Company Registration No. 07306662 (England and Wales)

CASH ON GO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CASH ON GO LIMITED

COMPANY INFORMATION

Directors	Mr K Novitski Ms U Hewitt (Appointed 1 December 2018)
Secretary	SIA Smart Finance Holding
Company number	07306662
Registered office	199 Bishopsgate London EC2M 3TY
Auditor	MHA Carpenter Box 2 Peveril Court 6-8 London Road Crawley West Sussex RH10 8JE

CASH ON GO LIMITED

CONTENTS

The directors present the strategic report and financial statements for the year ended 31 December 2018.

Fair review of the business
After difficult years in 2016 and 2017, the focus of the Company in 2018 was on growth and achieving stability.

Since the end of September 2017, when the ownership of the Company changed, significant additional finance has been injected into the business. Consequently, the Company has been able to resume its lending, boosting the volume and improving overall performance. This increase in volume is reflected within the monthly lending which grew from £754,540 in January 2018 to £1,995,390 in December 2018.

As observed last year, the activities of Claim Management Companies ('CMCs') have emerged as a significant risk to the industry, particularly over the course of 2018. The CMCs previously targeted high street banks and other financial institutions over payment protection insurance. As these claims have begun to reduce in number, they have sought new targets, identifying consumer credit companies as a potential new source of income. Whilst the impact of these claims in 2017 was still quite limited, CMCs began to ramp up their activities in the sector during 2018 and the number of claims has begun to increase dramatically, although a significant minority of these claims relate to individuals who have never used the Company's services.

Although the Company was loss making in 2018, it ended the year in a significantly better position and with a greatly improved outlook for the future. Management information shows that the Company achieved profitability on a monthly basis from July 2018 while continuing to increase its lending. The directors anticipate that the business will continue to grow at a similar rate over the course of 2019.

In 2018 the Company also made preparations for the launch of a second brand, UpLoan, to the UK market.

Principal risks and uncertainties
The principal risks and uncertainties identified by the director are:

- Regulatory risk;
- Customer credit risk;
- Reputational risk;
- Liquidity risk; and
- Currency risk.

Regulatory risk:
The Company has invested significantly in ensuring compliance with all regulations. External advisors are utilised as necessary and senior management meet regularly to monitor compliance with FCA regulations. A failure to comply with regulations could see the withdrawal of FCA authorisation and closure of the business.

Customer credit risk:
The Company must balance the risk of potential default by customers against expected benefits arising from successful lending. The lending strategies and risk profiles are constantly monitored and the company uses a specialist credit rating firm to assist with the assessments.

Reputational risk:
The Company seeks to treat its customers fairly and highlight risks that may arise from high interest borrowings. The website seeks to provide transparency on the lending and related repayment options whilst the corporate culture is intended to emphasise the need to treat customers fairly with full transparency. Increased advertising from CMCs, targeting the customers of short term lenders, has brought additional attention from the general public to this sector. While the Company is a responsible lender, there is a continuing risk of reputational damage, across the industry, from the negative publicity generated by these advertising campaigns. The directors are determined that the Company will continue to act responsibly and will take the necessary steps to avert any possible damage.

Liquidity risk:
Since the change of ownership in September 2017, the Company has secured additional credit to develop its business. Further liquidity which has been used to fund the growth in lending has been secured through the Mintos platform. With the access to this new funding the business is expanding and building its loan portfolio as the liquidity risk has decreased.

Currency risk:
The Company is dependent on back-office functions and external services provided from elsewhere in Europe. Due to the UK's vote to leave the European Union ('Brexit') and the uncertainty over reaching a trade deal with the rest of the EU, Sterling continues to experience volatility on the foreign exchange markets. A drop in the value of Sterling would impact the business negatively and increase both operational and financing costs.

Key performance indicators
In the directors' opinion, the key performance indicators are the levels of revenue, profit before tax and net assets.

