Independent Auditor's Report in accordance with
International Standards on Auditing

ID FINANCE SPAIN, S.A. (Sociedad Unipersonal)
Financial Statements
for the year ended
December 31, 2020

Building a better
working world

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
Fax: 915 727 238
ey.com

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

To the Sole Shareholder of ID Finance Spain, S.A. (Sociedad Unipersonal):

Opinion

We have audited the financial statements of ID Finance Spain, S.A. (Sociedad Unipersonal) (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, the statement of recognized income and expenses, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Other matter

As explained in Note 2 of the accompanying explanatory notes, the accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (IFRS-EU) and have been audited applying International Standards on Auditing. This report cannot be considered an audit carried out in accordance with prevailing audit regulations in Spain.

Responsibilities of the Sole Director for the financial statements

The Sole Director is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU) (see Note 2), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Sole Director 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of Sole Director's use of the going concern basis of accounting 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

Este informe se corresponde con el sello distintivo nº 01/21/14404 emitido por el Instituto de Censores Jurados de Cuentas de España

Albert Fernández Chafer
(Registered in the Official Register of Auditors under No. 23820)

June 8, 2021

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

Special Purpose IFRS Financial Statements
for the year ended 31 December 2020

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

Contents

ID FINANCE

BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euro)	**Note**	**31-12-2020**	**31-12-2019 (*)**
ASSETS			
Cash and cash equivalents	7	7,226	4,574
Loans due from customers	8	25,199	23,315
Loans to related parties	17	11,323	-
Prepaid Expenses		300	38
Property and equipment	9	183	183
Intangible assets	10	74	82
Deferred tax assets	13	6,513	4,627
Other financial assets	12	2,647	199
Total Assets		**53,465**	**33,018**
LIABILITIES			
Loans and borrowings	11	37,576	23,380
Current tax liability		61	57
Provisions	15	1,807	110
Other financial liabilities	12	6,125	4,069
Total Liabilities		**45,569**	**27,616**
EQUITY			
Share capital	14	60	60
Other shareholders contributions	14	3,000	3,000
Other reserves	14	12	12
Retained earnings from previous years		2,330	(935)
Profit/(Loss) for the year		2,494	3,265
Total Equity		**7,896**	**5,402**
Total Liabilities and Equity		**53,465**	**33,018**

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2020.

(*) The balance sheet at 31 December 2019 is presented solely and exclusively for comparison purposes (see Note 2c).

ID FINANCE

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euro)	Note	2020	2019 (*)
Interest and related Income	4	67,920	48,521
Net Impairment Losses	11	(42,134)	(30,223)
Net Interest and related Revenue		**25,785**	**18,298**
Marketing and issue Expenses	5	(14,378)	(9,036)
Administrative Expenses	6	(3,971)	(2,536)
Depreciation and Amortisation	9,10	(144)	(91)
Operating Income/(Loss)		**7,293**	**6,635**
Financial Interest Income		280	-
Financial Interest Expense		(3,131)	(2,234)
Net foreign currency Loss		(1)	(38)
Other Gain/(Loss)		(1,067)	(4)
Profit/(Loss) before Income Tax		**3,374**	**4,359**
Income Tax Expense	13	(880)	(1,094)
Profit/(Loss) for the year		**2,494**	**3,265**

The accompanying Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2020.

(*) The income statement for the year ended 31 December 2019 is presented solely and exclusively for comparison purposes (see Note 2c).

STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)	2020	2019 (*)
Profit/(loss) for the year	**2,494**	**3,265**
Other comprehensive income, net of income tax		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)	-	-
Total other comprehensive income for the year, net of income tax	**-**	-
Total comprehensive income/(loss) for the year	**2,494**	**3,265**

The accompanying Notes 1 to 21 are an integral part of the statement of recognised income and expenses for the year ended 31 December 2020.

(*) The statement of recognised income and expenses for the year ended 31 December 2019 is presented solely and exclusively for comparison purposes (see Note 2c).

ID FINANCE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of euro)	Share capital	Other Shareholders contributions	Retained earnings	Profit/(Loss) for the year	Other Reserves	Total equity
Balance as at 1 January 2020	**60**	**3,000**	**(935)**	**3,265**	**12**	**5,402**
Total comprehensive income						
Profit for the year	-	-	-	2,494	-	**2,494**
Oher changes in equity	-	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**2,494**	**-**	**2,494**
Transfer between components	-	-	3,265	(3,265)	-	**-**
Total contributions and distributions	**-**	**-**	**3,265**	**(3,265)**	**-**	**-**
Balance as at 31 December 2020	**60**	**3,000**	**2,330**	**2,494**	**12**	**7,896**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)	Share capital	Other Shareholders contributions	Retained earnings	Profit/(Loss) for the year	Other Reserves	Total equity
Balance as at 1 January 2019*	**60**	**-**	**(1,008)**	**73**	**12**	**(863)**
Total comprehensive income						
Profit for the year	-	-	-	3,265	-	**3,265**
Total comprehensive income for the year	**-**	**-**	**-**	**3,265**	**-**	**3,265**
Transfer between equity components	-	-	73	(73)	-	**-**
Other (Note 14)	-	3,000	-	-	-	**3,000**
Total contributions and distributions	**-**	**3,000**	**73**	**(73)**	**-**	**3,000**
Balance as at 31 December 2019	**60**	**3,000**	**(935)**	**3,265**	**12**	**5,402**

The accompanying Notes 1 to 21 are an integral part of the statement of changes in equity for the year ended 31 December 2020.
(*) The statement of changes in equity for the year ended 31 December 2019 is presented solely and exclusively for comparison purposes (see Note 2c).

