IPF Investments Polska Sp. z o.o.

Financial Statements

in accordance with International Financial Reporting Standards

as at and for the year ended 31 December 2018

Approval of the Financial Statements

The accompanying Financial Statements of IPF Investments Polska Sp. z o.o. comprising statement of comprehensive income for the year ended 31 December 2018, statement of financial position as at 31 December 2018, statement of changes in equity for the year ended 31 December 2018, statement of cash flows for the year ended 31 December 2018 and notes to the Financial Statements, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and are presented in the following order:

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We hereby approve the Financial Statements of IPF Investments Polska Sp. z o. o. for the year ended 31 December 2018.

Alicja Kopeć
Board Member

Maciej Mikucki
Board Member

Piotr Cybulski
Board Member

Warsaw, 24 April 2019

Statement of comprehensive income

For the year ended 31 December	Notes	2018 PLN	2017 PLN
Interest revenue	5	12 289 554,03	12 321 838,40
Total income		**12 289 554,03**	**12 321 838,40**
Finance costs	6	(12 086 353,94)	(12 119 419,85)
Operating costs, including:	7	(108 798,35)	(98 130,90)
- Impairment on receivables from loans	7	(4 025,35)	-
Total costs		**(12 195 152,29)**	**(12 217 550,75)**
Profit before income tax		**94 401,74**	**104 287,65**
Income tax expense	8	(17 937,18)	(19 814,00)
Net profit for the year		**76 464,56**	**84 473,65**
Other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**76 464,56**	**84 473,65**

Statement of financial position

As at 31 December	Notes	2018 PLN	2017 PLN
ASSETS			
Non-current assets			
Receivables from loans	9	199 721 670,00	200 000 000,00
Deferred tax asset	13	55 225,63	1 160,99
		199 776 895,63	**200 001 160,99**
Current assets			
Receivables from loans	9	928 816,91	933 978,38
Cash and cash equivalents	10	419 875,20	336 076,59
		1 348 692,11	**1 270 054,97**
Total assets		**201 125 587,74**	**201 271 215,96**
LIABILITIES			
Current liabilities			
Debt securities in issue	11	915 097,49	918 743,55
Trade and other payables	12	26 048,00	21 340,50
Current income tax liabilities		12 085,00	12 004,00
		953 230,49	**952 088,05**
Non-current liabilities			
Debt securities in issue	11	200 000 000,00	200 000 000,00
		200 000 000,00	**200 000 000,00**
Total liabilities		**200 953 230,49**	**200 952 088,05**
EQUITY			
Called up share capital	14	45 000,00	45 000,00
Retained earnings	15	127 357,25	274 127,91
Total equity		**172 357,25**	**319 127,91**
Total equity and liabilities		**201 125 587,74**	**201 271 215,96**

Statement of changes in equity

	Called up share capital PLN	Retained earnings PLN	Total equity PLN
At 1 January 2018	**45 000,00**	**274 127,91**	**319 127,91**
Impact from IFSR 9 implementation (incl. income tax effect)	-	(223 235,22)	(223 235,22)
At 1 January 2018 (restated)	**45 000,00**	**50 892,69**	**95 892,69**
Net profit for the year	-	76 464,56	76 464,56
At 31 December 2018	**45 000,00**	**127 357,25**	**172 357,25**

	Called up share capital PLN	Retained earnings PLN	Total equity PLN
At 1 January 2017	**45 000,00**	**189 654,26**	**234 654,26**
Net profit for the year	-	84 473,65	84 473,65
At 31 December 2017	**45 000,00**	**274 127,91**	**319 127,91**

Statement of cash flows

For the year ended 31 of December	Notes	2018 PLN	2017 PLN
Profit before income tax		**94 401,74**	**104 287,65**
Adjusted for:		**(191 046,13)**	**(200 017,48)**
Finance costs	6	12 086 353,94	12 119 419,85
Interest revenue on granted loans	5	(12 286 132,92)	(12 319 211,28)
Decrease/(increase) in trade and other receivables		-	3 000,00
Increase/(decrease) in current liabilities, excluding bank and other borrowings		4 707,50	(3 226,05)
Impairment on receivables from loans	7	4 025,35	-
Income tax paid		(19 557,00)	(19 770,00)
Interest received on granted loans		12 290 000,00	12 320 000,00
Net cash inflow/(outflow) from operating activities		**12 173 798,61**	**12 204 500,17**
Cash flow from investing activities			
Net cash inflow/(outflow) from investing activities		**-**	**-**
Cash flow from financing activities			
Cash inflows:		**-**	**-**
New debt securities issue		-	-
Cash outflows:		**(12 090 000,00)**	**(12 120 000,00)**
Interest paid		(12 090 000,00)	(12 120 000,00)
Net cash inflow/(outflow) from financing activities		**(12 090 000,00)**	**(12 120 000,00)**
Net increase/(decrease) in cash and cash equivalents		**83 798,61**	**84 500,17**
Cash and cash equivalents at the beginning of the period	**10**	**336 076,59**	**251 576,42**
Cash and cash equivalents at the end of the period	**10**	**419 875,20**	**336 076,59**

1. General information

IPF Investments Polska Sp. z o. o. ("the Company") is incorporated in the Republic of Poland. The address of the Company's registered office is ul. Inflancka 4A, Warsaw.

