Ferratum Denmark ApS

Lottenborgvej 24, 2800 Kongens Lyngby

ANNUAL REPORT 2019

For the year ended 31 December 2019

The annual report has been presented and adopted at the Company's Annual General Meeting.

4 September 2020

Jesper Melander Hammer

Chairman of Meeting

CVR No: 32 26 33 05

Content

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of Ferratum Denmark ApS (the "Company") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company during 2019 was to provide short term consumer credit facilities.

Due to regulatory changes in Denmark, the Company made changes to its primary activity with the addition of a new business activity within financing industry with effect from 1 January 2020.

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 7.

The directors recommend that a dividend is to be distributed in the sum of DKK 33,163,360 for 2019. A dividend of DKK 32,195,316 was distributed in 2018.

Review of business

The Company performed well in terms of sales with a growth ratio of approx. 16% in sales and was able to maintain a good level of cost efficiency in terms of operative costs. The Company experienced however a decrease in the overall profit for the year as of impairments on loans got higher.

In response to the regulatory changes in Denmark affecting providers of short-term consumer credit facilities, the Company entered into an agreement in December 2019 with Ferratum Bank covering all open credit line facility agreements with less than 98 days in arrears.

Future events

The Company continues to collect all remaining credit facilities but has not issued new short-term consumer credit facilities in 2020.

The plan to launch the new activity in 2020 has been unfortunately delayed due to the unpredictable market conditions created by the Covid-19 pandemic. However, preperations are in place to launch the new business launches later in 2020.

Covid-19 pandemic

The Company considers that the global crisis caused by the Covid-19 pandemic might have a material impact on the Company's earnings. Current customers' payment behavior may deteriorate in the near future, which means increased impairments. The Company monitors its loan portfolio and the payment behavior of its customers on a daily basis and is prepared to react to any negative changes, for example by limiting the issuance of new loans. Given that there is no precedent for the current situation in recent history, it is impossible to accurately assess the impact that the Covid-19 pandemic will have. However, the Company is confident that it will be able to continue as a going concern and that there are no critical risks associated with the organization or liquidity of its operations.

Currency

The accounts are prepared in Danish Kroner *(DKK)*, in which the Company's share capital is denominated.

Directors

The directors of the Company who served during the year were:

- Saku Eero Juhana Timonen – acted up until 24 August 2019
- Kristjan Kajakas – acted the whole year
- Jesper Melander Hammer – acted the whole year

Kongens Lyngby, 4 September 2020

Jesper Melander Hammer
CEO

Kristjan Kajakas
Director

Registered office:

Lottenborgvej 24, 2800 Kongens Lyngby, Denmark

Statement of Management's responsibility

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Ferratum Denmark ApS for the financial year 1 January – 31 December 2019.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of Company operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Signed on behalf of the Executive Board.

Kongens Lyngby, 4 September 2020

Kristjan Kajakas
Chairman

Jesper Melander Hammer
Member of the Board

Independent Auditor's Reports

To the Shareholders of Ferratum Denmark ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Ferratum Denmark ApS for the financial year 1 January - 31 December 2019, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 4 September 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jesper Winhølt	Michael E. Jacobsen
State Authorised Public Accountant	State Authorised Public Accountant
mne–number: mne13914	mne–number: mne16655

Statement of Comprehensive Income for the year ending 31 December 2019

	Note	1 Jan – 31 Dec 2019 DKK	1 Jan – 31 Dec 2018 DKK
Revenues			
Process fees		**154,949,960**	133,566,854
Other fees		**7,798,718**	6,937,843
		162,748,678	140,504,697
Expenditures			
Direct costs		**(4,413,067)**	(8,514,158)
Impairments on loans		**(63,477,603)**	(33,192,427)
		(67,890,670)	(41,706,585)
Gross profit		**94,858,008**	98,798,112
Selling and distribution expenses		**(28,096,786)**	(27,172,128)
Administrative expenses		**(23,201,878)**	(24,179,811)
Depreciations	4	**(646,963)**	0
Operating profit		**42,912,381**	47,446,173
Finance income	5	**3,448**	0
Finance costs	6	**(336,576)**	(324,999)
Profit before income tax		**42,579,253**	47,121,174
Income tax refund/expense	7	**(9,415,893)**	(10,246,399)
Loss/Profit for the year		**33,163,360**	36,874,775
Other comprehensive income, net of income tax			
Total comprehensive loss/profit for the year		**33,163,360**	36,874,775