ID FINANCE

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euro)	**Note**	**2020**	**2019 (*)**
Cash flows from operating activities			
Profit/(loss) before income tax		3,374	4,359
Adjustment for:			
Provision for impairment losses on loans	9	42,134	30,223
Interest income from non-customers loan		-	-
Interest expense on loans and borrowings		-	-
Other gains/losses		-	-
Depreciation and amortization	10,11	144	91
Foreign exchange loss		1	38
Increase in loans due from customers		44,018	42,158
Increase/Decrease in financial instruments designated at fair value through income or loss		-	-
Increase/Decrease in other assets		2,708	(111)
Increase/Decrease in Provisions		1,697	-
Increase/Decrease in other liabilities		823	(1,307)
Income tax paid		(1,530)	(1,265)
Net cash-flows used in operating activities		**(85)**	**(10,131)**
Cash flows from investing activities			
Payments			
Purchases of intangible assets	11	(38)	- 4
Purchases of property and equipment	10	(98)	(172)
Loans to related parties		(11,323)	-
Collections			
Interest collections		-	-
Loans to related parties			-
Net cash flows used in investing activities		**(11,459)**	**(176)**
Cash flows from financing activities			
Payments			
Interest payments		-	-
Collections			
Increase/Decrease in loans and borrowings	11	14,196	10,635
Net proceeds from issuance of common stock		-	-
Other shareholders contribution	14	-	-
Net cash flows from financing activities		**14,196**	**10,635**
Net increase in cash and cash equivalents		**2,652**	**328**
Cash and cash equivalents at the beginning of the period	7	**4,574**	**1,246**
Effect of exchange rate fluctuations on cash		-	-
Cash and cash equivalents at the end of the period	7	**7,226**	**4,574**

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows for the year ended 31 December 2020.

(*) The statement of cash flows for the year ended 31 December 2019 is presented solely and exclusively for comparison purposes (see Note 2c).

1. GENERAL INFORMATION

ID Finance Spain, S.A. (Sociedad Unipersonal) (hereinafter referred to as the "Company") was established on February 26, 2015 as a sole shareholder limited company. On August 18, 2020, the Company changed its denomination to a sole shareholder public company. Its registered office is on Carrer Moià No. 1, 1st floor (08006) Barcelona, Spain. The Company CIF number is B66487190. Its registered office was included in the commercial register in Barcelona on March 23, 2015 in volume 44.735, folio 28, and sheet B 464824, inscription 1.

The main purpose of the Company is to exercise and exploit the following activities:

- Granting of non-mortgage loans or credits to any person, excluding in any case, the activities reserved to credit institutions in accordance with the applicable regulations.
- Advertising, consultancy and providing services in relation to the Internet, as well as placing ads on any other traditional or new media.
- Provision of online digital comparison services for financial products and instruments.

The Company is a leading digital finance provider in Spain.

The Company belongs to a Group of companies under the terms of Article 42 of the Commercial Code, the parent of which is ID Finance Investments, S.L. with registered office at Carrer Moià 1, 1ª planta, 08006 Barcelona. As of 31 December 2020 and 2019, the scope of the Group encompassed 7 subsidiaries. These companies engage in a range of activities, including among others, credit scoring and digital consumer finance provider.

ID Finance is a data-driven financing platform that is pioneering fintech innovation in emerging markets with a range of convenient, competitive and transparent finance services available over the internet. The Company uses machine learning and advanced data science techniques to improve access to competitive financial services.

In 2019, the Parent Company of ID Finance Spain, S.L. closed a 5,4 million euros equity crowdfunding round and became a member of the EURONEXT TechShare Program.

In March 2021, ID Finance ranked as the fastest growing fintech in Spain for 2020 by Financial Times for the fourth consecutive year (2017-2020).

The Group prepares consolidated financial statements in accordance with IFRS-EU, whilst each component prepares separate statutory financial statements subject to the regulation in place in each jurisdiction in which they operate.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS

(a) Basis of presentation and purpose of these special purpose financial statements

These special purpose IFRS financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) published by the International Accounting Standards Board (IASB) and further interpretations, so that they give a true and fair view, in all material respects, of the equity and financial position of the Company as of December 31, 2020, and the results of its operations and cash flows for the year then ended, in conformity with the aforementioned applicable regulatory framework for financial information and, specifically, the accounting principles and criteria contained therein.

These special purpose IFRS financial statements have been prepared from the accounting records kept by the Company. However, given that the accounting principles and measurement criteria applied in the preparation of the financial statements may differ if using local accounting local requirements, the necessary adjustments and reclassifications have been made during the preparation of the financial statements to adapt them to the IFRS-EU principles.

The functional currency of the Company is Euro. All values are rounded to the nearest thousand (€'000), except when otherwise indicated.

The accounting policies used in the preparation of these special purpose financial statements meet every prevailing standard at the date they were authorized for issue. The International Financial Reporting Standards as adopted by the European Union establish application alternatives in some cases. The options applied by the Company are described in the several accounting policies detailed in these Notes.

(b) Basis of measurement

The main accounting policies and measurement basis applied in preparing the Company financial statements for 2020 are summarised in Note 3.