Revenue in 2018 rose to £7.05 million from £2.05 million in 2017, a rise of 244%. The rise in income was expected as the Company received new investment in Q4 2017 and resumed active lending within the UK market. Utilising the established Peachy brand lending grew at an average rate of 10% month on month. The improvement in liquidity and cash-flow, due to additional access to credit, was used to fund both the Company's operations and an increased lending portfolio.

Despite the growth in revenue the Company did not achieve profitability in the year as increased marketing costs and the tough provisioning rules, under the requirements of IFRS 9, resulted in significant costs. The Company recorded a pre-tax loss for the year of £0.33 million compared to a loss of £1.70 million in 2017.

On behalf of the board

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Mr K Novitski
Director
26/09/2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities
The principal activity of the company continued to be that of the issuing of short-term consumer credit to the UK market.

Results and dividends
The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr K Novitski	
Ms U Hewitt	(Appointed 1 December 2018)

Financial instruments

Liquidity risk
The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. As disclosed within the strategic report, the company experienced significant liquidity restrictions in the months leading up to the change in ownership and the company was forced to reduce it lending and expenditure to compensate. However, since change of ownership the Company has access to credit and liquidity risk has decreased significantly.

Foreign currency risk
The company's principal foreign currency exposures arise between the majority of its overheads and borrowings which are denominated in Euros and its trading activities which are denominated in Sterling. The short term nature of the company's loans reduces some of the exchange rate risk. The company does not however use hedging or similar measures to manage the risk. Continued uncertainty around Brexit has generated additional volatility to Sterling which can cause negative impacts during the year.

Credit risk
Credit risk is a fundamental factor within the company's business model as it provides consumer credit, with a variety of terms to private individuals. When applications are received through the website the company runs credit checks on each applicant. The company seeks to balance the risk of default, amongst its customer base, against the expected interest yields on the loans.

Research and development
The company's principal sales platform has been its website. In a constantly evolving, technological marketplace the company employs a number of IT developers who maintain and develop the IT platform, ensure database security, allow the website to communicate with its partners (credit check firms etc) and ensure compliance with the FCA's requirements. Other activities include the development of the company's mobile app.

Future developments
In accordance with s414C of the Companies Act, information in respect to future developments have been disclosed within the Strategic Report.

Auditor
The auditor, MHA Carpenter Box, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the director has individually taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

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Mr K Novitski

Director

Date: 26/09/2019

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CASH ON GO LIMITED

Opinion

We have audited the financial statements of Cash On Go Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Material uncertainty relating to going concern

We draw attention to the disclosure made in note 1.2 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a loss for the year of £259,731 and total comprehensive income was a loss of £328,368 and, at the reporting date, the company's total liabilities exceeded its total assets by £1,197,793.

These conditions, along with other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

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

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

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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Tony Summers BA FCA (Senior Statutory Auditor)
for and on behalf of MHA Carpenter Box
Chartered Accountants
Statutory Auditor
Crawley

27/9/19

MHA Carpenter Box is a trading name of Carpenter Box Limited

CASH ON GO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Revenue	4	7,053,462	2,049,231
Gross profit		7,053,462	2,049,231
Other operating income		748,494	639,711
Administrative expenses		(7,501,368)	(3,897,200)
Operating profit/(loss)	5	300,588	(1,208,258)
Investment revenues	8	6,044	-
Finance costs	9	(566,363)	(430,587)
Loss before taxation		(259,731)	(1,638,845)
Income tax expense	10	-	-
Loss for the year		(259,731)	(1,638,845)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		(68,637)	(56,972)
Total items that may be reclassified to profit or loss		(68,637)	(56,972)
Total other comprehensive income for the year		(68,637)	(56,972)
Total comprehensive income for the year		(328,368)	(1,695,817)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