IPF Investments Polska Sp. z o. o. was established on 8 December 2009. On 21 December 2009 the Company was entered into the Register of Entrepreneurs kept by the Business Department of the National Court Register at the District Court in Warsaw, XII Commercial Division of the National Court Registry, under number KRS 0000344995.

The Company was formed as a special purpose entity for the purpose of raising funds mainly from commercial bonds issue and provision of finance to entities owned by International Personal Finance plc ("IPF plc" – a UK-based entity listed on London Stock Exchange and Warsaw Stock Exchange/ together called "the Group") to finance their lending business.

As stated in the Company's Memorandum of Association, the Company's operation period is indefinite.

The following persons served as members of the Management Board as at the date of approval of these Financial Statements:

Alicja Kopeć	Member since 8 December 2009
Maciej Mikucki	Member since 18 May 2018
Piotr Cybulski	Member since 18 May 2018

During the reporting period and till the date of authorisation of these Financial Statements there were the following changes in the Management Board composition:

- on 18 May 2018 Agnieszka Kłos was recalled from the position of the Management Board Member, which she held since 24 July 2012,
- on 18 May 2018 Maciej Mikucki was appointed for the position of the Management Board Member,
- on 18 May 2018 Piotr Cybulski was appointed for the position of the Management Board Member,
- on 27 March 2019, effective from 29 March 2019, John Dahlgreen resigned from the position of the Management Board Member, which he held since 8 December 2009.

2. Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), and in the areas not covered by the above standards - in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of laws 2019 pos. 351 with further amendments – "the Accounting Act") and ordinances issued on the basis of thereof and other applicable laws.

In accordance with the Accounting Act IPF Investments Polska Sp. z o.o. as the subsidiary of an entity listed in the European Economic Area, International Personal Finance plc, preparing its consolidated financial statements in accordance with IFRS, may prepare the financial statements in accordance with IFRS, as adopted by the EU.

The Financial Statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of authorisation of these Financial Statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the Company's ability to continue as a going concern.

The Financial Statements have been prepared under the historical cost convention.

The Financial Statements cover 12 month period ended 31 December 2018, comparative data cover 12 month period ended 31 December 2017.

2. Basis of preparation (continued)

Standards and Interpretations effective for the first time in 2018

The following standards, interpretations, amendments, improvements and clarifications to the standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the first time for financial reporting periods commencing on or after 1 January 2018:

- IFRS 9 *Financial Instruments* (issued on 24 July 2014),
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014) including amendments to IFRS 15 *Effective date to IFRS 15* (issued on 11 September 2015),
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016),
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016),
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016),
- Amendments to IAS 40 *Transfers of Investment Property* (issued on 8 December 2016),
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016),
- Annual Improvements to IFRS 2014-2016 Cycle (issued on 8 December 2016), for amendments relating to IAS 28.

Apart from the impact of implementation of IFRS 9 *Financial Instruments* (IFRS 9) as described below, the application of the new standards, interpretations and amendments to the standards listed above had no material impact on the Company's financial position, performance and the scope of information presented in the Company's Financial Statements.

Implementation of IFRS 9 *Financial Instruments* (IFRS 9)

In these Financial Statements, i.e. for the year beginning 1 January 2018, the Company applied for the first time IFRS 9 and has elected not to restate the comparatives on initial application of this new standard.

Measurement

The implementation of IFRS 9 for the first time had no impact on the measurement of the following financial assets held by the Company: cash and cash equivalents.

There was no change in the accounting for any financial liabilities.

The implementation of IFRS 9 had no impact on Company's present business model consisting in provision of finance (loans) for related parties from the Group in order to receive contractual cash flows, therefore there was no change in the measurement category relating to amounts receivable from customers which are measured at amortised costs. The new standard introduced changes in relation to estimated loss allowance as described below.

Impairment

Included in IFRS 9 new model for the estimation of impairment based on expected credit losses (as opposite to the incurred credit losses model applied based on IAS 39 *Financial instruments - recognition and measurement* (IAS 39)) is applicable for receivables from loans.

When it comes to the recognition of expected credit losses IFRS 9 distinguishes 3 stages: stage 1 for financial assets for which the credit risk has not significantly increased since initial recognition, stage 2 for financial assets for which the credit risk has increased significantly since initial recognition and stage 3 with credit impaired financial assets.

When determining whether the risk of default has increased significantly since initial recognition, the Company considers both quantitative and qualitative information based on the Company's historical data. In addition, as a backstop, the Company considers that a significant increase in credit risk occurs when an asset is more than 30 days past due.

Notes to the Financial Statements (continued)

2. Basis of preparation (continued)

Financial instruments are moved back to stage 1 once they no longer meet the criteria for a significant increase in credit risk.

Estimates of expected credit losses, and so the impairment, are based among others on the following parameters: PD – probability of default, EAD – exposure at default and LGD – loss given default. When calculating the impairment in accordance with IFRS 9, the Company uses available historical values of those parameters for similar instruments.