Statement of Financial Position for the year ending 31 December 2019

	Note	31 Dec 2019 DKK	31 Dec 2018 DKK
ASSETS			
Non - current assets			
Right-of-use assets	8	-	-
Deferred tax	9	-	3,086,768
Total non - current assets		0	3,086,768
Current assets			
Trade receivables	10	-	136,560,318
Other receivables		209,767	-
Receivables from Group related parties	11	151,618,744	-
Prepayments		641,119	764,704
Cash and cash equivalent	15	10,133,716	6,792,783
Total current assets		162,603,346	144,117,805
Total assets		162,603,346	147,204,573
EQUITY AND LIABILITIES			
Equity			
Share capital	12	200,000	200,000
Retained earnings		37,660,726	37,660,726
Proposed dividend		33,163,360	32,195,316
Total equity		71,024,086	70,056,042
Current liabilities			
Trade payables		4,426,666	2,569,789
Other payables	13	7,652,308	10,530,018
Borrowings	14	74,630,881	52,211,380
Taxation payable		4,869,405	11,837,344
Total current liabilities		91,579,260	77,148,531
Total equity and liabilities		162,603,346	147,204,573

Statement of Changes in Equity for the year ending 31 December 2019

	Share capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Balance at 1 January 2018	**200,000**	**39,028,325**	**0**	**39,228,325**
Changes on initial application of IFRS 9		(6,047,059)		(6,047,059)
Restated balance at 1 January 2018	**200,000**	**32,981,266**	**0**	**33,181,266**
Total comprehensive profit/(loss) for the year		36,874,775		36,874,775
Proposed dividend		(32,195,316)	32,195,316	0
Balance at 31 December 2018	**200,000**	**37,660,726**	**32,195,316**	**70,056,042**
Total comprehensive profit/(loss) for the year		33,163,360		33,157,222
Dividend paid out			-32,195,316	-32,195,316
Proposed dividend		(33,163,360)	33,163,360	0
Balance at 31 December 2019	**200,000**	**37,660,726**	**33,163,360**	**71,024,086**

Statement of Cash Flow for the year ending 31 December 2019

	Note	31 Dec 2019 DKK	31 Dec 2018 DKK
Cash flow from operating activities			
Profit before tax for the year		42,579,253	47,121,174
Adjustments for:			
Equity restatement IFRS 9 application		-	(6,047,059)
Depreciations		646,963	-
Finance income		(3,448)	-
Finance expense		336,576	324,999
Transactions without cash flow		(63,943)	-
		43,495,401	41,399,114
Movements in working capital			
(Increase) / decrease in trade receivables		136,560,318	(11,279,166)
(Increase) / decrease in other receivables		(209,767)	-
(Increase) / decrease in Group receivables		(151,618,744)	-
(Increase) / decrease in prepayments		123,585	(329,405)
Increase / (decrease) in deferred revenue	13	(888,667)	74,245
Increase / (decrease) in trade payables		1,856,877	(1,103,685)
Increase / (decrease) in other payables		(1,989,043)	4,535,396
Cash generated used in operating activities		27,329,960	33,296,499
Interest paid		(346,675)	(161,917)
Taxation paid		(13,192,926)	(5,979,560)
Net cash used in operating activities		13,790,359	27,155,022
Cash flows from financing activities			
Proceeds from borrowings	14	32,879,052	18,251,997
(Repayment) of borrowings	14	(42,654,867)	(57,458,965)
Increase / (decrease) in distributed dividend		-	-
Repayment of finance lease liabilities		(673,611)	-
Net cash generated from financing activities		(10,449,426)	(39,206,968)
Net (decrease) / increase in cash and cash equivalent		3,340,933	(12,051,946)
Cash and cash equivalents at the beginning of the year		6,792,783	18,844,729
Cash and cash equivalents at the end of the year	15	10,133,716	6,792,783

Notes to the Financial Statements - continued

1. General Information
Ferratum Denmark ApS (the "Company") operates in Denmark. It is part of an international group and has been providing mobile short-term consumer loans and short-term (up to 1 year) credit facilities to private persons up till 17 December 2019. As at that date the Company entered into an agreement with Ferratum Bank ltd regarding sale of all rights and obligations relating to all open credit line facility agreements in the Company database excluding those which are 98 days or more in arrears in payment.

Futhermore the Company committed to not to enter into any new consumer loan as of the Effective Date.

The company is registered in Denmark and trades under the names of Ferratum Denmark ApS and Kvikautomaten.

2. Significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by EU.

The report "Statement of cash flow" is prepared based on the indirect method.