CASH ON GO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Intangible assets	11	491,247	610,751
Property, plant and equipment	12	3,323	12,757
Total non-current assets		494,570	623,508
Current assets			
Trade and other receivables	14	4,863,790	1,404,211
Cash and cash equivalents		661,921	121,970
Total current assets		5,525,711	1,526,181
Total assets		6,020,281	2,149,689
Equity and liabilities			
Capital and reserves			
Called up share capital	18	5,643,397	5,643,397
Other reserves		(304,842)	(236,205)
Retained earnings		(6,536,348)	(6,276,617)
Total equity		(1,197,793)	(869,425)
Non-current liabilities			
Borrowings	15	4,472,650	2,200,330
Current liabilities			
Trade and other payables	17	441,424	311,858
Current tax liabilities	17	104,528	53,470
Borrowings	15	2,199,472	453,456
Total current liabilities		2,745,424	818,784
Total liabilities		7,218,074	3,019,114
Total equity and liabilities		6,020,281	2,149,689

CASH ON GO LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2018

The financial statements were approved by the board of directors and authorised for issue on 26/09/2019 and are signed on its behalf by:

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Mr K Novitski
Director

Company Registration No. 07306662

CASH ON GO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2017		1,000	(179,233)	(4,637,772)	(4,816,005)
Year ended 31 December 2017:					
Loss for the year		-	-	(1,638,845)	(1,638,845)
Other comprehensive income:					
Currency translation differences		-	(56,972)	-	(56,972)
Total comprehensive income for the year		-	(56,972)	(1,638,845)	(1,695,817)
Conversion of loan	**18**	5,642,397	-	-	5,642,397
Balance at 31 December 2017		5,643,397	(236,205)	(6,276,617)	(869,425)
Year ended 31 December 2018:					
Loss for the year		-	-	(259,731)	(259,731)
Other comprehensive income:					
Currency translation differences		-	(68,637)	-	(68,637)
Total comprehensive income for the year		-	(68,637)	(259,731)	(328,368)
Balance at 31 December 2018		5,643,397	(304,842)	(6,536,348)	(1,197,793)

CASH ON GO LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash absorbed by operations	**24**		(2,564,268)		(866,220)
Interest paid			(566,363)		(430,587)
Net cash outflow from operating activities			(3,130,631)		(1,296,807)
Investing activities					
Purchase of intangible assets		(351,860)		(227,415)	
Purchase of property, plant and equipment		(1,938)		(1,472)	
Proceeds on disposal of property, plant and equipment		-		702	
Interest received		6,044		-	
Net cash used in investing activities			(347,754)		(228,185)
Financing activities					
Issue of debentures		3,397,609		-	
Repayment of debentures		(334,469)		(153,320)	
Proceeds from borrowings		2,615,286		1,578,927	
Repayment of borrowings		(1,660,090)		(73,736)	
Net cash generated from financing activities			4,018,336		1,351,871
Net increase/(decrease) in cash and cash equivalents			539,951		(173,121)
Cash and cash equivalents at beginning of year			121,970		295,091
Cash and cash equivalents at end of year			661,921		121,970

1 Accounting policies

Company information

Cash On Go Limited is a private company limited by shares incorporated in England and Wales. The registered office is 199 Bishopsgate, London, EC2M 3TY.

1.1 Accounting convention

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations and the requirements of the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1, except where otherwise stated.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The principal accounting policies adopted are set out below.

1.2 Going concern

These financial statements are prepared on the going concern basis. The directors have at the time of approving the financial statements, a reasonable expectation that the company will continue in operational existence for the foreseeable future. As disclosed within these financial statements and not withstanding the overall loss for the year and the net liabilities position, the company has secured additional financing in the year and has seen a significant improvement in its trade.

However the industry has recently seen a significant increase in compensation claims from borrowers resulting in a number of high profile casualties within the sector. Whilst the company has always sought to treat its customers fairly, it has reimbursed a number of customers where there were issues with historic lending. Accordingly the directors acknowledge that, although they consider the company's long term prospects to be good, material uncertainties exist which may cast doubt on the company's ability to continue as a going concern.