(c) Comparative information

As required by the prevailing regulation, the information relating to 2019 included in this special purpose financial statements for the year ended 31 December 2020 is presented solely for comparative purposes and does not constitute the IFRS special purposes financial statements for the year 2020.

(d) Mandatory new standards, amendments and interpretations for annual periods beginning 1 January 2020

New International Financial Reporting Standards, modifications and interpretations of mandatory application in the annual period which began 1 January 2020, approved by the European Union.

Revised version of the IFRS Conceptual Framework

The revised version of the Conceptual Framework establishes a number of fundamental concepts that guide the IASB in developing rules and helps ensure that standards are consistent and that similar transactions are treated in the same way. In addition, it also helps entities develop their accounting policies when there are no specific regulations applicable to a transaction.

The revised Conceptual Framework includes a new chapter on valuation, improves definitions and guides, and clarifies more important areas such as prudence and the evaluation of uncertainty.

These modifications will not have a significant impact on the preparation of the financial statements.

Modifications of IAS 1 and IAS 8 - Definition of material

Modifications to the definition of material are included to facilitate the realization of judgments about what is material. The definition of material helps entities decide whether information should be included in financial statements. These modifications clarify the definition and include guides on how it should be applied. In addition, the explanations accompanying the definition of material have been improved and the coherence between the different rules has been ensured.

These modifications will not have a significant impact on the preparation of the financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39 – Reforms of the reference interest rate

These modifications provide a number of exemptions, which apply to all coverage relationships that are directly affected by the reform of benchmark interest rates. A hedging relationship is affected if this reform implies uncertainty regarding the timing and/or amount of cash flows referenced at the interest rate of the hedged item or the hedging instrument.

These modifications will not have a significant impact on the preparation of the financial statements.

Modifications of IFRS 3– Business Combinations

These modifications change IFRS 3 definition of business to help entities determine whether a transaction should be registered as a business combination or as an acquisition of a group of assets. This distinction is important, since the acquirer only recognizes goodwill when acquiring a business.

The new business definition emphasizes that the purpose of a business is to provide goods and services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary activities; while the previous definition focused on providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, partners or shareholders.

These modifications will not have a significant impact on the preparation of the financial statements.

(e) New standards, modifications and interpretations of mandatory application in the exercises that begin on January 1, 2021 and beyond, approved by the European Union

The new standards, modifications and interpretations of mandatory application in the exercises that begin on January 1, 2021 issued by the IASB, which have not yet been adopted by Andorra include the amendment to IFRS 4 *Insurance contracts*, on the extension of the adoption of IFRS 9 *Financial instruments* for entities that apply this rule; IFRS 17 *Insurance contracts*, which will replace IFRS 4; amendments to IAS 1 *Presentation of the financial statements*, on the classification of liabilities between current and non-current; amendments to IFRS 3 *Business Combinations*, to update the reference to the conceptual framework; modifications to IAS 16 *Properties, plant and equipment*, in relation to the amounts obtained prior to the intended use; amendments to IAS 37 *Provisions, contingent liabilities and contingent assets*, in relation to the costs to fulfil a contract; the 2018 – 2020 annual improvement cycle; amendments to IFRS 9 *Financial instruments*, on the expenses to be included when evaluating whether the modifications to the terms of a financial liability are substantially different from the original liability, and modifications to IAS 41 *Agriculture*, on the fiscal impact on the valuation of fair value.

These modifications will not have a significant impact on the preparation of the financial statements.

(f) Effects of covid-19 in the activities of the Company

On 11 March 2020, the World Health Organization raised the public health emergency caused by the coronavirus outbreak (COVID-19) to the international pandemic. The evolution of events, at national and international level, has led to an unprecedented health crisis that has impacted the macroeconomic environment and business developments. To address this situation, a number of measures have been taken during the 2020 financial year to address the economic and social impact, including restrictions on people's mobility. In particular, the Government of Spain proceeded, among other measures, to the declaration of the state of alarm by the publication of Royal Decree 463/2020 of 14 March, which was lifted on 1 July 2020, and to the adoption of a series of extraordinary urgent measures to deal with the economic and social impact of COVID-19, by means, among others, of the Royal Decree-Law 8/2020 of 17 March. As at the date of authorisation of these special purpose financial statements, the state of alarm declared by the Government of Spain by Royal Decree 926/2020 of 25 October, initially approved until 9 November 2020, is still in force and has been extended until 9 May 2021 by means of the Royal Decree 956/2020 of 3 November.

The evolution of the pandemic had, so far, a limited effect in the Company's operations. However, the effects in the coming months are uncertain and will depend on the evolution and extent of the pandemic.

(g) Use of the going concern

These special purpose IFRS financial statements have been prepared on a going concern basis, which assumes the realisation of assets and the settlement of liabilities in the normal course of business.

(h) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS-EU requires from Management the exercise of judgement, to make estimates and assumptions that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Allowances for credit losses on loans and receivables

Total allowances for impairment on loans and advances are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. Collectively assessed impairment allowances also cover credit losses for portfolios of defaulted loans which are defined as past due 90 days or more. In assessing the need for collective loss allowances, management considers factors such as probability of default, loss given default ("LGD"), portfolio size, delay concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. To assess collective impairment allowances, the loan portfolio is grouped based on delay days. The significant assumptions used in determining collective impairment losses for the loan portfolio include:

- Management assumes that Company collects cash from defaulted loans up to 24 months after default.
- Management calculates probability of default ratios using historic transition matrices which analyses loan portfolio movements between the delinquency buckets over one-month periods. This analysis is undertaken on a bucket's basis, in which the average probability of default ratios of the last 365 days is recalculated. Management writes off trade receivables and loans due from customers, when they are past due more than 810 days, or earlier if deemed to be uncollectable.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generation unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. There are no indicators of impairment of non-financial assets at 31 December 2020 and 2019. The most significant non-financial assets subject to potential impairment testing are owned property and equipment and intangible assets, which mainly represent internal software development costs capitalised.

