

Report on Limited Review

ID Finance Spain, S.A. (Sociedad Unipersonal)

**Interim Financial Statements
for the 6-month period ended
June 30, 2021**

REPORT ON LIMITED REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Introduction

We have carried out a limited review of the accompanying interim financial statements of ID Finance Spain, S.A. (the Company), which consists of the balance sheet as at June 30, 2021, the income statement, the statement of recognised income and expenses, the statement of changes in equity, the statement of cashflows and the explanatory notes thereto for the 6-month period then ended. The Sole Director is responsible for the preparation of the Company's interim financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and for such internal control as he determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on said interim financial statements based on our limited review.

Scope of the review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing audit regulations in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances should be considered an audit of financial statements, nothing came to our attention that would lead us to conclude that the accompanying interim financial statements do not express, in all material respects, a true and fair view of the financial position of ID Finance Spain, S.A. (Sociedad Unipersonal) at June 30, 2021, as well as its results and cash flow for the 6-month period then ended, in conformity with the applicable regulatory framework for financial information and, in particular, the accounting principles and criteria established therein.

INSTITUTO DE CENSORES
JURADOS DE CUENTAS
DE ESPAÑA

ERNST & YOUNG, S.L.

2021 Núm. 01/21/18751
30,00 EUR

SELLO CORPORATIVO:

Sello distintivo de otras actuaciones
.....

ERNST & YOUNG, S.L.



Albert Fernández Chafer

July 29, 2021

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

**Interim Financial Statements
for the six-month period ended 30 June 2021**

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)
CONTENTS

BALANCE SHEETS AS AT 30 JUNE 2021 AND 31 DECEMBER 2020.....	3
INCOME STATEMENT FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020...4	
STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020	5
STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020	6
STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020	8
1. GENERAL INFORMATION.....	9
2. BASIS OF PREPARATION AN ACCOUNTING STANDARDS	9
3. SIGNIFICANT ACCOUNTING POLICIES	12
4. INTEREST AND RELATED INCOME.....	18
5. MARKETING, LOAN ISSUE AND SERVICING EXPENSE	18
6. ADMINISTRATIVE EXPENSES.....	18
7. CASH AND CASH EQUIVALENTS.....	19
8. LOANS DUE FROM CUSTOMERS	19
9. PROPERTY AND EQUIPMENT	20
10. INTANGIBLE ASSETS.....	21
11. LOANS AND BORROWINGS	22
12. OTHER ASSETS AND LIABILITIES	22
13. INCOME TAX.....	22
14. SHARE CAPITAL AND RESERVES.....	24
15. PROVISION AND CONTINGENCIES.....	24
16. FINANCIAL RISK MANAGEMENT.....	24
17. RELATED PARTY TRANSACTIONS	28
18. COMMITMENTS	29
19. GOING CONCERN.....	29
20. EVENTS AFTER THE REPORTING DATE.....	29
MANAGEMENT REPORT	30

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

BALANCE SHEETS AS AT 30 JUNE 2021 AND 31 DECEMBER 2020

(Thousands of Euro)		30-Jun-2021	31-Dec-2020 (*)
	Note		
ASSETS			
Cash and cash equivalents	7	4,779	7,226
Loans due from customers	8	28,133	25,199
Loans to related parties	17	19,325	11,323
Prepaid Expenses		155	300
Property and equipment	9	153	183
Intangible assets	10	51	74
Deferred tax assets	13	5,844	6,513
Other financial assets	12	1,515	2,647
Total Assets		59,955	53,465
LIABILITIES			
Loans and borrowings	11	44,235	37,576
Current tax liability		89	61
Provisions	15	1,585	1,807
Other financial liabilities	12	2,116	6,125
Total Liabilities		48,025	45,569
EQUITY			
Share capital	14	60	60
Other shareholders contributions	14	3,000	3,000
Other reserves	14	12	12
Retained earnings from previous years		4,824	2,330
Profit/(Loss)		4,034	2,494
Total Equity		11,930	7,896
Total Liabilities and Equity		59,955	53,465

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 30 June 2021.

