

Finans 247 ApS

Kristianiagade 1, 2100 København Ø

CVR no. 38 14 38 24

Annual report 2019

Approved at the Company's annual general meeting on 7 August 2020

Chairman:

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The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.





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Statement by the Board of Directors and the Executive Board

Today, the Executive Board has discussed and approved the annual report of Finans 247 ApS for the financial year 1 January - 31 December 2019.

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

In my 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 for the financial year 1 January - 31 December 2019.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 7 August 2020
Executive Board:

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Peter Ørding Andreasen
CEO

Independent auditor's report

To the shareholders of Finans 247 ApS

Opinion

We have audited the financial statements of Finans 247 ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity 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 financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Emphasis of matter in the financial statements

We draw attention to note 2 of the financial statements, due to limited loss data and challenges with manual reconciliations of the loan system, the valuation of the Company's loan receivables may be subject to material uncertainty.

We have not modified our opinion in respect of this matter.

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 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 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 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 the 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 scepticism throughout the audit. We also:

Independent auditor's report

- ▶ 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 note 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.

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, 7 August 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Hjortkjær Petersen
State Authorised Public Accountant
mne33748

Management's review

Company details

Name	Finans 247 ApS
Address, Postal code, City	Kristianiagade 1, 2100 København Ø
CVR no.	38 14 38 24
Established	26 October 2016
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.lendomatic.com
E-mail	info@lendomatic.com
Telephone	+45 71 70 10 60
Executive Board	Peter Ørding Andreasen, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Jyske Bank

Management commentary

Business review

Finans 247 ApS provides easily accessible consumer finance products for online customers in Denmark.

Recognition and measurement uncertainties

The most significant uncertainty involved in recognition and measurement relates to the expected credit loss and valuation of loan receivables. The Company has been issuing loans for approximately 3 years, and has limited actual loss data of its portfolio. Measurement of the expected credit losses at a given time and the valuation of loans includes significant accounting adjustments. The fact that the Company has limited historical loss data due to the limited issuing time and that the Company had the above mentioned challenges regarding integration to the bookkeeping system and extraction of data, results in an increased uncertainty as of 31 December 2019.

Expectations for 2020

The Company has generally realised results in January and February 2020 according to the budget. However, from the beginning of March 2020, management has found that the worldwide Covid-19 outbreak will potentially affect the Company's performance and financial position in 2020. However, it is not possible for the management at the time of financial reporting to quantify the effect further, but a lower result is expected.

Financial review

The income statement for 2019 shows a profit of DKK 21,726 thousand against a profit of DKK 8,694 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 31,101 thousand. Loan receivables comprises of DKK 176,464 thousand, corresponding a growth of 57% compared to last year.

2019 was a year with continued growth. The year was a period of major transformation. During the year, the company hired new senior management, which has resulted in better control over processes and structure.

Management's review

A new loan system was implemented in the beginning of the year, that has the qualities we want to ensure our future business plans and the implementation of new regulation within the consumer finance area. However, integration to the bookkeeping system has partly been manual and there have been challenges with extraction of data. Consequently it has not been possible to reconcile all transactions regarding the loan portfolio at a transactional level, but only on an aggregated level. Therefore, a data warehouse solution has been developed, which will allow transforming existing manual processes into automated ones, allowing on-going automated controls and reconciliations at transactional level in the future. The established data warehouse will also provide the Group even better insight into clients, cashflow and the loan portfolio. We expect, that the full data warehouse structure and governance is fully implemented during the second half of 2020.

The Company has been working to improve the administrative procedures during 2019 and in the first half of 2020, ensuring that reconciliations and other administrative procedures will be less manual and proper towards the level of activity. This work will continue during the second half of 2020 together with the development of the data warehouse solution.

New regulation within consumer finance

With effect from 1 July 2019, new regulation regarding consumer finance products has been implemented, resulting in detailed rules requiring the lender to document, that the loan is suitable to the customer as well as detailed rules on pricing, including various caps on the loan expenses possible to charge. The Company has greeted the new rules, including the protection it will provide to the customers on the consumer finance market, and as the Company historically realised interests and fees exceeding the implemented pricing caps, the Company has reviewed its business model during 2019. Because these rules effect the total consumer finance industry, the Company sees possibilities in the market even though the new rules effect the earnings. We believe that the Group can strengthen its position in the market after implementing the new regulation.

Events after the balance sheet date

Management has reassessed the model for loan loss provisions in Covid-19 period and has as a result recognized additional provisions to the model as of 30 June 2020 and the model and the assumptions will be further reassessed during Q3 and Q4 2020.