The below table shows the impact of IFRS 9 implementation on statement of financial position as at 1 January 2018:

As at 31 December	audited data 31 December 2017 PLN	IFRS 9 impact 1 January 2018 PLN	restated data 1 January 2018 PLN
ASSETS			
Non-current assets			
Receivables from loans	200 000 000,00	(274 318,00)	199 725 682,00
Deferred tax asset	1 160,99	52 363,82	53 524,81
	200 001 160,99	**(221 954,18)**	**199 779 206,81**
Current assets			
Receivables from loans	933 978,38	(1 281,04)	932 697,34
Cash and cash equivalents	336 076,59	-	336 076,59
	1 270 054,97	**(1 281,04)**	**1 268 773,93**
Total assets	**201 271 215,96**	**(223 235,22)**	**201 047 980,74**
LIABILITIES			
Current liabilities			
Debt securities in issue	918 743,55	-	918 743,55
Trade and other payables	21 340,50	-	21 340,50
Current income tax liabilities	12 004,00	-	12 004,00
	952 088,05	**-**	**952 088,05**
Non-current liabilities			
Debt securities in issue	200 000 000,00	-	200 000 000,00
	200 000 000,00	**-**	**200 000 000,00**
Total liabilities	**200 952 088,05**	**-**	**200 952 088,05**
EQUITY			
Called up share capital	45 000,00		45 000,00
Retained earnings	274 127,91	(223 235,22)	50 892,69
Total equity	**319 127,91**	**(223 235,22)**	**95 892,69**
Total equity and liabilities	**201 271 215,96**	**(223 235,22)**	**201 047 980,74**

Classification

The table below shows the changes in classification of the financial assets and financial liabilities:

2. Basis of preparation (continued)

Financial assets IAS 39 audited data		Financial assets IFRS 9 restated data	
Classification	Carrying value 31 December 2017 PLN	Classification	Carrying value 1 January 2018 PLN
Loans and receivables	201 270 054,97	Financial assets valuated at amortized cost	200 994 455,93
Razem	**201 270 054,97**		**200 994 455,93**

Financial liabilities IAS 39 audited data		Financial liabilities IFRS 9 restated data	
Classification	Carrying value 31 December 2017 PLN	Classification	Carrying value 1 January 2018 PLN
Other financial liabilities	200 940 084,05	Other financial liabilities	200 940 084,05
Razem	**200 940 084,05**		**200 940 084,05**

Standards and Interpretations issued but not yet effective

The Company did not early adopt any of the following standards and amendments to the existing standards and interpretations, which were issued by IASB but are not yet effective:

- IFRS 16 *Leases* (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019,
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019,
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019,
- Amendments to IAS 28 *Long-term Interest in Associates and Joint Ventures* (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019,
- Annual Improvements to IFRS 2015-2017 Cycle (issued on 12 December 2017) - effective for financial years beginning on or after 1 January 2019,
- Amendments to IAS 19 *Plan Amendment, Curtail or Settlement* (issued on 7 February 2018) - effective for financial years beginning on or after 1 January 2019,
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) - effective for financial years beginning on or after 1 January 2021 – not yet endorsed by EU till the date of approval these Financial Statements,
- Amendments to *References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) - effective for financial years beginning on or after 1 January 2020 – not yet endorsed by EU till the date of approval these Financial Statements,
- Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018) - effective for financial years beginning on or after 1 January 2020 – not yet endorsed by EU till the date of approval these Financial Statements,
- Amendments to IAS 1 and IAS 8 *Definition of Material* (issued on 31 October 2018) - effective for financial years beginning on or after 1 January 2020 – not yet endorsed by EU till the date of approval these Financial Statements.

2. Basis of preparation (continued)

As at the date of authorisation of these Financial Statements the Management is in progress of analysing the impact of the above new standards and amendments to the existing standards on the Company's accounting policies, except for impact of IFRS 16 *Leases* (IFRS 16) IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23).

Implementation of IFRS 16 *Leases* (IFRS 16)

The Company will apply IFRS 16 *Leases* (IFRS 16) for the first time for the year ending 31 December 2019. For contracts classified as operating lease under IAS 17 *Leases* the Company will use the available transition expedients and simplifications included in the standard, among others for not restating the comparatives and exclusion of short term leases.

As at 31 December 2018 the Company is party of operating lease agreements relating to office space rental (as disclosed in Note 18). Analysis performed by the Company showed that the agreement meets the definition of a lease according to IFRS 16, however it can be classified as short term lease. The Company assesses that the implementation of the new standard to this agreement as at 1 January 2019 will have no material impact on its financial data.

Implementation of IFRIC 23 *Uncertainty over Income Tax Treatments*

The Company will apply IFRIC 23 *Uncertainty over Income Tax Treatments* for the first time for the year ending 31 December 2019. The interpretation explains how the requirements for recognition and measurement set in IAS 12 *Income tax* should be applied when there is uncertainty whether the tax authority will accept the entity's treatment of a transaction in respect of income tax. The Company defines 'probable' as 'more likely than not' and assesses that the application of IFRIC 23 should not have material impact on its financial position.

3. Accounting policies

Interest revenue

Interest revenue comprises interest revenue on cash and cash equivalents and interest revenue on loans granted. Interest revenue is recognised on an accrual basis using the effective interest rate (EIR). The EIR is the rate that discounts estimated cash flows from contractual payments adjusted for historical information about actual repayments in a particular period. Directly attributable incremental costs and fees related to granting the loan are also taken into account when calculating the EIR.