(*) Presented solely and exclusively for comparison purposes (see Note 2c).

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of Euro)	Note	30-Jun-2021	30-Jun-2020 (*)
Interest and related Income	4	37,373	31,445
Net Impairment Losses	8	(21,251)	(20,060)
Net Interest and related Revenue		16,122	11,385
Marketing and issue Expenses	5	(7,278)	(5,522)
Administrative Expenses	6	(2,561)	(1,430)
Depreciation and Amortisation	9,10	(72)	(68)
Operating Income/(Loss)		6,211	4,365
Financial Interest Income	17	1,052	-
Financial Interest Expense		(2,539)	(1,327)
Net foreign currency Loss		(2)	(18)
Other Gain/(Loss)		657	(1)
Profit/(Loss) before Income Tax		5,379	3,019
Income Tax Expense	13	(1,345)	(776)
Profit/(Loss) for the six-month period		4,034	2,243

The accompanying Notes 1 to 20 are an integral part of the income statement for the six-month period ended 30 June 2021.

(*) Presented solely and exclusively for comparison purposes (see Note 2c).

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of Euro)	30-Jun-2021	30-Jun-2020 (*)
Profit/(loss) for the six-month period	4,034	2,243
Other comprehensive income, net of income tax <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</i>	-	-
Total other comprehensive income for the six-month period, net of income tax	4,034	2,243
Total comprehensive income/(loss) for the six-month period	<u>4,034</u>	<u>2,243</u>

The accompanying Notes 1 to 20 are an integral part of the statement of recognised income and expenses for the six-month period ended 30 June 2021.

(*) Presented solely and exclusively for comparison purposes (see Note 2c).

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 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 2021	60	3,000	2,330	2,494	12	7,896
Total comprehensive income						-
Profit for the six-month period	-	-	-	4,034	-	4,034
Other changes in equity	-	-	-	-	-	-
Total comprehensive income for the six-month period	-	-	-	4,034	-	4,034
Other (distribution of the profit of the prior year)	-	-	2,494	(2,494)	-	-
Total contributions and distributions	-	-	2,494	(2,494)	-	-
Balance as at 30 June 2021	60	3,000	4,824	4,034	12	11,930

The accompanying Notes 1 to 20 are an integral part of the statement of changes in equity for the six-month periods ended 30 June 2021.

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 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 six-month period	-	-	-	2,494	-	2,494
Other changes in equity	-	-	-	-	-	-
Total comprehensive income for the six-month period	60	3,000	(935)	5,759	12	7,896
Other (distribution of the profit of the prior year)	-	-	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

(*) Presented solely and exclusively for comparison purposes (see Note 2c).

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ID FINANCE INVESTMENTS S.A. (Sociedad Unipersonal)

STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of Euro)	Note	30-Jun-21	30-Jun-2020 (*)
Cash flows from operating activities			
Profit/(loss) before income tax		5,379	3,019
Adjustment for:			
Provision for impairment losses on loans	8	21,251	20,060
Interest income from non-customers loan		-	-
Interest expense on loans and borrowings		-	-
Other gains/losses		-	-
Depreciation and amortization	9,10	72	68
Foreign exchange loss		3	18
Increase in loans due from customers		(24,185)	(15,922)
Increase/Decrease in financial instruments designated at fair value through income or loss		-	-
Increase/Decrease in other assets		1,277	(5,500)
Increase/Decrease in Provisions		(222)	-
Increase/Decrease in other liabilities		(5,335)	(336)
Income tax paid		677	(555)
Net cash-flows used in operating activities		(1,084)	852
Cash flows from investing activities			
<i>Payments</i>			
Purchases of intangible assets	10	(2)	(84)
Purchases of property and equipment	9	(17)	(71)
Loans to related parties		-	-
<i>Collections</i>			
Interest collections		-	-
Loans to related parties		-	-
Net cash flows used in investing activities		(19)	(155)
Cash flows from financing activities			
<i>Payments</i>			
Interest payments		-	-
<i>Collections</i>			
Increase/Decrease in loans and borrowings	11	6,658	(1,161)
Net proceeds from issuance of common stock		-	-
Other shareholders contribution	14	-	-
Net cash flows from financing activities		6,658	(1,161)
Net increase in cash and cash equivalents		5,555	(464)
Cash and cash equivalents at the beginning of the period	7	7,226	4,574
Effect of exchange rate fluctuations on cash		-	-
Cash and cash equivalents at the end of the period	7	4,779	4,110

