Registered number: 07798925

iwoca Limited

Annual Report and Financial Statements
For the Year Ended 31 December 2020

Officers and professional advisers

Directors	C Rieche J Dear J Schneider A Cookson F Seehaus P Welten T Levene E O'Dwyer (appointed 4 March 2020)
Company registration number	07798925 (England and Wales)
Registered office	10 Queen Street Place London EC4R 1AG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Contents

The directors (the "Directors") present the strategic report of iwoca Limited (the "Company") and its subsidiaries (together the "Group" or "iwoca") for the year ended 31 December 2020.

Principal activities, business review and future developments

The Company, a private limited company, was incorporated on 5 October 2011 in the United Kingdom and registered in England and Wales under the Companies Act 2006.

iwoca launched in 2011 and was born out of the frustration that small businesses lack the access to finance they need to reach their potential. The founders' belief was that technology must enable them to significantly shorten the archaic bank application process which too often results in rejection. Nearly a decade later iwoca has served more than 50,000 small and medium sized entities ("SMEs") across the UK and Germany. We have offered more than £2 billion of finance across a range of loan products to e-commerce traders, coffee shops, barbers and consultants, all refinanced by a panel of institutional investors.

That's a good start, but just the beginning. iwoca's mission is to finance 1 million businesses when and wherever they need it.

Through the course of the journey, we have learned that:

- It's daunting to build the infrastructure to handle tens of thousands of loan applications per month. SME lending is a tech play at heart.
- Embedded finance is the future for SME lending - businesses won't need to go to banks anymore, or at least not in the way they have done in the past.
- Payments and credit are converging: whilst our products have filled a need in the market, it is often only curing the symptom rather than the root of the problem.
- Many businesses have either cash shortages or excesses and can neither control nor take advantage of them. It's a highly fragmented and inefficient ecosystem. Demystifying and fixing it is where we have set our sights.

Building on our tech stack, data expertise, and experience serving SMEs across Europe since 2011, we plan to enter a new growth phase as the Covid-19 pandemic recedes. We are increasingly reaching businesses by embedding our finance offering through API integrations into the SME ecosystem including online marketplaces, accounting systems, or neobanks.

We are also developing innovative features:

- We launched iwocaPay in 2020, an invoice checkout that enables SMEs to offer their customers a seamless 'pay now' or 'pay later' experience. We are aiming to give SMEs control over their cash flows.
- In 2021 we are launching a revenue-based loan to make our products better for our customers.

Throughout 2020 we have continued our investment program supported by the £10 million grant from the Capability and Innovation Fund, awarded in 2019. This grant aims to help companies like iwoca improve lending or payment services to SMEs across the UK.

2020 was a difficult year for SMEs and iwoca. We were not able to offer our products in the same volumes as 2019 however in May 2020 iwoca was accredited for the Coronavirus Business Interruption Loan Scheme ("CBILS") and has lent £350 million through the scheme to date, of which £175m was in the year to 31 December 2020. The scheme has allowed iwoca to continue to support SMEs throughout the Covid-19 pandemic whilst demand for other products has been low.

In August 2020 iwoca issued convertible bonds under the terms of the Future Fund scheme. The scheme provided funds of £10 million from the British Business Bank and existing investors.

The Group is currently in the process of refinancing the funding facilities held by iwoca Ozone Limited with the expected completion date of the second quarter of 2021.

The Directors envisage no changes to the nature of the Company's business in the coming year.

Countries of Operations

The Group lends to SMEs in the United Kingdom and Germany.

Results

The consolidated statement of comprehensive income is set out on page 13 and shows the loss for the year (2019: loss).

Key performance indicators, principal risks and uncertainties

The Group's key performance indicators are as follows:

Results - the Group made a total comprehensive loss of £2,108,062 during the year (2019: loss £604,665);
Origination - iwoca originated over £324 million loans to small and medium sized businesses in 2020 (2019: £400 million);
Revenue - revenue during the year on amounted to £57 million (2019: £69 million), a decrease of 17% (2019: 44% increase);
Loans - the principal balance of the loans as at year end was £251 million (2019: £182 million);
and
Headcount – Headcount as at the end of the year was 277 (2019: 323).

2018 UK Corporate Governance Code and s172 reporting

The Directors have acted in good faith and in a way they consider would be most likely to promote the success of the Company and the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 of the Companies Act 2006) in the decisions taken during the year ended 31 December 2020. The UK left the European Union (the "EU"), commonly referred to as Brexit, on 31 January 2020. The transition period that was in place ended on 31 December 2020 and the rules governing the new relationship between the EU and UK became effective as of 1 January 2021. The Directors have considered the agreed terms of the post-Brexit Trade and Cooperation Agreement and continue to monitor the developments, including regulatory divergence, around Brexit and any realised or potential risk associated with it.

The Directors continue to closely monitor the evolving virus known as Covid-19, the vaccine rollout as well as the impact of Government intervention on the Group's customers, operations, people and financial strength. The Directors have adopted a range of measures aimed at protecting the employees and ensuring business continuity. Following Government advice, the staff worked from home for the majority of 2020 with minimal operational disruptions affecting the Group's customers. Continuing consideration is given to the Group's viability under specific stress scenarios, which are designed to assess the resilience of the Company to adverse economic developments and to ensure there are robust forward-looking planning processes for the risks facing the Group. The stress testing process is overseen by the risk committee. It considers a wide range of events and how those may affect all the Group's stakeholders.

Principal and financial risk management

The principal risks and uncertainties faced by the Group are reviewed below. See note 18 for a more detailed explanation.

Credit risk
Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due.

Heightened credit risk could occur during the events that continue to develop around the world with the associated ongoing major economic downturn and during a failure of the Group to manage the risks involved when advancing loans to SMEs. The Group seeks to manage this risk by employing a range of credit assessment checks on all applicants together with ongoing reviews and the assessment of credit performance of the Loans.

In the case of Loans issued under CBILS, if a borrower were to default, the Secretary of State for Business, Energy and Industrial Strategy (the "Guarantor") will fund 80% of the outstanding guaranteed balance through the British Business Bank.

Liquidity risk
Liquidity risk reflects the risk that the Group may encounter difficulty in meeting its obligations associated with its financial liabilities. The Group manages this risk by diversifying its funding base, regularly reviewing its upcoming contractual payments and ensuring commitments are sufficient to support the Group's growth plans.

Regulatory risk
The Company has been regulated by the FCA since 1 April 2014 when the FCA took responsibility for the regulation of consumer credit from the Office of Fair Trading ("OFT"). As of June 2016, iwoca has full authorisation from the FCA to carry out consumer credit activities which is required for its lending to sole traders. Since February 2019, iwoca is also authorised by the FCA to carry out activities as an Account Information Service Provider which enables iwoca to participate in Open Banking.

In May 2020 iwoca was accredited for CBILS and continues to maintain compliance with the terms set by the British Business Bank for the origination of these Loans.

The Directors maintain compliance by regularly reviewing systems, controls and procedures in place against best practice and employing external consultants and experts to monitor, review and assess the Group's reporting and practices against the requirements of the regulatory background.

Principal and financial risk management *(continued)*

Technological risk

There is a risk that the Group may face threats to its ability to trade and, or to its reputation through a failure to maintain its technology and defend operating systems for example from a cyber-attack, an internal error, or failure of third party providers. The Directors address this risk by implementing a system of controls, security software and upgrades which is constantly reviewed for effectiveness.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to currency and interest rate risk:

- *Currency Risk*: A proportion of the Group's income, costs, assets and liabilities are denominated in foreign currencies. There is a risk that adverse movement in the exchange rates could result in losses. The Group, where possible, matches foreign currency assets and liabilities so that the net impact of any foreign exchange movement is minimised. In order to further manage this risk, the Group reviews current and expected exchange rates to assess their impact.

- *Interest rate risk:* A portion of the Group's debt facilities are variable rate. There is a risk that any increase in base rate could reduce the profitability of the Group. The Group would not initially increase interest rates on the Loans and absorb any increase in costs. However, should the impact become material to Group over time, then a rate rise could be passed onto customers.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders. The capital structure is shown on the consolidated balance sheet. The risks associated with the Group's funding facilities and associated covenants materially determine the risks facing the Group, namely, credit risk, liquidity risk, regulatory risk, technological risk, market risk and emerging risks. As such the Directors manage the risks associated with funding facilities alongside the relevant associated risk. The Company is not subject to specific external imposed capital requirements but must maintain sufficient capital to funds its operations.