Finance costs

Finance costs comprise the interest on debt securities in issue (including arrangement and directly attributable issue fees) and are recognised on accrual basis using the effective interest rate method.

Operating expenses

Operating costs include mainly costs of services provided to the Company by external providers and are recognized in the period to which they relate.

Income tax expense

The income tax expense represents the current income tax charge including changes in deferred tax liability/asset, except for income tax on items recognised in other comprehensive income or on equity positions.

Current income tax

The current corporate income tax is determined based on relevant income tax regulations, using tax rates enacted as at the balance sheet date, computed as the tax payable on the taxable income for the year, including any adjustment to tax payable in respect of previous years, if applicable.

3. Accounting policies (continued)

Deferred income tax

The Company accounts for deferred income tax liability/asset using the balance sheet liability method on temporary differences between the tax base of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Receivables from loans

All receivables from loans are initially recognised at the fair value amount adjusted by directly attributable incremental costs and fees. After initial recognition, the receivables are subsequently measured at amortized cost decreased by impairment. Amortized cost is the amount of loan receivable at initial recognition less repayments, plus revenue earned calculated using the EIR.

Interest revenue on impaired loans (stage 3) is calculated by applying the original EIR to the impaired balance.

Impairment losses are charged to the statement of comprehensive income to operational costs position.

Impairment (accounting policy applied for comparative figures for the year ended 31 December 2017)

Loan receivables are assessed for impairment at each balance sheet date. Any delay in payment of receivables are indicators for impairment and its impact on the recoverable amount of the loan issued is analysed. Impairment losses are calculated by estimating the future cash flows from each loan, discounting these to a present value, using the original EIR and comparing this figure with the carrying value.

Changed accounting policies for impairment recognition resulting from the application of IFRS 9 for the year ended 31 December 2018 in respect of receivables from loans are described in point 2 ‘Basis of preparation’.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less held for the purpose of meeting short-term cash commitments.

Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently as a principal rule, at amortised cost using the effective interest method less impairment.

In case the time value of money is insignificant, other short-term receivables are measured in the amount due, less impairment.

Debt securities in issue

Debt securities in issue are recognised initially at fair value, being their issue proceeds, net of any transaction costs incurred. Debt securities in issue are subsequently stated at amortised cost. The difference between the initial amount (decreased by transaction costs) and the redemption value is recognized in the statement of comprehensive income as finance cost over the expected life of the borrowings using the effective interest rate.

3. Accounting policies (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured, as a principal rule, at amortised cost using the effective interest rate method.

In case the time value of money is insignificant, trade and other payables are measured in the amount due.

Financial instruments

Classification of financial instruments

The Company classifies the financial instruments to the following categories: financial assets/ liabilities at fair value through profit or loss, financial assets valuated at amortised cost, other financial liabilities and derivatives designated as hedging instruments in effective hedging transactions. The classification of financial instruments is performed at the date of their initial recognition.

The classification of financial assets is based on the business model of the Company anticipated for the particular asset and the characteristics of the contractual cash flows relating to that asset.

Financial assets valuated at amortised costs comprise of: cash and cash equivalents, amounts receivable from loans, trade and other receivables. In comparative data for the year ended 31 December 2017, for which the Company applied IAS 39 in respect of classification of financial assets, the above listed financial assets as at 31 December 2017 were included in the category loans and receivables.

Other financial liabilities comprise: debt securities, trade and other payables.

The Company does not hold securities classified as:

- Financial assets/liabilities stated at fair value through profit or loss,
- Derivatives designated as hedging instruments in effective hedging transactions.

The Company does not apply hedge accounting.

Initial recognition and valuation

Initial recognition of financial instruments and their subsequent valuation depend on their classification, which has been described in the following paragraphs:

- ‘Receivables form loans’,
- ’Trade and other receivables’,
- ‘Cash and cash equivalents’,
- ‘Debt securities in issue’,
- ‘Trade and other payables’.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased or the contractual rights to receive the cash flows from financial assets have been transferred that is, the rights to the cash flows are either transferred to another entity or they are retained by the Company and simultaneously the Company has an obligation to transfer these cash flows to another entity.

The Company derecognises a financial liability (or its part) if the contractual obligation has been fulfilled, redeemed or it expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Accounting policies (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market on the valuation date and the current market conditions, regardless of whether the price is directly observable or estimated using other valuation techniques. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants take these characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, the fair value measurements are categorized into level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable, and the significance of the inputs to the fair value as a whole. These levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities for which the entity has an access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 inputs are unobservable inputs for valuation of the asset or liability.

In measuring the fair value of assets or liabilities, the Company uses observable market data to the extent that this is possible.

Disclosure relating to fair value of financial assets and liabilities of the Company are presented in Note 22 to these Financial Statements.

Provisions

Provisions are recognized when the Company has a present obligation resulting from a past event and it is probable that the Company will be requested to settle that obligation and the amount can be reliably estimated. Provisions are measured at managements best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the time effect is material.

Equity

Equity comprises capital set up by the Company on the basis of the applicable legal regulations and the provisions of its Memorandum of Association.

The nominal value of the Company’s share capital is stated at the amount specified in its Memorandum of Association and the Commercial Register.

Retained earnings represent accumulated profits from prior years, which have been transferred to the Company's capital reserve, the net profit or loss for the financial year recognized in the statement of comprehensive income and the impact of the implementation of IFRS 9 for the first time as at 1 January 2018.