The accompanying Notes 1 to 22 are an integral part of the statement of cash flows for the six-month periods ended 30 June 2021.

(*) Presented solely and exclusively for comparison purposes (see Note 2c).

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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 Moia 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 Moia 1, 1^a planta, 08006 Barcelona. As of 30 June 2021, and 31 December 2020, the scope of the Group encompassed 10 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 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 fourth consecutive year (2017- 2010).

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS

(a) Basis of presentation of the interim financial statements

These interim financial statements have been prepared in accordance with the International Financial Reporting Standards published by the International Accounting Standards Board (IASB) as adopted by the European Union (IFRS-EU) 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 30 June 2021, and the results of its operations and cash flows for the six-month period then ended, in conformity with the aforementioned applicable regulatory framework for financial information and, specifically, the accounting principles and criteria contained therein.

These interim 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 interim 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 accounting policies used in the preparation of these interim financial statements meet every prevailing standard at the date they were authorised for issue. The IFRS-EU allow the use of accounting policy choice in some cases. The choices applied by the Company are described in the accounting policies detailed in these notes. There is no accounting principle or measurement basis which, being significant to these interim financial statements, has not been applied.

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

(b) Basis of measurement

The main accounting policies and measurement basis applied in preparing these interim financial statements are summarised in Note 3.

(c) Comparative information

The information included in the accompanying interim financial statements and the explanatory notes referring to 31 December 2020 and 30 June 2020 are presented solely and exclusively for the purpose of comparison with the information as of 30 June 2021.

(d) Mandatory new standards, amendments and interpretations for annual periods beginning 1 January 2021

Following is a list of the main mandatory standards, amendments or interpretations by the International Accounting Standards Board ("IASB") and endorsed by the European Union with mandatory application for annual periods beginning after 1 January 2021.

Amendment to IFRS 4 Insurance Contracts: Deferral of IFRS 9

Currently, with IFRS 4 Insurance Contracts, the effective date of IFRS 9 Financial Instruments for entities applying that standard is 1 January 2021. The IASB has decided to defer the effective date for these entities to years beginning on or after 1 January 2023.

These amendments had no effect in the preparation of these interim financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Benchmark interest rate reform - phase 2

In August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Benchmark interest rate reform - phase 2. These amendments provide temporary relief in financial reporting while interbank offered rates (IBORs) are replaced by risk-free interest rates (RFRs).

These amendments had no effect in the preparation of these interim financial statements.

(e) New mandatory standards, amendments and interpretations applicable in the years subsequent to the calendar year beginning 1 January 2021 pending approval by the European Union.

Following is a list of the main standards, amendments or interpretations by the International Accounting Standards Board ("IASB") which will be applicable in the years subsequent to the calendar year beginning 1 January 2021.

- IFRS 17: "Insurance contracts"
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Financial Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations: Reference to the Framework
- Amendments to IAS 16 Property, Plant and Equipment: Amounts Obtained Prior to Expected Use
- Amendments to IAS 37 - Costs of Fulfilling a Contract
- Amendments to IAS 1 and IFRS Practice Statement No. 2 - Disclosures about Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates

The Company is currently analysing the effects these standards and amendments will have in the preparation of the financial statements.

