January 2019	3,407,895	3,407,895	4,868,420	1,000,001	–
Granted during the year	–	–	–	–	320,000
Vested during the year	(2,221,217)	–	–	–	–
Lapsed during the year	–	(34,423)	–	(736,843)	–
Outstanding at 31 December 2019	**1,186,678**	**3,373,472**	**4,868,420**	**263,158**	**320,000**
Exercisable at 31 December 2019	**NA**	**2,186,794**	**–**	**–**	**–**

*The JSOP Founder Awards and PSP Founder Awards will together deliver, in aggregate, a maximum of 3,407,895 TruFin shares.

No options expired during the year.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 8.41 years (2018: 9.47 years).

The charges incurred as a result of the demerger and subsequent modifications of the awards have been included within discontinued operations in note 10.

A breakdown of these charges is shown below:

	2019 £'000	2018 £'000
PSP and JSOP Employer's NI charge	419	–
PSP Market Value Employers NI charge	265	–
PSP 2018 – DFC portion	1,081	–
DFC Banking licence contingent liability (See note 7)	700	–
	2,465	**–**

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

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

A provision of £700,000 which includes Employer's National Insurance has been provided for as a contingent liability to be paid to management as part of the management incentive plan agreed at the time of the IPO. The payment is condition on DFC being granted a bank licence, which is at the discretion of the PRA.

Management have reviewed aged provisions totalling £194,000 in relation to uncertain liabilities that originate prior to 31 December 2016. Management have considered these liabilities and consider the likelihood of a payment obligation arising as remote and have therefore deemed the provision to be no longer required.

Provisions recognised by DFC totalling £109,000 as at 31 December 2018 are no longer part of the balance following DFC's demerger from the Group.

Group	£'000
At 1 January 2019	1,053
Demerger of subsidiary	(109)
Deferred consideration paid	(750)
Net additional provision during the year	506
At 31 December 2019	**700**

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

The Company had no provisions at the year end.

8. Net impairment loss on financial assets

	2019 £'000	2018 £'000
At 1 January	319	126
On demerger of subsidiary	(180)	–
Charge for impairment loss	(14)	248
Amounts written off in the year	(2)	(55)
At 31 December	**123**	**319**

At 31 December 2019, the Group had an impairment balance of £123,000 which was allocated against loans and advances. At 31 December 2018, £308,000 of the impairment balance was allocated against loans and advances, which the residual balance against trade receivables.

The net impairment charge on financial assets during the year ended 31 December 2019 all related to loans and advances.

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

9. Loss before income tax

Loss before income tax is stated after charging:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	307	50
Amortisation of intangible assets	1,032	176
Staff costs including share based payments charge	12,722	10,244

The above figures are from continuing activities with comparatives restated accordingly based on information drawn from prior financial statements.

Fees payable to the Group's auditor (Crowe LLP) (2018: Deloitte LLP)	2019 £'000	2018 £'000
Fees payable for the audit of the company's annual accounts	44	68
Fees payable for the audit of the company's subsidiaries	78	132
Total audit fees	**122**	**200**
Non audit services		
Other assurance services	12	68
Total non audit fees	**12**	**68**

10. Discontinued operations

On 8 May 2019, DFC was demerged from the group into a separate AIM listed company (Distribution Finance Capital Holdings plc), with the existing TruFin plc shareholders being given one new share in DFC for each existing TruFin B share they held. These B shares were subsequently cancelled (as mentioned in note 19); the value of these cancelled shares was £96.4 million and is the deemed consideration of the transaction. The carrying value of DFC prior to demerger was £93.8 million which gave rise to a fair value uplift of £2.6 million.

DFC's results for the period from the start of the year to the date of demerger have been included within this note.

DFC results for the period to demerger	2019 £'000
Revenue	3,601
Expenses excluding IPO and demerger costs	(6,564)
Loss before tax	**(2,963)**

Also included within this note are; the costs to the Group associated with the demerger and the fair value uplift in the value of DFC prior to its demerger from the Group.

	2019 £'000
DFC loss before tax	(2,963)
Other items included within discontinued operations	
Fair value uplift in value of DFC	2,618
Costs of demerger	(653)
MIP related demerger costs	(2,465)
Loss from discontinued operations	**(3,463)**

The assets other than cash or cash equivalents in DFC at the time of demerger were £157 million and liabilities were £125 million.

