Akrod Limited

Annual Report and Financial Statements

Year Ended

30 June 2020

Company Number 11858929

Akrod Limited

Company Information

Directors	S Corsi A Gerosa F Nze M Renzulli
Company secretary	G J Crouch
Registered number	11858929
Registered office	Sunley House, 3rd Floor 4 Bedford Park Croydon England CR0 2AP
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

Akrod Limited

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Akrod Limited

Group Strategic Report
For the Year Ended 30 June 2020

Introduction

The directors present their strategic report on the Company and the Group for the year ended 30 June 2020.

Principal activities

Akrod Limited (the "Company") is a B2B financial technology (fintech) company set up with the mission of realising financial inclusion for the world's un/underbanked, including consumers and micro-enterprises, by harnessing alternative data and mobile technology. The Company's proprietary technology platform is designed to power the next generation of credit technology, enabling digitisation of traditional micro-finance institutions (MFIs), telecommunications providers, and other fintechs by providing a Lending-as-a-Service infrastructure of the end-to-end credit process.

In Q1 2019, Akrod acquired Oakam Limited ("Oakam"), a UK consumer lending company, and has gradually and successfully deployed its technology solution within the Oakam business in order to demonstrate impact and market fit. Previously, Oakam was an established lender operating in the UK and known for strong customer ethos and compliance culture. The historic bricks and mortar, branch-based business model limited the company's ability to deliver at scale and at the lowest costs. Since being acquired by Akrod, Oakam has been transformed into a fully automated and compliant lending platform, continuing to serve the UK market.

Business review

Akrod

The Company is developing an end-to-end Lending-as-a-Service credit technology platform by investing in human capital in the fields of mobile technology, data science and machine learning. Our ambition is to play a significant role in transforming the global traditional credit industry by introducing cloud-based technology and modularised, plug-and-play innovations that leverage worldwide super-trends, particularly acute in emerging markets: a proliferation of smart phone adoption, an explosion of alternative data generation, a rapidly emerging middle class, and significant changes to employment stability with the rise of zero-hours contracts and the gig economy.

We are progressively investing in and building this technology platform that will be licensed and piloted in the next financial year to both Oakam and other potential customers in emerging markets.

Oakam

The fiscal year ending 30 June 2020 was the first full year of trading since Oakam was acquired by Akrod Limited. Since then, directors have focused on completing the transition from a retail to digital-only business model. As such, significant time was spent improving the credit quality of new customers, facilitating automation and implementing regulatory changes required under this new business model. Significant improvements have been realised in many areas, from automation of all customer verification (KYC, bank account and card validation) to automation of underwriting (Income & Expenses verification) as a result of the progressive introduction of Akrod platform technology. Self-service features have also been integrated into the Oakam lending mobile app, drastically improving the customer experience and reducing the company's operational footprint. In prioritising the implementation and integration of new technology, Oakam deliberately restricted sales growth to within an agreed risk appetite. At the same time, Oakam also focused on reducing its debt exposure to VPC to refinance at a later stage.

Oakam's controlled growth trajectory was interrupted by Covid-19 from February 2020 onwards. Operational and financial challenges impacted the entire UK economy with lower levels of lending and collections as well as- forbearance measures (in compliance with FCA guidelines) put in place to help protect affected customers. Nonetheless, Oakam was able to successfully navigate Covid-19, effectively maintaining operations and focusing on development and implementation of mitigation strategies during the second half of the fiscal year that included medium- and short-term cost reduction plans and government business support policies.

Significant growth opportunities in the UK market are present, particularly in continuing to serve our target customers who have been hard-hit by Covid-19. The 10 to 12 million adults in the UK who sit outside of "prime" credit categorisation will struggle even more in the current climate to access reasonably priced credit. At the same time, the supply of credit to this segment of the market will constrict even further as funding and capital constraints impact our immediate lending peers.

A great deal of uncertainty remains as to the extent of the Covid-19 impact; however, both Akrod and Oakam have managed well to date.

The impact of the UK leaving the European Union (EU) may reduce a little some of the immigrant demand from people from the EU for our loans but this is considered immaterial in the context of demand from people already in the UK and possible future immigration from outside of the UK .

Future developments

As part of the investment proposition, it is the Group's intention to pilot the Akrod credit technology platform with potential partners, expanding into new markets and working with traditional MFIs, telecommunications providers and fintechs. Additionally, the Group intends to continue on a growth trajectory within the UK market as it relates to the Oakam business.

Financial and Non-Financial key performance indicators

Within the fiscal year ending June 2020, Oakam closed its last retail store and migrated 100% online. The phased integration of Akrod technology into the Oakam business as well as a shift to digital acquisition produced the following key performance indicators, which demonstrate more efficiency while optimising cost. Within the last fiscal year, Oakam has achieved:

- 100% automated loan decisioning and underwriting (+100%)
- 50% reduction in Customer Acquisition Costs (CAC)
- 50% adoption of payments self-service through the mobile application (+100%)

Also, in the Directors' opinion, the key performance indicators are the levels of revenue, profit before tax, and trade debtors. Given the circumstances in the period (first full financial year), there is no meaningful comparative.