1.3 Revenue

Interest income

Interest income on loans and advances at amortised cost, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the company to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

Other income

The company applies IFRS 15 Revenue from Contracts with Customers. The standard establishes a five-step model governing revenue recognition. The five-step model requires the company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

Other operating income consists of amounts generated from secondary revenue sources as the services are provided, in accordance with the terms of the contracts and is recognised net of trade discounts and VAT.

1 Accounting policies **(Continued)**

1.4 Intangible assets other than goodwill

Research costs are expensed as they are incurred. Development expenditure on individual project is recognised as an intangible asset only when the company can demonstrate:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and impairment losses on the same basis as intangible assets that are acquired separately.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Trademarks, contracts & IT projects	20% - 33% on cost
Development costs	33% on cost

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	33% on cost
Computers	33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

1 Accounting policies **(Continued)**

1.8 Financial assets

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

Additionally, the company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:
1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements are described below.

Financial assets held at amortised cost

The financial assets including loans and other receivables that have fixed or determinable payments are classified as 'loans and receivables'. These loans and receivables are debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recorded at fair value but are measured subsequently at amortised cost.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables are assessed for impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

A collective assessment of impairment is undertaken on the customer loan portfolio based upon a historic assessment of previous default and an assessment of other factors which might indicate further adjustment to the recovery assumptions. The loans are assessed based upon a number of factors including the age of the debt, the balance outstanding and an assessed likelihood of further recovery.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

For items that have not deteriorated significantly in credit quality since initial recognition, a loss allowance equal to 12-month expected credit losses is recognised. Interest income is calculated on the gross carrying amount of the asset (i.e. without reduction for the loss allowance).

For items that have objective evidence of impairment at the reporting date, a loss allowance equal to lifetime expected credit losses is recognised. Interest income is subsequently calculated on the net carrying amount (i.e. reduced by the loss allowance).

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1 Accounting policies **(Continued)**

1.9 Financial liabilities

The company recognises financial liabilities when the company becomes party to the contractual provisions of the instruments. The company's financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities, including borrowings, trade and other payables, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, less any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in profit or loss for the period.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments. Amendments regarding prepayment features with negative compensation and modifications of financial liabilities. Issued in October 2017 and is effective on or after 1 January 2019.
- IFRS 16 Leases. Original issue in January 2016 and is effective on or after 1 January 2019.
- IAS 1 Presentation of Financial Statements. Amendments regarding the definition of material. Issued in October 2018 and is effective on or after 1 January 2020.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Amendments regarding the definition of material. Issued in October 2018 and is effective on or after 1 January 2020.
- IAS 12 Income Taxes. Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends). Issued in December 2017 and is effective on or after 1 January 2019.
- IAS 19 Employee Benefits. Amendments regarding plan amendments, curtailments or settlements. Issued in February 2018 and is effective on or after 1 January 2019.
- IAS 23 Borrowing Costs. Amendments resulting from Annual Improvements 2015-2017 Cycle (borrowing costs eligible for capitalisation). Issued in December 2017 and is effective on or after 1 January 2019.

The standards will be applied at the dates of the first financial statements after the standards have come into effect. It is estimated that these standards will have no material effect on the entity's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

Assessment of the business model

In accordance with IFRS 9, management have considered the classification of the company's business model and the related debt instruments. The contractual terms give rise to cash flows which are solely payments of principal and interest (SPPI) and the company enters into these transactions with the intention to hold the instruments to maturity, collecting the contractual cash flows. However, on occasion the company does sell portfolios of some debt instruments where repayment terms have been significantly breached and the prospect of recovery has reduced.

These sales arise where an assessment of increased credit risk on the related portfolios has been made. Despite these sales, management consider that the company applies a hold to collect business model as defined under IFRS 9 and therefore carries the related debt instruments under the amortised cost model.

Going concern

The company remains in a net liabilities position and recognised another trading loss in the financial year. However the turnover of the company has improved significantly and additional funding was secured during the year to allow the company to increase its lending activities. For this reason the directors have opted to apply the going concern basis. These financial statements do not reflect the adjustments that would arise in the event that the company ceased trading.

