REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

FOR

ELEVATE CREDIT INTERNATIONAL LIMITED

(REGISTERED NUMBER: 05041905)

ELEVATE CREDIT INTERNATIONAL LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

ELEVATE CREDIT INTERNATIONAL LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS:	Mr C S Greever Mr J Harvison Mr C T Lutes
SECRETARY:	Mr A G Lunt Mr R C Peterson (Resigned 31/08/2017)
REGISTERED OFFICE:	27-28 Eastcastle Street London W1W 8DH
REGISTERED NUMBER:	05041905 (England and Wales)
AUDITORS:	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

ELEVATE CREDIT INTERNATIONAL LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the year ended 31 December 2017.

The Company achieved a profit before tax of £5,710,597 (2016: loss of £10,986,173). Growth in Revenue and high quality innovative underwriting along with a favourable foreign exchange gain on the element of our debt funding that is US dollar denominated in 2017 were major drivers that lead to a profit for the year. The approach of significant investment in people and its IT infrastructure has allowed the business to grow and attract customers through its convenient, user-friendly online application process.

PRINCIPAL ACTIVITY

The principal activity of Elevate Credit International Limited ('Company' or 'Elevate Credit') in the year under review was that of providing short-term loans to individuals via the internet. The Company traded during the year under its online instalment loan product, Sunny, which currently offers loans up to £2,500 with rates ranging from 10.5% per month to 24% per month.

REVIEW OF BUSINESS

Elevate Credit offers a lending solution to the millions of consumers under-served by traditional financial institutions and are leveraging new technologies to develop innovative products that will address a range of customer needs. Elevate Credit is committed to simplicity, transparency, fairness, consumer empowerment and responsible lending to bring a more progressive approach to an old-line industry. Elevate Credit is also seeking to move from the traditional approach of most of today's financial services firms to a digital relationship-driven view that rewards customer loyalty.

Since its launch in June 2013, Sunny has now become one of the leading online, high-cost short-term loan products in the UK. Sunny is a differentiated offering based on a wider range of loan amounts, a no-fee guarantee, price promotions and more flexible repayment options than most other providers in the UK short-term lending market.

In 2017, Sunny helped over 79,000 new customers gain access to credit which together with our existing customers accounts for more than 20% of market share in the UK based on analysis from a major UK credit bureau. This year was the first in which the Sunny business generated net income, with over £79 million in revenue. Sunny launched an integrated PR, Social and Content team that has delivered significant value. Facebook is the flagship social media channel for Sunny and has seen 135% Sunny community growth in 2017. We also launched two new channels (Pinterest and LinkedIn) and a digital magazine called "Good Vibes" which now accounts for 3% of all traffic to the Sunny website. Our increased investment in and outputs from these channels has helped improve SEO, or "search engine optimisation," visibility by four times between May 2017 and December 2017.

The Company continues to benefit from the financial support of its parent company Elevate Credit, Inc. In 2016 the parent company contributed £9,100,000 capital in to the business. Soon after its IPO and listing on the NYSE in April 2017, the parent company contributed a further £19,748,784 to support the UK business and allow it to make a significant pay down against its long-term debt. Accordingly, the directors continue to adopt a going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that the Company faces which could have an adverse effect on profitability and the business model are detailed below:

Strategic Risk

The Company defines this as the risk of making decisions and following a strategy that would not allow us to meet our strategic business objectives.

The Company has been following a strategy of growth which has been facilitated by the access to funding from an external debt provider and support from its parent company in the US. If there was a lack of funding available to the Company, this would impact the amount of loans originated each month and slow down growth. Liquidity risk is related to this and described in the notes to the financial statements (Note 3).

The risk of not having access to funding to facilitate growth has been mitigated by securing a new agreement with our debt provider with a reduction in the fixed element of interest rate payable (Note 16) to ensure the Company has adequate access to funds.

Senior management regularly assess business performance, consumer behaviour, outcomes and market analysis to re-evaluate their strategy and ensure the Company is meeting its overall objectives that it will be sustainable and profitable.

Regulatory Risk

The Company is regulated by the Financial Conduct Authority (FCA) and the business would define regulatory risk as the risk of not complying with current regulations and not being able to adapt to future legal or regulatory changes.