(f) 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.

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 ("PD"), 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 the 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 30 June 2021 and 31 December 2020. 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 for unused tax losses are recognised 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.

(g) 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, several 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.

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) 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) 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.

(c) 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.

(d) 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.

(e) 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 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.

After 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 enough 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.

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ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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 quoted 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.

(f) 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.

(g) 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 many small exposure loans that would make individual impairment testing impractical.

(h) 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.

(i) 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 based on 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.

(j) 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 in exchange for consideration.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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.

(k) 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.

(l) 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.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

(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 based on 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 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.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

(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	30-Jun-21	30-Jun-20
Interest on loans due from Customers	19,159	15,363
Penalties	12,284	11,171
Extension fees	5,701	4,813
Other revenues	229	98
Total	37,373	31,445

5. MARKETING, LOAN ISSUE AND SERVICING EXPENSE

'000	30-Jun-21	30-Jun-20
Marketing Expenses	4,674	3,182
Product and Payment Processing	582	460
Collection Expenses	1,237	1,118
Client Identification and Scoring	584	621
Other	201	141
Total	7,278	5,522

6. ADMINISTRATIVE EXPENSES

'000	30-Jun-21	30-Jun-20
Remuneration to Employees and payroll taxes	428	300
Professional Services Fees	1,036	162
Hosting and IT maintenance	45	53
Audit Fees	42	40
Holding charges	945	845
Other	65	30
Total	2,561	1,430

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

The Parent Company charged to the Company IT and Risk development maintenance and support costs and other centralised expenses for an amount of EUR 620 thousand as per 30 June 2021 (EUR 781 thousand as per 30 June 2020), which are charged based on their usage.

In addition, the table below shows the number of employees by gender and category as of 30 June 2021 and 31 December 2020, as well as the average number of employees in:

Category	2021			2020		
	Male	Female	Average in the period	Male	Female	Average in the period
Senior Management	1	1	1	1	-	0
Middle Management	7	5	14	9	7	14
Other	51	51	98	48	46	91
Total	59	57	113	58	53	106

As of 30 June 2021, and 31 December 2020, the Company does not have any employee with disabilities within its workforce.

7. CASH AND CASH EQUIVALENTS

'000	30-Jun-21	31-Dec-20
Cash in bank	4,779	7,226
Total cash and cash equivalents	4,779	7,226

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	30-Jun-21	31-Dec-20
Gross loans due from customers	53,689	53,408
Impairment allowance	(25,556)	(28,209)
Net loans due from customers	28,133	25,199

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

'000	30-Jun-21	31-Dec-20
Balance at the beginning of the year	(28,209)	(26,071)
Charge for the period	(21,251)	(42,134)
Amounts written off and utilised	23,904	39,996
Balance at the end of the period	(25,556)	(28,209)

As at 30 June 2021 and 31 December 2020 the ageing analysis of loans due from customers is, as follows:

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

30-jun-21	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Not delayed (Stage 1)	22,644	1,473	21,171	7%
1-90 days past due (Stage 2)	10,956	6,752	4,204	62%
> 91 days past due (Stage 3)	20,089	17,331	2,758	86%
Total overdue or impaired loans	31,045	24,083	6,962	78%
Total loans to customers	53,689	25,556	28,133	48%

31-dic-20	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Not delayed (Stage 1)	18,626	780	17,846	4%
1-90 days past due (Stage 2)	14,929	10,051	4,878	67%
> 91 days past due (Stage 3)	19,853	17,378	2,475	88%
Total overdue or impaired loans	34,782	27,430	7,352	79%
Total loans to customers	53,408	28,209	25,199	53%