Key sources of estimation uncertainty

Impairment losses on loans

The expected recovery on the company's loan book is continually monitored with reference to both historic data and trends and to the current situation and developments. The value of the receivables therefore reflects the expected recovery on these balances.

Impairment of intangible assets

The company has capitalised significant development costs. Whilst the company operates amortisation at a rate between two and five years, the related assets are reviewed for impairment at each reporting date. The directors have considered the valuation of the intangibles with reference to the earning potential of the related cost generating unit (the website). With trade in the current financial year improving once more, the directors are of the opinion that the current valuation reflects the recoverable amount of the related asset.

4 Revenue

	2018	2017
	£	£
Revenue analysed by class of business		
Interest and fees generated from debt instruments	7,053,462	2,049,231

4 Revenue (Continued)

	2018	2017
	£	£
Other significant revenue		
Referral fees under service contracts	745,825	629,113

The company's revenue is generated from consumer credit lending to the UK market, incorporating interest charges and late payment penalties on the loans provided.

5 Operating profit/(loss)

	2018	2017
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses	9,401	208,042
Depreciation of property, plant and equipment	11,372	21,991
(Profit)/loss on disposal of property, plant and equipment	-	1,797
Amortisation of intangible assets	471,364	592,703

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
Customer service & debt collections	14	13
Management	1	1
Compliance	5	2
HR, admin & accounting	4	3
Marketing	2	2
Risk & analysis	1	1
IT	10	5
	37	27

Their aggregate remuneration (including payroll taxes) comprised:

	2018	2017
	£	£
Wages and salaries expenses through total comprehensive income	892,085	600,196
Wages and salaries capitalised as part of intangible assets	263,583	224,015
	1,155,668	824,211

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	140,421	156,072

8 Investment income

	2018	2017
	£	£
Interest income		
Other interest income	6,044	-

9 Finance costs

	2018	2017
	£	£
Other interest payable	566,363	430,587

10 Income tax expense

The company has not recorded a tax charge for the year. This has been determined on the following bases for the year and can be reconciled to the loss per the income statement as follows:

	2018	2017
	£	£
Loss before taxation	(259,731)	(1,638,845)
Expected tax credit based on a corporation tax rate of 19.00%	(49,349)	(311,381)
Unutilised tax losses carried forward	49,349	311,381
Taxation charge for the year	-	-

In light of the trading results for the period no current charge for income tax has accrued.

Due to uncertainties regarding the reversal of timing differences on the trading losses, the company has not recognised the deferred tax assets arising.

11 Intangible assets

	Trademarks, contracts & IT projects	Development costs	Total
	£	£	£
Cost			
At 1 January 2017	198,537	1,677,962	1,876,499
Additions - internally generated	-	227,415	227,415
Foreign currency adjustments	-	(3,400)	(3,400)
At 31 December 2017	198,537	1,901,977	2,100,514
Additions - internally generated	2,135	263,583	265,718
Additions - purchased	-	86,142	86,142
At 31 December 2018	200,672	2,251,702	2,452,374
Amortisation and impairment			
At 1 January 2017	151,645	745,415	897,060
Charge for the year	21,177	571,526	592,703
At 31 December 2017	172,822	1,316,941	1,489,763
Charge for the year	18,717	452,647	471,364
At 31 December 2018	191,539	1,769,588	1,961,127
Carrying amount			
At 31 December 2018	9,133	482,114	491,247
At 31 December 2017	25,715	585,036	610,751
At 31 December 2016	46,892	932,547	979,439

12 Property, plant and equipment

	Plant and equipment	Computers	Total
	£	£	£
Cost			
At 1 January 2017	43,387	88,609	131,996
Additions	-	1,472	1,472
Disposals	-	(11,228)	(11,228)
At 31 December 2017	43,387	78,853	122,240
Additions	-	1,938	1,938
At 31 December 2018	43,387	80,791	124,178