Dividends

Dividends to the Company’s owners are recognised in the Company’s Financial Statements – as decrease of the equity - in the period in which the dividends are approved by the Company’s owners.

3. Accounting policies (continued)

Segment reporting

According to IFRS 8.13 the Company shall report separately information about an operating segment that meets any of the following quantitative thresholds:

- its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, or
- the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, or
- its assets are 10 per cent or more of the combined assets of all operating segments.

Currently the Company has only one source of revenue and income from granting loans to other entities within the Group. Company activities represent one operating segment.

4. Key assumptions and estimates

Given the scope of current activities, the Company's estimates relate only to the assessment of the impairment provision for receivables from loans, the amount of provisions and operating expenditures, which are expected to be settled in the future, as well as the recoverability of the deferred income tax asset.

5. Interest revenue

For the year ended 31 December	2018 PLN	2017 PLN
Interest on loans	12 286 132,92	12 319 211,28
Interest on cash and cash equivalents	3 421,11	2 627,12
Total	**12 289 554,03**	**12 321 838,40**

Interest revenue on loans is calculated using the effective interest rate method.

6. Finance costs

For the year ended 31 December	2018 PLN	2017 PLN
Interest payable on debt securities	12 086 353,94	12 119 419,85
Total	**12 086 353,94**	**12 119 419,85**

Interest payable on debt securities in issue is calculated using the effective interest rate method.

Notes to the Financial Statements (continued)

7. Expenses by nature

For the year ended 31 December	2018 PLN	2017 PLN
External services:		
- audit and advisory services	28 385,00	21 340,50
- administrative costs	75 718,80	75 718,80
- bank charges	669,20	1 071,60
Impairment on receivables from loans	4 025,35	-
Total expenses by nature	**108 798,35**	**98 130,90**
Classified as:		
- operating costs	108 798,35	98 130,90

8. Income tax expense

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31 December 2018 and 31 December 2017 is as follows:

For the year ended 31 December	2018	2017
Accounting profit before tax	**94 401,74**	**104 287,65**
Current income tax	19 638,00	19 854,00
Deferred income tax	(1 700,82)	(40,00)
Income tax expense reported in statement of comprehensive income	**17 937,18**	**19 814,00**
Income tax expense at statutory income tax rate of 19% (2017: 19%)	**17 937,18**	**19 814,00**
Income tax expense at the effective income tax rate of 19% (2017: 19%)	**17 937,18**	**19 814,00**

9. Receivables from loans

As at 31 December	2018 PLN	2017 PLN
- due within one year	928 816,91	933 978,38
- due in more than one year	199 721 670,00	200 000 000,00
Total	**200 650 486,91**	**200 933 978,38**

As at 31 December 2018 and 31 December 2017 the Company had a receivable from only one loan, which was issued in June 2015 to a related entity for a period of 5 years at nominal value of PLN 200 million. The loan matures in June 2020. The interest on the loan is based on floating interest rate (WIBOR 6M) and the mark up. The amount receivable from the loan is held at amortized cost and equals the expected future cash flows discounted at the EIR. The repayment of the loan is guaranteed by entities from the Group (for details see Note 18). The loan was not past due as at 31 December 2018 and 31 December 2017. Changes in loss allowance relating to receivables from loans in 2018 are presented in Note 23.

10. Cash and cash equivalents

As at 31 December	2018 PLN	2017 PLN
Cash at bank	419 875,20	336 076,59
Total	**419 875,20**	**336 076,59**

Cash and cash equivalents represent amounts denominated in Polish Zloty. Cash at bank is interest bearing (floating rates).

11. Debt securities in issue

In June 2015 the Company issued 200 000 5-year floating-rate debt securities with a par value of PLN 1 000 each and a total nominal value of PLN 200 million. The details of the bonds are the following:

ISIN code	Maturity Date	Average interest rate (EIR%)	Book value 31 December 2018 PLN	Book value 31 December 2017 PLN
PLIPFIP00033	3.06.2020	WIBOR 6M + margin	200 915 097,49	200 918 743,55
Current portion			915 097,49	918 743,55
Non-current portion			200 000 000,00	200 000 000,00
Total			**200 915 097,49**	**200 918 743,55**

12. Trade and other payables

As at 31 December	2018 PLN	2017 PLN
Accruals	26 048,00	21 340,50
Total	**26 048,00**	**21 340,50**

The above balances comprise amounts to be settled within 12 months from the balance sheet date. The fair value of trade and other payables approximates to their book value due to their short-term nature.

13. Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using a tax rate of 19%.

	2018 PLN	2017 PLN
Deferred tax (asset)/liability as at 1 January	1 160,99	1 120,99
Increase charged to statement of comprehensive income	1 700,82	40,00
Increase recognised directly in equity	52 363,82	-
Net deferred tax asset/(liability) as at 31 December	**55 225,63**	**1 160,99**

13. Deferred tax (continued)

Deferred tax liability

As at 31 December	2018 PLN	2017 PLN
Receivables from loans	650 486,91	933 978,38
Total	**650 486,91**	**933 978,38**
Deferred tax liability at 19% (2017: 19%)	**123 592,51**	**177 455,89**

Deferred tax asset

As at 31 December	2018 PLN	2017 PLN
Interest payable for securities issued	915 100,12	918 748,34
Cost accruals	26 048,00	21 340,50
Total	**941 148,12**	**940 088,84**
Deferred tax asset at 19% (2017: 19%)	**178 818,14**	**178 616,88**
Net deferred tax asset	**55 225,63**	**1 160,99**

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets. Due to Company's judgement it is probable that these differences will realise in future.