Emerging risks

The UK left the European Union (the "EU"), commonly referred to as Brexit, on 31 January 2020. The transition period that was in place ended on 31 December 2020 and the rules governing the new relationship between the EU and UK became effective as of 1 January 2021. The Directors have considered the agreed terms of the post-Brexit Trade and Cooperation Agreement and continue to monitor the developments around Brexit and any realised or potential risk associated with it. Given the nature of the structure of the Group and the Company's operations, the Directors do not expect this specific risk to cause a disruption to the business activities.

The Directors continue to closely monitor the evolving virus known as Covid-19, the vaccine rollout as well as the impact of Government intervention on the Group's customers, operations, people and financial strength. The Directors consider the Group's approach and procedures in response to the risks associated with the virus to be sufficient to respond appropriately as the situation unfolds.

This report was approved by the board on 28 May 2021 and signed on its behalf.

C Rieche (May 28, 2021 17:52 GMT+1)

Christoph Rieche
Director

The Directors present the report and the audited consolidated financial statements of iwoca Limited and the Group for the year ended 31 December 2020.

Going concern of the Company and the Group

The Directors consider it appropriate to prepare the financial statements on a going concern basis. To reach this conclusion, the Directors have carried out scenario analysis considering possible threats to this assertion. The Directors consider the Group to have entered 2021 well-funded, having raised over £200m in debt and equity in 2020. The Directors continue to monitor the Covid-19 pandemic, vaccine programs and emergence of new variants and consider their impact on the Group.

The Directors believe Europe's SMEs will be critical to the economic recovery and still consider them under-served for credit products and will continue to aim to meet this unmet demand.

The assessment of the Company's going concern and description of the analysis performed is described in the Going Concern note under Accounting Policies.

Future developments

An assessment of the Group's future developments is described in the Strategic report under the Principal activities, business review and future developments heading.

Financial risk management

Information on financial risk management is included in the Principal risk and uncertainties section of the Strategic report.

Directors

The Directors of the Company who served during the year, and up to the date of signing the financial statements, were:
C Rieche
J Dear
J Schneider
A Cookson
F Seehaus
P Welten
T Levene
E O'Dwyer (appointed 4 March 2020)

Dividends

The Directors do not recommend the payment of a dividend (2019: £nil).

Research and development activities

Each year the Group incurs significant staff salary costs in the further development of its software systems. For the year ended 31 December 2020 such development costs, which are expensed through the statement of comprehensive income were £3,996,897 (2019: £3,412,584).

Streamlined Energy & Carbon Reporting (SECR)

In accordance with the mandatory Streamlined Energy and Carbon Reporting regulation introduced by the UK Government, with effect from 1 April 2019, the Group is obliged to report its UK energy use and associated greenhouse gas emissions. This information is included for the first time in the Directors' Report.

The largest environmental impact from the Group's direct operations comes from energy used in its offices and from business travel. As a result of staff operating from home and absence of business travel due to Covid-19, there has been a significant reduction in the Group's carbon footprint for the year.

Streamlined Energy & Carbon Reporting (SECR) ***(continued)***

The table below discloses the Group's energy use. There is no prior year comparative data due to this being the first year of reporting:

	2020	Methodology Applied
Total Scope 1 emissions (tCO_2e)	0	Travel for the year resulted in near 0 emissions due to the restrictions imposed by world and european governments in light of the Covid-19 pandemic. iwoca does not engage in the combustion of natural gas.
Total Scope 2 emissions (tCO_2e)	9	iwoca maintains multiple places of business. Emissions associated were calculated by applying the UK average CO_2 consumption per Kilowatt hour to suppliers that did not report full renewable usage.
Total Scope 3 emissions (tCO_2e)	0	iwoca did not supply fuel for rental cars or employee-owned vehicles in 2020.
Energy Consumption Amount (KWh)	146,201	

Employees

The Company is committed to foster a culture where employees are respected, valued and supported to fulfil their full potential. The Directors provide employees systematically with information that is of concern to them as employees through the townhalls that take place on a regular basis. The townhalls also cover financial and economic factors affecting the performance of the company both short term and long term and open discussions are encouraged by all employees. To ensure employees' voices are heard, the Company conducts regular surveys, with their answers and views considered whenever decisions are made that are likely to affect employees' interests. The Directors recognise the importance of a diverse workforce and the Company is therefore open to hiring and retaining employees from all sorts of different backgrounds and ensures at all times that all employees are being treated fairly. The Company believes in providing equal opportunities for all employees, including people with a disability and those who have become disabled during the year, therefore the recruitment, training and career development of people are based on the aptitudes and abilities of the individual.

Post balance sheet events

The Directors are monitoring the realised and potential risks of the Covid-19 pandemic including the impact of Government intervention and vaccine rollouts on the Group's customers, operations, people and financial strength. The Directors have included this in their assessment of going concern set out on page 19.

Vallay Finance Limited, a subsidiary of iwoca Limited by virtue of control, was incorporated on 19 January 2021 to further finance SME demand for Loans under CBILS issued by the Group. CBILS has a final deadline for applications of 31 March 2021.

iwoca plans to wind up the companies within the Group, iwoca Poland Sp. z o.o., iwoca Peroxide Limited. and iwoca Spain SL in the next 12 months.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

This report was approved by the board on 28 May 2021 and signed on its behalf.

C Rieche (May 28, 2021 17:52 GMT+1)

Christoph Rieche
Director

Report on the audit of the financial statements

Opinion

In our opinion, iwoca Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2020; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of the UK components which accounted for approximately 86% of the Group's revenues and approximately 85% of the Group's total assets.
- We performed specified procedures in respect of the European component and at a Group level which together with the full scope audits accounted for 97% of the Group's revenues and 95% of the Group's total assets.

Key audit matters

- Loan impairment provisions (group and parent)
- Accounting for financing transactions (group and parent)
- Considerations relating to Covid-19 (group and parent)

Materiality

- Overall group materiality: £649,000 (2019: £686,000) based on 1% of total revenues for the group.
- Overall company materiality: £522,000 (2019: £586,884) based on 1% of total revenues for the company.
- Performance materiality: £487,000 (group) and £392,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for Research and Development (R&D) tax benefits, which was a key audit matter last year, is no longer included because the successful claim made in the prior period indicates that the judgement involved in making claims was decreased.. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions (group and parent) Refer to Note 2 (Accounting policies), Note 3 (Critical accounting judgements and estimates) and Note 18 (Financial instruments). The determination of loan impairment provisions is complex, and judgement is required for the timing of recognition of impairment provisions and estimation of the amount of provisions required in relation to loss events which have occurred at the balance sheet date. Loan impairment provisions are estimated on an individual basis at a point at which objective evidence is observed. The Group adopts an approach based primarily on the number of days the loan is overdue. Different loss rates are applied to the loans that are overdue depending on the borrower's specific circumstances. For amounts lent under the CBILs scheme, management had to apply judgement in determining the incurred losses based on limited data and experience.	We performed the following procedures to address the areas of judgement and estimates used in the calculation of the loan impairment provision: We understood and critically assessed the appropriateness of the impairment policy in relation to the identification of loss events, the method for applying estimated loss percentages to loans, and the way in which loans are restructured in response to certain impairment events, and the amounts eventually recovered from customers; For CBILs lending, we tested the application of the government guarantee to the future losses in the model; We tested the accuracy and validity of data used to determine the key assumptions used in the estimation of impairment; We tested whether management's policy has been appropriately applied to the loan book; We validated the correct calculation of days past due in the system for a sample of accounts, and We tested the appropriate application of restructuring in line with policies. In order to obtain sufficient appropriate audit evidence, we formed an independent range estimate of impairment provisions and found management's estimate to be within this range. Based on the evidence obtained, we found the estimated loan impairment provision to be reasonable.
Accounting for financing transactions (group and parent) Refer to Note 2 (Accounting policies), Note 3 (Critical accounting judgements and estimates), Note 16 (Creditors: Amounts falling due after more than one year) and Note 17 (Creditors: Amounts falling due after more than one year). The Group enters into financing arrangements which involve other related entities and also external parties and investors. The accounting treatment of such transactions can be judgemental and complex, requiring detailed considerations of underlying contractual terms and in some cases estimation of risks and rewards in various scenarios. The judgements made during this process can determine whether certain loans are recognised or derecognised on the Group and Company balance sheets and the amount of the expected returns that are due to the Group.	We understood the nature of contractual relationships between entities within the Group, as well as entities external to the Group. We also understood the way each of the relevant agreements worked in practice as it relates to: • Contracting and interacting with customers, • How cash flows between parties, and; • The way in which losses are recognised or shared between parties if and when they occur. This enabled us to consider the exposure to variability in risks and rewards for the Group and Company, which were in some cases judgements based on contract, and others required the modelling of specific scenarios. Due to the level of judgement involved, our testing included the use of technical accounting specialists who reviewed and challenged the analysis prepared by management against the requirements of the accounting standards.