The financial statements have been prepared on a going concern basis, applying a historical cost convention.

(a) New and amended standards adopted by the company

The following standards have been adopted by the Company for the first time for the financial year on or after 1 January 2019:

IFRS 16 Leases issued in January 2019
IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases. The standard introduces a single lessee accounting model that requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Company acts as a lessee only in relation to leasing of office premises. The Company recognizes a leased asset (right-of-use asset) and a lease liability for all leases, except for short-term and low value leases (the accounting treatment is described below). The Company assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives (e.g. lease free months) and any direct costs of the lease
- Estimated restoring costs of leased asset to condition required by the contract at the end of lease period

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straightline method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term. Initially the lease term of open-ended lease contracts is estimated being 36 months according to past average lease terms and managements future outlook. Subsequently the lease terms of open-ended contracts are assessed yearly and extended or reduced accordingly. The estimated useful lives applied in office premises by the Company are 3 years.

The right-of-use asset is tested for impairment where necessary and any impairment loss identified is recorded in profit or loss. Right-of-use assets are reported in note 8.

Notes to the Financial Statements - continued

Initially the lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.57%. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the contract

Subsequently the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liability for short-term leases (that have a lease term of 12 months or less). Short-term leases include office premises and items of machinery and equipment. The Company recognizes the lease payments associated with above-mentioned leases as an expense on a straight-line basis over the lease term.

Total cash outflow on leases was DKK 678,380.

Reconciliation of lease liability is as follows:

	1 Jan 2019 DKK
Operating lease commitments disclosed as at 31 December 2018	-
(Less): Discounting effect on openinglease commitments	-
Add/(less): Adjustments as a result of a different treatment of open ended contracts and extension and termination options	1,940,889
Lease liability recognized as at 1 January 2019, of which are:	**1,940,889**
Current lease liabilities	583,020
Non-current lease liabilities	1,357,869
Total	**1,940,889**

(b) New standards and interpretations not yet adopted by the company:

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, but have not yet become effective. The Company has not early adopted these revisions to the requirements of IFRSs as approved by the EU and the Company's directors are of the opinion that, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

2.2 Financial Assets

According to IFRS 9 the financial assets are classified in the following three categories:

- amortized cost
- fair value through other comprehensive income (FVOCI)
- fair value through income statement (FVPL).

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on:

I. the Company's business model for managing the asset; and
II. the cash flow characteristics of the asset.

Notes to the Financial Statements - continued

Based on these factors the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance recognised and measured as described in Note 2.2.3. Interest income from these financial assets are included in Revenue using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets are recognised using the effective interest rate method. The Company does not have any items at FVOCI.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance, except for impaired financial assets in Stage 3 in the impairment model, for which the interest income is recognised from the net amount) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amounts of the respective financial assets or financial liabilities are adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Key management personnel determine the Company's business models by considering the way financial instruments are managed in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Such assessment is performed at a 'portfolio level' as it best reflects the way the business is managed and information is provided to management. The information that will be considered in such assessment includes:

- the objectives for the portfolio including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- the method for the evaluation of the performance of the portfolio and how such performance is reported to the Company's management;

Notes to the Financial Statements - continued

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets are achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

In respect of assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect and to sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending agreement. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- contingent events that would change the amount and timing of cash flows such as contractual term resetting interest to a higher amount in the event of a missed payment;
- leverage features, being contractual cash flow characteristics that increase the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract; and
- features that modify consideration for the time value of money (for example, periodic reset of interest rates).

2.2.1 Recognition, derecognition and measurement of financial assets

The Company recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

The Company derecognizes a financial asset or a portion of financial asset when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions. The Company derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial instruments issued by the company are financial assets.

Notes to the Financial Statements - continued

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

2.2.2 Loans and Receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. Management reviews these loans monthly and where doubt exists about collectability an allowance is made to reduce the carrying value to its realisable value.

2.2.3 Impairment of financial assets

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

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

Note 2.19 provides more detail of how the expected credit allowance is measured.

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

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

2.2.4 Modification of financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

The Company renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default.

Under its restructuring policy, the Company might consider the application of restructuring of selected loans and advances. The process commences when a customer applies to extend the repayment date. The upfront payment of a restructuring fee is a pre-condition for restructuring to be granted and for the loan term to be extended.