The risk of failing to comply with regulatory requirements could have an impact on the Company's reputation in the market as well lead to financial penalties. This risk is mitigated by having an informed Senior management along with a strong Legal and Compliance team that work closely and interact with the FCA, keeping up to date with regulatory reporting and changes in requirements. Global Data Protection Regulation (GDPR) comes into force from 25th May 2018 and is EU regulation that deals with data protection and privacy. The Company has mitigated the control of falling short of this regulatory change by implementing changes after consulting with legal experts and assessing internal controls and processes in the business.

Market Risk

The Company defines this as the risk of not being able to adapt to changes in marketplace dynamics and meet customer needs. If the business was not able to meet the demands of customers with regards to our products and the commercial agreements in place for our marketing channels there would be a significant adverse effect on growth and profitability.

This risk is mitigated by regularly assessing the Company's business performance and analysis of the wider market to adapt to any changes brought about by competitors. The Company has a strong online presence as well as relationships with marketing partners that will attract customers and increase market share in the UK. Senior management place high importance on innovation and have promoted an agile business culture that is prepared for launching new products as well as improving "Sunny."

These risks and uncertainties are managed by forging a strong relationship with existing customers, providing improved opportunities for new customers with excellent quality customer services and hiring and retaining talented staff. This facilitates the company in developing technologies and competitive products by maintaining a robust control and compliance environment to mitigate fraud risk and ensuring compliance with government regulatory changes and conduct expectations. The management of financial risks faced by the Company are described in the notes to the financial statements (Note 3).

KEY PERFORMANCE INDICATORS

The Company directors recognise the importance of performance management reporting and the key performance indicators below are aligned with group corporate objectives to review the profitability and progress of the UK business.

The financial key performance indicators used by the management of the Company to monitor performance are listed below:

	2017 £	2016 £	Change %
Turnover	79,545,257	71,227,963	12%
Gross Profit	54,710,745	45,921,702	19%
Profit/Loss for the Financial Year	5,710,597	(10,986,173)	152%
Current Assets as % of Current Liabilities	1048%	574%	
Administrative Cost % of Turnover	57%	72%	

The Company has successfully increased Turnover and Profit during the year ended 31st December 2017 primarily through a growth strategy, including further evolving innovative underwriting, executed by UK management to increase UK market share. The Company will look to further increase its market share, controlling costs to achieve targeted profitability whilst ensuring it meets high conduct standards in years to come.

ON BEHALF OF THE BOARD:

....

Mr C T Lutes - Director

Date: 11-6-18

ELEVATE CREDIT INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

DIVIDENDS

No dividends were distributed for the year ended 31 December 2017.

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies which have resulted in the substantial growth in recent years. They believe that 2018 will show further significant growth in revenue from continuing operations. The Company has made a significant investment in IT infrastructure and the enhancement of the lending platform which will allow us to improve our management of Sunny and add new products in the future.

Financial risk management objectives and policies adopted by the Company are described in Note 3 within the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Mr C S Greever
Mr J Harvison
Mr C T Lutes

APPOINTMENT OF NEW COMPANY SECRETARY

In 2017 there was a change in Company Secretary with Mr Robert Charles Peterson resigning from the position on 31 August 2017.

Mr Alan Gregory Lunt was appointed as the new Company Secretary on 20 September 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Grant Thornton UK LLP, will be considered for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
Mr C T Lutes - Director

Date: 11-6-18

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELEVATE CREDIT INTERNATIONAL LIMITED

We have audited the financial statements of Elevate Credit International Limited for the year ended 31 December 2017 on which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELEVATE CREDIT INTERNATIONAL LIMITED

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Paul Flatley (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
London

Date: 11 June 2018

ELEVATE CREDIT INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
TURNOVER		79,545,257	71,227,963
Direct costs		24,834,512	25,306,261
GROSS PROFIT		54,710,745	45,921,702
Administrative expenses		45,023,249	51,229,852
		9,687,496	(5,308,150)
Other operating income		236,072	736
OPERATING PROFIT/(LOSS)	5	9,923,568	(5,307,414)
Profit/loss on sale of tangible fixed assets	6	4,207	-
		9,927,775	(5,307,414)
Interest receivable and similar income		7,000	8,053
		9,934,775	(5,299,361)
Interest payable and similar expenses	7	4,224,178	5,686,812
PROFIT/(LOSS) BEFORE TAXATION		5,710,597	(10,986,173)
Tax on profit/(loss)	8	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		5,710,597	(10,986,173)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		5,710,597	(10,986,173)