Principal risks and uncertainties

The principal risks and uncertainties that the Group and the Company faces are detailed below:

Market risk:

- Oakam loans are based on a fixed interest rate and, therefore, not exposed to market driven fluctuations. Due to the inherent interest rates the impact of changes in Bank of England Base rates is limited.
- The Company is exposed to interest risk over its wholesale funding. This is mitigated by the Group's ability to re price its asset book.
- Competition continues to be monitored closely recognising the risk of new or existing competitors impacting business performance unexpectedly.

Liquidity risk:

- The Group reviews and updates its cash flow predictions through the period via its forecasting process ensuring sufficient cash to manage its operations is available at all times.
- The Group has a tight cash flow control policy and due to the short-term life of our receivables, our cash position is also managed by balancing repayments received against new loans granted.
- The Group concluded amendments to the terms of its loan facility with VPC on 27 January 2021 which includes repayment by 31 December 2021 and plans to agree an alternative debt financing solution.
- The Group received £3.1m of a £6.3m equity injection from new investors in this financial year. The remainder was received in the previous financial year. The group received additional funding of £7m in August 2020 and a further fund raising is expected in 2021.

Regulatory risk (Oakam subsidiary):

- Oakam Limited is regulated by the Financial Conduct Authority ("FCA") and would define regulatory risk as the risk of not complying with current regulations and not being able to adapt to future legal or regulatory changes.
- The Group has a compliance function which monitors compliance with relevant regulations and reports to the credit and executive committee. An experienced Senior Management team is in place which monitors legislative changes and expert third-party legal advice is taken where necessary.
- Ongoing constructive dialogue is maintained with regulators and the Group wants to play a full and active part in all relevant regulatory reviews and consultation processes, recognising that a failure to comply with regulatory requirements could have a damaging impact on the Group's reputation in the market as well as leading to financial penalties and ultimately withdrawal of its FCA licence.

Credit risk (Oakam subsidiary):

- The Group undertakes unsecured lending which carries a risk attached to customers' changes in personal circumstances and the risk that our customers are unable to repay their loans.
- This risk is mitigated by accurate lending decisions, reviewing underwriting criteria regularly and the development of in-house credit risk assessment technology.
- Oakam loans are underwritten via the Group's web and mobile application. Alternative data is utilised together with traditional credit data to evaluate affordability, sustainability and creditworthiness.
- On top of the data driven approach the traditional credit risk framework is used to set and monitor risk appetite and the performance of the Group's decision tools and portfolios.

The Group's exposure to interest rate risk is currently limited to the funding from the Victory Park Capital debt facility, as all other funding and liquidity is provided by the Company's shareholders. The loan is secured by a fixed and floating charge over the assets of the group.

Going concern

The Directors recognise the economic and trading uncertainties resulting from the evolving coronavirus pandemic which impacts the global economy as well as the Parent Company and Group. In particular the impact on the operations of the Group and Parent Company has seen staff working remotely and more conservative lending policies for temporary period. The directors have taken comprehensive steps to ensure that the company is able to continue in operation for the foreseeable future, including cost savings wherever possible, and taking advantage of Government support measures where appropriate.

The Group signed an amendment to the agreement with Victory Park Capital LLP ("VPC") on 27 January 2021 regarding repayment of the facility and adjustment of covenants, which the Directors believe may have been breached before. The facility was previously due to mature on 30 June 2021 is now extended to 31 December 2021. An external advisor has been appointed to support the Group in the fund-raising activity, both for equity and debt, which is expected to be completed within the first half of 2021. The Directors consider these funding sources to be sufficient to support repayment of the VPC facility and to ensure adequate funding to execute the business plan.

The Directors have noted that the Group is reliant upon an injection of funds to repay the existing loan facility with VPC and to execute the business plan. The loan is due to be repaid by 31 December 2021 and is currently repaid on a weekly basis according to the levels of collections.

As at the date of signing, funding arrangements have not been agreed, which indicates that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Given the recent successful fund-raising processes in 2019 and 2020 and the current company performance, in reaching the conclusion that the Company and Group may be regarded as a going concern, the Directors have a reasonable expectation that the Company and Group will receive further equity funding and will be able to access new alternative debt financing and therefore has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' Duties – Companies Act 2006 Section 172 Statement

The Board of Directors, in line with their duties under s 172 of the Companies Act 2006, behave and carry out their duties to promote the long-term success of the Group for the benefit of all its members, and in doing so have regards to a range of matters when making decisions. The following paragraphs summarise how the Directors' fulfil their duties and should be read in conjunction with other sections of the Strategic Report.

Decision making, and delivering value

The Group has an Executive Committee where key operational decisions are taken, often with input from the extended leadership team, and strategic matters discussed, with the Directors of the Board taking the key strategic decisions.

The Directors have been reshaping the Group for the long-term benefit of the stakeholders taking some key decisions in 2019 to complete the transition away from retail delivery model to a lower cost more scalable digital-only business model. This is being achieved with due regard to regulatory compliance and ensuring a customer centric operation focussed on the best outcomes for our customers.