14. Share capital

As at 31 December	2018				2017			
	Authorized		Issued and fully paid		Authorized		Issued and fully paid	
	Number	PLN	Number	PLN	Number	PLN	Number	PLN
Shares of 450 PLN each	100	45 000	100	45 000	100	45 000	100	45 000

During the year there were no changes to the number of shares issued.

The Company's immediate and ultimate parent and sole shareholder is IPF Plc.

15. Equity

The retained earnings consist of the following items:

- impact of IFRS 9 implementation amounting to PLN -223 235,22,
- undistributed earnings, which represent accumulated profits from previous years, which have been transferred to the Company's capital reserve by resolutions of Shareholders' Meeting in accordance with the Code of Commercial Companies,
- profit for the year.

For the purpose of presentation in these Financial Statements the above described reserve capital has been included into retained earnings.

In accordance with the resolution of the Ordinary Shareholders' Meeting from 27th June 2018 the net profit for the year ended 31 December 2017 in the amount of PLN 84 473,65 was declared to be transferred to capital reserves. The means can be used for distribution of dividend, advance for dividend or other purpose indicated in appropriate resolution.

15. Equity (continued)

For the profit generated by the Company in 2018 the Management Board plans to recommend to the Shareholders to distribute this profit in form of dividend or transfer it to capital reserves.

16. Directors' remuneration

The members of the Company's Management Board have been employed by the Group. During the period covered by the Financial Statements, the management of the Company has not received any compensation in respect of their capacity as managers of the Company. The Company's managers have been nominated by the shareholders, and were appointed in order to safeguard the shareholders' interests.

17. Employee information

The Company did not employ any employees in the period covered by the Financial Statements and in the comparable period and is not planning to employ any employees in the near future.

18. Related party transactions

(a) Relationship between IPF Investments Polska Sp. z o.o. and its parent company

For the parent company information, see Note 14.

(b) Key management personnel compensation

For the details related to key management personnel compensation, see Note 16.

In the year ended 31 December 2018 and 31 December 2017 the Company did not grant any loans to the Management Board members. There were no other transactions concluded with members of the management of the Company, of the parent company nor their close family members.

(c) Group transactions

In the year ended 31 December 2018 and 2017 the Company has been a party to transactions with the following related parties:

- IPF Plc (UK),
- Provident Polska S.A.,
- IPF Holdings Limited (UK),
- International Personal Finance Investments Limited (UK),
- IPF International Limited (UK),
- IPF Digital Group Limited (UK) (former MCB Finance Group Limited).

The nature of the transactions with the above entities was the following:

1. PLN 200 million intra-group loan agreement concluded with Provident Polska S.A. as borrower to financially support its basic business activity and with IPF plc, IPF Holdings Limited, International Personal Finance Investments Limited, IPF International Limited and IPF Digital Group Limited as joint guarantors of repayment of the loan issued to Provident Polska S.A.,
2. Service agreement, which regulates provision of services by Provident Polska S.A. to the Company in relation to accounting, banking, legal support and rental of office space.

Only the transactions with Provident Polska S.A. had an effect on the Company's statement of financial position and statement of comprehensive income, which was the following:

18. Related party transactions (continued)

Accordingly as at and for the year ended 31 December

	2018 PLN	2017 PLN
Revenue / (costs)		
Interests on loans	12 286 132,92	12 319 211,28
Cost recharges	21 263,74	25 431,31
Service costs	(75 718,80)	(75 718,80)
Total	**12 231 677,86**	**12 268 923,79**
Assets / (liabilities)		
Receivables from loan	200 650 486,91	200 933 978,38
Total	**200 650 486,91**	**200 933 978,38**

19. Commitments

The Company leases office space under operating lease agreement with one months' notice.

20. Contingent liabilities and contingent assets

As of 31 December 2018 and 31 December 2017 the Company had no contingent liabilities, including guarantees, securities granted and bills of exchange issued.

As of 31 December 2018 and 31 December 2017 the Company was a beneficiary of a guarantee received from Group companies relating to the loan agreement between the Company and Provident Polska S.A. Details of the transaction are presented in Note 18.

21. Post balance sheet events

On 27 March 2019, effective from 29 March 2019, John Dahlgreen resigned from the position of the Management Board Member, which he held since 8 December 2009.

In April 2019 Fitch raiting agency changed the outlook for IPF plc Group from negative to stable.

22. Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Company are set out below:

As at 31 December	2018		2017	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets	PLN	PLN	PLN	PLN
Cash and cash equivalents	419 875,20	419 875,20	336 076,59	336 076,59
Receivables from loans	203 154 431,85	200 650 486,91	206 176 000,00	200 933 978,38
Total	**203 574 307,05**	**201 070 362,11**	**206 512 076,59**	**201 270 054,97**
Financial liabilities				
Debt securities in issue	190 426 000,00	200 915 097,49	190 850 000,00	200 918 743,55
Trade and other payables	26 048,00	26 048,00	21 340,50	21 340,50
Total	**190 452 048,00**	**200 941 145,49**	**190 871 340,50**	**200 940 084,05**

22. Fair values of financial assets and liabilities (continued)

The fair value of amounts receivable from loans for the Financial Statements purposes has been assessed by discounting contractual future cash flows at an appropriate current market rate of similar instruments available for the Company.