The notes on pages 14 to 24 form part of these financial statements

ELEVATE CREDIT INTERNATIONAL LIMITED (REGISTERED NUMBER: 05041905)

BALANCE SHEET
31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
FIXED ASSETS					
Intangible assets	9		2,626,742		1,279,050
Tangible assets	10		213,079		421,089
			2,839,821		1,700,139
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	36,654,122		31,391,845	
Cash at bank		9,106,469		8,458,880	
		45,760,591		39,850,725	
CREDITORS					
Amounts falling due within one year	12	4,365,048		6,938,745	
NET CURRENT ASSETS			41,395,543		32,911,980
TOTAL ASSETS LESS CURRENT LIABILITIES			44,235,364		34,612,119
CREDITORS					
Amounts falling due after more than one year	13		23,461,350		39,297,486
NET ASSETS/(LIABILITIES)			20,774,014		(4,685,367)
CAPITAL AND RESERVES					
Called up share capital	17		2,250		2,250
Capital Reserve Account	18		66,572,534		46,823,750
Profit and loss account	18		(45,800,770)		(51,511,367)
SHAREHOLDERS' FUNDS			20,774,014		(4,685,367)

The financial statements were approved by the Board of Directors on ....11-6-18.... and were signed on its behalf by:

....

Mr C T Lutes - Director

The notes on pages 14 to 24 form part of these financial statements

ELEVATE CREDIT INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Profit and loss account £	Capital Reserve Account £	Total equity £
Balance at 1 January 2016	2,250	(40,525,194)	37,723,750	(2,799,194)
Changes in equity				
Capital contribution	-	-	9,100,000	9,100,000
Total comprehensive loss	-	(10,986,173)	-	(10,986,173)
Balance at 31 December 2016	2,250	(51,511,367)	46,823,750	(4,685,367)
Changes in equity				
Capital contribution	-	-	19,748,784	19,748,784
Total comprehensive income	-	5,710,597	-	5,710,597
Balance at 31 December 2017	2,250	(45,800,770)	66,572,534	20,774,014

The notes on pages 14 to 24 form part of these financial statements

ELEVATE CREDIT INTERNATIONAL LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	3,159,440	(10,919,243)
Net cash from operating activities		3,159,440	(10,919,243)
Cash flows from investing activities			
Capitalised intangible fixed assets		(2,167,006)	(731,936)
Purchase of tangible fixed assets		(50,523)	(235,312)
Proceeds from disposal of tangible fixed assets		10,210	-
Net cash from investing activities		(2,207,319)	(967,248)
Cash flows from financing activities			
Capital contribution		19,748,784	9,100,000
Loan proceeds net of paydowns in year		(15,602,232)	10,159,321
Interest Paid		(4,458,084)	(5,525,922)
Interest Received		7,000	8,053
Net cash from financing activities		(304,532)	13,741,452
Increase in cash and cash equivalents		647,589	1,854,961
Cash and cash equivalents at beginning of year	2	8,458,880	6,603,919
Cash and cash equivalents at end of year	2	9,106,469	8,458,880

The notes on pages 14 to 24 form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit/(loss) before taxation	5,710,597	(10,986,173)
Profit on disposal of fixed assets	(4,207)	-
Depreciation Charges	252,531	488,847
Amortisation Charges	819,314	560,685
Finance costs	4,224,178	5,686,812
Finance income	(7,000)	(8,053)
	10,995,413	(4,257,882)
Increase in trade and other debtors	(5,262,277)	(7,598,167)
(Decrease)/increase in trade and other creditors	(2,573,696)	936,806
Cash generated from operations	3,159,440	(10,919,243)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	9,106,469	8,458,880

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	8,458,880	6,603,919

1. STATUTORY INFORMATION

Elevate Credit International Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

2.2 Going concern

The directors continue to adopt a going concern basis in preparing the financial statements. Hence the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

2.3 Turnover

Turnover on Sunny.co.uk is recognised on an accrued daily interest basis. Interest income from customer loan balances is recognised in the Statement of Comprehensive Income, presented under Turnover, using the effective interest method. The effective interest method recognises income on an accrued daily interest basis. The Company accrues finance charges on instalment loans on a constant yield basis over the term of loan. Instalment loans are considered past due if a scheduled payment is not paid on its due date. Payments received on past due loans are applied against the loan and accrued interest balance to bring the loan current. Payments are first applied to accrued interest and then to the loan principal balance.