	Based on the evidence obtained, we considered the accounting conclusions adopted by management to be supportable and the presentation of these financing transactions to be appropriate in the financial statements.
Considerations relating to Covid-19 (group and parent) Refer to Note 2 (Accounting policies). The Covid-19 pandemic has disrupted financial markets and normal patterns of human behaviour during the year. This is translating into adverse impacts on both the UK economy and other markets in which the Group operates. In response, Governments and the financial services regulators have applied measures to support borrowers and firms alike throughout the period. We considered the impact of Covid-19 to be an area of greater risk due to the potential for it to have pervasive implications on the Group and Company. The directors' disclosures explaining how the pandemic has given rise to risks within the Group are included in the Strategic Report. Disclosures relating to the appropriateness of the use of the going concern basis of preparation and the considerations made by the directors' when drawing this conclusion are given in note 2.3. The directors have specifically considered the impact on the financial statements as it gives rise to greater levels of uncertainty in the following areas; The going concern assessment of the Company and the Group; and The allowance for impairment of loans (considered within the key audit matter above).	In assessing the Directors' consideration of the impact of COVID-19 on the financial statements, we have undertaken the following audit procedures: We discussed the impact of Covid-19 on the Group and Company's financial statements and operations with the Audit Committee during the year. We critically assessed the directors' conclusions on their going concern assessment and their consideration of the impact of Covid-19 on the financial statements. We reviewed the impact of management's severe downside scenarios and considered the likelihood of successful implementation of management actions to mitigate the impacts. We challenged the year end value of impairment recognised on the Group's loans to customers given the potential impact of the pandemic on customer behaviour, and audited the appropriateness of the assumptions used within their forecasting, as explained by the above key audit matters. We considered the appropriateness of the disclosures made by the directors as it relates to the potential impact of Covid-19 on the Group. As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We performed walkthroughs of key business processes, which helped us in assessing the level of inherent audit risk, as well as to evaluate the design effectiveness of the controls. This allowed us to appropriately consider and design the nature, timing and extent of our audit procedures to be responsive to the Group's risks.

We undertook a scoping exercise to ensure appropriate audit evidence would be obtained for each material account line item on the financial statements. We used data-driven audit techniques to obtain our audit evidence on key account balances such as interest income and impairment provisions. The data inputs and underlying calculations were validated for completeness and accuracy before our data driven testing was performed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	**Financial statements - company**
Overall materiality	£649,000 (2019: £686,000).	£522,000 (2019: £587,000).
How we determined it	1% of total revenues for the group	1% of total revenues for the company
Rationale for benchmark applied	For start-up entities, losses or small profits before tax may not be representative of the operations in the view of the users of the financial statements.	

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £47,000 and £584,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.
We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £487,000 for the group financial statements and £392,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £32,000 (group audit) (2019: £34,000) and £26,000 (company audit) (2019: 29,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We used our knowledge of the Group, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period;
- We considered whether these risks could plausibly affect the liquidity or profitability in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group and Company's financial forecasts;
- We obtained up to date trading information available to assess the performance of the Covid-19 impacted loan book and the run- rate of issuance of the new lending;
- We considered whether the going concern disclosure in note 2.3 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities;
- We discussed the possible scenarios, performance and funding requirements with the Audit Committee and management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory rules, primarily those governed by the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board;
- Reading and evaluating key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted by senior management and those with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

D Brydon

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 May 2021

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Revenue	4	56,822	68,587
Cost of sales		(18,452)	(20,110)
Gross profit		38,370	48,477
Administrative expenses		(35,261)	(38,246)
Other operating income		8,131	226
Operating profit	5	11,240	10,457
Interest payable and similar expenses	9	(14,480)	(11,884)
Loss before taxation		**(3,240)**	**(1,427)**
Tax on loss	10	804	1,132
Loss for the financial year		**(2,436)**	**(295)**
Currency translation differences		328	(310)
Other comprehensive income / (expense) for the year		**328**	**(310)**
Total comprehensive expense for the year		**(2,108)**	**(605)**

The accompanying notes on pages 19 to 40 are an integral part of these financial statements.

Consolidated balance sheet as at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000 Restated
Fixed assets			
Tangible assets	12	318	713
Debtors: amounts falling due after more than one year	14	153,721	18,559
Current assets			
Debtors: amounts falling due within one year	14	103,917	168,962
Cash and cash equivalents	15	76,311	29,009
		180,228	197,971
Creditors: amounts falling due within one year	16	(54,573)	(21,031)
Net current assets		**125,655**	**176,940**
Total assets less current liabilities		**279,694**	**196,212**
Creditors: amounts falling due after more than one year	17	(234,911)	(153,161)
Net assets		**44,783**	**43,051**
Capital and reserves			
Called up share capital	19	-	-
Share premium account	20	57,534	57,497
Convertible debt option reserve		3,651	-
ESOP share reserve	20	1,032	880
Foreign currency translation reserve	20	1,217	889
Profit and loss account	20	(18,651)	(16,215)
Total shareholders' funds		**44,783**	**43,051**

The profit and loss account and foreign currency translation reserve within the Group's capital and reserves for the prior period have been restated. Further details of this restatement are presented in note 2.4 in Accounting Policies.

The accompanying notes on pages 19 to 40 are an integral part of these financial statements.

The financial statements on pages 13 to 18 were approved by the Board of Directors on 28 May 2021 and signed on its behalf by

C Rieche (May 28, 2021 17:52 GMT+1)

C Rieche
Director

James Dear (May 28, 2021 18:03 GMT+1)

J Dear
Director

Company balance sheet as at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000 Restated
Fixed assets			
Tangible assets	12	318	713
Investments	13	190	163
Debtors: amounts falling due after more than one year	14	28,956	18,559
Current assets			
Debtors: amounts falling due within one year	14	55,239	154,687
Cash and cash equivalents	15	34,671	16,315
		89,910	171,002
Creditors: amounts falling due within one year	16	(98,965)	(174,163)
Net current assets / (liabilities)		**(9,055)**	**(3,161)**
Total assets less current liabilities		**20,409**	**16,274**
Creditors: amounts falling due after more than one year	17	(27,129)	(21,858)
Net liabilities		**(6,720)**	**(5,584)**
Capital and reserves			
Called up share capital	19	-	-
Share premium account	20	57,534	57,497
Convertible debt option reserve	20	3,651	-
ESOP share reserve		1,032	880
Foreign currency translation reserve	20	(68)	(78)
Profit and loss account	20	(68,869)	(63,883)
Total shareholders' (deficit)		**(6,720)**	**(5,584)**

The profit and loss account and foreign currency translation reserve within the Company's capital and reserves for the prior period have been restated. Further details of this restatement are presented in note 2.4 in Accounting Policies.

The accompanying notes on pages 19 to 40 are an integral part of these financial statements.

The Company's total comprehensive loss for the year was £4,975,822 (2019: £26,847,881) compared to a Group total comprehensive loss of £2,108,062 (2019: £604,665).