DFC Cash flow	2019 £'000
DFC loss before tax	(2,963)
Working capital adjustments	(33,435)
Cash flows from operating activities	(36,398)
Cash flows from investing activities	(123)
Cash flows from financing activities	71,876
Net increase in cash	35,355
Cash leaving the group on date of demerger	(42,911)
	(7,556)
Less intragroup transfers	(30,000)
Cash used by discontinued operations	**(37,556)**

11. Taxation

Analysis of tax charge/(credit) recognised in the period

	2019 £'000	2018 £'000
Current tax charge	14	–
Deferred tax charge/(credit)	3,076	(390)
Total tax credit	**3,090**	**(390)**

Reconciliation of loss before tax to total tax credit recognised

	2019 £'000	2018 £'000
Loss before tax	(15,311)	(15,500)
Loss before tax multiplied by the standard rate of corporation tax in the UK of (19%)	(2,842)	(2,884)
Tax effect of:		
Expenses not deductible	478	543
Depreciation in excess of capital allowances	27	23
Capital allowances	(17)	(10)
Other short term timing differences	(2)	4
Capitalised revenue expenditure	–	1
Unrecognised deferred tax on brought forward assets	(2,790)	(1,461)
Unrecognised deferred tax from acquired subsidiaries	(1,815)	–
Unrecognised deferred tax from demerged subsidiary	2,400	–
Adjust closing deferred tax to rate at which losses expect to be utilised (17%)	(80)	560
Adjust closing deferred tax to average rate of 19%	–	656
Adjust opening deferred tax to average rate of 19%	(58)	(612)
Deferred tax not recognised	7,789	2,790
Total tax charge/(credit)	3,090	(390)

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 2019 have been based on the rates substantively enacted at the balance sheet date.

Deferred tax asset

Group	2019 £'000	2018 £'000
Balance at start of the year	5,579	5,189
(Debit)/Credit to the statement of comprehensive income	(3,076)	390
Balance at end of the year	2,503	5,579
Comprised of:		
Losses	2,503	5,579
Total deferred tax asset	2,503	5,579

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.

12. Intangible assets

Group	Client contracts £'000	Software licenses and similar assets £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2019	2,165	1,495	2,759	6,419
Additions	1,409	283	–	1,692
Arising on acquisition of subsidiary	–	–	14,679	14,679
Demerger of subsidiary	–	(669)	–	(669)
At 31 December 2019	3,574	1,109	17,438	22,121
Amortisation				
At 1 January 2019	(103)	(278)	–	(381)
Charge	(376)	(242)	(414)	(1,032)
Demerger of subsidiary	–	49	–	49
At 31 December 2019	(479)	(471)	(414)	(1,364)
Accumulated impairment losses				
At 1 January 2019	–	–	–	–
Charge	(186)	–	–	(186)
At 31 December 2019	(186)	–	–	(186)
Net book value				
At 31 December 2019	2,909	638	17,024	20,571
At 31 December 2018	2,062	1,217	2,759	6,038

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

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.

The Group performed an impairment review at 31 December 2019 and has impaired £186,000 in relation to an underperforming contract.

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 2019 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 2019 was £636,000 (2018: £1,198,000). This consists of cost of £1,108,000 (2018: £1,471,000) and accumulated amortisation of £472,000 (2018: £273,000). During the year there were additions of £283,000 (2018: £971,000) and amortisation of £242,000 (2018: £169,000). At the prior year end the net book value of internally generated intangible assets held by DFC was £602,000 are no longer part of the Group following its demerger from the Group.

Goodwill arises from acquisitions made by the Group.

Porge

Porge was acquired by OFGL in August 2018 and goodwill of £2,759,000 that arose from this acquisition was included within the payments services segment of the Group. Following the acquisition, separately identifiable intangible assets of £1,387,000 primarily relating to the value of the contracts in the business at acquisition were recognised. These are being amortised over 5 years resulting in an amortisation charge of £393,000 during the year. Goodwill related to Porge excluding these assets at 31 December 2019 was £1,372,000.

Vertus

In July 2019, the Group converted into ordinary shares its existing convertible loan with Vertus Capital in full satisfaction and discharge of the loan. This, together with a further cash payment, gave the Group 51% ownership of Vertus Capital and Vertus SPV 1. Further details of the acquisition are included in note 24.

