

**4finance ApS**  
**Vesterbrogade 1 L 4.**

CVR no. 32 55 78 64

**Annual report 2017**

The annual report was presented and  
adopted at the annual general meeting of  
the Company on 1 June 2018



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Jens-Ole Kyhl Klitgaard  
Chairman

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## Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of 4finance ApS for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further in my opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 1 June 2018

**Executive Board**



Jens-Ole Kyhl Klitgaard



## **Independent auditor's report**

### **To the shareholders of Company C (medium)**

#### **Opinion**

We have audited the financial statements of Company C (medium) for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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.



## Independent auditor's report

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.



## Independent auditor's report

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 1 June 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Henrik O. Larsen'.

Henrik O. Larsen

State Authorised  
Public Accountant  
mne 15839

## Management's review

### Company details

#### Company

4finance ApS  
Vesterbrogade 1 L 4.  
DK-1620 København V

Denmark

Website: [www.4financegroup.com](http://www.4financegroup.com)

CVR no.: 32 55 78 64

Financial year: 1 January - 31 December

Incorporated: 28 October 2009

Registered office: Copenhagen

#### Executive Board

Jens-Ole Kyhl Klitgaard

#### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 Copenhagen Ø  
Denmark

## Management's review

### Financial highlights

DKKm	2017	2016	2015	2014	2013
Revenue	309	262	166	97	54
Gross profit/Loss	146	123	85	58	26
Operating profit/loss (EBIT)	132	109	76	50	21
Profit/loss before Tax	118	98	69	44	15
Profit/loss for the year	92	76	53	33	14
Total assets	320	273	209	112	75
Investments in property, plant and equipment	0,64	0,62	0,76	0,22	0,37
Equity	153	143	66	47	14
Gross margin	47%	47%	51%	60%	48%
Operating margin	43%	41%	46%	52%	39%
Return on invested capital	102%	127%	178%	229%	833%
Current ratio	192%	208%	146%	172%	122%
Return on equity	62%	73%	93%	109%	197%
Solvency ration	48%	52%	32%	42%	43%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".



## **Management's review**

### **Core activity**

The principal activity of the Company is providing credit facilities to private individuals and all related business in context hereto.

### **Development in the year**

2017 was a year of strong growth for 4finance ApS. The net profit for the year, which amounted to DKK 92 million is satisfactory.

### **Significant events after the end of the financial year**

No events have occurred after the balance sheet date that materially affect the financial statement for 2017.

### **Outlook**

In 2018, the revenue and the net profit for the year are expected to increase compared to 2017.

### **Unusual events**

The Company's financial position at 31 December and the Company's results and its operations for the financial year 2017 have not been affected by any unusual events.

## Financial statements 1 January - 31 December

### Income statement

	Note	2017 DKK	2016 DKK
<b>Gross profit</b>		<b>145,965,814</b>	<b>122,721,160</b>
Staff costs	3	-13,961,206	-13,625,987
Depreciation/amortisation of non-current assets		-346,810	-349,770
<b>Profit before financial income and expenses</b>		<b>131,657,798</b>	<b>108,745,403</b>
Financial income	4	1,366,217	1,995,940
Financial expenses	5	-14,689,538	-12,830,170
<b>Profit before tax</b>		<b>118,334,477</b>	<b>97,911,173</b>
Tax on profit for the year	6	-26,129,891	-21,630,235
<b>Profit for the year</b>	7	<b><u>92,204,587</u></b>	<b><u>76,280,938</u></b>

## Financial statements 1 January - 31 December

### Balance Sheet

	Note	2017 DKK	2016 DKK
<b>Assets</b>			
Acquired licences		8,101	18,681
Formation of intangible assets		727,250	452,048
<b>Intangible assets</b>	8	<u>735,351</u>	<u>470,729</u>
Other fixtures and fittings, tools and equipment		446,496	572,228
Leasehold improvements		197,786	46,093
<b>Property, plant and equipment</b>	8	<u>644,282</u>	<u>618,321</u>
<b>Non-current assets</b>		<u>1,379,632</u>	<u>1,089,051</u>
Loan receivables		291,180,083	246,795,265
Other receivables		7,799,012	6,126,960
Deferred tax asset	9	6,951	9,687
Prepayments	10	479,664	325,742
Corporation tax		2,543,127	-
<b>Receivables</b>		<u>302,008,837</u>	<u>253,257,654</u>
<b>Cash at bank and in hand</b>		<u>17,557,656</u>	<u>19,057,437</u>
<b>Total current assets</b>		<u>319,566,493</u>	<u>272,315,091</u>
<b>Total assets</b>		<u>320,946,125</u>	<u>273,404,142</u>