The financial statements on pages 13 to 18 were approved by the Board of Directors on 28 May 2021 and signed on its behalf by

C Rieche (May 28, 2021 17:52 GMT+1)

C Rieche
Director

James Dear (May 28, 2021 18:03 GMT+1)

J Dear
Director

Consolidated statement of changes in equity for the year ended 31 December 2020

	Note	Called up share capital £000	Convertible debt option reserve £000	Share premium account £000	ESOP share reserve £000	Profit and loss account £000 Restated	Foreign currency translation reserve £000 Restated	Total equity £000
Balance at 1 January 2019	**20**	-	**5,000**	**37,938**	**740**	**(15,920)**	**1,199**	**28,957**
Total loss for the year		-	-	-	-	(295)	-	(295)
Currency translation differences		-	-	-	-	-	(310)	(310)
Shares (converted) / issued during the year (net of issue costs)		-	(5,000)	19,559	-	-	-	14,559
Share based payment charge		-	-	-	140	-	-	140
Balance at 31 December 2019	**20**	-	-	**57,497**	**880**	**(16,215)**	**889**	**43,051**
Total loss for the year		-	-	-	-	(2,436)	-	(2,436)
Currency translation differences		-	-	-	-	-	328	328
Shares issued during the year (net of issue costs)		-	3,651	37	-	-	-	3,688
Share based payment charge		-	-	-	152	-	-	152
Balance at 31 December 2020	**20**	-	**3,651**	**57,534**	**1,032**	**(18,651)**	**1,217**	**44,783**

The profit and loss account and foreign currency translation reserve within the Group's capital and reserves for the prior period have been restated. Further details of this restatement are presented in note 2.4 in Accounting Policies.

The accompanying notes on pages 19 to 40 are an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2020

	Note	Called up share capital £000	Convertible debt option reserve £000	Share premium account £000	ESOP share reserve £000	Profit and loss account £000	Foreign currency translation reserve £000 Restated	Total equity £000
Balance at 1 January 2019	**20**	-	**5,000**	**37,938**	**740**	**(37,113)**	-	**6,565**
Total comprehensive expense for the year		-	-	-	-	(26,770)	-	(26,770)
Currency translation differences		-	-	-	-	-	(78)	(78)
Shares (converted) / issued during the year (net of issue costs)		-	(5,000)	19,559	-	-	-	14,559
Share based payment charge		-		-	140	-	-	140
Balance at 31 December 2019	**20**	-	-	**57,497**	**880**	**(63,883)**	**(78)**	**(5,584)**
Total comprehensive expense for the year		-	-	-	-	(4,986)	-	(4,986)
Currency translation differences		-	-	-	-	10	10	10
Shares issued during the year (net of issue costs)		-	3,651	37	-	-	-	3,688
Share based payment charge		-	-	-	152	-	-	152
Balance at 31 December 2020	**20**	-	**3,651**	**57,534**	**1,032**	**(68,869)**	**(68)**	**(6,720)**

The profit and loss account and foreign currency translation reserve within the Company's capital and reserves for the prior period have been restated. Further details of this restatement are presented in note 2.4 in Accounting Policies.

The accompanying notes on pages 19 to 40 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Loss for the financial year	(2,436)	(295)
Adjustments for:		
Depreciation of tangible assets	387	380
Loss on sale of tangible assets	65	-
Interest payable and similar expenses	14,480	11,884
Interest received	-	-
Tax credit	(804)	(1,132)
Increase in debtors	(71,262)	(46,397)
(Decrease)/Increase in creditors	(5,458)	10,804
Corporation tax paid	(11)	(11)
Gain from disposal of loans	(46)	-
Proceeds from disposal of loans	46	-
Share option charge	152	140
Net cash from operating activities	**(64,887)**	**(24,628)**
Cash flows from investing activities		
Purchase of tangible fixed assets	(59)	(451)
Sale of tangible fixed assets	4	-
Interest received	-	-
Net cash from investing activities	**(55)**	**(451)**
Cash flows from financing activities		
Issue of ordinary shares	3,688	14,559
Proceeds from new funding activities net of repayments	118,318	35,253
Interest paid	(9,762)	(11,050)
Net cash from financing activities	**112,244**	**38,762**
Net increase in cash and cash equivalents	47,302	13,683
Cash and cash equivalents at beginning of year	29,009	15,326
Cash and cash equivalents at the end of year	**76,311**	**29,009**

The accompanying notes on pages 19 to 40 are an integral part of these financial statements.

1. General information

iwoca Limited (the "Company") is a private company incorporated United Kingdom and registered in England and Wales on the 5 October 2011. The Company's registered office is 10 Queen Street Place, London EC4R 1AG. The Company's principal place of business is 90 Long Acre, London, WC2E 9RA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the parent Company.

The Company has taken advantage of the disclosure exemption allowed under FRS 102 with regards to the requirements of IAS 7 "Statement of cash flows" to prepare a statement of cash flows for the parent Company.

The accounting policies which will be applied consistently in dealing with the items which are considered material in relation to the Company and Group's financial statements are set out below.

2.2 Basis of consolidation

The consolidated financial statements present the results of Group, its subsidiaries (see note 13), as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

2.3 Going concern

The Directors have considered the appropriateness of the preparation of these financial statements on a going concern basis. Based on the analysis carried out, the Directors have concluded it appropriate to prepare the financial statements on a going concern basis.

In order to reach this conclusion, the Directors have prepared a cash flow forecast and break-even analysis for a period of more than 12 months from the date of the approval of these financial statements taking into account future trading scenarios.

The Directors do not consider deterioration of credit conditions caused by the Covid-19 pandemic to be a significant threat to the Group's status as a going concern. Whilst the Directors have included its impact in the scenario considered, they have put more emphasis on other matters.

The primary scenario considered by the Directors was a severe downside scenario that included a deterioration in a number of economic drivers for the Group.

The material assumptions of the scenario are as follows:

- Reduced issuance of existing products to new customers in 2021;
- No significant facility is raised to replace that held by iwoca Ozone Limited
- An increase in credit risk; and
- Appropriate management action is taken in response with a rapid reduction in costs.

In this severe downside scenario, the Directors' analysis showed sufficient loan book assets, cash and equity to allow the Group and Company to continue as a going concern. The Directors consider this scenario to be unlikely, which given its low probability gives the Directors confidence in concluding that the Group and Company is a going concern.

The Directors plan to continue to develop the Group's business and products. The Directors consider the Group to have entered 2021 well-funded, having raised over £200m in debt and equity in 2020. The Directors expect to continue to have good access to debt markets and aim to continue to meet SME demand for the Group's products.

2. Accounting policies *(continued)*

2.4 Restatement of prior periods

In prior periods, the Group and the Company's foreign currency translation reserve was presented as part of the profit and loss account rather than a separate reserve. The Group has revised its accounting policies in 2020 in this regard and prior periods have been restated accordingly. The Group and Company's unrealised gains and losses on the translation of balances whose transaction currency differs from the functional currency of the Group or Company are now presented in the foreign currency translation reserve.

Extract from the statement of financial position	31 December 2019	Restatement	31 December 2019	31 December 2018	Restatement	31 December 2018
	£000	£000	£000	£000	£000	£000
	Before restatement		Restated	Before restatement		Restated
Group						
Foreign currency translation reserve	-	889	889	-	1,199	1,199
Profit and loss account	(15,326)	(889)	(16,215)	(14,721)	(1,199)	(15,920)
Company						
Foreign currency translation reserve	-	(78)	(78)		-	-
Profit and loss account	(63,961)	78	(63,883)	(37,113)	-	(37,113)

2.5 Revenue

Interest income

Interest income from the flexible funding solutions provided to the Group's customers is recognised on an effective interest rate basis over the life of the facility.

Fee income

Fee income from the Loans is recognised on an effective interest rate basis over the life of the facility. Where a Loan includes element of both interest and fee income or there are related directly attributable expenses, all such cashflows are considered to arrive at the effective interest rate on which to recognise revenue. Recharges of legal costs and similar fees to customers are recognised as revenue in the period in which the fee is contractually due to the Group.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Repairs and maintenance are charged to profit or loss during the period in which they are incurred. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- Over 3 years
Office equipment	- Over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Investments

Investments are stated at cost less any provisions for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised. Investments in subsidiaries are stated at cost less impairment, where appropriate, provisions for impairment are recognised (see note 13 for further details).

2. Accounting policies *(continued)*

2.8 Financial instruments

In accordance with Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") have been adopted in full with respect to the recognition and measurement of financial instruments.

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be a party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group enters into financial instrument transactions during its normal course of business. These include the Loans provided to customers, loans from banks or third parties and trade payables.

2.9 Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

2.10 Deemed liability

Where a transfer of a financial asset does not qualify for de-recognition, the transferee does not recognise the transferred asset as its asset. The transferee derecognises the carrying value of the asset and recognises a receivable from the transferor.

For the Loans sold by the Company to iwoca Ozone Limited under the Group's funding arrangements, the threshold for de-recognition is not considered to have been met as the Company has retained significant risks and rewards of ownership. The Company's financial statements are therefore prepared on the basis that its sale of the beneficial interests in the loans are recognised as a deemed liability.