Deferred tax assets and uncertain tax positions

Income tax expense comprises current and deferred tax. Current tax is tax payable on taxable income for the year, using tax rates at reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies (see Note 13).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Income and expense recognition

Interest income (including commission, extension fee and penalty) from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income or expense is recognised using the effective interest method.

If the Company revises its estimates of payments or receipts, it adjusts the carrying amount of the loan to reflect actual and revised estimated cash flows. The Company then recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate, and the adjustment to the carrying amount is recognised in income. When it receives loan extension fees, which represent prepaid interest for the requested period of extension, such amounts represent the increase in the carrying value of the loan and are recognised in income upon receipt.

Other fees, commissions, penalties and other income and expense items are recognised in profit or loss when the corresponding service is provided.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured in thousands of euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Monetary assets and liabilities denominated in foreign currencies are premeasured into the functional currency at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

As at the reporting date, the assets and liabilities of the Company with functional currencies other than the presentation currency are translated into the presentation currency of the Company (EUR euros) at the rate as at the reporting date, the assets and liabilities of the Company with functional currencies other than the presentation currency are translated into the presentation currency of the Company (EUR euros) at the rate of exchange ruling at the reporting date and their operations are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

(e) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax and is recorded in the profit or loss.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred 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 tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Financial instruments

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale or, may not recover substantially all of its initial investment, other than because of credit deterioration.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

The Company classifies non-derivative financial assets into loans and receivables category, which consists of loans due from customers, cash and cash equivalents and other assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities' category. Other financial liabilities comprise of loans from related party and other liabilities.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, loans and receivables and other financial liabilities are measured at amortised cost using the effective interest method.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in these circumstances.

The key financial instruments of the Company are cash, trade receivables, loans due from customers, loans to related parties, trade payables, loans payable and other creditors arising from the business activities.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

In addition, for financial reporting purposes, the Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(vi) Gains and losses on subsequent measurement

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortization process.

(vii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire~~,~~ or when it transfers substantially all the risks and rewards of ownership of the financial asset. Any rights created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(viii) Offsetting

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 set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(h) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. When objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Specific impairment testing is not undertaken since the loan portfolio consists of a large number of small homogeneous exposure loans that would make individual impairment testing impractical.

Given the nature of the Company's financial assets, the Company considers that there has been a significant increase in credit risk that triggers stage 2 classification when there is already one day past due, and that there is evidence of impairment that triggers stage 3 classification when there are 90 days past due.

(j) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to EUR euros at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR euros at rates at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised as a separate component of equity.

(k) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables. The Company reviews its loans and receivables to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases, the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data related to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Company writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(l) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(m) Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Property and equipment

(i) Owned assets

Items of property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises, major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged in profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Computer equipment	3 years
Long-term leasehold improvements	5 years
Other property and equipment	5 years

At each year end, the Company reviews the residual value, useful life and depreciation method of property, plant and equipment items. Any changes in the initial criteria are accounted for as a change to estimates.

(iii) Depreciation

The Company evaluates and determines impairment losses on property, plant and equipment and any reversals thereof in accordance with the criteria described in Note 3 p).

(n) Intangible assets

The Company has a detailed Intangible Assets Capitalisation Policy covering accounting for development projects. The Company incurs costs for development of computer software and similar items, which may be capitalised. Capitalised expenditure can be either external (for example, IT subcontractors) or generated internally within the entity (for example, IT employees developing IT software). Only assets are capitalised that are separately identifiable, for which the entity has control, and for which probable future economic benefits shall be recognised. No intangible asset costs arising from the research phase of a project are capitalised. Expenditure on research is expensed when incurred. Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner. Intangible assets, other than goodwill, are stated at cost less accumulated amortization and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortization is charged in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives are as follows:

Licenses, trademarks and similar rights	5 years
Software and other intangible assets	3 years

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, production or creation of the qualifying assets are recognised in profit or loss using the effective interest method.

Borrowing costs are capitalised related to the creation, production of the new qualifying assets. Borrowing costs attributable to the creation of qualifying assets are capitalised as a portion of the qualifying asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. For the Company, the capitalisation of borrowing costs is relating to intangibles is mainly relevant for capitalised expenditure for the development of new data IT systems.

(p) Impairment of non-financial assets

Assets with an indefinite useful life are not amortised but tested annually for impairment. Assets that are amortised or depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of an asset Exceeds its recoverable amount, which is the greater of the net selling price and value in use. In respect of items of property, plant and equipment and intangible assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(q) Share capital, Share Premium and other Shareholders contributions.

Share capital is classified as equity.

Share Premium - the difference between the par value of a company's shares and the total amount a company received for shares recently issued. The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Spain Companies Law on reduction of share capital.

Other shareholders contributions - Assets, liabilities and equity items received from equity holders or owners in their capacity as such and for transactions not recorded in other accounts, provided that these items do not constitute compensation for goods delivered or services rendered by the company and that they do not have the nature of a liability.

