IPF FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Company Number 04607141)

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Principal activities and going concern

The principal activity of the company is the provision of debt options to a fellow subsidiary undertaking under which the fellow subsidiary is granted the right to sell customer debt to the company. As the vast majority of the company's transactions are denominated in Polish zloty, the functional and presentational currency of the company is Polish zloty.

The company is a subsidiary of International Personal Finance plc (the "Group") and has financing arrangements with the Group and therefore is dependent on the Group's ongoing support. A material uncertainty has been assessed over the going concern basis of the Group due to the Group's Eurobond maturing in April 2021 and seeking a covenant amendment from its lenders. The Group's forecast assumes that this bond is substantially refinanced ahead of this date with the balance being repaid at maturity and the covenant amendments will be secured. Given the complexities attached to the refinancing of the Group, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The company's directors note that the company has net assets of PLN 838,522,000 and therefore the directors believe that the company is well placed and has sufficient financial resources to manage its business risks successfully despite the uncertain economic outlook. The company has financing arrangements with the Group and therefore is dependent on the Group's ongoing support. Therefore, the existence of the material uncertainty at Group level due to complexities attaching to the refinancing of the Group results in a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. After making enquiries, the directors have a reasonable expectation that the Group will complete its refinancing plan and that the company has adequate resources to continue in operational existence for the foreseeable future (12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. However, given the material uncertainty assessed over the going concern for the Group, this results in a material uncertainty for the company that may cast a significant doubt on the company's ability to continue as a going concern.

2. Results

The Profit and loss account for the year is set out on page 7. The profit after tax and before dividends for the year of PLN 138,456,000 (2018: PLN 209,363,000) has been added to reserves.

3. Principal risks and uncertainties

The directors of International Personal Finance plc manage the Group's risks at a Group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of International Personal Finance plc, which include those of the company, are reported within the 'principal risks and uncertainties' section of the Group's annual report, which does not form part of this report, but is publicly available. However, the company has a number of specific risks;

- The company is subject to a risk of credit default on all its intercompany lending. The repayment is dependent on the performance of the counterparty which is reviewed on a regular basis.
- The company has significant future liabilities for obligations on the exercise of options and the value of this liability is uncertain. There is a risk that the company does not have adequate resources to meet all these liabilities as they fall due. However, the company has significant financial resources and the expected level of options exercised is reviewed on a monthly basis as part of the company's ongoing risk management.

The directors do not expect any losses to arise from these risks.

4. Key performance indicators (KPIs)

Given the nature of the business, the company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. Management do not use KPIs to assess this business.

APPROVED BY ORDER OF THE BOARD

R Lee
Company Secretary

LEEDS

25 September 2020

(Company Number 04607141)

IPF FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report together with the audited financial statements of the company and the auditor's report for the year ended 31 December 2019.

1. **Dividend**

On 19 December 2019 the company declared and paid a dividend of PLN 200,000,000 (2018: PLN 230,000,000).

2. **Directors**

The directors of the company at 31 December 2019 and at the date of this report, all of whom were directors for the whole of the year then ended, except where stated, were:

J N Dahlgreen	(Resigned 10 February 2020)
D J Kleppen	
C Nelischer	(Appointed 10 February 2020, Resigned 22 June 2020)
J A Ormrod	(Appointed 24 July 2020)
J Williams	

3. **Capital structure**

The company's capital structure includes a combination of ordinary called-up share capital and retained earnings.

4. **Disclosure of information to the auditor**

As far as each director is aware, there is no relevant audit information of which the company's auditor is unaware. Each director has 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 company's auditor is aware of that information. This statement is given and should be interpreted in accordance with the provision of section 418(2) of the Companies Act 2006.

5 **Risks**

All principal risks and uncertainties have been assessed and disclosed in the company's strategic report.