2.11 Impairment

At the end of each reporting period an assessment is made whether there is objective evidence of impairment of any financial assets measured at cost or amortised cost. If there is objective evidence of impairment, an impairment loss is recognised immediately in profit or loss. Losses are the result of past events, not losses expected as a result of possible future events. In the absence of any objective evidence or observable data indicating that a loss has occurred, there is no basis for recognising an impairment, or bad debt provision.

The Group regularly reviews the Loans to determine the need for loan impairment provisions. The Group uses objective factors such as the time since the customer's last payment or other indicators to determine whether a loan or group of loans is impaired. The Group then applies a loss percentage, calculated based on historical loss data and specific loan circumstances, to apply to impaired Loans. Where an asset benefits from a guarantee, in particular loans under CBILS, impairment losses are recognised net of any such guarantee.

2.12 Loans

The Loans are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They are classified as loans and receivables. The Loans are measured on initial recognition at the transaction price plus directly attributable costs and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of comprehensive income when there is objective evidence that the assets are impaired. Subsequent increases in recoverable amounts shall not result in a carrying amount of the Loans that exceeds the amortised cost had no impairment been recognised.

2.13 Financial contracts

As part of the Group's financing arrangements, it, on some occasions, expects certain non-contractual cash flows to occur. Where such expected cash flows meet the criteria for recognition as an asset, a financial asset is initially measured at fair value, and is subsequently reduced as the cash flows occur.

2.14 Deferred revenue

The Group recognises liabilities for anticipated deferred revenue based on the period of credit.

2. Accounting policies *(continued)*

2.15 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. The Group does not presently hold cash equivalents.

The Company holds restricted cash as part of the Group's financing arrangements.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.16 Foreign currency

Functional and presentational currency
The consolidated financial statements are presented in GBP, which is the Company's functional and presentational currency. The functional currency of the subsidiaries is in the currency of the primary economic environment in which the entity operates.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Consolidation of Group companies
On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.17 Interest receivable and payable

Interest income and interest expense for all interest bearing financial instruments other than those at fair value through profit and loss is measured at amortised cost and recognised in the statement of comprehensive income using effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

2.18 Share based payments

Where shares and share options are awarded to employees, the fair value of the shares and options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each date of the statement of financial position so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

2. Accounting policies *(continued)*

2.19 Operating leases as a lessee

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

2.20 Pensions

Defined contribution pension plan
The Group operates a defined contribution pension scheme for its employees. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity.

The contributions payable to the Group's pension scheme are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds. Once the contributions have been paid the Group has no further payment obligations.

2.21 Bank interest income

Interest income on the Group's cash balances held in bank accounts is recognised in the statement of comprehensive income as other operating income.

2.22 Other Income

Interest income on the Group's cash balances held in bank accounts is recognised in the statement of comprehensive income as interest income. The release of the deferred income in respect of any grant received is recognised as other income on a systematic basis over the periods in which the related costs are recognised.

2.23 Current and deferred tax

Current tax is the amount of income tax payable (or refundable) in respect of the taxable profit (or loss) for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax is recognised in respect of all timing differences at the reporting date between taxable profits and total comprehensive income as stated in the financial statements, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing differences.

2.24 Research & development

Research and development costs incurred during the course of developing the Group's software and systems are written off to the statement of comprehensive income in the period in which they are incurred.

2.25 Grants received

Grants are initially recognised as deferred income in the statement of financial position as part of Accruals and deferred income and is released to the consolidated statement of comprehensive income on in the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

2. Accounting policies *(continued)*

2.26 Convertible Bonds

Convertible Bonds are recognised initially on the balance sheet as liability and equity. The liability is calculated as the fair value of the component bond using a comparable non-convertible bond to benchmark the discount rate. The equity is then calculated as the remainder. Subsequently the liability is recognised at amortised cost with interest charged to the statement of comprehensive income on an effective interest rate basis.

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgments and estimates that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgements and estimates are based on historical and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

The judgements and estimates are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical accounting estimates

The Company makes estimates and assumptions about the future. There is inherent uncertainty in estimates and assumptions, therefore actual results reported in future periods may be derived from amounts which differ from the estimates and assumptions.

Impairment of Loans
The Group regularly reviews the Loans and makes judgements as to the need for loan impairment provisions. The Group uses objective factors such as the time since the customer's last payment or other indicators to determine whether a loan or group of loans is impaired. The Group then estimates the loss percentage to apply to impaired Loans based on historical loss data, as well as specific loan circumstances. Where the Group to assume all loans are to be impaired in full immediately after a payment due is missed, estimated impairment losses would increase by ~£1.4m. Where an asset benefits from a guarantee, in particular loans under CBILS, impairment losses are recognised net of any such guarantee.

Impairment of intercompany loans
The Company reviews its investments and loans in/to subsidiaries for impairment at the end of each year. Where evidence of impairment is identified, an impairment charge is recognised in the Company statement of comprehensive income. The balance recognised in respect of such intercompany loans is the recoverable amount.

Effective interest rate
The calculation of an effective interest rate has several areas of estimate that need to be applied which impact the rate at which interest, fees and expenses are recognised. The Company makes assumptions around the expected customer usage of the product, which is typically shorter than the initial term of the Loan. Management regularly reviews these assumptions based on historical experience as well as expectations of future events. The effect of the effective interest rate adjustment on the Group's income statement for the year ending 31 December 2021 is £1,650,038.

3.2 Critical accounting judgements

Continuing recognition of loans sold to iwoca Ozone Limited
Judgement is required in relation to the recognition or de-recognition of certain legal sales of financial instruments. The Company de-recognises a financial instrument when the rights to receive cash flows have expired or a transfer of the financial instrument has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition. For the Loans sold by the Company to iwoca Ozone Limited under the Group's funding arrangements, the Company has retained significant risks and rewards and therefore continues to recognise these loans, and as a result recognises a deemed loan liability to iwoca Ozone Limited.

3. Critical accounting estimates and judgements *(continued)*

3.2 Critical accounting judgements *(continued)*

De-recognition of loans sold to third-parties

Judgement is required in relation to the recognition or de-recognition of certain legal sales of financial instruments. The Company de-recognises a financial instrument when the rights to receive cash flows have expired or a transfer of the financial instrument has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition. For certain Loans sold by the Company to third-parties, the Company has considered its exposure to the variability in risks and rewards after the legal transfer against the cash flows it expected to receive if the loans were not sold. Based on this analysis, the Company concluded it had transferred significantly all risks and rewards and therefore does not recognise the loans on its balance sheet.

2019 grant award from the CIF

The Company accounts for the award from the CIF received in 2019 on an accruals basis. Monies received are restricted by virtue of not being available for corporate use and explicitly prohibited for certain uses. The associated income is deferred and released to Comprehensive Statement of Income as the relevant costs are incurred. Such income is included in other operating income. Whilst the Company does not consider it to probable, should any amount become repayable any remaining deferred income will be reclassified as a liability. Should any other liabilities arise as a result of this change in estimate, these would also be recognised at this point.

Consolidation of entities controlled by iwoca Limited

iwoca Limited invests in multiple classes of notes issued by iwoca SV SA acting through some of its compartments. In determining whether an entity should be consolidated, the Company must determine whether it meets the threshold of control through ownership of voting rights or some other mechanism that results in the Company having "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities" (9.4, FRS102 issued by the FRC in March 2019 and further amended).

The Company considers that it controls certain compartments of iwoca SV SA, their investments in sub-funds whose General Partner is a wholly owned subsidiary of iwoca Limited and the portfolio assets owned by said sub-funds. The results of these entities are presented in the Group consolidated financial statement according to the Group's basis for consolidation.

The Company considers that it controls iwoca Skye Limited and Islay Finance Limited. The risks and rewards from both these companies substantially accrue to the Group. The results of these entities are presented in the Group consolidated financial statement according to the Group's basis for consolidation.

Research and development tax credit

The Company considers whether certain expenditure meets the criteria for research and development tax benefits. The tax benefit recognised in the statement of comprehensive income is estimated based on the nature of underlying project as well as attributable expenditure during the year.

4. Revenue

The Group's revenue is derived from its operations in the United Kingdom and Europe.