(r) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of Spain legislation.

Dividends in relation to share capital are reflected as an appropriation of retained earnings in the period when they are declared.

(s) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(t) Transactions with related parties

Transactions with related parties are accounted in accordance with the valuation rules detailed above, except for the following transactions:

•The non-monetary contributions of a business to a company are generally measured at the book value of the equity items delivered in the financial statements at the date the transaction is carried out.

•In the merger and split operations of a business, the acquired elements are generally valued at the amount corresponding to them, once the transaction has been completed, in the financial statements. Differences that arise are registered in reserves.

4. INTEREST AND RELATED INCOME

'000	**2020**	**2019**
Interest on loans due from Customers	34,052	21,947
Penalties	23,233	18,014
Extension fees	10,282	8,357
Other revenues	352	203
Total	**67,919**	**48,521**

5. MARKETING, LOAN ISSUE AND SERVICING EXPENSE

'000	**2020**	**2019**
Marketing Expenses	9,174	4,743
Product and Payment Processing	1,277	739
Collection Expenses	2,286	1,604
Client Identification and Scoring	1,325	1,524
Other	316	426
Total	**14,378**	**9,036**

6. ADMINISTRATIVE EXPENSES

'000	**2020**	**2019**
Remuneration to Employees and payroll Taxes	771	657
Professional Services Fees	923	188
Hosting and IT maintenance	101	77
Audit Fees	48	57
Intercompany charges	1,942	1,497
Other	186	60
Total	**3,971**	**2,536**

The Parent Company charged to the Company IT and Risk development, maintenance and support costs and other centralised expenses for an amount of 1,880 thousand of euros in 2020 (2019: 1,206 thousand of euros), which are charged based on their usage.

The statutory auditor is Ernst & Young, S.L. The audit fees for 2020 were 48 thousand of euros (2019: 42 thousand of euros). In 2020, the Ernst & Young provided other audit-related services for a total amount of 35 thousand of euro (2019: 15 thousand of euros).

The table below shows the number of employees by gender and category as of 31 December 2020 and 2019 and the average number of employees in each year:

Category	2020			2019		
	Male	Female	Average 2020	Male	Female	Average 2019
Senior Management	1	0	1	-	1	2
Middle Management	9	7	14	9	2	8
Other	48	46	91	55	46	65
Total	**58**	**53**	**106**	**64**	**49**	**75**

As of December 2020, and December 2019, the Company does not have any employee with disabilities within its workforce.

7. CASH AND CASH EQUIVALENTS

’000	31-Dec-20	31-Dec-19
Cash in bank	7,226	4,574
Total cash and cash equivalents	**7,226**	**4,574**

All the cash balances included in this caption have no restrictions for use and have not generated any interest income.

8. LOANS DUE FROM CUSTOMERS

’000	31-Dec-20	31-Dec-19
Gross loans due from customers	53,408	49,386
Impairment allowance	(28,209)	(26,071)
Net loans due from customers	**25,199**	**23,315**

Movements in the loan impairment allowance by classes of loans due from customers for the respective periods are as follows:

	31-Dec-20	31-Dec-19
’000		
Balance at the beginning of the year	(26,071)	(10,998)
Net charge for the period	(42,134)	(30,223)
Amounts written off	39,996	15,150
Balance at the end of the year	**(28,209)**	**(26,071)**

As at December 31 the ageing analysis of loans due from customers is, as follows:

’000

31-Dec-20	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Not delayed (Stage 1)	18,626	779	17,849	4%
1-90 days past due (Stage 2)	14,929	10,051	4,878	67%
> 91 days past due (Stage 3)	19,853	17,379	2,474	88%
Total overdue or impaired loans	**34,782**	**27,430**	**7,352**	**79%**
Total loans to customers	**53,408**	**28,209**	**25,199**	**53%**

’000

31-Dec-19	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Not delayed (Stage 1)	16,239	717	15,522	4%
1-90 days past due (Stage 2)	11,583	7,299	4,284	63%
> 91 days past due (Stage 3)	21,564	18,055	3,509	84%
Total overdue or impaired loans	**33,147**	**25,354**	**7,793**	**76%**
Total loans to customers	**49,386**	**26,071**	**23,315**	**53%**

Detailed breakdowns of loans due from customers maturities are presented in note 16.

The fair value of loans due from customers is closely related to its book value net of impairment and is classified as level 2.

9. PROPERTY AND EQUIPMENT

’000	Equipment	Fixtures and fittings	Leases – Right of use assets	Total
Cost				
Balance at 1 January 2020	27	6	227	260
Additions/disposals	25	73	-	98
Balance at 31 December 2020	**52**	**79**	**227**	**358**
Accumulated depreciation				
Balance at 1 January 2020	15	4	58	77
Depreciation and amortisation for the year	8	32	58	98
Balance at 31 December 2020	**23**	**36**	**116**	**175**
Carrying amount				
At 31 December 2020	**29**	**43**	**111**	**183**
At 1 January 2020	**12**	**2**	**169**	**183**

	Equipment	Fixtures and fittings	Leases – Right of use assets	Total
Cost				
Balance at 1 January 2019	19	6	-	25
Additions/disposals	8	-	227	235
Balance at 31 December 2019	**27**	**6**	**227**	**260**
Accumulated depreciation				
Balance at 1 January 2019	11	3	-	14
Depreciation and amortisation for the year	4	1	58	63
Balance at 31 December 2019	**15**	**4**	**58**	**77**
Carrying amount				
At 31 December 2019	**12**	**2**	**169**	**183**
At 1 January 2019	**8**	**3**	**-**	**11**