12 Property, plant and equipment (Continued)

	Plant and equipment	Computers	Total
	£	£	£
Accumulated depreciation and impairment			
At 1 January 2017	32,322	63,900	96,222
Charge for the year	6,446	15,545	21,991
Eliminated on disposal	-	(8,730)	(8,730)
At 31 December 2017	38,768	70,715	109,483
Charge for the year	4,049	7,323	11,372
At 31 December 2018	42,817	78,038	120,855
Carrying amount			
At 31 December 2018	570	2,753	3,323
At 31 December 2017	4,619	8,138	12,757
At 31 December 2016	11,065	24,709	35,774

13 Credit risk

Credit risk arises from cash and cash equivalents and contractual cash flows of debt instruments carried at amortised cost.

Risk management
The principal credit risk exposure relates to the company's loan portfolio. The company provides high interest unsecured loans to customers in the UK. The company's customer support works closely with customers to optimise collections. But as a provider of high-cost loans, a proportion of the customers do struggle to meet repayment terms. In these circumstances, the company seeks to agree repayment plans with the affected customers.

Where this is not possible and the relevant customers are not assessed as "vulnerable consumers" (within the guidelines established by the Financial Conduct Authority) the company may sell elements of its portfolio, where payments are in arrears, to third parties in an effort to realise a portion of the value. This only occurs where the company has identified an increase in the assessment of the related credit risk.

The company works to continuously improve its credit risk modelling to ensure that customers only receive loans once they have met criteria assessing both the affordability and suitability of the loans to their circumstances.

Impairment of financial assets
The company has two categories of financial assets that are subject to expected credit loss:

- financial instruments carried at amortised cost in respect to the company's loan portfolio; and
- trade receivables arising from the provision of services.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

13 Credit risk **(Continued)**

Trade receivables

The company's short-term trade receivables are related to marketing services provided to third parties and consist of a low number of low value items. All service partners are of the same type, nearly all are located in the same geographical region and are assessed as have a similar ability to pay. As these receivables do not have a significant financing component, the company has applied the simplified approach that allows it to recognise a loss allowance equivalent to lifetime expected credit losses.

	Current	1-30 days past due	31-60 days past due	61-90 days past due	>90 days past due	**Total (£ ,000)**
Expected default rate	*0%*	*1%*	*5%*	*3%*	*50%*	
Gross carrying amount 31.12.2018	84.2	44.5	1	-	5.7	**135.4**
Lifetime expected losses	0	0.45	0.05	0	2.8	**3.3**
Total	**84.2**	**44.05**	**0.95**	**0**	**2.9**	**132.1**

At the year end, the identified impairment loss for short-term trade receivables was immaterial.

Financial assets carried at amortised cost

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. The exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and the associated loss ratio.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- **Stage 1:** A loan receivable that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored;
- **Stage 2:** If a significant increase in credit risk – missing 2-4 payments, since initial recognition is identified, the loan receivable is moved to 'Stage 2' and lifetime credit loss is estimated;
- **Stage 3:** If the loan receivable is credit-impaired - 5 or more payments missed - the financial instrument is then moved to 'Stage 3' and lifetime credit loss is estimated.

Loan receivables in Stages 1-3 have their Expected Credit Loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Due to the nature of the company's business, all loan receivables are due within 12 months and therefore 12 month ECL represent ECL for the asset.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The company takes into account changes in the economic variables, including seasonality with the year and changes in the regulatory environment that might affect types of customers being acquired.

13 Credit risk **(Continued)**

Expected credit loss measurement

ECL is measured on either a 12-month basis which, given the nature of the loan receivables is equal to Lifetime basis. ECL is the product of the Probability of Default (PD) and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation over the next 12 months;
- LGD represents the company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months.

Balance at 31.12.2018

Rounded to £ ,000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross portfolio	3,814	1,829	1,558	**7,201**
ECL Allowance	216	1,043	1,296	**2,555**
Carrying amount	3,598	786	262	**4,646**

The loss allowance for as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	2018 (£ ,000)
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	**611**
Amounts restated through operating earnings*	-
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	611
Increase in loan loss allowance recognised in profit and loss during the year	1,944
Closing loss allowance as at 31 December 2018	**2,555**

* The restatement on transition to IFRS 9 as a result of applying the expected credit risk model was immaterial.