Goodwill of £1,714,000 arose from this transaction and has been included within the short term finance segment of the business. Separately identifiable intangible assets of £255,000 primarily related to the value of existing third party relationships on acquisition have been identified. These are being amortised over 5 years and the amortisation charge for the year was £21,000. Goodwill related to Vertus excluding these assets at 31 December 2019 was £1,459,000.

Playstack

In September 2019, the Group converted into ordinary shares its existing convertible loans with Playstack Ltd in full satisfaction and discharge of the loans. This gave the Group ownership of Playstack Ltd and the other companies within the Playstack Group. Further details of the acquisition are included in note 24.

Goodwill of £12,965,000 arose from this transaction and has been included within the publishing segment of the business.

Impairment testing of intangibles

An impairment review of 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 2024, 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.

Vertus was valued using the discounted cash flow methodology. The net earnings of Vertus were forecasted to 2028, a discount rate of 12% was used and terminal growth rate of 3%. The valuation of Vertus was greater than the amount of goodwill and therefore the goodwill is not deemed to be impaired.

Playstack was valued using the discounted cash flow methodology. The net earnings of Playstack were forecasted to 2028, a discount rate of 20% was used and terminal growth rate of 3%. The valuation of Playstack 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	Right-of-Use Asset £'000	Total £'000
Cost					
At 1 January 2019	67	337	177	–	581
Additions	–	14	24	–	38
On adoption of IFRS 16	–	–	–	429	429
Acquisition of subsidiary	–	–	5	–	5
Demerger of subsidiary	(23)	(104)	(170)	–	(297)
At 31 December 2019	**44**	**247**	**36**	**429**	**756**
Depreciation					
At 1 January 2019	(24)	(205)	(49)	–	(278)
Charge	(15)	(32)	(5)	(255)	(307)
Acquisition of subsidiary	–	–	(3)	–	(3)
Demerger of subsidiary	3	18	48	–	69
At 31 December 2019	**(36)**	**(219)**	**(9)**	**(255)**	**(519)**
Net book value					
At 31 December 2019	**8**	**28**	**27**	**174**	**237**
At 31 December 2018	43	132	128	–	303

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

Company	Computer equipment £'000	Right-of-use asset £'000	Total £'000
Cost			
At 1 January 2019	3	–	3
Additions	–	–	–
On adoption of IFRS 16	–	167	167
At 31 December 2019	**3**	**167**	**170**
Depreciation			
At 1 January 2019	(1)	–	(1)
Charge	(1)	(167)	(168)
At 31 December 2019	**(2)**	**–**	**(169)**
Net book value			
At 31 December 2019	**1**	**–**	**1**
At 31 December 2018	2	–	2

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. Other investments

Group	2019 £'000	2018 £'000
Investments in equity instruments	–	44,500
Debt securities	–	4,944
	–	**49,494**

Investment in equity instruments

	Group Level 3 valuation £'000	Company £'000
Fair value at 1 January 2019	44,500	–
Disposal of investment	(44,500)	–
Fair value at 31 December 2019	–	–

	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	–

On 7 May 2019, the Group sold its investment in Zopa to Arrowgrass for a gross cash consideration of £44.5 million which was equal to the fair value of Zopa.

Group	2019	2018
Undiluted	0.0%	13.3%
Fully diluted	0.0%	12.5%

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

Debt Securities

Group	£'000
Balance at 1 January 2019	4,994
Demerger of subsidiary	(4,994)
Balance at 31 December 2019	–
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

Following the demerger of DFC from the Group, the Group no longer holds any debt securities.

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

15. Investment in subsidiaries

Company	£'000
Balance at 1 January 2019	123,966
Demerger of subsidiary	(93,777)
Balance at 31 December 2019	**30,189**
Balance at 1 January 2018 and 31 December 2018	**123,966**

The Group has considered its market capitalisation as at 31 December 2019 as part of the impairment review consideration. Although the Group's market capitalisation as at 31 December 2019 was below the carrying value of the investment and loans in its subsidiaries, the Group has determined based on the present value of forecast future cash flows that no impairment is required. The Group's determination of whether investment and loans in subsidiary undertaking are impaired requires an estimation of the value in use of the cash generating units to which the relevant investment is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate. The recoverable amount of the cash generating unit has been determined based on fair value calculated using discounted future cash flows, which are subject to significant estimates due to the growth phase of the business. Further information on the assumptions used in this assessment are included in note 12.