When modification happens, the Company assesses whether or not the new terms are substantially different to the original terms. As a result of restructuring the Company does not revise the key substantive terms and conditions of the respective loan in order to facilitate recoverability after taking into consideration the individual's financial situation, but simply provides the individual customer with a standard extension to the maturity date. The significant terms and conditions of the loan are not altered, for instance, through moratorium on fees or waiver of fees. A significant level of individual customers apply for and request the extension of the loan term and considering that each loan transaction is individually insignificant, the monitoring of each individual customer's financial situation is impracticable.Management considers historical experience and other factors when determining whether rescheduled loans are forborne loans. Such historical experience demonstrates that very high repayment rates are associated with rescheduled loans.

Notes to the Financial Statements - continued

Taking cognisance of the principles highlighted above, rescheduling of loans granted by the Company is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit. Moreover, given that the terms are not substantially different, the renegotiation or modification is not expected to result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated creditimpaired financial assets).

2.3 Prepayments
Prepayments are classified expenses paid in advance for subsequent years. These are recognised as current assets and recognised as an expenses in the year incurred.

2.4 Cash and cash equivalents
Cash and cash equivalents includes cash in hand and bank deposits.

2.5 Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.6 Dividends
Dividends that are expected to be paid during the year are shown as a separate item in equity after decision at the Annual General Meeting.

2.7 Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Loans to/from related party
Loans/Borrowings are recognised initially at fair value, net of transaction costs incurred. Loans/Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loans/borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs, after which it is included in the amortised cost of the loan. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.9 Deferred Income
Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements - continued

2.10 Foreign currency translation
The financial statements of the company are presented in its functional currency, DKK, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in P&L. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in P&L for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in Other Comprehensive Income. For such non-monetary items, any exchange component of that gain or loss is also recognised in Other Comprehensive Income.

Foreign exchange gains and losses are included within administrative expenses, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

2.11 Revenue recognition
The company generates its revenue from its microloan and credit facility financing activities, by charging one or more of the following fees to the customer: process fee (representing interest yield on initial microloan period and credit facilities), prolonging fees (representing interest yield for any extension of the repayment date for the original maturity date of the microloan and credit facility), reminder fees and overdue fees. The fees mentioned are an integral part of the creation of the financial asset (Trade and other receivables) and represent interest income in nature.

The recognition of revenues is based on effective interest method. After signing the contract with the customer, the Company first assesses the probability that the fees charged can be recovered and that the economic benefits from the fees (i.e. the effective interest income accrued on the basis of the contractual fees) will flow to the Company. This assessment involves uncertainty estimation as it is based on the Company's statistics and historical information on customer behaviour.

The identification and credit scoring model allows the Company to create a customer default and risk profile for every single customer any time a loan request comes in. This is a critical step in the assessment whether or not the economic benefits associated with the issuance of the consumer loan will flow to the company as the scoring model rejects non-creditworthy loan requests.

2.12 Direct costs
Direct costs include costs incurred during the year for credit scoring the persons that have applied to obtain a loan or credit facility as well as costs incurred in relation to transferring funds to the lender.

2.13 Selling, Distribution and Administrative costs
Sales and Distribution costs include costs incurred for the sale and distribution of loans and credit facilities and for sales campaigns during the year, etc. This includes costs for sales personnel and advertising costs.

Administrative costs include costs incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses as well as depreciation and amortization of tangible assets.

2.14 Expenses
Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

2.15 Employee benefits
In the normal course of business through salary deductions, the company makes payments to mandatory State run pension funds on behalf of its employees as required by the law. All contributions made to the mandatory pension funds are recorded as salary expenses when incurred. The State pension plans are defined contribution plans; future payments are the obligation of the State.

Notes to the Financial Statements - continued

2.16 Finance income and costs
Interest income and expense for all interest-bearing financial instruments, except microloans and short-term credit facilities, are recognised within 'finance income' and 'finance costs' in P&L using the effective interest method.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.17 Taxation
The tax expense for the period comprises current and deferred tax.

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Statement of cash flow
The cash flow statement presents cash flows from operating and financing activities for the year, cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is calculated using the indirect method based on profit after tax adjusted for non-cash operating items, changes in working capital, interest received and paid and paid company tax.
Cash flows from financing activities comprise changes in the size or composition of share capital and related costs as well as borrowing, repayment of interest-bearing debt, purchase and sale of own shares and payment of dividends to shareholders.

Cash flows from finance leases are recognized under financing activities as payment of interest and repayment of debt.

Cash and cash equivalent comprises of funds deposited on bank accounts.

2.19 Financial risk management
The company activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Where applicable, any significant changes in the Company's exposure to financial risks or the manner in which the Company manages and measures these risks are disclosed below.