14 Trade and other receivables

	2018 £	**2017 £**
Trade receivables	135,437	31,643
Net receivables from customers	4,646,091	1,320,327
Other receivables	6,126	1,594
Prepaid expenses	64,283	49,603
Prepayments	11,853	1,044
	4,863,790	1,404,211

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

15 Borrowings

	2018	2017
	£	£
Debentures	4,472,650	1,490,546
Other loans	2,199,472	1,163,240
	6,672,122	2,653,786

Analysis of borrowings

The loan making up the entirety of current liabilities below is secured by a floating charge over the assets of the company.

	2018	2017
	£	£
Current liabilities	2,199,472	453,456
Non-current liabilities	4,472,650	2,200,330
	6,672,122	2,653,786

The borrowings of the company are denominated in Euros with the current liabilities representing a balance of €2,459,000 (2017 - $395,225 plus £103,000 denominated in Sterling) and the non-current liabilities representing a balance of €5,000,000 (2017 - €2,480,000). With the company's own lending denominated in Sterling, the company has exposure to adverse movements in exchange rates.

During the year a number of loans were converted to debentures. These non-cash movements are not reflected in the statement of cash flows.

16 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

17 Trade and other payables

	2018	2017
	£	£
Trade payables	271,474	190,525
Advances from customers	14,540	159
Accruals	26,576	11,414
Social security and other taxation	104,528	53,470
Other payables	128,834	109,760
	545,952	365,328

18 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
5,643,397 Ordinary shares of £1 each	5,643,397	5,643,397
	5,643,397	5,643,397

Ordinary shares possess full voting, dividend and capital distribution (including on winding up) rights.

In the comparative year 5,642,397 ordinary shares were issued by converting existing debt to equity.

19 Operating lease commitments

Lessee
Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2018	2017
	£	£
Minimum lease payments under operating leases	90,464	62,811

20 Capital risk management

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

21 Events after the reporting date

In August 2019 the company issued a further €300,000 (approximately £274,000) of debentures which were fully subscribed.

22 Related party transactions

Remuneration of key management personnel
The remuneration of the directors, who are key management personnel, is set out below in aggregate include payroll (social) taxes for each of the categories specified in IAS 24 *Related Party Disclosures.*

	2018	2017
	£	£
Aggregate compensation	140,421	156,072

22 Related party transactions (Continued)

Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of services		Purchase of services	
	2018	2017	2018	2017
	£	£	£	£
Entities controlled by senior management and shareholders	-	89	90,664	9,058

During the year the company accrued for loan interest of £3,819 (2017 - £191,235) payable to entities controlled by senior management and shareholders. At the year end, the company had trade payables of £8,108 (2017 - £Nil) owed to entities controlled by senior management and shareholders.

No related party guarantees have been given or received.

23 Controlling party

The ultimate parent company is AS Smart Finance Holding (formerly SIA Smart Finance Holding), a company registered in Latvia. It is the directors' understanding that consolidated financial statements are not being prepared in respect to the year ended 31 December 2018.

24 Cash absorbed by operations

	2018	2017
	£	£
Loss for the year after tax	(259,731)	(1,638,845)
Adjustments for:		
Finance costs	566,363	430,587
Investment income	(6,044)	-
(Gain)/loss on disposal of property, plant and equipment	-	1,797
Amortisation and impairment of intangible assets	471,364	592,703
Depreciation and impairment of property, plant and equipment	11,372	21,991
Foreign exchange gains on cash equivalents	(68,637)	(53,572)
Movements in working capital:		
Increase in trade and other receivables	(3,459,579)	(379,407)
Increase in trade and other payables	180,624	158,526
Cash absorbed by operations	(2,564,268)	(866,220)