16. Loans and advances

Group	2019 £'000	2018 £'000
Total loans and advances	27,828	129,678
Less: loss allowance	(123)	(308)
Less: deferred income	–	(149)
	27,705	**129,221**

Total loans and advances are made up of	2019 £'000	2018 £'000
Loans and advances	27,828	122,528
Financial assets at Fair Value	–	7,150
	27,828	**129,678**

At 31 December 2018 the Group held Financial assets held at Fair Value which corresponded to convertible loan notes of £3.5 million in Playstack and a convertible loan note of £3.65 million in Vertus Capital. During the year, the Group exercised the conversion rights on the loans with both companies. Further information on these transactions is in note 24.

The aging of loans and advances are analysed as follows:

	2019 £'000	2018 £'000
Neither past due nor impaired	27,126	128,341
Past due: 0–30 days	490	742
Past due: 31–60 days	61	219
Past due: 61–90 days	23	30
Past due: more than 91 days	5	38
	27,705	**129,370**

The Company had no loans and advances at the year end (2018: £nil).

17. Assets classified as held for sale

At 31 December 2018, the Group had one asset classified as held for sale valued at £266,000. This asset was within DFC, so following the demerger this is no longer within the Group.

18. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade and other receivables	1,075	417	–	–
Prepayments	368	1,387	41	72
Accrued Income	178	676	–	–
VAT	25	–	61	24
Other debtors	2,361	1,139	93	296
Amounts owed to group undertakings	–	–	–	56,261
	4,007	**3,619**	**195**	**56,652**

Trade receivables above are stated net of a loss allowance of £nil (2018: £11,000). All receivables are due within one year.

The aging of trade receivables are analysed as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Not yet due	447	135	–	–
Past due: 0–30 days	254	90	–	–
Past due: 31–60 days	106	66	–	–
Past due: 61–90 days	67	10	–	–
Past due: more than 91 days	201	116	–	–
	1,075	**417**	**–**	**–**

19. Share capital

Group and Company	Share Capital £'000	Total £'000
80,822,204 shares at £0.91 per share	73,548	73,548

At 31 December 2018, 97,368,421 shares of no par value were in issue. In May 2019, these were converted into 97,368,421 ordinary shares of £1.90 each. On 8 May 2019, each share was subdivided and redesignated into one ordinary share of £0.91 each and one ordinary B share of £0.99 each. The B shares were subsequently cancelled on the same day as part of the DFC demerger, thereby reducing the share capital of TruFin plc by £96,394,737, to £88,605,263.

In June 2019, TruFin plc returned £5,000,297 to Eligible shareholders through a purchase of 5,435,105 ordinary shares at a Tender Price of £0.92 per share.

In December 2019, TruFin plc returned £5,000,000 to eligible shareholders through a purchase of 11,111,112 ordinary share at a Tender Price of £0.45 per share.

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 2019.

20. Borrowings

Group	2019 £'000	2018 £'000
Loans due within one year	6,194	59,041
	6,194	**59,041**

Movements in borrowings during the year

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

Group	£'000
Balance at 1 January 2019	59,041
Demerger of subsidiary	(59,041)
Acquisition of subsidiary	1,183
Funding drawdown	5,350
Interest expense	39
Origination fees paid	(357)
Repayments	(21)
Balance at 31 December 2019	**6,194**
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**

At 31 December 2019, borrowings consisted of facilities that Vertus SPV 1 has with two lenders.

The 31 December 2018 balance related to DFC's senior debt facility.

21. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade payables	651	1,606	85	24
Accruals	3,001	3,526	947	1,045
Other payables	379	228	3	1
Corporation tax	22	22	–	–
Other taxation and social security	704	438	409	65
VAT	–	246	–	–
	4,757	**6,066**	**1,444**	**1,135**

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, 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	2019 £'000	2018 £'000
Debt securities (level 1)	–	4,994
Investments (level 3)	–	44,500
Financial assets at fair value (level 3)	–	7,150

Debt securities carried at fair value by the Group were 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 were been measured at level 1 from acquisition to the demerger date.