The Directors have also taken key decisions on the funding structure of the business introducing new equity capital, repaying a significant amount of the VPC debt facility, and are committed to secure further long-term funding to execute the business plan to grow the loan book for the benefit of all stakeholders.

Relationships and engagement with stakeholders

Customers:

Key to the success of our business is understanding our customers' needs and situations and seeking to provide the best possible customer outcomes.

We strive to achieve customer satisfaction through treating our customers fairly, lending responsibly whilst providing affordable access to credit, with a transparent pricing structure and no penalties or late payment fees, and supported by a forbearance process that helps customers through short-term difficulties.

In addition to day-to-day operational customer engagement, there are different ways in which we seek to engage with customers and understand customer satisfaction and these include: customer surveys; focus groups; Net Promoter Score; and Trust Pilot scores and review. The customer Complaints process also provides a valuable source of information that helps direct where more attention may be required.

Employees:

It is essential that we consistently engage with our people and ensure they have the requisite skills to provide best outcomes for our customers which will contribute to a sustainable and successful company performance. This engagement has never been more relevant than since COVID-19 measures were introduced in March 2020 from whence all of our people have largely been working from home, so it has been imperative to adapt our ways of working accordingly.

The Group has added to our in-house People Team to ensure we have suitable experience and culture to support a workforce for a regulated financial technology business with a people focussed culture.

Communication has been supported via greater adoption of remote collaboration tools and regular meetings and other communication to ensure that everyone is involved, engaged, and aligned with the company strategy.

Employee surveys are undertaken several times during a year to assess employee satisfaction and help direct resources to areas requiring improvement. Learning and development programmes are in place to ensure that all staff receive appropriate training with regular training sessions undertaken to help improve managers and to ensure consistent application of applicable regulatory requirements.

Our employees are our key resource and fundamental to customer satisfaction and the success of the business and therefore staff welfare is critically important. As well as providing regular employee wellbeing sessions, the Group provides various benefits including private medical cover, life insurance, and pension.

Regulator and Government:

The nature of our customer base and the market in which we specialise makes the building and maintaining of open and trusting dialogue with policy makers and our regulator, the Financial Conduct Authority (FCA), critical to a sustainable business model.

The Directors have enhanced internal resources in our Compliance team and also engaged additional help in the year to ensure that the Group's processes and the application of regulatory changes are fully implemented and that communication and engagement with the FCA is proactive and well-informed.

Investors, providers of finance, suppliers and others:

Our shareholders and debt investors provide the funding which facilitates lending and the development of the business and which will be instrumental to the future growth of the business, and regular reporting is provided to both to enable them to track the performance of their interest.

Our suppliers play a vital role in our operations and so it is important that we develop strong relationships with them and only buy products and services from those who operate responsibly and where they are aligned with our business culture and customer service model.

Impact of operations on our communities and the environment:

The Group provides a valuable source of credit to communities that represent a large portion of the population that would, largely as a result of impaired credit ratings, otherwise be excluded from being able to access credit but who may require access to credit in the event of an unforeseen personal cashflow emergency. Our products are designed to help customers rebuild their credit rating whilst benefitting from reducing cost of credit in the process.

The Group seeks to minimise its impact on the environment in various ways including through regular recycling of waste, digital methods over need for paper, and the introduction of schemes including Cycle to Work.

This report was approved by the board and signed on its behalf by:.

F Nze
Director

Date: 17/05/2021

Directors' Report
For the Year Ended 30 June 2020

The directors present their report and the audited financial statements for the year ended 30 June 2020. The prior year financial statements represent the period from incorporation on 4 March 2019 to 30 June 2019.

Results and dividends

The loss for the year, after taxation, amounted to £6 million (2019 - profit of £3 million).

No dividends have been paid or proposed for the year (2019 - £Nil).

Charitable and political donations

During the year there were no charitable donations. There were no political contributions.

Directors

The directors who served during the year were:

S Corsi
A Gerosa
F Nze
M Renzulli

Auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed accordingly.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- comply with UK Accounting Standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

F Nze
Director

Date: 17/05/2021

Independent Auditor's report to the members of Akrod Limited

Opinion

We have audited the financial statements of Akrod Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 June 2020 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the parent company and group is reliant upon additional funding from its shareholders and a debt funding partner. As at the date of signing, funding arrangements have not been agreed. This event indicates that a material uncertainty exists that may cast significant doubt on the parent company and group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and Financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Independent Auditor's report to the members of Akrod Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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 financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company's environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 and parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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. A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's report to the members of Akrod Limited (continued)

Use of our report

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

DocuSigned by:
Kelly Sheppard
B0FA59DE3AF6496...

Kelly Sheppard (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU
United Kingdom

Date: 18 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Akrod Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2020

	Note	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Turnover	4	**7,209**	3,096
Cost of sales		**-**	(1)
Gross profit		**7,209**	3,095
Distribution expenses		**(3,103)**	2,608
Administrative expenses		**(9,200)**	(2,130)
Exceptional administrative expenses		**61**	-
Grant income		**118**	-
Operating (loss)/profit	6	**(4,915)**	3,573
Interest receivable and similar income	10	**-**	1
Interest payable and similar expenses	11	**(1,294)**	(571)
(Loss)/profit before taxation		**(6,209)**	3,003
Tax on (loss)/profit	12	**-**	-
(Loss)/profit for the financial year		**(6,209)**	3,003

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 18 to 41 form part of these financial statements.