	2020 £000	2019 £000
Interest and other income	56,822	68,587
	56,822	68,587

5. Operating profit

Included in operating profit are the following items:

Group	2020 £000	2019 £000
Research & development charged as an expense	3,997	3,413
Cost of sales	18,452	20,110
Depreciation of tangible fixed assets	387	380
Other operating lease rentals	1,706	1,844
Defined contribution pension cost	300	251
Other staff costs	18,851	16,012
Other costs including product and marketing	10,020	16,346
Other operating income	(8,131)	(226)
	45,582	58,130

6. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Group's auditors for the audit of the parent Company and the Group's consolidated financial statements:	162	116
Fees payable to the Company's auditors and its subsidiaries for other services:		
- Audit of the Company's subsidiaries	93	103
- Other services relating to taxation	-	61
	255	280

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	16,897	14,842	16,422	14,636
Social security costs	1,954	1,668	1,832	1,623
Other pension costs	300	251	300	251
	19,151	16,761	18,554	16,510

This has been calculated net of government schemes implemented during 2020 in response to the Covid-19 pandemic. Other pension costs refer to a defined contribution pension scheme.

7. Employees *(continued)*

The average monthly number of persons (including Directors) employed by the Group and the Company during the year was:

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Tech, Analytics & Product	81	57	81	57
Sales, Marketing & Customer Success	188	197	183	192
Finance, Legal and Compliance, People Operations and Other Management	46	40	45	39
	315	294	309	288

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	468	454
	468	454

The highest paid director received remuneration of £213,635 (2019: £224,922).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director *amounted to £1,314 (2019: £1,188). The total value of the Company's contributions paid to a defined contribution pension scheme* in respect of the directors amounted to £2,628 (2019: 2,377).

During the year no Directors received shares under the long term incentive schemes (2019: nil). During the year the company issued nil (2019: nil) ordinary shares to Directors of the Group as part of the 2018 share incentive scheme.

The total remuneration for the company's executive Directors totalled £417,926 (2019: £451,792). These executive Directors are considered to be the Group's key management personnel.

9. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable and similar expenses	14,480	11,884
	14,480	11,884

10. Tax on loss

The Group is subject to taxes applicable to a commercial company in its countries of operation.

	2020 £000	2019 £000
Corporation tax		
Current year tax (credit)	(817)	(1,138)
Adjustments in respect of previous periods	13	6
Total current tax	(804)	(1,132)

Factors affecting tax charge for the year

The tax assessed for the year is equal to (2019: equal to) the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £000	2019 £000
Loss before taxation	(3,240)	(1,427)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(616)	(271)
Effects of:		
Expenses not deductible for tax purposes	531	146
Capital allowances for year in excess of depreciation	23	21
Utilisation of tax losses	-	-
Lower rate taxes on overseas earnings	-	-
Adjustments to tax charge in respect of prior periods	13	6
Other timing differences leading to an increase (decrease) in taxation	(150)	(544)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(605)	(490)
Unrelieved tax losses carried forward (utilised)		-
Total tax credit for the year	(804)	(1,132)

In 2020 the UK government announced that the standard corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%.

The Group has considerable losses from prior year that are being carried forward. Additionally, as a result of timing differences a deferred tax liability arises. The Group recognises a deferred tax asset equal to any deferred tax liability in respect of these balances, with £nil impact on the statement of comprehensive income.

11. Parent company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £4,975,822 (2019: loss £26,770,586).

12. Tangible assets

Group

	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation			
At 1 January 2020	668	749	1,417
Additions	3	56	59
Disposals	(488)	(126)	(614)
At 31 December 2020	**183**	**679**	**862**
Accumulated depreciation			
At 1 January 2020	(404)	(300)	(704)
Charge for the year	(155)	(232)	(387)
Disposals	422	125	547
At 31 December 2020	**(137)**	**(407)**	**(544)**
Net book value			
At 31 December 2020	**46**	**272**	**318**
At 31 December 2019	264	449	713

Company

	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation			
At 1 January 2020	668	744	1,412
Additions	3	56	59
Disposals	(488)	(126)	(614)
At 31 December 2020	**183**	**674**	**857**
Accumulated depreciation			
At 1 January 2020	(404)	(295)	(699)
Charge for the year	(155)	(232)	(387)
Disposals	422	125	547
At 31 December 2020	**(137)**	**(402)**	**(539)**
Net book value			
At 31 December 2020	**46**	**272**	**318**
At 31 December 2019	264	449	713

13. Investments and Interests in other entities

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Portion of Ownership Interest	Directly/ Indirectly Held	Registered office
iwoca Oxygen Plc	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Ozone Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Peroxide Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Poland Sp. z o.o.	100%	Directly	31 Chmielna 2, Warszawa, 00-020, Poland
iwoca Spain SL	100%	Directly	Numero 583 5 Calle Gran Via De Les Corts Catelanes, Barcelona, 08011, Spain
iwoca Deutschland GmbH	100%	Directly	Hanauer Landstraße 187-189, 60314 Frankfurt am Main, Deutschland
iwoca Servicing GmbH	100%	Directly	Hanauer Landstraße 187-189, 60314 Frankfurt am Main, Deutschland
iwoca capital markets Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Management S.à.r.l	100%	Directly	Rue Eugène Ruppert 6, 2453 Luxembourg, Luxembourg
iwoca Skye Finance Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Capital Markets (Europe) Limited	100%	Directly	171, Old Bakery Street, Valetta, Malta
iwoca SCSp SICAV-SIF acting on behalf of Compartment 2	100%	Indirectly	Rue Eugène Ruppert 6, 2453 Luxembourg, Luxembourg
iwoca SCSp SICAV-SIF acting on behalf of Compartment 3	100%	Indirectly	Rue Eugène Ruppert 6, 2453 Luxembourg, Luxembourg
iwoca SV SA Compartment Eiger	100%	Indirectly	Rue Eugène Ruppert 6, 2453 Luxembourg, Luxembourg
iwoca SV SA Compartment Dufourspitze	100%	Indirectly	Rue Eugène Ruppert 6, 2453 Luxembourg, Luxembourg
Islay Finance Limited	100%	Indirectly	5 Churchill Place, 10th Floor, London, England, E14 5HU

All of the above subsidiaries are included in the consolidated financial statements.

An impairment of £1,089,435 (2019: £2,583,589) has been recorded for iwoca Poland Sp. z o.o. The assets, related to intercompany loans, have been written down to their recoverable amount. iwoca Spain SL was written down to its recoverable amount in 2019 and as such has not been impaired in the current year.

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2020	163
Additions	27
Effect of translation into functional currency	-
At 31 December 2020	190
Net book value	
At 31 December 2020	190
At 31 December 2019	163

14. Debtors

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Amounts falling due after more than one year				
Loans	153,721	18,559	28,956	18,559
	153,721	18,559	28,956	18,559

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Amounts falling due within one year				
Loans	97,324	163,136	43,741	149,613
Amounts owed by group undertakings	-	-	5,677	1,055
Other debtors	2,233	3,379	1,469	1,576
Prepayments and accrued income	2,375	564	2,367	561
Tax recoverable	1,985	1,882	1,985	1,882
	103,917	168,962	55,239	154,687

An impairment of £1,089,435 (2019: £2,583,589) has been recorded for iwoca Poland Sp. z o.o. within the debtors of the Company. The assets, related to intercompany loans, have been written down to their recoverable amount. iwoca Spain SL was written down to its recoverable amount in 2019 and as such has not been impaired in the current year.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

15. Cash and cash equivalents

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Bank current accounts	64,992	12,545	27,317	5,903
Restricted cash	11,319	16,464	7,354	10,412
	76,311	29,009	34,671	16,315

Group cash and cash equivalents with restrictions on remittances held as at year end is £11,318,894 (2019: £16,463,978)

The restricted cash is cash which has restrictions on use. This includes amounts held as collateral, amounts held on trust and amounts which are not permitted to be used for general corporate purposes.

16. Creditors: Amounts falling due within one year

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Funding facilities	45,311	5,063	-	-
Trade creditors	2,107	346	1,935	259
Deferred revenue	3,697	11,100	3,697	9,851
Amounts owed to group undertakings	-	-	35,435	19,518
Corporate tax	11	11	-	-
Other creditors including taxation and social security	807	743	797	711
Other creditors	103	246	91	255
Deemed Loan	-	-	55,868	141,223
Accruals and deferred income	2,537	3,522	1,142	2,346
	54,573	**21,031**	**98,965**	**174,163**

Included in funding facilities due in less than one year is a total of £3,052,213 (2019: £4,300,000) due under secured bonds. The bonds attract interest at a fixed rate and are repayable in full at the maturity date.