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

- The 31 December 2018 Zopa valuation was calculated by reference to the independent valuer's valuation. 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. Zopa was sold at this valuation in May 2019.

- Financial assets at fair value were valued by considering the valuation of the convertible loans as well as the value of the underlying companies (Playstack and Vertus). The conversion rights on these loans were exercised during the year.

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 2019	44,500	7,150	**51,650**
Disposals	(44,500)	–	**(44,500)**
Conversion of convertible loans	–	(7,150)	**(7,150)**
Balance at 31 December 2019	**–**	**–**	**–**

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

31 December 2019

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	27,705	27,705	–	–	27,705
Trade receivables	1,075	1,075	–	–	1,075
Other receivables	2,907	2,907	–	–	2,907
Cash and cash equivalents	6,971	6,971	6,971	–	–
	38,658	**38,658**	**6,971**	**–**	**31,687**
Financial liabilities not measured at fair value					
Borrowings	6,194	6,194	–	–	6,194
Trade, other payables and accruals	4,029	4,029	–	–	4,029
	10,223	**10,223**	**–**	**–**	**10,223**

31 December 2018

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	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 2019

Company	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value					
Amounts owed by group undertakings	49,083	49,083	–	–	49,083
Other receivables	134	134	–	–	134
Cash and cash equivalents	184	184	184	–	–
	49,401	**49,401**	**184**	**–**	**49,217**
Financial liabilities not measured at fair value					
Trade, other payables and accruals	1,035	1,035	–	–	1,035
	1,035	**1,035**	**–**	**–**	**1,035**

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					
Amounts owed by group undertakings	56,261	56,261	–	–	56,261
Other receivables	368	368	–	–	368
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**

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

Due to the short term nature of loans and advances, 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. 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 Risk Summary 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 Group measures a change in a counterparty's credit risk mainly on payment, on updated from credit reference agencies and adverse changes with a counterparty's debtors. 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;
- 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.
- Deterioration in the underlying business (held as part of the security package) indicated through significant loss of revenue and higher than average client attrition.

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

Maximum exposure to credit risk

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	6,971	24,888	184	8,448
Loans and advances	27,705	129,221	–	–
Amounts owed by group undertakings	–	–	49,083	56,261
Trade and other receivables	3,983	3,619	195	368
Maximum exposure to credit risk	**38,659**	**157,728**	**49,462**	**65,077**

Loans and advances:

Collateral held as security

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Fully collateralised				
Loan-to-value* ratio:				
Less than 50%	3	2,408	–	–
50% to 70%	75	6,000	–	–
71% to 80%	250	36,126	–	–
81% to 90%	3,465	31,756	–	–
91% to 100%	6	45,994	–	–
	3,799	**122,284**	**–**	**–**
Partially collateralised				
Collateral value relating to loans over 100% loan-to-value	–	–	–	–
Unsecured lending	**24,032**	**160**	**–**	**–**

* Calculated using wholesale collateral values

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.

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	2019 Total £'000	2018 Total £'000
Above average (risk rating 1-2)	8,247	–	–	8,247	55,698
Average (risk rating 3-5)	5,283	–	–	5,283	46,784
Below average (risk rating 6+)	271	–	101	372	20,046
Gross carrying amount	**13,801**	**–**	**101**	**13,902**	**122,528**
Loss allowance	(26)	–	(97)	(123)	(308)
Carrying amount	**13,775**	**–**	**4**	**13,779**	**122,220**

Gross Carrying Amount	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2019	99,757	22,621	150	122,528
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	(86)	–	86	–
Acquisition of subsidiary	6,727	–	–	6,727
Demerger of subsidiary	(91,359)	(22,621)	(135)	(114,115)
Net Loans originated/(repaid)	(1,238)	–	–	(1,238)
As at 31 December 2019	**13,801**	**–**	**101**	**13,902**

Trade receivables

Status at reporting 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 £nil (2018: £11,000).

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 2019 (2018: £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

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

The Group regularly conducts liquidity stress tests, based on a range of different scenarios to ensure it can meet all of its liabilities as they fall due.