Akrod Limited

Registered number:11858929

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	13		**4,693**		5,583
Tangible assets	14		**76**		85
			4,769		5,668
Current assets					
Debtors: amounts falling due after more than one year	16	**848**		3,352	
Debtors	16	**4,071**		6,359	
Cash and cash equivalents	17	**1,625**		7,872	
		6,544		17,583	
Creditors: amounts falling due within one year	18	**(7,200)**		(19,616)	
Net current liabilities			**(656)**		(2,033)
Other provisions	19	**(1,015)**		(627)	
			(1,015)		(627)
Net assets			**3,098**		3,008
Capital and reserves					
Called up share capital			**8**		5
Share premium account			**6,296**		-
Capital redemption reserve			**31,773**		-
Retained earnings			**(34,979)**		3,003
Total equity			**3,098**		3,008

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

F Nze
Director

Date: 17/05/2021

The notes on pages 18 to 41 form part of these financial statements.

Akrod Limited
Registered number:11858929

Company Statement of Financial Position
As at 30 June 2020

	Note		2020 £000		2019 £000
Current assets					
Debtors: amounts falling due within one year	16	**6,077**		-	
Cash and cash equivalents	17	**295**		3,155	
		6,372		3,155	
Creditors: amounts falling due within one year	18	**(29)**		(3,150)	
Net current assets			**6,343**		5
Net assets			**6,343**		5
Capital and reserves					
Called up share capital	22		**8**		5
Share premium account	23		**6,296**		-
Retained earnings			**39**		-
Total equity			**6,343**		5

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

F Nze
Director

Date: 17/05/2021

The notes on pages 18 to 41 form part of these financial statements.

Akrod Limited

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2020

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Comprehensive income for the period					
Profit for the period	-	-	-	3,003	3,003
Total comprehensive income for the period	-	-	-	3,003	3,003
Shares issued during the period	5	-	-	-	5
Total transactions with owners	5	-	-	-	5
At 1 July 2019	5	-	-	3,003	3,008
Comprehensive loss for the year					
Loss for the year	-	-	-	(6,209)	(6,209)
Total comprehensive income for the year	-	-	-	(6,209)	(6,209)
Shares issued during the year	4	6,296	-	-	6,300
Transfer to/from profit and loss account	-	-	31,773	(31,773)	-
Total transactions with owners	4	6,296	31,773	(31,773)	6,300
At 30 June 2020	9	6,296	31,773	(34,979)	3,099

Akrod Limited

Company Statement of Changes in Equity
For the Year Ended 30 June 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 March 2019	-	-	-	-
Comprehensive income for the period				
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Shares issued during the period	5	-	-	5
Total transactions with owners	5	-	-	5
At 1 July 2019	5	-	-	5
Comprehensive loss for the year				
Profit for the year	-	-	39	39
Total comprehensive income for the year	-	-	39	39
Shares issued during the year (see note 22)	4	6,296	-	6,300
Total transactions with owners	4	6,296	-	6,300
At 30 June 2020	9	6,296	39	6,344

Akrod Limited

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2020

	2020 £000	2019 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	**(6,209)**	3,003
Adjustments for:		
Amortisation of intangible assets	**1,964**	462
Depreciation of tangible assets	**61**	17
Government grants	**(118)**	-
Interest paid	**1,294**	571
Interest received	**-**	(1)
Decrease in debtors	**4,791**	5,027
(Decrease)/increase in creditors	**(4,304)**	1,063
Increase/(decrease) in provisions	**388**	(2,376)
Corporation tax received	**113**	230
Net cash generated from operating activities	**(2,020)**	7,996
Cash flows from investing activities		
Purchase of intangible fixed assets	**(1,074)**	(118)
Purchase of tangible fixed assets	**(52)**	-
Government grants received	**118**	-
Interest received	**-**	1
Cash acquired on acquisition of subsidiaries	**-**	2,389
Net cash from investing activities	**(1,008)**	2,272
Cash flows from financing activities		
Issue of ordinary shares	**6,300**	5
Repayment of other loans	**(8,225)**	(1,830)
Interest paid	**(1,294)**	(571)
Net cash used in financing activities	**(3,219)**	(2,396)
Net (decrease)/increase in cash and cash equivalents	**(6,247)**	7,872
Cash and cash equivalents at beginning of year	**7,872**	-
Cash and cash equivalents at the end of year	**1,625**	7,872
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,625**	7,872
	1,625	7,872

1. General information

Akrod Limited ('the Company') is a limited liability Company incorporated in England and domiciled in the United Kingdom. Its registered office and principal place of business is Sunley House, 3rd Floor, 4 Bedford Park, Croydon, England, CR0 2AP. The company's shares are privately held.

The figures are rounded to nearest thousand.