Notes to the Financial Statements - continued

Currency risk

The Company operates mainly in Denmark however has some international connection mainly in Norway and is exposed to foreign exchange risk arising from various currency exposures. Transaction risk arises from future commercial transactions, recognised assets and liabilities. The Company's treasury's risk management policy is to hedge the main FX exposures in non-euro currencies. Management has set up a policy to manage their foreign exchange risk against their functional currency. At the reporting date, the Company mainly had transactions in it's functional currency, and accordingly, the transaction risk in the Company was minimal.

Interest rate risk

The Company's main interest rate risk arises from loan-facilities to customers and borrowing from parent company. These expose the Company to cash flow interest rate risk which is partially offset against each other. Increase in financing cost from parent company can potentially be covered by according price changes in new loans to customers whereby the spread between lending interest and borrowing interest is comparable high. During the year ended 31 december 2019 all the Company's trade receivables and borrowings was with a fixed rate and were denominated in DKK.

	31 Dec 2019 DKK	31 Dec 2018 DKK
Fixed interest rate trade receivables	-	136,560,318
Variable interest rate trade receivables	-	-
Total trade receivables	-	136,560,318

The Company has taken out a loan facility from the parent company to finance its operations as disclosed in note 14. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The effective interest rate on the loan measured at amortised cost is disclosed in note 14.

	31 Dec 2019 DKK	31 Dec 2018 DKK
Fixed interest rate borrowings	**74,630,881**	52,211,380
Variable interest rate borrowings	-	-
Total borrowings	**74,630,881**	52,211,380

The company is exposed to cash flow interest rate risk on trade receivables, borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on lending, borrowings and debt instruments carrying a fixed interest rate. Investments in equity instruments are not exposed to interest rate risk.

Credit risk

The Company's principal credit risk exposure relating to on-balance sheet financial assets, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	2019 DKK	2018 DKK
Loans and receivables:		
Cash and cash equivalents	**10,133,716**	6,792,783
Prepayments	**641,119**	764,704
Receivables from Group related parties	**151,618,744**	0
Trade receivables	**0**	136,560,318
Other receivables	**209,767**	0

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents a worst case scenario of credit risk exposure to the Company on 31 December 2019 and 2018.

Prepayments consists usually of prepayments from services, e.g. IT maintenance, IT hosting, licence, and insurance prepayments etc.

Receivables from Group related parties relates to sale of portfolio to another Group entity in the end of 2019.

Notes to the Financial Statements - continued

Cash and cash equivalents is placed with a reliable financial institution in Denmark with a Fitch rating of "A".

Trade receivables are presented net of an allowance for doubtful debt. An allowance for doubtful debt is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flow. Credit risk with respect to receivables is limited due to credit control procedures and the large number of customers comprising the Company's debtor base.

The Company assesses the credit quality of its customers by taking into account their financial standing, past experience and other factors, such as bank references and the customers' financial position based on the "three-stage" model for impairment described in IFRS 9. In this respect, the Company considers the following categories for ECL measurement of trade receivables:

I. Micro-credit portfolios (e.g. Microloans and Plusloans) which are subject to bullet and instalment repayment characteristics, where default exposure is considered when the borrower is more than 90 days past due on any material credit obligation to the Company. The Probability of Default ("PD") is estimated by use of the roll-rate methodology; and

II. Micro-credit portfolios (Credit limits) with instalment repayment features and revolving micro-credit facilities, where default exposure is considered once the customer is overdue on minimum monthly payments by 60 days or more. The PD is estimated by use of the curve-stitching methodology.

For both of the above categories, then (i) The Exposure at Default ("EAD") is based either on expected amount owed at the time of default over the next 12 months or over the remaining lifetime and is determined based on the total balance on trade receivables at the reporting date, taking into account the total amount receivable from borrowers inclusive of principal and interest and (ii) the Loss Given Default ("LGD") represents the Company's expectation of the extent of loss on a defaulted exposure and is estimated based on the history of recovery rates of claims against defaulted counterparties which are highly influenced by collective debt recovery strategies as well as the Company's ability to dispose of overdue loan facilities.

Therefore, the definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or credit-impaired.

The Company recognizes loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have a low credit risk at the reporting date. The Company considers a debt security to have low credit risk when it is considered "investment-grade", defined by recognized external rating agencies as a rating between AAA to BBB- (Standard & Poor's and Fitch) and Aaa-Baa3 (Moody's).