Maturity analysis for financial assets and financial liabilities

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

As at 31 December 2019	Carrying Amount £'000	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	>5 years £'000
Financial Assets						
Cash and cash equivalents	6,971	6,971	–	–	–	–
Trade receivables	1,075	1,075	–	–	–	–
Loans and advances	27,705	3,841	335	16,017	7,677	349
	35,751	**11,887**	**335**	**16,017**	**7,677**	**349**
Financial Liabilities						
Trade other payables and accruals	4,029	4,029	–	–	–	–
Borrowings	6,194	21	–	–	3,943	2,230
	10,223	**4,050**	**–**	**–**	**3,943**	**2,230**

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.

Vertus's has interest income that is variable in relation to the Bank of England base rate, and interest expense variable to both LIBOR and the Bank of England base rate.

23. Non-controlling interests

The summarised financial information below represents financial information for each subsidiary that has non-controlling interest that are material to the Group. The amounts disclosed for each subsidiary are before intragroup eliminations.

The Group had a 51% ownership share of Vertus Capital and Vertus SPV1 during the period from acquisition to the year end.

Balance Sheet	Vertus Capital		Vertus SPV1	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current assets	4,757	–	10,344	–
Non-current assets	3	–	–	–
Current liabilities	(75)	–	(10,616)	–
Equity attributable to owners of the Company	2,388	–	(139)	–
Non-controlling interests	2,295	–	(133)	–

Income Statement	Vertus Capital		Vertus SPV1	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Revenue	268	–	339	–
Expenses	(247)	–	(441)	–
Profit/(loss) after tax	21	–	(102)	–
Profit/(loss) after tax attributable to owners of the Company	11	–	(52)	–
Profit/(loss) after tax attributable to the non-controlling interests	10	–	(50)	–

Cash Flow Statement	Vertus Capital		Vertus SPV1	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Net cash used in operating activities	(182)	–	(3,316)	–
Net cash used in investing activities	71	–	–	–
Net cash generated from financing activities	–	–	3,507	–
Net increase/(decrease) in cash and cash equivalents	(111)	–	191	–

	Vertus Capital		Vertus SPV1	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance at acquisition 29 July 2019	2,285	–	(84)	–
Share of loss for the year	10	–	(50)	–
Balance at 31 December 2019	**2,295**	**–**	**(134)**	**–**

The Group had a 72% ownership share of Bandana Media Ltd during the period from acquisition to the year end.

Bandana Media Ltd	2019 £'000	2018 £'000
Current assets	51	–
Current liabilities	(3,457)	–
Equity attributable to owners of the Company	(2,465)	–
Non-controlling interests	(941)	–

Bandana Media Ltd	2019 £'000	2018 £'000
Revenue	–	–
Expenses	(392)	–
Loss after tax	(392)	–
Loss after tax attributable to owners of the Company	(284)	–
Loss after tax attributable to the non-controlling interests	(108)	–

Bandana Media Ltd	2019 £'000	2018 £'000
Net cash used in operating activities	(1)	–
Net decrease in cash and cash equivalents	(1)	–

Bandana Media Ltd	2019 £'000	2018 £'000
Balance at acquisition 29 July 2019	(833)	–
Share of loss for the year	(108)	–
Balance at 31 December 2019	(941)	–

24. Acquisition of Subsidiaries

Vertus

On 29 July 2019, the Group converted into ordinary shares its existing £3.65 million convertible loan with Vertus Capital in full satisfaction and discharge of the loan. This, together with a further cash payment of approximately £355,000 resulted in TruFin Holdings becoming the 51% controlling shareholder in Vertus Capital and its 100% owned subsidiary Vertus SPV1. Vertus is a funding provider to the Independent Financial Adviser sector and the Group considers Vertus to be best in class with significant opportunities arising from a sector trend of consolidation.

Vertus's financial year end date is 31 December 2019. Its results have been consolidated from the date of acquisition to 31 December 2019, in line with the Group's financial year end. The loss for the period from acquisition consolidated in the Group's accounts was £81,000. Had the acquisition taken place on 1 January 2019, the loss from Vertus consolidated in the Group would have been £59,000. This amount includes transactions with other Group companies during the year.