2. Accounting policies

2.1 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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 following principal accounting policies have been applied:

2. Accounting policies (continued)

2.3 Going concern

The Directors recognise the economic and trading uncertainties resulting from the evolving coronavirus pandemic which impacts the global economy as well as the Parent Company and Group. In particular the impact on the operations of the Group and Parent Company has seen staff working remotely and more conservative lending policies for temporary period. The directors have taken comprehensive steps to ensure that the company is able to continue in operation for the foreseeable future, including cost savings wherever possible, and taking advantage of Government support measures where appropriate.

The impact of the UK leaving the European Union (EU) may reduce a little some of the immigrant demand from people from the EU for our loans but this is considered immaterial in the context of demand from people already in the UK and possible future immigration from outside of the UK .

The Group signed an amendment to the agreement with Victory Park Capital LLP ("VPC") on 27 January 2021 regarding repayment of the facility and adjustment of covenants, which the Directors believe may have been breached before. The facility was previously due to mature on 30 June 2021 is now extended to 31 December 2021. An external advisor has been appointed to support the Group in the fund-raising activity, both for equity and debt, which is expected to be completed within the first half of 2021. The Directors consider these funding sources to be sufficient to support repayment of the VPC facility and to ensure adequate funding to execute the business plan.

The Directors have noted that the Group is reliant upon an injection of funds to repay the existing loan facility with VPC and to execute the business plan. The loan is due to be repaid by 31 December 2021 and is currently repaid on a weekly basis according to the levels of collections.

As at the date of signing, funding arrangements have not been agreed, which indicates that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Given the recent successful fund-raising processes in 2019 and 2020 and the current group performance, in reaching the conclusion that the Company and Group may be regarded as a going concern, the Directors have a reasonable expectation that the Company and Group will receive further equity funding and will be able to access new alternative debt financing and therefore has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

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 period 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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'.

2. Accounting policies (continued)

2.5 Revenue recognition and classification of financial assets

i) Classification of financial assets

The Group classifies its financial assets, mainly loans and receivables as a 'Basic Financial Instrument' in line with FRS 102 Section 11 guidelines.

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

The Group considers its loan portfolio as a basic financial instrument as it complies with points 11.8(b) "a debt instrument (such as an account, note, or loan receivable or payable) that meets the conditions in paragraph 11.9 and is not a financial instrument described in paragraph 11.6(b)."

The Group loans meet the conditions a debt instrument shall satisfy in accordance with paragraph 11.8(b) and 11.9 as a basic financial instrument. These are:

a) Return to the lender - the contractual return to the lender, assessed in the currency in which the debt instrument is denominated is a positive fixed rate
b) The loans are not inflation linked.
c) No variation in returns.
d) Loss of principle - the fact that a debt is subordinated to other debt instruments, does not, in itself, affect the loan's classification. In other words Oakam loans do not automatically fail to qualify as basic.
e) Early repayment option - Oakam allows the borrower to voluntarily prepay a debt at par. No fees are charged on early repayment.
f) Extension terms - for our extended loans i.e. 'top up' the original agreement of the loan is cancelled via termination of contract agreement and issuing of new contract.

iii) Recognition

The Group initially recognises loans and advances and deposits on the date on which they are originated. All other loans are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument.

Interest income is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Turnover presented in the profit and loss account include:
- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- Fee income and transaction related expenses: Fee income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

2. Accounting policies (continued)

2.6 Impairments and Provisions

Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through the income statement are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- Indications that a borrower will enter bankruptcy

The Group considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans that are not individually significant are collectively assessed for impairment by grouping together loans with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends.

Default rates, loss rates and the expected timing of future recoveries are benchmarked at least once a year against actual outcomes to ensure that they remain appropriate.

Provisioning for impairment

Provision is made against all accounts that are 1 month or more in arrears. The propensities of accounts at each stage (i.e. 0, 1, 2 or 3 months) of arrears likely to progress to write off are derived by reference to a three month transition matrix with reference to information from external data agencies.

Based upon the modelled transition matrix and allowing for predicted recoveries, the percentages applied to both outstanding capital and interest.

2. Accounting policies (continued)

The following are the different stages:

Arrears Bucket	Factors 2020	Factors 2019
B0 (less than 1 month in arrears)	1.61%	0.84%
B1 (1 month in arrears)	36.53%	26.82%
B2 (2 month in arrears)	55.90%	47.35%
B3 (3 month in arrears)	81.33%	77.10%

Once accounts become 4 months in arrears they are written off on the basis that historically 99% of such debts are not recoverable. From an accounting perspective, capital write offs and movements in provision are reported as a separate item. Interest write offs and movements in provision are reflected in interest income. Any recoveries from written off accounts are recognised on a cash received basis.

Derecognition

Financial assets are derecognised only when the rights to the cash flows from the asset have expired or are settled; or the entity has transferred all the risks and rewards of ownership, or where ownership is transferred but control is relinquished.

2.7 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.10 Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. This period is three years. Provision is made for any impairment.

2. Accounting policies (continued)

2.11 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions 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.

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life of 5 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale;
- The intention to complete the software and use or sell it;
- The ability to use the software or to sell it;
- How the software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software; and
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. A typical software has an economic useful live between 2 to 5 years. The Group assessed that the estimated useful life of internally generated software is 3 years.

Where software is developed by third party contractors, this software is capitalised and depreciated over its expected useful life.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

2. Accounting policies (continued)

2.14 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 by management.