The fair value of debt securities in issue has been obtained from Catalyst market listings (bonds issued by IPF Investments Polska Sp. z o.o. are listed on this market) (the last available transaction listing as at the end of 2018 and 2017). Due to the limited number of bonds and small number of transactions in the market the debt securities in issue have been classified into Level 2 of fair value hierarchy.

For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

The IFRS 13 *Fair Value Measurement* fair value hierarchy of the Company's financial assets and liabilities (whose carrying value differs from their fair values) as at 31 December 2018 and 2017 is set out below:

As at 31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets	PLN	PLN	PLN	PLN
Cash and cash equivalents	419 875,20	-	-	419 875,20
Receivables from loans	-	203 154 431,85	-	203 154 431,85
Total	**419 875,20**	**203 154 431,85**	**-**	**203 574 307,05**
Financial liabilities				
Debt securities in issue	-	190 426 000,00	-	190 426 000,00
Trade and other payables	-	26 048,00	-	26 048,00
Total	**-**	**190 452 048,00**	**-**	**190 452 048,00**

As at 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets	PLN	PLN	PLN	PLN
Cash and cash equivalents	336 076,59	-		336 076,59
Receivables from loans	-	206 176 000,00	-	206 176 000,00
Trade and other receivables	-	-	-	-
Total	**336 076,59**	**206 176 000,00**	**-**	**206 512 076,59**
Financial liabilities				
Debt securities in issue	-	190 850 000,00	-	190 850 000,00
Trade and other payables	-	21 340,50	-	21 340,50
Total	**-**	**190 871 340,50**	**-**	**190 871 340,50**

23. Risk management

Risk arising from financial instruments

The Company follows treasury policies approved by the Group Board of Directors. The Company's day-to-day operations are managed by delegated employees of Provident Polska S.A. on the basis of a services agreement (see also Note 18).

The treasury policies are designed to manage the main financial risks in relation to funding and investment. These policies ensure that the borrowings and investments are with high quality counterparties; are limited to specific instruments; the exposure to a single counterparty or type of instrument is controlled; and the Company's exposure to interest rate risk is maintained within set limits.

23. Risk management (continued)

Interest rate risk

The Company is exposed to interest rate risk arising on changes in interest rates on loan receivables and debt securities in issue and therefore seeks to limit its exposure. The interest risk in relation to overnights and deposits is assessed as insignificant, trade receivables and payables are non-interest bearing.

This reduction of the interest rate risk is achieved by the perfect matching of the parameters of loans issued to the Group companies with the terms and conditions of the debt securities issued, which means that any changes in market conditions in relation to debt securities in issue will be automatically reflected in loan contract conditions. Therefore, if interest rates increased/decreased by 50 bps in the 2018 or 2017 this would have no significant effect on net interest revenue (revenue less interest expense).

Currency risk

In 2018 and 2017 the Company was not exposed to any currency risk.

Credit risk

The Company is subject to credit risk mostly in respect of the amounts receivable from loans and the cash and cash equivalents held on deposit with banks.

As at 31 December	2018 PLN Carrying value	2017 PLN Carrying value
Cash and cash equivalents	419 875,20	336 076,59
Receivables from loans	200 650 486,91	200 933 978,38
Total	**201 070 362,11**	**201 270 054,97**

Cash and cash equivalents

Cash and cash equivalents are neither past due nor impaired. Credit quality of these assets is good and the cash and cash equivalents are held with banks with good ratings, which meet the criteria set out within treasury policies to ensure the risk of loss is minimized. The Company does not hold any petty cash.

Amounts receivable from loans

The Company is exposed to credit risk, which is the risk that a counterparty might be unable to pay amounts in full when due.

Amounts receivable from customers are stated at amortised cost and calculated in accordance with the accounting policies set out in point 3 ‘Summary of significant accounting policies’. Depending on the risks associated with each loan, they are categorised into three stages where stage 3 is the highest risk. The table below shows the amount of the net receivables in each stage at 31 December 2018:

	Stage 1 PLN	**Stage 2** PLN	**Stage 3** PLN	**Total** PLN
Receivables from loans	200 650 486,91	-	-	200 650 486,91

The changes in gross carrying amount recognised for the period is impacted by a variety of factors, as described below:

- additional gross carrying amount for new receivables (incl. accrued interest);
- reductions of the gross carrying amount due to payments (incl. interest payments).

23. Risk management (continued)

The following tables explain the changes in the gross carrying amount between the beginning of the period and the end of the period due to these factors:

	Stage 1 PLN	Stage 2 PLN	Stage 3 PLN	Total PLN
Gross carrying value				
As at 1 January 2018	200 933 978,38	-	-	200 933 978,38
Additions (accrued interest)	12 286 132,92	-	-	12 286 132,92
Payments	(12 290 000,00)	-	-	(12 290 000,00)
As at 31 December 2018	**200 930 111,30**	**-**	**-**	**200 930 111,30**

The loss allowance recognised in the period is impacted mainly by:

- changes of the current balance relating to receivables from loans;
- changes in parameters relating to estimated risk (PD, EAD, LGD) in the period.