The amounts recognised in respect of the identifiable net assets of Vertus acquired are as set out in the table below:

	£'000
Net assets at acquisition	**4,493**
TruFin share of net assets	**2,292**
Goodwill arising on acquisition	
Total consideration	4,005
Less: fair value of identifiable net assets acquired	(2,292)
	1,713
Separately identifiable intangible assets	**255**
Goodwill net of separately identifiable intangible assets	**1,458**
Consideration satisfied by:	
Conversion of loan notes	3,650
Cash	355

In accordance with IFRS 3, we have recognised and measured the separately identifiable intangible assets acquired as part of the transaction. These have been valued at £255,000 and primarily relate to the value of Vertus's relationships with third parties.

Playstack Group

On 11 September 2019, the Group converted into ordinary shares its existing £3.5 million convertible loans with Playstack Ltd in full satisfaction and discharge of the loan. This resulted in TruFin Holdings becoming the c99% controlling shareholder in Playstack Ltd and the other companies within the Playstack Group (as per note 1).

Playstack's financial year end date is 31 December 2019. Its results have been consolidated from the date of acquisition to 31 December 2019, in line with the Group's financial year end. The loss for the period from acquisition consolidated in the Group's accounts was £2,349,000. Had the acquisition taken place on 1 January 2019, the loss from the Playstack Group that would have been consolidated in the Group would have been £9,612,000. This amount includes transactions with other Group companies during the year.

The amounts recognised in respect of the identifiable net assets of the Playstack Group are as set out in the table below:

	£'000
Net assets at acquisition	(10,269)
TruFin share of net assets	(9,450)
Goodwill arising on acquisition	
Total consideration	3,515
Less: fair value of identifiable net assets acquired	9,450
	12,965
Consideration satisfied by:	
Conversion of loan notes	3,500
Share of associate income to date	15

25. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 January 2019.

Balances recognised on adoption of IFRS 16

Lease Liability	£'000
Operating lease commitments disclosed at 31 December 2018	1,192
Lease commitments related to discontinued operations	(715)
Adjustments	(7)
Lease liability recognised at 1 January 2019	470

26. Leases

The carrying amounts of the right-of-use assets recognised and the movements during the period are shown in note 13.

The lease liability and movement during the period were:

Group	£'000
Lease liability recognised at 1 January 2019	470
Interest	13
Payments	(251)
Balance at 31 December 2019	**232**

27. 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:

	2019	2018
Number of shares		
At year end	80,822,204	97,368,421
Weighted average	94,043,175	92,791,949
Earnings attributable to ordinary shareholders	**£'000**	**£'000**
Loss after tax attributable to the owners of TruFin plc	(18,070)	(14,688)
Adjusted earnings attributable to ordinary shareholders		
Loss after tax attributable to the owners of TruFin plc	(18,070)	(14,688)
Adjusted for share-based payment	2,509	2,739
Loss from discontinued operations	3,287	5,249
Adjusted loss after tax attributable to the owners of TruFin plc	(12,274)	(6,700)
Earnings per share*	Pence	pence
Basic and Diluted	(19.2)	(15.8)
Adjusted[1]	(13.1)	(7.2)
Adjusted[2]	(13.1)	1.4

* All Earnings per share figures are undiluted and diluted.

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

Adjusted[2] EPS includes the unrealised gain on the revaluation of the TruFin Group's investment in Zopa: £nil for the year ended 31 December 2019 (2018: £8.0 million)

Comparative figures have been restated to adjust for discontinued operations

Changes to share capital during the period are described in note 19.

Management has been granted 5,451,578 share options in TruFin plc (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.

28. Related party disclosures

Transactions with Directors

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

	2019 £'000	2018 £'000
Loans provided to directors	–	140
Other related parties	8	9

Key management personnel disclosures are provided in note 5 and 6.

Loans were issued to Henry Kenner (£74,878) and James van den Bergh (£64,894) in 2018 were repaid in full during the year.

29. Post balance sheet events

Since the year end, it has become clear that the spread of the Covid-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the Covid-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact.

Since the year end Satago has implemented its Management Incentive Plan ("Satago MIP"). Under the Satago MIP key Satago managers were given the opportunity to acquire new created ordinary shares in the capital of Satago Financial Solutions Limited. 20% (750,000 ordinary shares) of the fully diluted share capital has been made available under the Satago MIP and, to date, 590,625 ordinary shares have been issued to Satago managers. It is expected that Satago MIP participants will receive value for their shares on an exit event in relation to Satago.

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