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:

Leasehold property improvements	-	33%
Motor Vehicles	-	33%
IT and Telecoms equipment	-	33%

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.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge 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 charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

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

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

2. Accounting policies (continued)

2.17 Other loans treatment and recognition

Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the *cumulative amortisation* using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2.18 Provision for doubtful debts and write-offs

Provision is made against all loan accounts that are 1 month or more in arrears. The propensity of accounts at each stage 1, 2, or 3 months of arrears likely to progress to write off are derived by reference to a three month transition matrix. A provision is also made against all cases less that 1 month in arrears. Once accounts become 4 months in arrears they are written off.

2.19 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.20 Cash and cash equivalents

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

2.21 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

2. Accounting policies (continued)

2.24 Grant Income

Grant income relates to income recognised from the Government's Coronavirus Job Retention Scheme where the Company determined as part of its response to the Covid-19 pandemic that some roles could temporarily be furloughed. It is recognised on an accruals basis.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

As part of the preparation of the financial statements, the Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on many factors including historical experience and expectations of future events that are believed to be reasonable under the circumstances.

These estimates and judgements are described below:

Impairment losses on loans to customers

Loan impairment losses represent the Group's best estimate of losses incurred in the loan portfolios at the balance sheet date. The Group is required to exercise judgement in making assumptions and estimates when calculating loan impairment losses.

Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and information from external data agencies.

Estimates are applied to determine prevailing market conditions, customer behaviour (e.g. default rates), changes in law and regulations and other influences on customer payment patterns. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

Impairment losses and also write offs are explained in detail in accounting policy under the category of Impairment and Provision (see note 2.6).

Financial instruments

Financial Assets – Oakam Loan

The recognition of Oakam loans as basic financial asset is discussed in detail in the Note 2 to these financial statements, under the section 'Revenue recognition and classification of financial assets'. The Board of Directors have conducted assessment of the loan portfolio to determine whether or not it is a basic financial instrument. The loan portfolios satisfy all the conditions mentioned in FRS102 paragraph 11.8 and 11.9, as a Basic Financial Instrument.

Financial Liabilities – External Debt

Oakam Limited entered an amended debt facility agreement with Victory Park Management LLC on 27 January 2021. At the 2020 year end, the total principal outstanding debt is £5.1m (2019: £13.3m). The headline funding rate in the period was 12% (2019: 12.9%). The loan facility is repayable on 31 December 2021. The loan is secured over the 'receivable book' of the Group.

4. Turnover

An analysis of turnover by class of business is as follows:

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Loan Interest	**7,035**	2,966
Other Income	**174**	130
	7,209	3,096

All turnover arose within the United Kingdom.

5. Effective Interest Rate (EIR) Implementation Methodology

Introduction

Recognition of the fees and expenses related to the origination of our loans under the effective interest rate methodology.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective Interest Rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:
(a) The amortised cost of a financial asset / (liability) is the present value of future cash receipts/ (payments) discounted at the effective interest rate; and
(b) The interest expense / (income) in a period equals the carrying amount of the financial liability / (asset).

Methodology for recognising Fees

The Group charges a fee on its non high cost short-term credit origination business. Those fees are aimed at covering the costs related to the origination of all loans and are usually capitalised to the loan on origination.

To implement the recognition of our fees using the EIR method we have carried out a loan by loan analysis for the year segmented the fees into:
1) Fees for loans originated in the period that closed in the period, and therefore are recognised in the period.
2) Fees for loans originated in the period that remained open at the end of the year are recognised according to the time passed since inception, using their contractual life.
3) Fees for loans originated in the period that were written off during the year or beyond are recognised until the point of default as they were collected through the repayment of the capital for those loans. The remaining payable fees are provisioned as part of the provisioning of the unpaid capital.

6. Operating (loss)/profit

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

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Amortisation of goodwill and intangible fixed assets	**1,964**	461
Depreciation on tangible fixed assets	**61**	17
Exchange differences	**1**	-
Other operating lease rentals	**581**	191
Pension cost	**76**	20

7. Auditors' remuneration

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**65**	58

Fees payable to the Group's auditor and its associates in respect of:

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Taxation compliance services	**-**	-
All other services	**10**	10
	10	10

8. Employees

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Wages and salaries	**3,572**	798
Social security costs	**305**	43
Cost of defined contribution scheme	**76**	20
	3,953	861

The average monthly number of employees, including directors, during the period were 74 (2019 - 86) which included 43 (2019 - 70) within operations and 31 (2019 - 16) within other departments. The Key management personnel compensation during the period was £421,125 (2019 - £42,297).

9. Directors' remuneration

Director's emoluments during the period was £312,563 (2019 - £8,776). There was one director in the Group's defined contribution pension scheme during the period. Group contributions to the defined contribution pension scheme for the highest paid director amounted to £3,184 (2019 - £8,776).

On the 3rd June 2019 a director of the Company was allotted 25,00 ordinary shares of £0.01 each in the share capital of the Company at a price of £0.01 per share.