The following tables explain the changes in the loss allowance between the beginning of the period and the end of the period:

	Stage 1 PLN	Stage 2 PLN	Stage 3 PLN	Total PLN
Loss allowance				
As at 1 January 2018	(275 599,04)	-	-	(275 599,04)
Changes in impairment due to receivables balance changes	5,39	-	-	5,39
Changes in parameters	(4 030,74)	-	-	(4 030,74)
As at 31 December 2018	**(279 624,39)**	**-**	**-**	**(279 624,38)**
Gross carrying value as at 1 January 2018	200 933 978,38	-	-	200 933 978,38
Loss allowance as at 1 January 2018	(275 599,04)	-	-	(275 599,04)
Net receivables as at 1 January 2018 (restated)	**200 658 379,34**	**-**	**-**	**200 658 379,34**
Gross carrying value as at 31 December 2018	200 930 111,30	-	-	200 930 111,30
Loss allowance as at 31 December 2018	(279 624,39)	-	-	(279 624,38)
Net receivables as at 31 December 2018	**200 650 486,91**	**-**	**-**	**200 650 486,92**

The main lender of the Company, Provident Polska S.A., was subject to tax audits in respect to the years 2008 and 2009. During these audits the Polish tax authorities have challenged an intra-group arrangement with a UK entity, and the timing of the taxation of home collection fee revenues.

These audits culminated with decisions being received from the Polish Tax Chamber and Provident Polska S.A. paid in 2017 in total ca. PLN 171,9 million of additional tax and accrued interest. These decisions have been appealed to the District Administrative Court. The court cases have been subsequently suspended due to initiation of the Mutual Agreement Procedure (MAP) between Polish and British tax authorities on this case.

23. Risk management (continued)

In the event that audits for the years 2010-2018 are opened, and similar decisions are reached for each of these subsequent financial years, further amounts of up to circa PLN 633 million may be required to be funded.

The Management of Provident Polska S.A. strongly disagrees with the interpretation of the tax authority having received legal opinions from leading advisors as to the strength of this case and does not consider that there will be any probable loss for the company.

The risk of material unexpected credit losses in respect of amounts receivable from the loan given to Provident Polska S.A. is low, as, irrespective the issue described above, the loan is guaranteed by other Group companies (see Note 18) who have Fitch Agency rating BB (Outlook stable).

Receivables from loans as at 31 December 2018 and 31 December 2017 were not past due.

Liquidity risk

The Company is not subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth as it has a stable source of finance in the form of debt securities.

The nature of the Company's business is that the term and conditions of amounts receivable from loans are matched with those of debt securities in issue.

Analysis of assets and liabilities due

The following table presents the analysis of undiscounted amounts due from loans and liabilities from debt securities issued as at 31 December 2018 and 31 December 2017 (including total amount of interest payable), according to maturities.

As at 31 December 2018	Receivables from loans	Percentage	Debt securities in issue	Percentage
	PLN	%	PLN	%
Less than 1 year	12 280 000,00	5,6	12 080 000,00	5,5
1-2 years	206 156 000,00	94,4	206 056 000,00	94,5
Total	**218 436 000,00**	**100,0**	**218 136 000,00**	**100,0**

As at 31 December 2017	Receivables from loans	Percentage	Debt securities in issue	Percentage
	PLN	%	PLN	%
Less than 1 year	12 320 000,00	5,3	12 120 000,00	5,3
1-2 years	12 320 000,00	5,3	12 120 000,00	5,3
2-5 years	206 176 000,00	89,4	206 076 000,00	89,6
Total	**230 816 000,00**	**100,0**	**230 316 000,00**	**100,0**

The table illustrates perfect matching of the maturities of receivables from loans and funding in the form of debt securities.

Capital management

Due to the character of the Company (special purpose vehicle providing finance to other Group companies) its objective when managing capital is to retain the initially paid in share capital to meet regulatory requirements. The high gearing ratio, which is due to the issue of debt instruments is counterbalanced by the amount receivable from a loan matching the issued debt instruments.

24. Categories of financial assets and liabilities

Financial assets

As at 31 December	2018 Financial assets valuated at amortized cost	2017 Loans and receivables
	PLN	PLN
Cash and cash equivalents	419 875,20	336 076,59
Amounts receivable from loans	200 650 486,91	200 933 978,38
Total	**201 070 362,11**	**201 270 054,97**

Financial liabilities

As at 31 December	2018 Other financial liabilities	2017 Other financial liabilities
	PLN	PLN
Debt securities in issue	200 915 097,49	200 918 743,55
Trade and other payables	26 048,00	21 340,50
Total	**200 941 145,49**	**200 940 084,05**

25. Auditor’s remuneration

Fees payable to the Auditor for the statutory audit of annual Financial Statements for the year ended 31 December 2018 and 31 December 2017 equal to PLN 20 418,00 (gross) for both years.

Fees payable to the Auditor for other assurance services for the year ended 31 December 2018 and 31 December 2017 equal to PLN 3 259,50 (gross) for both years.