The fair value of total tangible assets at 31 December 2020 and 31 December 2019 does not differ significantly from that recognised under “Property and equipment” in the accompanying balance sheet. As per 1 January 2019, the Company has recognised 227 thousand euro related to the right of use of the premises it rents, after the adoption of IFRS 16. The changes in the related lease liability through 2020 and 2019 are as follows:

‘000	**2020**	**2019**
Opening balance	178	227
Interest accrual	16	22
Rent payments	(70)	(71)
Closing balance (see note 12)	**124**	**178**

10. INTANGIBLE ASSETS

’000	**Software**
Cost	
Balance at 1 January 2020	114
Additions/disposals	38
Balance at 31 December 2020	**152**
Accumulated depreciation	
Balance at 1 January 2020	32
Depreciation and amortisation for the year	46
Balance at 31 December 2020	**78**
Carrying amount	
At 31 December 2020	74
At 1 January 2020	**82**

'000	Software
Cost	
Balance at 1 January 2019	82
Additions/disposals	32
Balance at 31 December 2019	**114**
Accumulated depreciation	
Balance at 1 January 2019	4
Depreciation and amortisation for the year	28
Balance at 31 December 2019	**32**
Carrying amount	
At 31 December 2019	**82**
At 1 January 2019	**78**

11. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company interest-bearing loans and borrowings, which are measured at amortised cost.

	31-dic-20	31-dic-19
Loans from private investors	11,791	18,451
Loans from related parties (Note 17)	-	4,929
Bonds Issued	25,786	-
Loans and borrowings	**37,576**	**23,380**
Maturing within one year	10,419	16,643
Maturing after one year	27,157	6,737
Loans and borrowings	**37,576**	**23,380**

On September 25, 2020 the Company issued a bond for a nominal amount of 40,000 thousand euros. The bond has an annual coupon of 9.5% , matures in 2023 and it is listed on the open market of the Frankfurt Stock Exchange.

As of December 31, 2020, the amount of bonds subscribed was 26,812 thousand euros with an adjusted valuation of 25,786 thousand euros.
As of December 31, 2020, 13,188 thousand euros are expected to be placed in 2021.

Detailed breakdowns of loans and borrowing maturities are presented in Note 16.

The fair value of total Loans and Borrowings at 31 December 2020 and 31 December 2019 does not differ significantly from that recognised under "Loans and Borrowings" in the accompanying balance sheet and is classified as level 2.

12. OTHER FINANCIAL ASSETS AND LIABILITIES

'000	**31-Dec-20**	**31-Dec-19**
Receivables related parties (Note 17)	570	50
Other financial assets	2,077	149
Total other financial assets	**2,646**	**199**

'000	**31-Dec-20**	**31-Dec-19**
Payables on services	613	598
Employee Payables	228	46
Payables to Related Parties (Note 17)	4,724	2,879
Other Payables	560	546
Total other financial liabilities	**6,125**	**4,069**

Caption "Other payables" includes lease liabilities for a total amount of 124 thousand of euro as of 31 December 2020 (178 thousand euros as of 31 December 2019) (see note 9).

13. INCOME TAX

The following table provides a breakdown of current and deferred tax assets and tax liabilities as of 31 December 2020 and 31 December 2019:

'000	**2020**	**2019**
Assets		
Deferred tax assets	6.513	4.627
Total Assets	**6.513**	**4.627**
Liabilities		
Personal income tax withholdings	31	21
Social Security	30	36
Total Liabilities	**61**	**56**

The Company files a consolidated income tax return with the tax group of which ID Finance Investments, S.L. is the parent.

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has expired. The Company is open to inspection for all taxes to which it is liable for the last four years. The Company's Sole Director and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

(a) Income tax expense

'000	**2020**	**2019**
Current income taxes	2,766	3,987
Deferred taxes	(1,886)	(2,893)
Total income tax (gain)/expense	**880**	**1,094**

The tax rate in Spain is 25%.

(b) Reconciliation of taxation based of taxable profit and taxation based on accounting profit:

’000	2020	2019
Profit/(loss) before tax	**3,374**	**4,359**
Income tax at the prevailing tax rate	843	1,090
Non-deductible costs (non-taxable income)	3	4
Change in unrecognised deferred tax assets	34	-
Impact from tax rate from other jurisdictions	-	-
Total income tax gain/(expense)	**(880)**	**(1,094)**

’000	2020	2019
Current tax	2,765	3,024
Deferred tax	(1,886)	(1,930)
Withholdings	1	-
Total Income Tax	**880**	**1,094**

(c) Deferred tax assets

’000

2020	Balance 1 January 2020	Recognised in profit or loss	Balance 31 December 2020
Loans to customers – loan loss allowance	3,865	2,040	5,905
Others	762	(154)	608
Total Deferred tax assets	**4,627**	**1,880**	**6,513**

’000

2019	Balance 1 January 2019	Recognised in profit or loss	Balance 31 December 2019
Loans to customers – loan loss allowance	1,734	2,131	3,865
Others	-	762	762
Total Deferred tax assets	1,734	2,893	4,627

The Company expects to recover the Deferred tax assets of the balance sheet by using them in the income tax calculation within the next 5 years.