Besides from this no events have occurred in the period up to the presentation of the annual report which materially affect the financial position.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	115,262	59,396
4	Staff costs	-13,025	-5,443
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-310	-5
	Other operating expenses	-58,615	-35,511
	Profit before net financials	43,312	18,437
	Financial income	55	37
5	Financial expenses	-15,513	-7,319
	Profit before tax	27,854	11,155
	Tax for the year	-6,128	-2,461
	Profit for the year	<u>21,726</u>	<u>8,694</u>
	Recommended appropriation of profit		
	Retained earnings	<u>21,726</u>	<u>8,694</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
	Intangible assets		
	Acquired intangible assets	2,414	0
		<u>2,414</u>	<u>0</u>
	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	956	64
	Leasehold improvements	65	0
		<u>1,021</u>	<u>64</u>
	Investments		
	Investments in group enterprises	50	50
	Deposits, investments	649	643
		<u>699</u>	<u>693</u>
	Total fixed assets	<u>4,134</u>	<u>757</u>
	Non-fixed assets		
6	Receivables		
	Trade receivables	176,464	114,143
	Receivables from group enterprises	264	1,414
	Other receivables	1,105	413
	Prepayments	0	215
		<u>177,833</u>	<u>116,185</u>
	Cash	4,276	993
	Total non-fixed assets	<u>182,109</u>	<u>117,178</u>
	TOTAL ASSETS	<u><u>186,243</u></u>	<u><u>117,935</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	50	50
	Retained earnings	31,051	9,325
	Dividend proposed	0	0
	Total equity	31,101	9,375
	Provisions		
	Deferred tax	3	3
	Total provisions	3	3
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Subordinate loan capital	6,300	15,300
	Other payables	2,000	6,200
		8,300	21,500
	Current liabilities other than provisions		
7	Short-term part of long-term liabilities other than provisions	12,200	20,000
	Trade payables	2,346	3,465
	Payables to group enterprises	105,470	50,881
	Corporation tax payable	6,128	2,459
	Other payables	20,695	10,252
		146,839	87,057
	Total liabilities other than provisions	155,139	108,557
	TOTAL EQUITY AND LIABILITIES	186,243	117,935

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 3 Events after the balance sheet date
- 8 Contractual obligations and contingencies, etc.
- 9 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2018	50	631	150	831
Transfer through appropriation of profit	0	8,694	0	8,694
Dividend distributed	0	0	-150	-150
Equity at 1 January 2019	50	9,325	0	9,375
Transfer through appropriation of profit	0	21,726	0	21,726
Equity at 31 December 2019	50	31,051	0	31,101

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Finans 247 ApS for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities.

Comparative figures for prior year as been corrected in order to give an correct comparative. This has not had any effect on profit/loss or equity in prior year.

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

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Income statement

Revenue

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

Gross profit

The items revenue, other operating income, expenses, property and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Impairment

The item comprises impairment of intangible assets.

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

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-5 years
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Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

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

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Recognition and measurement uncertainties

The most significant uncertainty involved in recognition and measurement relates to the expected credit losses and valuation of loan receivables. The Company has been issuing loans for approximately 3 years, and has limited actual loss data on its portfolio. Measurement of the expected credit losses at a given time and the valuation of loans includes significant accounting adjustments. The fact that the Company has limited historical loss data due to the limited issuing time and that the Company has implemented a new loan system with certain challenges regarding integration to the bookkeeping system and extraction of data, as mentioned in the Management's review, section "Development in activities and financial matters", results in an increased uncertainty as of 31 December 2019

3 Events after the balance sheet date

Management has reassessed the model for loan loss provisions in Covid-19 period and has as a result recognized additional provisions to the model as of 30 June 2020, and the model and the assumptions will be further reassessed during Q3 and Q4 2020.

Besides from this no events have occurred in the period up to the presentation of the annual report which materially affect the financial position.

DKK'000	2019	2018
4 Staff costs		
Wages/salaries	10,641	4,582
Pensions	743	237
Other social security costs	195	72
Other staff costs	1,446	552
	<u>13,025</u>	<u>5,443</u>
	2019	2018
Average number of full-time employees	<u>29</u>	<u>11</u>
5 Financial expenses		
Interest expenses, group entities	13,183	3,529
Other financial expenses	2,330	3,790
	<u>15,513</u>	<u>7,319</u>

6 Receivables

The Company's loan receivables comprise of loan receivables before write-off, DKK 230,326 thousand, and write-off of DKK 53,862 thousand.

7 Non-current liabilities other than provisions

Of the long-term liabilities, none falls due for payment after more than 5 years after the balance sheet date.

Financial statements 1 January - 31 December

Notes to the financial statements

8 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, Finans 247 Holding A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	3,058	180
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9 Related parties

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Finans 247 Holding A/S	Copenhagen	https://lendomatic.com/investor-relations/#financial-information