Turnover is 100% generated in the UK.

2.4 Intangible fixed assets

Intangible fixed assets are maintained at cost less accumulated amortisation and any accompanied impairment losses. Development costs are calculated on the basis of total hours spent by individual staff members on the internally developed proprietary software to support current and future products.

Capitalised development costs are amortised using the straight-line basis method over the estimated useful life of three years.

continued...

2. **ACCOUNTING POLICIES - continued**

2.5 Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Software costs defined as tangible assets relate to the purchased "off the shelf" or bespoke software that is primarily used to enable an item of IT hardware.

Leasehold improvements	-	over duration of the lease
Software costs	-	33% straight line
Fixtures & fittings	-	20% straight line
Office equipment	-	33% straight line

2.6 Current and deferred tax

The current tax for the year is under review by our tax advisers who are reviewing the allowable relief against Corporate Interest Restriction which will reduce the tax liability for the year. Changes in UK tax laws have impacted how trading losses can be carried forward. This means that the Company may have to pay a tax charge even though this is the first year of profitability.

A potential deferred tax asset of £7,800,000 (2016: £9,300,000) has not been recognised as the directors have concluded on the basis of reasonable assumptions, that it is unlikely that the asset will be realised in the foreseeable future.

Deferred tax balances may be recognised in future in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances will not be recognised in respect of permanent differences except in respect of business combinations, when deferred tax will be recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax will be determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.7 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

continued...

2. **ACCOUNTING POLICIES - continued**

2.8 Leases

All leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Company recognises annual rent expense equal to amounts owed to the lessor. Further details on rental payable commitment are shown under note 15 to the financial statements.

2.9 Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

2.11.1 Financial Assets

Basic financial assets, including trade debtors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest and subsequently held at amortised cost using the effective interest rate method. Trade debtors represent the short-term loans (less than 12 months) in the sub-prime lending market issued to a customer in GBP (Note 11).

Impairment test is carried out at the end of each period to assess recoverability of the loan receivables. The principal criterion of determining whether there is an objective evidence of impairment is delinquency in contractual payments. Once the delinquent account is 60 days past due, the customer outstanding balance is fully provided for and impairment costs are carried into the profit and loss with provision for loan losses maintained within the balance sheet (see Note 3.3).

For customer accounts that were 0 days past due to 60 days past due, loan loss provisions were calculated based on probability of losses with statistical data calculations and a reliable management estimate is provided at the end of each calendar month, taking into account the risks and uncertainties surrounding the trade debtors.

An impairment loss of £31,614,407 (2016: £30,300,473) was recognised in administrative costs against the trade debtors during the year based on the above criteria.

continued...

2. ACCOUNTING POLICIES - continued

2.11.2 Significant judgement and key areas of estimation uncertainty

The company maintains the provision of impairment of trade debtors is a significant judgement that management has made in preparation of the financial statements. Management estimates are based on number of factors including: number of days the debt is past due and payment history associated with various past due balances. Management judgement is based on statistical data analysis and considered prudent by the management.

2.11.3 De-recognition of trade debtors

Trade debtors are derecognised when the loan receivables have been repaid in full and contractual rights to cash flows is either settled or transferred to a third party via debt sale where substantially all the risks and rewards of the ownership of the loans are transferred to third party. Any recoveries as a result of debt sale from a fully impaired debt are recognised as a reversal of loan loss already recognised through profit and loss as part of administrative expenses.

2.11.4 Financial Liabilities

Basic financial liabilities, including short term trade creditors are measured at the transaction price and subsequently held at amortised costs using the effective interest rate method.

2.12 Called up share capital

Called up share capital - represents the aggregate nominal value of all ordinary shares in issue and fully paid.

2.13 Capital Reserve Account

Capital reserve account - includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are also deducted from the capital reserve account.

2.14 Profit and Loss Account

Profit and loss account - includes all current and prior period retained losses.

2.15 Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Compensation includes all employee benefits (as defined in FRS 102 Section 28 Employee Benefits) including those in the form of share-based payments (see FRS 102 Section 26 Share-based Payment). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (e.g., by its parent or by a shareholder), in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of goods or services provided to the entity.

continued...