14. SHARE CAPITAL AND RESERVES

(a) Issued capital

At 1 April 2015, the Company’s share capital consisted of 3,006 shares with a value of 1 euro each. The shares were fully subscribed and paid.

As at 13 December 2017, the Company approved a capital increase through the issuance of 56,994 shares with a value of 1 euro each. As a result of this increase, the share capital was increased to 60,000 shares.

As at December 2020 and 2019, capital consists in 60,000 shares of 1 euro of nominal value each, fully subscribed and disbursed by the Company’s sole shareholder.

(b) Other shareholders contributions

As at 19 December 2019, the Company's Sole Shareholder approved a cash contribution into the equity of IDF Spain of 3,000 thousand euros, which were disbursed on 20 December 2019.

(c) Reserves and retained earnings

Legal Reserve

According to the Law on Capital Companies, the legal reserve, as long as it does not exceed the limit of 20% of the share capital, is not distributable to shareholders and may only be allocated, in the case of no other reserves available, to the compensation of Losses. This reserve may also be used to increase share capital in the amount exceeding 10% of the capital already increased. This legal reserve amounts to 12 thousand euros as at December 31, 2020 and 2019.

(d) Dividends

Dividends payable are restricted to the maximum retained earnings of the Company, which are determined according to Spain legislation.

15. PROVISIONS AND CONTINGENCIES

The following table provides a detail of changes in provisions for contingencies:

'000	**2020**	**2019**
Opening balance	110	-
Provision allowance	1,991	110
Utilization	(294)	-
Closing balance	**1,807**	**110**

At December 31, 2020 and 2019, the Company has some contingencies with borrowers and several legal proceedings underway as a result of several lawsuits derived from its ordinary activity. Based on all available documentation at year end, the Company has recorded in 2020 a provision amounting to 1,807 thousand euros (110 thousand euros in 2019) to meet these contingencies. The company classifies provisions in the income statement depending on the nature of the risks covered. Therefore, in 2020 an amount of 930 thousand euros was classified as Administrative expenses (110 thousand euros in 2019) and 1,061 thousand euros as Other gain/ losses.

16. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments and operating activities:

a) Credit risk

b) Liquidity risk

c) Market risk

c1) Interest rate risk
c2) Currency risk

d) Operational risk

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company loans from customers. Credit risk is mitigated as follows:

- Lending procedures are set up to ensure quality of the loan portfolio, such procedures are constantly improved and include judicial and behavioural indicators, statistical data mining and scoring models, and use of credit bureau data,
- Penalties and term extensions are used to mitigate risks associated with unpaid debts. These options are available to borrowers in cases where there is a difficulty or unwillingness to repay the debts, Penalties and extensions generate extra cash flows to the portfolio.
- Loan loss allowances are an adequate way to mitigate risk of losses to be incurred during loan repayment transactions.

Maximum exposure of credit risk

The Company maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets. For financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets:

’000	**31-Dec-20**	**31-Dec-19**
Cash and cash equivalents	7,226	4,574
Loans due from customers	25,199	23,315
Loans to related parties	11,323	-
Prepaid expenses and other financial assets	2,947	237
Total financial assets	**46,695**	**28,126**

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet borrowed funds withdrawals and other financial commitments associated with financial instruments as they actually fall due. The Head of Treasury controls these types of risks by means of maturity analysis, determining the Company strategy for the next financial period, Current liquidity is managed by the Head of Treasury as well, which deals with the markets for current liquidity support and cash flow optimization. The tables below set out the remaining contractual maturities of the Company financial liabilities and financial assets. In order to manage liquidity risk, as part of the assets/liability’s management process, the Company’s Head of Treasury performs daily monitoring of future expected cash flows from customers.

An analysis of the liquidity risk is presented in the following table,

31-Dec-20	**up to 1 month**	**1 - 4 months**	**4 months - 1 year**	**1-2 years**	**+2 years**	**Total**
Financial assets						
Cash and cash equivalents	7,226	-	-	-	**-**	**7,226**
Loans to customers	-	22,988	-	2,212	**-**	**25,199**
Loans to related parties	-	-	11,323		**-**	**11,323**
Other financial assets	1,703	-	1,244	-	**-**	**2,947**
Total financial assets	**8,929**	**22,988**	**12,567**	**2,212**	**-**	**46,695**
Financial liabilities						
Loans and borrowings	-	10,318	100	1,444	25,714	**37,576**
Other financial liabilities	6,125	-	-	-	**-**	**6,125**
Total financial liabilities	**6,125**	**10,318**	**100**	**1,444**	**25,714**	**43,701**
Net liquidity position	**2,804**	**12,669**	**12,466**	**767**	**(25,714)**	**2,993**

’000

31-Dec-19	**up to 1 month**	**1 - 4 months**	**4 months - 1 year**	**1-2 years**	**Total**
Financial assets					
Cash and cash equivalents	4,574	-	-	-	4,574
Loans to customers	-	19,331	-	3,984	23,315
Loans to related parties	-	-	-	-	-
Other financial assets	237	-	-	-	237
Total financial assets	**4,818**	**19,331**	**-**	**3,984**	**28,126**
Financial liabilities					
Loans and borrowings	-	14,480	2,163	6,737	23,380
Other financial liabilities	4,069	-	-	-	4,069
Total financial liabilities	**4,069**	**14,480**	**2,163**	**6,737**	**27,448**
Net liquidity position	**742**	**4,851**	**(2,163)**	**(2,753)**	**677**

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk covers interest rate risk, currency risk and other pricing risks to which the Company is exposed. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company´s Head of Treasury conducts monitoring of the Company’s current financial performance, estimates the Company’s sensitivity to changes in interest rates and its influence on the Company’s profitability.

c1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s long-term debt obligations with floating interest rates.