Included in funding facilities is a facility due for final repayment in December 2021. The facility attracts interest at a margin above LIBOR and is secured by a debenture over iwoca Ozone Limited and certain Group assets.

17. Creditors: Amounts falling due after more than one year

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Funding facilities	234,911	153,161	27,129	21,858
	234,911	153,161	27,129	21,858

Included within funding facilities due after more than one year is a total of £2,000,000 (2019: £3,000,000) due under secured bonds issued by the Group. The secured bonds attract interest at a fixed rate and are repayable in full on the maturity date. The secured bonds are subject to a cross guarantee whereby iwoca Limited has unconditionally and irrevocably guaranteed payments due to bondholders under the terms of the instrument.

Included within funding facilities are convertible bonds under the terms of the Future Fund scheme due for redemption in August 2023.

Included within funding facilities is a corporate facility which attracts cash and payment in kind interest at a margin above LIBOR, secured by a floating charge on the Company.

In light of the announcement made by the UK's Financial Conduct Authority about its intention to replace LIBOR with alternative benchmarks, the Directors are reviewing the information available on LIBOR and the transactions the Group has that are based on such benchmark and continue to consider the potential impact that the discontinuation of LIBOR and the transition to an alternative interest rate benchmarks by the end of 2021. Where there is a reliance on LIBOR appropriate steps are being taken to address any resulting impact.

18. Financial instruments

The narrative disclosure required by FRS 102 in relation to the nature of the financial instruments used during the year to manage credit risk, market risk and liquidity exposure and its capital risk management policies are shown in the Strategic report.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Directors monitor the Group's performance by reviewing the monthly management reports produced and its exposure to risk on its financial instrument. Risk management policies are established to identify and analyse the risks faced by the Group and to ensure that there are appropriate controls in place to mitigate exposure to risk.

The table below shows the classification of the financial instruments of the Group at the year end.

31 December 2020	**Amortised Cost**	**Fair value through profit & loss**	**Total**
Group	**£000**	**£000**	**£000**
Financial assets			
Loans	251,045	-	251,045
Cash at bank	76,311	-	76,311
Other debtors	2,233	-	2,233
Tax recoverable	1,985	-	1,985
	331,574	-	**331,574**
Financial liabilities			
Funding facilities	280,222	-	280,222
Other creditors	2,210	-	2,210
	282,432	-	**282,432**

31 December 2019	**Amortised Cost**	**Fair value through profit & loss**	**Total**
Group	**£000**	**£000**	**£000**
Financial assets			
Loans	181,695	-	181,695
Cash at bank	29,009	-	29,009
Other debtors	3,379	-	3,379
Tax recoverable	1,882	-	1,882
	215,965	-	**215,965**
Financial liabilities			
Funding facilities	158,223	-	158,223
Other creditors	592	-	592
	158,815	-	**158,815**

18. Financial instruments *(continued)*

31 December 2020	**Amortised Cost**	**Fair value through profit & loss**	**Total**
Company	**£000**	**£000**	**£000**
Financial assets			
Loans	72,697	-	72,697
Amounts owed by group undertakings	5,677	-	5,677
Cash at bank	34,671	-	34,671
Other debtors	1,469	-	1,469
Tax recoverable	1,985	-	1,985
	116,499	-	**116,499**
Financial liabilities			
Funding facilities	27,129	-	27,129
Amounts owed to group undertakings	35,435	-	35,435
Deemed Loan	55,868	-	55,868
Other creditors	2,026	-	2,026
	120,458	-	**120,458**

31 December 2019	**Amortised Cost**	**Fair value through profit & loss**	**Total**
Company	**£000**	**£000**	**£000**
Financial assets			
Loans	168,172	-	168,172
Cash at bank	16,315	-	16,315
Other debtors	1,576		1,576
Tax recoverable	1,882		1,882
	187,945	-	**187,945**
Financial liabilities			
Funding facilities	21,858	-	21,858
Amounts owed to group undertakings	19,518	-	19,518
Deemed Loan	141,223		141,223
Other creditors	514	-	514
	183,113	-	**183,113**

Financial assets measured at amortised cost comprise trade debtors and all other current assets. Financial liabilities measured at amortised cost comprise loans payable and all other contractual liabilities. The Group does not currently hold financial assets or liabilities at fair value through profit and loss.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due. Such events could occur in the event of a major downturn in the European economy or a failure of the Group to manage the risks involved when advancing loans to SMEs. The Group seeks to manage this risk by employing a range of credit assessment checks on all applicants together with ongoing reviews and the assessment of credit performance of the Loans. In the case of Loans issued under CBILS, if a borrower were to default, the Secretary of State for Business, Energy and Industrial Strategy (the "Guarantor") will fund 80% of the outstanding guaranteed balance through the British Business Bank.

18. Financial Instruments *(continued)*

Credit risk *(continued)*

The maximum exposure to credit risk arising on Group's financial assets at the reporting date is disclosed in the table below:

Group	**Carrying Value 31 December 2020 £000**	**Maximum Exposure 31 December 2020 £000**	**Carrying Value 31 December 2019 £000**	**Maximum Exposure 31 December 2019 £000**
Asset:				
Loans	251,045	109,035	181,695	181,695
Other debtors	2,233	2,233	3,379	3,379
Tax recoverable	1,985	1,985	1,882	1,882
Prepayments and accrued income	2,375	2,375	564	564
Cash and cash equivalents	76,311	76,311	29,009	29,009
	333,949	191,939	216,669	216,669

Company	**Carrying Value 31 December 2020 £000**	**Maximum Exposure 31 December 2020 £000**	**Carrying Value 31 December 2019 £000**	**Maximum Exposure 31 December 2019 £000**
Asset:				
Loans	72,697	72,697	168,172	168,172
Other debtors	1,469	1,469	4,512	4,512
Tax recoverable	1,985	1,985	-	-
Prepayments and accrued income	2,367	2,367	561	561
Cash and cash equivalents	34,671	34,671	16,315	16,315
	113,189	113,189	189,561	189,561

The table below sets out the gross carrying value and the individual impairments for the Loans.

Group	**Carrying value before impairment £000**	**Impairment £000**	**Carrying value after impairment £000**
Loans as at 31 December 2020			
Individually impaired	68,118	(56,614)	11,504
Past due but not impaired	1,351	-	1,351
Neither past due nor impaired	238,831	(641)	238,190
	308,300	(57,255)	251,045

	Carrying value before impairment £000	**Impairment £000**	**Carrying value after impairment £000**
Loans as at 31 December 2019			
Individually impaired	38,873	(36,045)	2,828
Past due but not impaired	3,899	-	3,899
Neither past due nor impaired	174,968	-	174,968
	217,740	(36,045)	181,695

18. Financial Instruments *(continued)*

Credit Risk *(continued)*

The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to an external credit rating (if available).

Loans that are neither past due nor impaired
The table below sets out the Group's Loans that are neither past due nor impaired based on a Equifax scores for loans originated to SMEs in the UK and Schufa for loans originated to SMEs in Germany.

	31 December 2020	31 December 2019
	£000	£000
Low	3,669	2,098
Medium	222,922	118,682
High	7,510	40,189
Not rated	4,089	13,999
	238,190	**174,968**

Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in meeting its obligations associated with its financial liabilities.

The Group manages this risk by diversifying its funding base, regularly reviewing its upcoming contractual payments and ensuring commitments are sufficient to support the Group's growth plans.

The Group's liquidity position is monitored and reviewed by Directors on an ongoing basis.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date:

	Gross cash flows	Less than 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	£000	£000	£000	£000	£000
As at 31 December 2020					
Funding facilities	280,222	-	45,311	234,911	-
Trade and other payables	2,210	2,210	-	-	-
	282,432	**2,210**	**45,311**	**234,911**	-

	Gross cash flows	Less than 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	£000	£000	£000	£000	£000
As at 31 December 2019					
Funding facilities	158,223	4,363	700	153,161	-
Trade and other payables	592	592	-	-	-
	158,815	**4,955**	**700**	**153,161**	-

18. Financial Instruments *(continued)*

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Group is exposed to currency and interest rate risk.

Currency risk

A proportion of the Group's income, costs, assets and liabilities are denominated in foreign currencies. There is a risk that adverse movement in the exchange rates could result in losses. The Group, where possible, matches foreign currency assets and liabilities so that the net impact of any foreign exchange movement is minimised. In order to further manage this risk, the Group reviews current and expected exchange rates to assess their impact.