10. Interest receivable

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Other interest receivable	-	1

11. Interest payable and similar expenses

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Interest payable	**1,294**	571

12. Taxation

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

12. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	Year ended 30 June 2020 £000	Period ended 30 June 2019 £000
(Loss)/profit on ordinary activities before tax	**(6,209)**	3,003
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**(1,180)**	571
Effects of:		
Fixed asset differences	**158**	27
Expenses not deductible for tax purposes	**62**	1
Income not taxable for tax purposes	**-**	(489)
Other permanent differences	**(7)**	-
R&D expenditure credits	**-**	9
Group relief surrendered/(claimed)	**(1)**	-
Deferred tax not recognised	**977**	(119)
TBC	**(9)**	-
Total tax charge for the year/period	**-**	-

Factors that may affect future tax charges

The group has an unrecognised deferred tax asset of £8,549,639 (2019 - £6,313,293). This deferred tax asset is not recognised due to uncertainties over the timing and nature of the profits against which it will reverse.

As at 30 June 2020, the standard rate of corporation tax in the UK was 19%. Accordingly, the company's profits for the period ended 30 June 2020 have been taxed at the rate of 19% (2019: 19%).

13. Intangible assets

Group

	Software £000	Goodwill £000	Total £000
Cost			
At 1 July 2019	7,023	4,119	11,142
Additions	1,074	-	1,074
At 30 June 2020	8,097	4,119	12,216
Amortisation			
At 1 July 2019	5,422	137	5,559
Charge for the year	1,140	824	1,964
At 30 June 2020	6,562	961	7,523
Net book value			
At 30 June 2020	1,535	3,158	4,693
At 30 June 2019	1,601	3,982	5,583

14. Tangible fixed assets

Group

	Leasehold property improvements £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 July 2019	104	384	1,476	1,964
Additions	-	2	50	52
At 30 June 2020	104	386	1,526	2,016
Depreciation				
At 1 July 2019	101	381	1,397	1,879
Charge for the year	2	2	57	61
At 30 June 2020	103	383	1,454	1,940
Net book value				
At 30 June 2020	1	3	72	76
At 30 June 2019	3	3	79	85

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Oakam Holdings Ltd	40a Station Road, Upminster, Essex, RM14 2TR	Ordinary	100%
Oakam Finance Ltd	Sunley House 3rd Floor, Bedford Park, Croydon, England, CR0 2AP	Ordinary	100%
Oakam Ltd	Sunley House 3rd Floor, Bedford Park, Croydon, England, CR0 2AP	Ordinary	100%

In February 2021, Oakham Holdings Ltd was dissolved.

16. Debtors

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Due after more than one year				
Trade debtors	**848**	3,207	**-**	-
Prepayments and accrued income	**-**	145	**-**	-
	848	3,352	**-**	-

Included within prepayments and accrued income are rent deposits of £100,521 (2019: 145,218) which are secured by a number of rent deposit deeds.

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Due within one year				
Trade debtors	**4,291**	9,315	**-**	-
Provisions for doubtful debts	**(901)**	(3,603)	**-**	-
Amounts owed by group undertakings	**-**	-	**6,077**	-
Other debtors	**393**	357	**-**	-
Prepayments and accrued income	**288**	290	**-**	-
	4,071	6,359	**6,077**	-

17. Cash and cash equivalents

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash at bank and in hand	**1,625**	7,872	**295**	3,155

18. Creditors: Amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Other loans	**5,120**	13,345	**-**	-
Trade creditors	**776**	1,650	**-**	-
Witholding tax	**343**	230	**-**	-
Other taxation and social security	**493**	179	**-**	-
Other creditors	**91**	3,325	**-**	3,150
Accruals and deferred income	**377**	887	**29**	-
	7,200	19,616	**29**	3,150

Other loans are in relation to Victory Park Capital LLC. The total principal amount of £5.1m was outstanding under the amended debt facility dated 27 January 2021. The revised maturity of the facility under the amended agreement is 31 December 2021. The loan is secured by a fixed and floating charge over the assets of the group. An intercompany guarantee is secured over the assets of Oakam Limited. Oakam Finance Limited is included in this guarantee.

19. Provisions

Group

	Onerous lease provision £000	Other £000	Total £000
At 04 March 2019	**428**	**199**	**627**
Additions	**202**	**296**	**498**
Utilised in year	**-**	**(110)**	**(110)**
At 30 June 2020	**630**	**385**	1,015

Onerous lease provisions

Where leasehold properties become vacant, the Group provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease. This provision relates to an area of the office in Croydon, which was vacated in June 2019 and is surplus to Group requirements. The provision is expected to be utilised over the life of the related lease 2021 respectively.

Other

This comprises provision for redress payments to customers, liabilities in respect of amounts potentially repayable to a debt recovery company following sale of some older customer accounts, and provision for costs associated with defending legacy unfair dismissal claims brought by three former employees.

20. Financial instruments

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Financial assets				
Financial assets measured at amortised cost	**5,962**	16,792	**6,295**	3,155
Financial liabilities				
Financial liabilities measured at amortised cost	**(6,503)**	(19,207)	**(28)**	(3,150)

Financial assets measured at amortised cost comprise of trade and other receivables, amounts owed by group undertakings, and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise of trade and other payables, accrued expenses, borrowings and the trade finance facility.