The Head of Treasury manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

c2) Currency risk

Currency risk is the risk of losses or other adverse effects resulting from a change in a foreign exchange rate, or from other unfavourable changes in relation to a foreign currency. The Company has assets and liabilities denominated in several foreign currencies and hence is exposed to Currency Risk.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides a natural hedge without a need to enter into derivatives contracts.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company strategy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates when necessary to address short and longer term imbalances.

The Company’s exposure to foreign currency exchange rate risk is presented in the table below:

'000	**EUR denominated**	**MXN denominated**	**Total**
31-Dec-19			
Financial assets			
Cash and cash equivalents	7,203	23	7,226
Loans to customers	25,199	-	25,199
Loans to related parties	11,323	-	11,323
Other financial assets	2,947	-	2,947
Total financial assets	**46,672**	**23**	**46,692**
Financial liabilities			
Loans and borrowings	37,576	-	37,576
Other financial liabilities	6,103	22	6,125
Total financial liabilities	**43,679**	**22**	**43,701**

'000	**EUR denominated**	**MXN denominated**	**Total**
31-Dec-19			
Financial assets			
Cash and cash equivalents	4,540	34	4,574
Loans to customers	23,315	-	23,315
Other financial assets	238	-	238
Total financial assets	**28,093**	**34**	**28,127**
Financial liabilities			
Loans and borrowings	23,380	-	23,380
Other financial liabilities	4,047	22	4,069
Total financial liabilities	**27,361**	**22**	**27,427**

The following significant exchange rates were applied during the years referred to below:

	2020		**2019**	
	Average rate	**Reporting date spot rate**	**Average rate**	**Reporting date spot rate**
EUR / 1 MXN	24,29	24,42	21,56	21,22

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Company's operations.

The Company's credit policy defines lending guidelines according to its business strategy and efficient risk management, protecting assets as well as complying with local regulatory requirements. Potential or foreseeable changes in applicable laws are analysed on an ongoing basis and any necessary modifications to the Company operations are implemented proactively.

The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

17. RELATED PARTY TRANSACTIONS

(a) Transactions with Sole Director

There were no transactions of any kind with the Sole Director for the years ended 31 December 2020 and 2019.

(b) Transactions with related parties

The related parties with whom the Company has carried out transactions during 2020 and 2019, and the nature of such relationship, are as follows

	Nature of relationship
ID Finance Investments, S.L.	Sole shareholder and parent company of the group
IDF CAPITAL S.A.P.I. DE C.V., S.O.F.O.M., E.N.R.	Group company

The following table provides a detail of balances with these related parties.

'000	31-Dec-20	31-Dec-19
Related party receivables (note 12)	570	50
Related party payables (note 12)	4,724	2,879
Loans and borrowing to related parties	11,323	-
Loans and borrowings from related parties (note 11)	-	4,929

In addition, amounts included in profit or loss in relation with transactions with related parties for the year ended 31 December are as follows:

'000	2020	2019
Financial expense	575	519
Financial income	280	-
Operating expenses	5,710	3,261
Administrative expenses	1,624	1,486

Management costs charged by the Group's parent are based on centralized expenses incurred, which are charged to each group company based on their usage.

(c) Remunerations of Sole Director and Executives Management

The Sole Director of the Company does not receive any remuneration. The Company considers Executive Management the Chief Executive Officer, who has not received any remuneration from the Company.

18. COMMITMENTS

The Company had no capital or other commitments as at 31 December 2020 and 2019.

19. PROPOSED DISTRIBUTION OF RESULT FOR THE YEAR

The allocation of individual result of ID Finance Spain, S.A.U (Sociedad Unipersonal) for the financial year ended 31 December 2020 proposed by the Sole Director, to be submitted for approval at the General Shareholder meeting, and the allocation of results for 2019 approved by the Sole Shareholder are as follows:

'000	**2020**	**2019**
ID Finance Spain S.L. (Sociedad Unipersonal)	2,494	3,265
Proposed distribution	-	-
Retained earnings	2,494	3,265

20. AVERAGE PERIOD OF PAYMENT TO SUPPLIERS, THIRD ADDITIONAL PROVISION "DUTY OF INFORMATION", OF LAW 15/2012 OF 5 JULY

At 31 December 2020 and as of 31 December 2019, the Company has no pending invoices to suppliers with a postponement exceeding the established legal term.

The information on the average payment period during 2020 and 2019 is as follows:

	2019	2019
	Days	Days
Average payment period for suppliers	39	26
Ratio of paid operations	40	21
Ratio of transactions pending payment	28	26
	'000	**'000**
Total payments made	7,712	6,039
Total pending payments	917	470

21. EVENTS AFTER REPORTING DATE

After year-end 2020, no significant events have been detected that have not been disclosed in the above notes.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)
Preparation of the Special Purpose IFRS Financial Statements for the year ended December 31st 2020

The Sole Administrator has formulated the attached Special Purpose IFRS Financial Statements t for the financial year 2020 on 25th May 2021, which are included on pages 1 to 30 attached.

____
Boris Batine
Sole Director