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

Cost

Balance at 1 January 2021

Additions/disposals

Balance at 30 June 2021

Accumulated depreciation

Balance at 1 January 2021

Depreciation and amortisation for the period

Balance at 30 June 2021

Carrying amount

At 30 June 2021

At 1 January 2021

	Equipment	Fixtures and fittings	Leases	Total
Balance at 1 January 2021	52	79	227	358
Additions/disposals	11	6		17
Balance at 30 June 2021	63	84	227	374
Balance at 1 January 2021	23	36	116	175
Depreciation and amortisation for the period	5	13	29	47
Balance at 30 June 2021	27	49	145	221
Carrying amount				
At 30 June 2021	36	35	82	153
At 1 January 2021	29	42	111	182

'000

Cost

Balance at 1 January 2020

Additions/disposals

Balance at 31 December 2020

Accumulated depreciation

Balance at 1 January 2020

Depreciation and amortisation for the period

Balance at 31 December 2020

Carrying amount

At 31 December 2020

At 1 January 2020

	Equipment	Fixtures and fittings	Leases	Total
Balance at 1 January 2020	27	6	227	260
Additions/disposals	25	73		97
Balance at 31 December 2020	52	79	227	358
Balance at 1 January 2020	15	4	58	77
Depreciation and amortisation for the period	8	32	58	98
Balance at 31 December 2020	23	36	116	175
Carrying amount				
At 31 December 2020	29	42	111	183
At 1 January 2020	12	2	169	183

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

The fair value of total tangible assets at 30 June 2021 and 31 December 2020 does not differ significantly from that recognised under "Property and equipment" in the accompanying balance sheet. As per 1 January 2019, the Company recognised EUR 227 thousand 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 the first six month of 2021 and 2020 are as follows:

'000	30-Jun-21	31-dic-20
Opening balance	124	178
Interest accrual	5	16
Rent payments	(36)	(70)
Closing balance (see note 12)	93	124

10. INTANGIBLE ASSETS

'000	Software
Cost	
Balance at 1 January 2021	152
Additions/disposals	2
Balance at 30 June 2021	154
Accumulated depreciation	
Balance at 1 January 2021	78
Depreciation and amortisation for the period	25
Balance at 30 June 2021	103
Carrying amount	
At 30 June 2021	51
At 1 January 2021	74

'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 period	46
Balance at 31 December 2020	78
Carrying amount	
At 31 December 2020	74
At 1 January 2020	82

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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.

'000	30-Jun-21	31-Dec-20
Loans from private investors	18,249	11,791
Bonds issued	25,986	25,786
Loans and borrowings	44,235	37,576
Maturing within one year	17,571	10,346
Maturing after one year	26,664	27,230
Loans and borrowings	44,235	37,576

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 June 30, 2021 and December 31, 2020, the amount of bonds subscribed was 26,812 thousand euros with an adjusted valuation of 25,986 and 25,786 thousand euros, respectively.

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

The fair value of total Loans and Borrowings at 30 June 2021 and 31 December 2020 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	30-Jun-21	31-Dec-20
Receivables related parties	-	570
Other financial assets	1,515	2,076
Total other financial assets	1,515	2,646

'000	30-Jun-21	31-Dec-20
Payables on services	639	613
Employee Payables	112	228
Payables to Related Parties	405	4,724
Other Payables	960	560
Total other financial liabilities	2,116	6,125

The Caption "Other payables" includes lease liabilities for a total amount of EUR 93 thousand as of 30 June 2021 (EUR 124 thousand as of 31 December 2020) (see note 9).

13. INCOME TAX

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

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

(a) Income tax expense

'000	30-Jun-21	30-Jun-20
Current income taxes	533	1,760
Deferred taxes	812	(984)
Total income tax expense	1,345	776

The tax rate in Spain is 25%.

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

'000	30-Jun-21	30-Jun-20
Profit/(loss) before tax	5,379	3,019
Income tax at the prevailing tax rate	1,344	755
Non-deductible costs (non-taxable income)	1	21
Total income tax gain	1,345	776

(c) Deferred tax assets

'000	Balance 1 January 2021	Recognised in profit or loss	Balance 30 June 2021
Loans to customers- loan loss allowance	5,905	(1,008)	4,897
Others	608	339	947
Total Deferred tax assets	6,513	(669)	5,844

'000	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	1,886	6,513

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.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

14. SHARE CAPITAL AND RESERVES

(a) Issued capital

On 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 30 June 2021 and 31 December 2020, share 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 EUR 3,000 thousand.