3. FINANCIAL RISK MANAGEMENT

The Company has exposures to following main areas of financial risk - foreign exchange currency exposure, liquidity risk, customer credit exposure and exposure to interest rate risk on debt outstanding.

3.1 Foreign exchange transactional currency exposure

The Company is exposed to currency exchange rate risk as a large portion of its debt payable (Note: 14) is denominated in USD currency. This risk is mitigated by the fact that in 2017 the company converted some of its debt into GBP (note 16). The parent company is USD denominated and therefore no active management of this risk is undertaken. However, the Company recognises the currency exchange gains/losses through the profit and loss account as part of administrative expenses.

3.2 Liquidity risk

The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as of and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all of the financial obligations the Company continues to benefit from the financial support of its parent company. Management also maintains monthly cash flow forecasts to help manage liquidity risk

3.3 Customer credit default exposure

The Company offers instalment loans to its customers to allow payment of the debt as per the credit terms offered to the customer. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and collection efforts by the staff. The Company also actively manages the risk by reviewing its underwriting criteria to acquire better credit quality customers with less default risk.

At the balance sheet date, the maximum credit risk exposure borne by the company is the value of its trade receivables.

The provision for impairment of trade receivables at the start of the year was £7.8m (2016: £6.2m), impaired receivables during the year reduced by £1.1m to reach a closing impairment provision of £6.7m (2016: £7.8m).

3.4 Interest rate risk

The Company borrowed from Victory Park Management LLC (Note: 16) at an interest cost payable of 16% plus 3-month LIBOR. This has been negotiated to 14% plus 3-month LIBOR from 30 January 2018. To the extent that LIBOR increases, the Company's cost of funds will increase. Management helped to mitigate this risk by paying down its debt by £19.5 million in April 2017.

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4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	7,953,353	6,552,389
Social security costs	1,056,974	849,942
Other pension costs	246,739	199,630
	9,257,066	7,601,961

The average monthly number of employees during the year was as follows:

	2017	2016
Average number of Employees	145	134

The company considers its key management personnel (Note 2.15) to be the Directors; compensation is detailed below.

	2017	2016
	£	£
Directors' remuneration	566,249	336,162

5. OPERATING PROFIT/(LOSS)

The operating profit (2016 - operating loss) is stated after charging/(crediting):

	2017	2016
	£	£
Hire of plant and machinery	9,637	8,526
Other operating leases	1,157,388	993,242
Depreciation - owned assets	252,531	488,847
Development costs amortisation	819,314	560,685
Auditors' remuneration	162,247	109,809
Foreign exchange differences	(2,281,088)	6,538,635

6. EXCEPTIONAL ITEMS

	2017	2016
	£	£
Profit/loss on disposal of tangible fixed assets	4,207	-

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
VPC Interest Costs	4,224,178	5,686,812

continued...

8. TAXATION - continued

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 December 2017 nor for the year ended 31 December 2016.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit/(loss) before tax	5,710,597	(10,986,173)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	1,099,290	(2,197,235)
Effects of:		
Expenses not deductible for tax purposes	13,838	16,919
Depreciation in excess of capital allowances	29,000	167,952
Deferred Tax not Recognised	(1,143,020)	2,010,120
Short Term Timing Difference	892	2,244
Total tax charge	-	-

9. INTANGIBLE FIXED ASSETS

	Development costs
	£
COST	
At 1 January 2017	2,530,109
Additions	2,167,006
At 31 December 2017	4,697,115
AMORTISATION	
At 1 January 2017	1,251,059
Amortisation for year	819,314
At 31 December 2017	2,070,373
NET BOOK VALUE	
At 31 December 2017	2,626,742
At 31 December 2016	1,279,050

continued...