## Financial statements 1 January - 31 December

### Balance Sheet

	Note	2017 DKK	2016 DKK
<b>Equity and liabilities</b>			
Share capital	11	1,466,000	1,466,000
Retained earnings		233,348,460	141,143,874
Paid dividends		-81,845,500	-
<b>Total equity</b>		<b>152,968,960</b>	<b>142,609,874</b>
Provision for deferred tax		28,644	50,356
<b>Total provisions</b>		<b>28,644</b>	<b>50,356</b>
Trade payables		1,556,422	934,007
Amounts owed to group entities		144,185,529	91,284,551
Corporation tax		-	19,657,770
Other payables		16,359,698	14,861,159
Deferred income		5,846,872	4,006,425
<b>Current liabilities</b>		<b>167,948,521</b>	<b>130,743,912</b>
<b>Liabilities other than provisions</b>		<b>167,948,521</b>	<b>130,743,912</b>
<b>Total equity and liabilities</b>		<b>320,946,125</b>	<b>273,404,142</b>
Contingent assets, liabilities and other financial obligations	12		

## Financial statements 1 January - 31 December

### Statement of Changes in Equity

	Share Capital	Share Premium	Retained earnings	Proposed dividend	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January 2017	1,466,000	8,828,750	132,315,124	-	142,609,874
Extraordinary dividend paid	-	-	-	-81,845,500	-81,845,500
Result for the year	-	-	92,204,587	-	92,204,587
<b>Equity at 31 December 2017</b>	<b>1,466,000</b>	<b>8,828,750</b>	<b>224,519,711</b>	<b>-81,845,500</b>	<b>152,968,960</b>

## Notes

### 1 Accounting Policy

The annual report of Company C (medium) for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### **Omission to present a cash flow statement**

Pursuant to section 86 (4) of the Danish Financial Statements Act, the Company has not discussed the cash flow statement as it is included in the 4Finance AS Group consolidation.

#### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

#### **Income statement**

##### **Gross profit**

Pursuant to section 32 of the Danish Financial Statements Act, the Company has chosen to aggregate the items revenue and other external expenses in the item gross profit/gross loss.

Revenue comprises interest and fees related to loans. Income is accrued over the periods to which it relates and is included in the income statement at the amounts relating to the accounting period concerned.

Other expenses comprise expenses for sale, write-down of loan receivables, office premises and administration.

##### **Staff costs**

Staff costs comprise wages and salaries, including holiday allowance, pensions and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

##### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

## Notes

### Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in the deferred tax, including changes in the tax rates. The tax expense related to the profit/loss for the year is recognized in the income statement at the amount attributable to the profit/loss for the year and directly in the equity at the amount attributable to entries directly in equity.

### Balance Sheet

#### Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Acquired licenses are amortized on a straight-line basis over the estimated useful life, however, not exceeding 5 years.

Cost comprises the purchase price and any cost directly attributable to the acquisition until the date when the asset is available for use.

Gains or losses are recognized in the income statement as other operating income or other operating expenses, respectively.

#### Property, plant and equipment

Land and building, plant and machinery, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Interest expenses on loans obtained specifically for the purpose of financing the manufacture of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognized in the income statement.

Where individual parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

Fixtures and fittings, tools and equipment	1-2	years
Leasehold is based on Lease period	3-5	years

Gains or losses are recognized in the income statement as other operating income or other operating expenses, respectively.

## Notes

### Receivables

Receivables are measured at amortized cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. Receivables are assessed for objective indication of impairment on a portfolio basis. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Impairment provision is calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realizable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as a discount rate.

### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years. The prepayment costs are related to licenses and memberships.

### Equity

#### Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognized as a liability at the date of declaration by the annual general meeting.

#### Corporation tax and deferred tax

Current tax payables and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income for prior years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the tax asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognized at the expected value of their utilization within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax.

#### Liabilities other than provisions

Financial liabilities comprise of bank loans, trade payables and liabilities to group entities. Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost.

Other liabilities are measured at net realizable value.



### Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

## 2 Revenue

The split of the revenue between business and geographical segments does not differ significantly.