(c) Reserves and retained earnings

Legal Reserve

According to the Spanish 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 negative retained earnings. This reserve may also be used to increase share capital in the amount exceeding 10% of the capital already increased. The legal reserve amounts to EUR 12 thousand as at 30 June 2021 and EUR 12 thousand as at 31 December 2020.

(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	2021	2020
Opening balance	1,807	110
Provision allowance	1,003	1,991
Provision Reversal	(502)	-
Utilization	(723)	(294)
Closing balance	1,585	1,807

At 30 June 2021 and 31 December 2020, 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 the end of the reporting period, the Company has recorded in 2021 a provision amounting to 1,585 thousand euros (1,807 thousand euros in 2020) to meet these contingencies. The company classifies provisions in the income statement depending on the nature of the risks covered.

16. FINANCIAL RISK MANAGEMENT

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

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

- 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	30-June-21	31-Dec-20
Cash and cash equivalents	4,779	7,226
Loans due from customers	28,133	25,199
Loans to related parties	19,325	11,323
Prepaid expenses and other financial assets	1,669	2,945
Total financial assets	53,906	46,694

(b) Liquidity risk

Liquidity risk refers to the availability of enough funds to meet borrowed funds withdrawals and other financial commitments associated with financial instruments as they 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.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

30-Jun-21 '000	up to 1 month	1 - 4 months	4 months - 1 year	1 - 2 years	+2 years	Total
Financial assets						
Cash and cash equivalents	4,779	-	-	-	-	4,779
Loans to customers	-	27,055	-	1,078	-	28,133
Loans to related parties	-	-	19,325	-	-	19,325
Other financial assets	847	-	821	-	-	1,669
Total financial assets	5,626	27,055	20,147	1,078	-	53,906
Financial liabilities	-	-	-	-	-	-
Loans and borrowings	-	17,471	100	752	25,913	44,235
Other financial liabilities	2,116	-	-	-	-	2,743
Total financial liabilities	2,116	17,471	100	752	25,913	46,351
Net liquidity position	3,510	9,584	20,047	327	(25,913)	7,555

31-Dec-20 '000	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	-	1,242	-	-	2,945
Total financial assets	8,929	22,988	12,566	2,212	-	46,694
Financial liabilities	-	-	-	-	-	-
Loans and borrowings	-	10,245	100	1,444	25,786	37,575
Other financial liabilities	6,125	-	-	-	-	6,125
Total financial liabilities	6,125	10,245	100	1,444	25,786	43,700
Net liquidity position	2,804	12,742	12,466	767	(25,786)	2,994

(c) 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.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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 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
30-Jun-21			
Financial assets			
Cash and cash equivalents	4,730	48	4,779
Loans to customers	28,133	-	28,133
Loans to related parties	19,325	-	19,325
Other financial assets	1,651	17	1,669
Total financial assets	53,840	66	53,906
Financial liabilities			
Loans and borrowings	44,235	-	44,235
Other financial liabilities	2,100	16	2,116
Total financial liabilities	46,335	16	46,351
Net liquidity position	7,506	49	7,555
'000	EUR denominated	MXN denominated	Total
31-Dec-20			
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	2,945	-	2,945
Total financial assets	46,671	23	46,694
Financial liabilities			
Loans and borrowings	37,576	-	37,576
Other financial liabilities	6,102	22	6,124
Total financial liabilities	43,678	22	43,700
Net liquidity position	2,992	1	2,994

The following significant exchange rates were applied during the six-month periods referred to below:

	2021		2020	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
EUR/1 USD	1.20	1.20	1.10	1.14
EUR / 1 MXN	24.10	24.32	23.86	24.51

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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 Directors

There were no transactions of any kind with the Directors during the first semester of 2021 and for the year 2020 besides the Labour contract entered between the Vitali Yermakou and the company dated 21 June 2021.