The risk variables that are relevant for the Group to disclosing market risk include interest rate and foreign exchange rates.

The table below portrays Group's sensitivity to a 5% depreciation and 5% appreciation in GBP against EUR, a relevant foreign currency to the Group's operations. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusted their translation at the year end for a 5% change in foreign currency.

	Net effect on income statement	Net effect on equity	Net effect on income statement	Net effect on equity
	£000	£000	£000	£000
	31 December 2020	31 December 2020	31 December 2019	31 December 2019
Appreciation (GBP to EUR)	162	-	201	-
Depreciation (GBP to EUR)	(162)	-	(201)	-

Interest rate risk

A portion of the Group's debt facilities are variable rate. There is a risk that any increase in base rate could reduce the profitability of the Group. The Group would not initially increase interest rates on the Loans and absorb any increase in costs. However, should the impact become material to Group over time, then a rate rise could be passed onto customers.

For the portion of the Company's debt facilities which pay interest at a variable rate, if LIBOR for the three-month deposits at 31 December 2020 had been 25 basis points higher or lower, with all variables held constant, the effect on the Company's income statements would be £222,204 (2019: £249,814).

Capital management

The Group capital comprises of its equity share capital, share premium reserves, other reserves recognised as charges under the Group's share option scheme less its accumulated losses.

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (2019: £nil), return capital to shareholders, issue new shares or sell assets to reduce debt. The Directors review the performance of the Group on a regular basis and appropriate actions are taken as required. To ensure the activities of the Group are effectively managed, targets are being set as part of the budgetary process with respect to operating expenses. In addition to that appropriate KPIs are set, which are being monitored by the Directors on a monthly basis.

19. Called up share capital

	31 December 2020 £	31 December 2019 £
Share classified as equity		
Allotted, called up and fully paid		
1,689,681 (2019 - 1,689,681) Preferred Ordinary Shares of £0.000001 each	2	2
2,519,188 (2019 - 2,519,188) Series C Preferred Ordinary Shares of £0.000001 each	3	3
1,581,161 (2019 - 1,581,161) B Ordinary Shares of £0.000001 each	2	2
5,804,820 (2019 - 5,791,914) Ordinary Shares of £0.000001 each	6	6
836,064 (2019 – 836,064) Series D Preferred Ordinary Shares of £0.000001	1	1
	14	**14**

	31 December 2020 No.	31 December 2019 No.
Preferred Ordinary Shares	1,689,681	1,689,681
Series C Preferred Ordinary Shares	2,519,188	2,519,188
B Ordinary Shares	1,581,161	1,581,161
Ordinary Shares	5,804,820	5,791,914
Series D Preferred Ordinary Shares	836,064	836,064
Deferred Shares	-	-

During the year the Company issued nil (2019: nil) Ordinary Shares to Directors of the Group as part of share incentive schemes. Additionally 30,738 (2019: 17,831) Ordinary Shares were acquired by employees following the exercise of share options and nil (2019: nil) B Ordinary Shares were acquired by employees. Nil (2019: 836,064) Series D Preferred shares were issued and acquired by third parties. There are no restrictions on the distribution of dividends for Ordinary Shares but there are restrictions on the repayment of capital. During the year Ordinary Shares were issued with a consideration of £200,658 (2019: £142,074).

20. Reserves

Share premium account

The share premium reserve represents cumulative premiums received on the issue of share capital over the nominal value of the shares issued. Transaction costs incurred on the issue of shares are deducted from the amount credited to this reserve.

ESOP share reserve

The ESOP share reserve represents cumulative balances recognised as charges under the Group's share option scheme and other share based payments.

Profit and loss account

The profit and loss reserve includes cumulative retained profits and losses from prior years.

Foreign currency translation reserve

The foreign currency translation reserve includes unrealised gains and losses on the translation of balances whose transaction currency differs from the functional currency of the Group or Company. The profit and loss account and foreign currency translation reserve within the Group's capital and reserves for the prior period have been restated. Further details of this restatement are presented in note 2.4 in Accounting Policies.

21. Share based payments

The Company operates an employee incentive plan which includes granting of restrictive equity-settled options to employees. In order to calculate the appropriate charge, share options are fair valued using the Black-Scholes option pricing model. The risk-free rate was 0.11% (2019: 0.51%). The expected volatility is estimated by reference to historical volatility over the last two years and estimated as noted below. The average share price is based on the value of share issues in the year.

	Weighted average exercise price (£) 2020	Number 2020	Weighted average exercise price (£) 2019	Number 2019
Outstanding at the beginning of the year	11.556	445,989	8.976	424,512
Granted during the year	23.650	26,504	22.500	87,138
Forfeited during the year	10.457	(107,579)	12.444	(48,129)
Exercised during the year	8.756	(2,062)	7.817	(17,532)
Outstanding at the end of the year	12.766	362,852	11.556	445,989

	2020	2019
Weighted average share price (£)	17.75	17.75
Exercise price (£)	23.65	22.5
Expected volatility (%)	35	30
Expected dividend growth rate (%)	0	0
Risk-free interest rate (%)	0.11	0.51

There were 199,946 exercisable options as at 31 December 2020 with a weighted average strike price of £10.274. The shares that could not be exercised have a weighted average exercise price of £18.677. The charge to the statement of comprehensive income for the year was £152,450.

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £300,167 (2019: £251,477). Contributions totalling £72,557 (2019: £70,175) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments

At 31 December 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Not later than 1 year	82	1,393	-	1,393
Later than 1 year and not later than 5 years	245	-	-	-
	327	1,393	-	1,393

Other ongoing commitments include minimum spend contracts with third party service providers, including credit bureaux.

24. Related party transactions

The Group's related party transactions were between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The Company's related party transactions were between the Parent and its subsidiaries, details of which are listed below:

Name	Statement of comprehensive income 31 December 2020	Amounts outstanding 31 December 2020	Statement of comprehensive income 31 December 2019	Amounts outstanding 31 December 2019
	£000	£000	£000	£000
iwoca Oxygen Plc	(350)	(177)	(1,206)	(7,021)
iwoca Ozone Limited	14,730	(43,500)	2,420	(166,645)
iwoca Peroxide Limited	(49)	-	(302)	-
iwoca Poland Sp. z o.o.	393	33	995	1,332
iwoca Spain SL	76	-	75	-
iwoca Deutschland GmbH	(29)	7,300	4,623	11,049
iwoca Servicing GmbH	-	-	-	-
iwoca Capital Markets Limited	(68)	30	2	(2)
iwoca Management S.à.r.l	1,146	109	18	23
iwoca SCSp SICAV-SIF acting on behalf of Compartment 2	-	-	-	-
iwoca SV SA acting on behalf of Compartment Eiger	1,267	1,344	(150)	1,778
iwoca SCSp SICAV-SIF acting on behalf of Compartment 3	-	-	-	-
iwoca SV SA acting on behalf of Compartment Dufourspitze	1,085	1,612	-	-
iwoca Skye Finance Limited	(1)	201		
Islay Finance Limited	1,192	1,831		
iwoca Capital Markets (Europe) Limited	-	-	-	-
EC1 Advisory	(19)	-	-	-
Killarney Investments Limited	(31)	-	(2)	(2)

The Company notes Directors' emoluments as a part of its related party transactions. The Directors are key management personnel.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,314 (2019: £1,188). The total value of the Company's contributions paid to a defined contribution pension scheme in respect of the directors amounted to £2,628 (2019: 2,377).

The total remuneration for the company's executive Directors totalled £417,926 (2019: £451,792). These executive Directors are considered to be the Group's key management personnel.

25. Controlling party

The Directors do not consider there to be one ultimate controlling party.

26. Post balance sheet events

The Directors are monitoring the realised and potential risks of the Covid-19 pandemic including the impact of Government intervention and vaccine rollouts on the Group's customers, operations, people and financial strength. The Directors have included this in their assessment of going concern set out on page 19.

Vallay Finance Limited, a subsidiary of iwoca Limited by virtue of control, was incorporated on 19 January 2021 to further finance SME demand for Loans under CBILS issued by the Group. CBILS has a final deadline for applications of 31 March 2021.

iwoca plans to wind up the companies within the Group, iwoca Poland Sp. z o.o., iwoca Peroxide Limited. and iwoca Spain SL in the next 12 months.