The Company's credit risk exposures relating to on-balance sheet items and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements include the following:

	31 December 2019 Gross exposure DKK	**ECL allowance DKK**	1 January 2019 Gross exposure DKK	ECL allowance DKK
Credit risk exposures relating to on-balance sheet assets:				
Subject to IFRS 9 impairment allowances.				
Financial assets measured at amortised cost:				
Cash and cash equivalents	**10,133,716**	-	6,792,783	-
Prepayments	**641,119**	-	764,704	-
Receivables from Group related parties	**151,618,744**		-	-
Trade receivables	**10,886,367**	**10,886,367**	150,592,481	14,032,163
Other receivables	**209,767**	**-**		
Credit risk exposure	**173,489,713**	**10,886,367**	158,149,968	14,032,163

Notes to the Financial Statements - continued

The Company manages the credit quality of its trade receivables by use of internal risk grades, which provide a progressively increasing risk profile ranging from "Regular" (best quality, less risky) to "Loss". These risk grades are an essential tool for the Company to identify both non-performing exposures and better-performing customers.
The internal risk grades used by the Company are as follows:

- Performing: Internal grade "Regular".
- Under performing: Internal grades "Watch" and "Substandard"; and
- Non-performing: Internal grades "Doubtful" and "Loss".

Regular
Customers catergorised as "Regular" are principally debts where payment is not overdue by 30 days and where no recent history of default exists. Management does not expect any losses from non-perfomance by these customers, which are considered fully performing.

Watch
Loans that attract this category principally comprise those where payment becomes overdue by 30 days, but does not exceed 60 days for micro loans, and does not exceed 45 days for plus loans and credit limits.

Substandard
Exposures that are categorised within this category comprise those where payment becomes overdue by 61 days and over but not exceeding 90 days for micro loans, and where payment becomes overdue by 46 days but does not exceeed 60 days for plus loans and credit limits.

Doubtful
Loans which attract a "Doubtful" grading are principally those assets in respect of which repayment becomes overdue by 61 days and over but not exceeding 180 days for plus loans and credit limits, and 91 days over but not exceeding 180 days for micro loans.

Loss
Loans in respect of which payment becomes overdue by 180 days.

	2019				2018
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	Total
	DKK	**DKK**	**DKK**	**DKK**	DKK
Trade receivables:					
Regular	-	-	-	-	124,166,823
Watch	-	-	-	-	15,295,864
Substandard	-	-	-	-	5,526,185
Doubtful	-	-	-	-	5,603,609
Loss	-	-	10,886,367	10,886,367	-
Gross carrying amount	-	-	10,886,367	10,886,367	150,592,481
Loss Allowance	-	-	10,886,367	10,886,367	14,032,163
Carrying amount	-	-	-	-	136,560,318

Liquidity risk
The Company monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows and by matching the maturity of both its financial assets and financial liabilities. Any surplus cash above the required for working capital management is transferred to Group companies as settlement of intercompany balances.

Capital risk management
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Notes to the Financial Statements - continued

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 14 and cash and cash equivalents as disclosed in note 15 and items presented within equity in the statement of financial position.

The Company's directors manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the obtaining of new debt or the redemption of existing debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

During the year ended 31 December 2019 the Company's strategy, which was unchanged from 2018, was to maintain a gearing ratio below 3.

Net debt to equity ratio	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Cash and cash equivalents	**10,133,716**	6.792.783
Receivables from Group related parties	**151,618,744**	-
Borrowings due within 1 year	**(74,630,881)**	(52,211,380)
Borrowings due after 1 year	**-**	-
Net debt	**87,121,579**	(45,418,597)
Cash and cash equivalents	**10,133,716**	6.792.783
Receivables from Group related parties	**151,618,744**	-
Gross debt - fixed interest rate	**(74,630,881)**	(52,211,380)
Gross debt – variable interest rate	**-**	-
Net debt	**87,121,579**	(45,418,597)

3. Personel costs	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Wages and Salaries	**3,799,360**	4,122,707
Employee benefits	**515,720**	613,186
Taxes and statutory contributions	**274.358**	114,140
Directors salaries:		
- Salaries	**1.225.020**	1,091,991
	5,814,458	5,942,024

	Number of employees		**Costs of employees**	
	2019	2018	**2019**	2018
Selling and distribution	**8**	16	**2,517,660**	3,262,765
Administration	**3**	4	**1,671,075**	1,473,028
Directors	**1**	1	**1,625,723**	1,206,231
	21	21	**5,814,458**	5,942,024