(b) Transactions with related parties

The related parties with whom the Company has carried out transactions during the first semester of 2021 and the year 2020, and the nature of such relationship, are as follows

	Nature of relationship
ID Finance Investments, S.L.	Parent Company
IDF CAPITAL S.A.P.I. DE C.V., S.O.F.O.M., E.N.R.	Group company
Debt Management Partners, S.L.U.	Group company
ID Finance Plazo, S.L.	Group company

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

'000	30-Jun-21	31-Dec-20
Related party receivables	-	570
Related party payables	405	4,724
Loans to related parties	19,326	11,323

In addition, amounts included in profit or loss in relation with transactions with related parties for the six-month periods ended 30 June are as follows:

'000	30-Jun-21	30-Jun-20
Financial expense	-	334
Financial income	1,052	-
Operating expenses	1,197	2,595
Administrative expenses	790	880

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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 Directors and Executive Management

Director position is not remunerated. 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 30 June 2021 and 30 December 2020.

19. GOING CONCERN

The interim 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.

20. EVENTS AFTER REPORTING DATE

After 30 June 2021 and until the date of authorisation of these Interim financial statements, there were no subsequent events other than those explained in these notes.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

MANAGEMENT REPORT

Main activity of the company

ID Finance Spain was created in 2015 in Barcelona and is part to the ID Finance Group, an online provider of financial services, the parent of which is ID Finance Investments, S.L.

The main activity of ID Finance Spain is to grant non-mortgage loans or credits to any person, excluding the activities reserved to financial institutions pursuant to applicable regulations.

The company is benefiting from the growth of the Internet in mobile phones and data availability to provide access to competitive and transparent financial services and address the massive structural demand that traditional operators are not meeting.

The company currently applies machine learning and artificial intelligence to all business areas, from customer review to the optimization of online marketing campaigns and the provision of efficient services to customers. Given our wide experience and an innovative approach to data collection and processing, we offer fast cash loans which are totally automated and readily available.

Results for the period, business evolution and outlook

In the first 6 months of 2021 a total of 191,000 loans were granted with a total value issued of 76 million euros, which means a 55 % increase in comparison with the volume issued in the first six months of 2020 (49 million euros).

Total revenue in first half 2021 increased by 19% from 31.4 million euros in 2020 to 37.3 million euros in 2021. This growth has been boosted by constant technological development and the high level of customer retention reached.

Strong growth and cost containment have allowed ID Finance Spain to obtain a profit after tax of 4,034 thousand euros in first half 2021, 80% higher compared to the same 6-month period in 2020.

The main objective of the company is to become the number one online consumer loan platform in Spain, diversifying and extending the services offered by launching new consumer finance products.

Transactions with treasury shares

The Company has not carried out any transactions with treasury shares during the year.

Main financial instruments and risk management

The financial instruments key to the company are balances in bank accounts, trade receivables, loans to customers, trade payables, payable loans and other payables arisen from trade transactions.

The Company is exposed to the following risks related to the use of financial instruments and operating activities:

- a) Credit risk
- b) Liquidity risk
- c) Market risk
 - c1) Interest rate risk
 - c2) Foreign currency risk
- d) Operational risk

a) Credit risk is the risk of a financial loss for the company if a customer or counterparty of a financial instrument does not meet its contractual obligations. This is a substantial risk mainly in loans to customers. Credit risk is mitigated as follows:

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

- The procedures for granting loans are established to ensure the quality of our customer portfolio. These procedures are constantly improved and include judicial and behavioural indications through the analysis of statistical data and rating models.
- Sanctions and extensions of loan repayment terms are used to mitigate the risks related to bad debts. These options are applied when borrowers are struggling or unwilling to pay the debt. Sanctions and extension generate additional cash flows in the portfolio.

b) Liquidity risk refers to the availability of enough funds to cover funds received, and other financial commitments when they mature. The cash department monitors these risks by analysing maturity and determining the company's strategy for future financial transactions, as well as the optimization of cash flows.

c) Market risk

c1) Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market interest rates mainly relates to non-current payment obligations arranged at floating interest rates.