	2017 <u>DKK</u>	2016 <u>DKK</u>
<b>3 Staff costs</b>		
Wages and salaries	13,162,130	13,018,816
Taxable benefit	3,226	30,000
Pensions	514,150	375,900
Other social security costs	281,700	201,271
	<u>13,961,206</u>	<u>13,625,987</u>
 Average Number of full time employees	 29	 26
 By reference to section 98b (3)(ii) of the Danish Financial statements Act, remuneration to Management is not disclosed.		
	2017 <u>DKK</u>	2016 <u>DKK</u>
<b>4 Financial income</b>		
Interest received from group entities	0	1,363,265
Other financial income	1,366,217	632,675
	<u>1,366,217</u>	<u>1,995,940</u>
 <b>5 Financial expenses</b>		
Interest paid to group entities	13,205,403	12,200,293
Other financial expenses	1,484,135	629,877
	<u>14,689,538</u>	<u>12,830,170</u>
 <b>6 Tax on profit for the year</b>		
Current tax for the year	26,148,867	21,653,770
Adjustment of deferred tax	-18,976	-23,501
Adjustment re. prior year	0	34
	<u>26,129,891</u>	<u>21,630,235</u>

## Notes

### 7 Proposed profit appropriations

Proposed dividend for the year	81,845,500	0
Retained earnings	10,359,087	76,280,938
	<u>92,204,587</u>	<u>76,280,938</u>

### 8 Intangible Assets

	Formation of intangible assets	Acquired Licences	Total
Cost at 1 January 2017	452,048	191,164	643,212
Additions for the year	1,568,787	-	1,568,787
Cost at 31 December 2017	<u>2,020,835</u>	<u>191,164</u>	<u>2,211,999</u>
Impairment losses and depreciation at 1 January 2017	-	172,483	172,483
Depreciation for the year	1,293,585	10,581	1,304,166
Impairment losses and depreciation at 31 December 2017	<u>1,293,585</u>	<u>183,063</u>	<u>1,476,649</u>
<b>Carrying amount at 31 December 2017</b>	<u>727,250</u>	<u>8,101</u>	<u>735,351</u>

### Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	1,309,373	92,186	1,401,559
Additions for the year	148,903	213,288	362,191
Cost at 31 December 2017	<u>1,458,277</u>	<u>305,474</u>	<u>1,763,750</u>
Impairment losses and depreciation at 1 January 2017	737,146	46,093	783,239
Depreciation for the year	274,636	61,595	336,231
Impairment losses and depreciation at 31 December 2017	<u>1,011,781</u>	<u>107,688</u>	<u>1,119,470</u>
<b>Carrying amount at 31 December 2017</b>	<u>446,496</u>	<u>197,786</u>	<u>644,282</u>

## Notes

### 9 Deferred tax

Deferred tax assets at 1 January 2017	9,686
Adjustment for the year in the income statement	<u>(2,736)</u>
<b>Deferred tax assets at 31 December 2017</b>	<b><u>6,951</u></b>

Deferred tax liability at 1 January 2017	(50,356)
Adjustment for the year in the income statement	<u>21,712</u>
<b>Deferred tax liability at 31 December 2017</b>	<b><u>(28,644)</u></b>

Provision for deferred tax relate to:

Deferred tax asset:	
Intangible assets	<u>6,951</u>
	6,951

Deferred tax liability:	
Property, plant and equipment	<u>(28,644)</u>
	(28,644)

### 10 Prepayments

Prepayments at 1 January 2017	325,742
Prepayments change for the year	<u>153,922</u>
<b>Prepayments at 31<sup>st</sup> Dec 2017</b>	<b><u>479,664</u></b>

### 11 Development of share capital

	2017	2016	2015	2014	2013
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January 2016	1,466,000	1,466,000	1,466,000	1,466,000	1,466,000
Additions for the year	0	0	0	0	0
Disposals for the year	0	0	0	0	0
<b>Share capital at 31 December 2017</b>	<b>1,466,000</b>	<b>1,466,000</b>	<b>1,466,000</b>	<b>1,466,000</b>	<b>1,466,000</b>

## Notes

### 12 Contingent assets, liabilities and other financial obligations

The company has jointly signed the guarantee for the below stated three listed bonds issued by 4finance S.A., Luxembourg.

Issuer	Amount Issued	Maturity	Coupon	Listing
4finance S.A.	EUR 150,000,000	May 2021	11,25%	Frankfurt Stock Exchange
4finance S.A.	USD 200,000,000	August 2019	11,75%	Irish Stock Exchange
4finance S.A.	USD 325,000,000	2022	10,75%	Irish Stock Exchange

### 13 Related parties' disclosures

#### Control

Name of entity	Registered office	Ownership
AS 4finance	Liēlirbes 17A-8, Rīga, LV-1046, Lātīva	100%

#### Information of consolidated financial statements

Name of entity	Registered office	Website of consolidated financial statement
4finance Holding S.A.	9, Allée Scheffer, L-2520, Luxembourg	<a href="https://4finance.com/investors-and-media/financial-results/">https://4finance.com/investors-and-media/financial-results/</a>

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