10. TANGIBLE FIXED ASSETS

	Leasehold improvements	Software costs	Fixtures & fittings	Office equipment	Totals
	£	£	£	£	£
COST					
At 1 January 2017	154,491	1,170,827	299,816	1,251,115	2,876,249
Additions	-	-	1,798	48,725	50,523
Disposals	-	-	-	(10,210)	(10,210)
At 31 December 2017	154,491	1,170,827	301,614	1,289,630	2,916,562
DEPRECIATION					
At 1 January 2017	147,906	1,137,664	232,886	936,703	2,455,159
Charge for year	2,927	24,881	58,076	166,647	252,531
Eliminated on disposal	-	-	-	(4,207)	(4,207)
At 31 December 2017	150,833	1,162,545	290,962	1,099,143	2,703,483
NET BOOK VALUE					
At 31 December 2017	3,658	8,282	10,652	190,487	213,079
At 31 December 2016	6,585	33,163	66,930	314,412	421,089

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade debtors	33,447,136	30,012,471
Other debtors	250,438	166,481
Prepayments	2,826,548	1,013,308
Security Deposit	130,000	199,585
	36,654,122	31,391,845

The total financial assets held at amortised cost is: £33,447,136 (2016: £30,031,274)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Other loans (see note 14)	44,424	3,683,267
Trade creditors	1,415,350	1,184,376
Social security & other taxes	583,976	624,567
Other creditors	486,097	210,957
Accrued expenses	1,835,201	1,235,578
	4,365,048	6,938,745

The total of financial liabilities held at amortised cost is: £25,407,221 (2016: £44,376,087)

continued...

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£	£
Debentures (see note 16)	23,461,350	39,297,487

14. LOANS

An analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within one year or on demand:		
Secured group loan - Elevate Credit Inc.	44,424	3,683,267
Amounts falling due between two and five years:		
Debentures - 2-5 years	23,461,350	39,297,487

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017	2016
	£	£
Within one year	900,840	474,553
Between one and five years	22,242	266,908
	923,082	741,461

continued...

16. DEBENTURES-VICTORY PARK MANAGEMENT (VPC)

On August 30, 2017, Elevate Credit International Limited and Victory Park Management LLC (VPC), as administrative agent and collateral agent for the lenders and the holders (in such capacity, the "Agent"), entered into the Second Amendment to the Third Amended and Restated Financing Agreement (the "Amended Financing Agreement").

The following provides a summary of the primary changes to the Amended Financing Agreement:

- The UK Term Note commitment amount has been increased to approximately $47.9 million (comprised of $35.0 million and £10.0 million), as of the effective date of this amendment.

- The UK Term Note maturity date has been extended to February 1, 2021, as of the effective date of this amendment.

- After January 30, 2018, the UK Term Note interest rate will be lowered to the base rate plus 14% (from an interest rate of base rate plus 16%).

The borrowing facility from VPC is in the form of debentures secured by a first fixed and floating charge over all the undertaking and all property assets and rights of the borrower. The ultimate parent company Elevate Credit, Inc. is a guarantor for this borrowing facility.

Below is the breakdown of borrowings by Elevate Credit International Limited (UK entity) from VPC as at 31 December 2017.

VPC Loan Note (Principal) - £23,130,447 (2016 - £38,732,680)
VPC Loan Note (Interest) - £330,902 (2016 - £564,808)

- Cash Flow Sensitivity Analysis for Variable-rate instrument

A change in 100 basis points in interest rates for the year at the reporting date would have increased (decreased) equity and profit and loss in the year by the amounts shown below.

Effect In Thousands of GBP
Variable Rate Instrument

2016

Profit & Loss (£'000)		Equity, Net of Tax (£'000)	
+100 bps	-100 bps	+100 bps	-100 bps
(342)	342	(342)	342

2017

Profit & Loss (£'000)		Equity, Net of Tax (£'000)	
+100 bps	-100 bps	+100 bps	-100 bps
(245)	245	(245)	245

continued...

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
2,250	Ordinary Shares	£1	2,250	2,250

The balance on the share capital account represents the aggregate nominal value of ordinary shares in issue and there are no restrictions attached to this class of shares.

18. RESERVES

	Profit and Loss account £	Capital Reserve Account £	Totals £
At 1 January 2017	(51,511,367)	46,823,750	(4,687,617)
Profit for the year	5,710,597		5,710,597
Capital contribution	-	19,748,784	19,748,784
At 31 December 2017	(45,800,770)	66,572,534	20,771,764

19. ULTIMATE PARENT COMPANY

Elevate Credit Inc., 4150 International Plaza, Suite 400, Fort Worth, Texas 76109 (incorporated in United States of America) is regarded by the directors as being the company's ultimate parent company.

20. RELATED PARTY DISCLOSURES

At the year ended 31 December 2017, Elevate Credit International Limited owed its parent company Elevate Credit Inc rechargeable expenses of £44,424 (2016: £3,683,267).