4. Depreciations	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Right-of-use assets	**646,963**	-

5. Finance income	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Forex gains	**3,448**	-

Notes to the Financial Statements - continued

6. Finance costs	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Bank interests	-	166
Interest expenses on leases	90,591	-
Other interests	231,494	322,551
Forex losses	14,491	2,282
	336,576	324,999

7. Income tax	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Current tax (expense) for the year	(6,328,817)	(12,344,926)
Deferred tax benefit / (expense) for the year	(3,087,076)	1,900,408
Tax adjustment prior year	-	198,119
	(9,415,893)	(10,246,399)

Tax charge for the year	**31 Dec 2019 DKK**	31 Dec 2018 DKK
Profit before tax	42,579,253	47,121,174
Tax calculated at the applicable rate	(9,367,436)	(10,366,658)
The taxable effect of expenses not deductible for tax purposes	3,038,619	(1,978,268)
Adjustment to prior year's tax	-	-
Tax losses used / (carried forward)	-	-
Adjustment to prior year's tax	-	198,119
Deferred tax (expense) / benefit	(3,087,076)	1,900,408
	(9,415,893)	(10,246,399)

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis.

8. Right-of-use assets	**Office premises DKK**	**Total DKK**
Cost, opening balance, as at 1 January 2019	1,940,889	1,940,889
Year ended 31 December 2019		
Additions of the period	-	-
Disposals of the period	(1,940,889)	(1,940,889)
Cost, closing balance, as of 31 December 2019	-	-
Cumulative depreciation, opening balance, as at 1 January 2019	-	-
Year ended 31 December 2019		
Cumulate depreciation of disposals	646,963	646,963
Depreciations for the period	(646.963)	(646 963)
Cumulative depreciation, closing balance, as of 31 December 2019	-	-
Net book amount, opening balance	1.940.889	1.940.889
Net book amount, closing balance	-	-

During December 2019 a new lease agreement was signed to start at January 2020. The old contract is therefore restated to end at 31 December 2019. The Right-of-use asset is sold, lease liability paid back and sales profit recognized in other operating income.

Notes to the Financial Statements - continued

9. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 22% (2018: 22%). Deferred income taxes are included as follows:

	2019 DKK	Movement for year DKK	2018 DKK	Movement for year DKK
Provisions	-	(3,087,076)	3,086,768	1,900,408
	-	(3,087,076)	3,086,768	1,900,408

At 31 December 2019 the company had a deferred tax asset of DKK 0 (2018: 3,086,768) emanating from deductible temporary differences of DKK 0 (2018: DKK 14,032,163).

10. Trade receivables

	31 Dec 2019 DKK	31 Dec 2018 DKK
Trade receivables – consumer loans gross	10.886.367	150,592,481
Less provision for impairment of loan receivables	(10.886.367)	(14,032,163)
	-	136,560,318

The carried amount corresponds to the fair value of the receivables.

Movement on the provision for report of trade receivables are as follows:	31 Dec 2019 DKK	31 Dec 2018 DKK
At 1 January	(14,032,163)	(5,393,944)
Provision for impairment	14,032,163	(8,638,219)
Amounts fully reserved and booked out	-	-
At 31 December	-	(14,032,163)

The Company has realised a loss of DKK 76,809k by selling a portfolio with a nominal value of DKK 294,732k. The Company has received DKK 217,923k for the portfolio.

The creation and release of provision for impared receivables have been included in "Credit loss reserves" in the income statement. Amounts charged to the allowed account are generally written off, when there is no expectation of recovering additional cash.

The Company does not have a material amount of individually impaired loan receivables. The aging analysis of loan receivables which are collectively assessed for impairment is presented under IAS 39 ageing structure as follows:

DKK	31 December 2019 GBV*	31 December 2019 Provision impairment	31 December 2019 NVB**	31 December 2019 ILCR*** %	31 December 2018 GBV*	31 December 2018 Provision impairment	31 December 2018 NVB**	31 December 2018 ILCR*** %
Not overdue	-	-	-	-	124,166,822	(9,520,525)	114,646,297	7.7%
1-90 days due	-	-	-	-	26,425,659	(4,511,638)	21,914,021	17.1%
91-180 days due	-	-	-	-	-	-	-	
>180 days due	10,886,367	(10,886,367)	-	100%	-	-	-	
Total	10,886,367	(10,886,367)	-		150,592,481	14,032,163	136,560,318	

*GBV = Gross Book Value. **NBV = Net Book Value. ***ILCR = Impaired Loan Coverage Ratio

Notes to the Financial Statements - continued

The Company uses an allowance to recognise impairment losses on loans to customers. Recognition of movements in the allowance account is as follows:

	2019 DKK	2018 DKK
Provision for impairment on 1 January	(14,032,163)	(5,393,944)
Impairments on loans	14,032,163	(8,638,219)
At 31 December	-	(14,032,163)

The ageing credit loss percentage of loan receivables, which are collectively assessed for impairment, is as follows:

	Micro Loans		Credit Facility	
	2019	2018	2019	2018
Period	Percentage	Percentage	Percentage	Percentage
Current	0.0%	0.0%	0.0%	7.7%
1-30 days	0.0%	0.0%	0.0%	14.2%
31-60 days	0.0%	0.0%	0.0%	21.1%
61-90 days	0.0%	0.0%	0.0%	0.0%
91-180 days	0.0%	0.0%	0.0%	70.9%
181-360 days	0.0%	0.0%	0.0%	66.3%
Over 360	100.0%	100.0%	100%	86.8%

11. Receivables

	31 Dec 2019 DKK	31 Dec 2018 DKK
Receivables from related companies	151,618,744	1,295,274
	151,618,744	52,211,380

Related party receivables are unsecured, interest is charged at 5.50% on the loan. The loan is repayable on demand but will be repaid by 2020. The effective interest rate used to discount the estimated future cash payments through the expected life of the loan to the net carrying amount is 5.50%.

12. Share Capital

	31 Dec 2019 DKK	31 Dec 2018 DKK
Authorised:		
200,000 Ordinary Shares of DKK 1 each	200,000	200,000
Issued and fully paid up:		
200,000 Ordinary Shares of DKK 1 each	200,000	200,000

13. Current liabilities

	31 Dec 2019 DKK	31 Dec 2018 DKK
Other payables	605,257	28,427
Social Costs and other taxes	2,756,019	1,909,254
Accruals	4,291,032	7,703,670
Deferred revenue	-	888,667
	7,652,308	10,530,018

Accruals are related to invoices which were not approved by the closing of the year 2019.

Notes to the Financial Statements - continued

14. Borrowings

	31 Dec 2019 DKK	31 Dec 2018 DKK
Borrowings from parent company	72,949,057	50,916,106
Borrowings from related companies	1,681,824	1,295,274
	74,630,881	52,211,380

Related party loans are unsecured, interest is charged at 5.69% on the loan from the parent company. The loans are repayable on demand but will be repaid by 2020. The effective interest rate used to discount the estimated future cash payments through the expected life of these loans to the net carrying amount is 5.69%.

15. Note to the statement of cash flows
Analysis of the balance of cash and cash equivalents as shown in the statement of cash flows:

	31 Dec 2019 DKK	31 Dec 2018 DKK
Cash at bank and in hand	10,133,716	6,792,783

16. Related party transactions
The Directors consider the ultimate controlling party to be Ferratum Oyj, who owns 100% of the issued share capital of Ferratum Denmark ApS, a company quoted on the Frankfurt stock exchange.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director.

The related party P&L transactions in question were:

	2019 DKK	2018 DKK
Purchase of services from related parties	13,884,268	14,821,022
Finance costs	837,635	4,751,997

The Company has business relationships with parent company and related party companies. The acquired services include administrative services, IT-services, project management, advisory and consulting services.

The related party Balance Sheet transactions in question were:

	31 Dec 2019 DKK	31 Dec 2018 DKK
Intragroup trade payables	2,540,874	1,422,184
Intragroup borrowings	74,630,881	52,211,380

Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services.

Key management compensation for members of the Board of Directors and CEO were:

	2019 DKK	2018 DKK
Salaries and other short-term employee benefits	1,225,020	1,122,688
Termination benefits	-	-
Statutory pension costs	106,704	83,543
Total	1,331,724	1,206,231

Notes to the Financial Statements - continued

	2019 DKK	2018 DKK
Jesper Hammer, CEO, Member of the Board of Directors		
Salaries and other short-term employee benefits	**1,225,020**	1,122,688
Statutory pension costs	**106,704**	83,543
Total	**1,331,724**	1,206,231

17. Capital commitments

	2019 DKK	2018 DKK
Authorised and contracted for:		
Office rent	**116.250**	138,000
Authorised and contracted for	**116.250**	138,000

Should the company want to terminate the new rental contract entered into at 1 January 2020, then a 3 months' notice is required amounting to DKK 116,250.

18. Contingent liabilities
The Company had no claims for contingent liabilities during the year.

19. Events after the reporting period
There were no material events after the year-end, up to the date of issuing these financial statements, which would have a bearing on the understanding of these financial statements.