21. Financial and Capital risk management

Financial risk management

The Group's business is exposed to a variety of financial risks. The financial risks are mainly categorised as credit risk, liquidity risk and market risk (including interest rate risk). The objective of the group's risk management framework is to identify and assess the risks facing the group and to minimise the potential adverse effects of these risks on the group's financial performance. Financial risk management is overseen by the risk committee.

(a) Credit risk

Credit risk is the risk that the group will suffer from loss in the event of a default by a customer. A default occurs when the customer fails to honour repayments as they fall due. The Group provides for any amounts of loan principal and interest that is estimated to be irrecoverable from customers.

Liquidity risk

Liquidity risk is the risk that the group will have insufficient liquid resources available to meet its operational plans and/or to meet its financial obligations as they fall due. Liquidity management includes maintaining sufficient cash reserves to facilitate timing differences between cash outflows and receipt of customer loan repayments and growth. Cash positions are monitored daily and forecasting is used to manage the stability of the projected liquidity changes. The Group's finance team monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and satisfying the Group's banking covenants.

The Group has two main sources of funding:

A debt facility from Victory Park Capital LLC or, when this is repaid, an alternative debt financing partner
Support from the shareholders of the parent company, Akrod Ltd

The Group has limited liquidity exposure due to the short-term nature of the group's main loan products.

The group at any time, and in order to mitigate risk can reduce the rate of repeat lending and therefore accelerate the repayment of its trade debtor account, to deal with any short or medium term liquidity constraints.

(b) Market risk including interest risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the Group's cost of borrowing. The Group LIBOR exposure arises from the current wholesale loan agreement with Victory Park Management LLC with total exposure of £5.1m. The Group currently does not use derivatives to hedge its interest rate exposure. The sensitivity analysis is shown below:

LIBOR change	Exposure to LIBOR Rate Hikes (EBITDA impact)	Exposure to LIBOR Rate Hikes (Turnover impact)
25bps	33,400	0.00
50bps	66,800	0.00
75bps	100,200	0.00
100bps	133,500	0.00

Capital risk management

The Group manages its capital to maintain efficient capital structure which includes ensuring the group is able to continue as going concern, maximizing returns whilst satisfying the Group's banking covenants and regulatory requirements of the by FCA. The capital structure of the Group consists of cash and cash equivalents, long term subordinated debt via Oakam Finance Limited and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings.

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
455,000 (2019 - 455,000) Ordinary shares of £0.01 each	**4,550**	4,550
95,960 (2019 - Nil) Seed shares of £0.01 each	**960**	-
295,455 (2019 - Nil) Series A shares of £0.01 each	**2,955**	-
	8,465	4,550

All classes of shares have attached to them the right to one vote and the right to receive dividends.

On 8 July 2019 the Company issued 95,960 seed shares of £0.01 at a premium of £14.84 per share.

On 8 July 2019 the Company issued 295,455 series A shares of £0.01 at a premium of £16.49 per share.

23. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

24. Analysis of net debt

	At 1 July 2019 £000	Cash flows £000	At 30 June 2020 £000
Cash at bank and in hand	**7,872**	**(6,247)**	**1,625**
Debt due within 1 year	**(13,345)**	**8,225**	**(5,120)**
	(5,473)	**1,978**	**(3,495)**

25. Share based payments

On the 3rd June 2019, six employees including a director of the subsidiary Company were allotted 84,900 ordinary shares of £0.01 each in the share capital of Akrod Limited at a price of £0.01 per share.

The shares under the scheme vest over a 36-month period from 1 July 2019, being the Vesting Commencement Date, with 33% of the shares vesting on the first anniversary of the Vesting Commencement Date, and the remaining 67% of the shares due to vest in monthly tranches over the following 24 months.

In the event an employee leaves the Company before the final vesting date then the unvested shares are required to be sold at Fair Value which is deemed to be the purchase price of £0.01 that was paid for the shares.

At the yearend of 30 June 2020, there were 72,400 shares outstanding under the scheme, held by 5 employees of the Company.

26. Pension commitments

The Group operates a defined contribution pension plan. The total expense relating to this plan was £75,833 (2019 - £20,041). At the year end, an amount of £18,062 (2019 - £16,581) was payable to the pension fund.

27. Commitments under operating leases

At 30 June 2020 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £000	**Group 2019 £000**
Not later than 1 year	**189**	492
Later than 1 year and not later than 5 years	**-**	245
	189	737

The Company had no commitments under finance leases as at the reporting date.

28. Related party transactions

The Company has taken advantage of the exemptions available under FRS 102 not to disclose transactions with entities which are part of the same group on the grounds that it is a wholly owned subsidiary.

Consultancy fees of £204,066 were paid in the year to Khasay Ltd, a company incorporated in Mauritius, and for which Frederic Nze also serves as a Director

29. Post balance sheet events

Funding of £7m was raised through the issuance of convertible loan notes at the end of July 2020, which includes £3.5m from the Government's Future Fund Scheme.

30. Controlling party

The ultimate controlling party is Frederic Nze by virtue of his shareholding.