The Company manages interest rate risk by holding a balanced portfolio of loans at fixed and floating interest rates.

c2) Foreign currency risk is the risk of loss or other negative effects caused by fluctuations in exchange rates. The Company has liabilities (loans granted by ID Finance group companies) in foreign currency (USD) and is therefore exposed to foreign currency risk.

In general, loans are denominated in the same currency as the cash flows generated by the underlying transactions of the company. Additionally, loan interest is denominated in the loan currency. This provides a natural hedge and no hedging derivatives need to be arranged.

d) Operational risk is the risk of direct or indirect loss as a result of a wide range of causes related to company processes, employee, technology and infrastructure, and external factors other than credit, market and liquidity risks, such as those derived from legal risks, regulatory requirements or generally accepted corporate behaviour standards. Operational risks arise as a result of all company transactions.

The Company's credit policy defines the guidelines for granting loans in accordance with its commercial strategy an efficient risk management, protecting assets and complying with local regulatory requirements. Potential or foreseeable changes in applicable laws are continually analysed and any necessary modification in the company's transactions is proactively implemented.

Senior executives in each business unit are responsible for developing and implementing controls to address operational risk.

Human resources and environmental policy

The Company is dedicated to bringing financial prosperity to its customers, employees, and shareholders. Responsible lending is at the core of ID Finance values. The Company carefully assesses customer's ability to pay and will not offer credit that they do not need or cannot afford. In addition to that, no aggressive credit policies or intrusive marketing techniques are used, and the Company caps interest and fees charged in case of default.

The average headcount of the Company in the first half of 2021 is 113 employees (2020 full year: 106 employees), of whom 49% are women and 51% are men, approximately.

The main values of the Group are as follows:

Diversity: support to inclusive culture

Transparency: profitability-oriented

Flexibility: prioritize positive working environment

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

The COVID-19 pandemic meant that employees in Spain had to work from home for a few months. In the meantime, the Company has improved the workplace to guarantee a safe COVID free space. In order to adapt its facilities, ID Finance underwent an independent audit from Audelco. The auditing firm prepared a COVID-19 action protocol for a safe return to the office which includes issues such as employee planning or engagement, signage, cleaning, working from home, access control and the monitoring of movements. ID Finance meet all these requirements and was awarded with the Audelco COVID free space certificate.

The Company's recruitment and selection policy has been designed to recruit and select the most qualified and talented people. This policy aims to ensuring fair hiring and equal employment opportunity practices, excluding all type of discriminatory practices.

It should be noted that commitment to environmental protection and respect or efficient consumption of energy resources are a common denominator in the Company's activities and are part of our organization's culture and values.

The Company's environmental impact has been assessed in the first few months of 2021, identifying the amount of carbon emissions generated in a year. The management has proceeded to reduce and offset its carbon through different activities both internal and external hence becoming a carbon neutral company.

Research and development

The Company has wide experience in both IT systems and data analytics. The IT systems team constantly expand their experience in artificial intelligence and the data analytics team specialize in statistics, machine learning and related methods. The effective combination of both teams drives product innovation and positively transforms customer experience.

ID FINANCE

ID FINANCE SPAIN S.A. (Sociedad Unipersonal)

Authorization of the interim financial statements for the six-month period ended 30 June 2021

AUTHORIZATION OF THE INTERIM FINANCIAL STATEMENTS

Directors have authorized for issue the attached interim financial statements and the attached management report for the six-month period ended 30th June 2021, which are included on pages 1 to 32 attached.



Boris Batine
Administrator



Vitali Yermakou
Administrator