6. **Auditor**

The auditors Deloitte LLP are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

APPROVED BY ORDER OF THE BOARD

R Lee
Company Secretary

LEEDS

25 September 2020

IPF FINANCIAL SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

APPROVED BY ORDER OF THE BOARD

R Lee
Company Secretary

25 September 2020

Independent auditor's report to the members of IPF Financial Services Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of IPF Financial Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 1(j) in the financial statements, regarding the company's ability to continue as a going concern. The company is a subsidiary of International Personal Finance plc (the "Group") and has financing arrangements with the Group and therefore is dependent on the Group's ongoing support. A material uncertainty has been noted over the going concern basis of the Group due to the Group's primary bond maturing in April 2021 and seeking a covenant amendment from its lenders. As stated in note 1(j), these events or conditions, along with other matters as set forth in note 1(j) to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company'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, 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 respect of these matters.

Independent auditor's report to the members of IPF Financial Services Limited (continued)

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 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 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Peter Birch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
25 September 2020

IPF FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 PLN'000	2018 PLN'000
Net changes in fair value on derivative liability	14	(36,597)	(14,934)
Income from debt sales		25,624	76,564
Other income		1,594	2,109
TOTAL NET (COST) / INCOME		(9,379)	63,739
Administrative expenses		(356)	(79)
OPERATING (LOSS) / PROFIT		(9,735)	63,660
Interest payable and similar payments	4	(13,040)	(5,362)
Interest receivable	4	147,815	143,863
Dividends	5	10,000	-
PROFIT BEFORE TAXATION	5	135,040	202,161
Tax on profit	8	3,416	7,202
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDER OF THE COMPANY		138,456	209,363

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 PLN'000	2018 PLN'000
PROFIT FOR THE YEAR		138,456	209,363
Dividend paid	10	(200,000)	(230,000)
Total comprehensive expense for the year		(61,544)	(20,637)

The results shown in the Profit and loss account derive wholly from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

The notes on pages 10 to 19 form part of these financial statements.

(Company Number 04607141)

IPF FINANCIAL SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 PLN'000	2018 PLN'000
NON CURRENT ASSETS			
Investments	9	103,727	103,727
CURRENT ASSETS			
Debtors	11	1,280,232	1,909,627
Cash held on short-term deposits		17	32
		1,280,249	1,909,659
CREDITORS: amounts falling due within one year	12	(29,474)	(355,649)
NET CURRENT ASSETS		1,250,775	1,554,010
Derivative liability	14	(485,583)	(720,301)
Deferred taxation liability	13	(30,397)	(37,370)
NET ASSETS		838,522	900,066
CAPITAL AND RESERVES			
Called-up share capital	14	300	300
Share premium	15	139,930	139,930
Profit and loss account		698,292	759,836
		838,522	900,066

These financial statements on pages 7 to 19 were approved and authorised for issue by the board of directors on 25 September 2020 and were signed on its behalf by:

D Kleppen

(Directors)

J Williams

(Company Number 04607141)

IPF FINANCIAL SERVICES LIMITED

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

	Called-up share capital (Note 15) PLN'000	Share premium (Note 16) PLN'000	Profit and loss account PLN'000	Total PLN'000
Balance at 1 January 2018	300	139,930	780,473	920,703
Profit for the year	-	-	209,363	209,363
Dividends	-	-	(230,000)	(230,000)
Total comprehensive expense for the year	-	-	(20,637)	(20,637)
Balance at 31 December 2018	300	139,930	759,836	900,066
Profit for the year	-	-	**138,456**	**138,456**
Dividends	-	-	**(200,000)**	**(200,000)**
Total comprehensive expense for the year	-	-	**(61,544)**	**(61,544)**
Balance at 31 December 2019	**300**	**139,930**	**698,292**	**838,522**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Principal accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

IPF Financial Services Limited "the company" is a private company limited by shares incorporated and registered in England and Wales in the United Kingdom under the Companies Act. The address of the registered office is given in note 18. The nature of the company's operations and its principal activity are set out in the strategic report on page 1.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted; IAS 7 "Statement of Cash Flows; IAS 24 "Related Party Disclosures" paragraph 7; IAS 36 "Impairment of Assets" paragraphs 134(d)-(f) and 135 (c) – (e); and IAS 8 "Changes in Accounting Estimates and Errors" paragraphs 30-31.

The Group financial statements of International Personal Finance plc are available to the public and can be obtained as set out in note 18.

b) Income from debt sales

Income from debt sales is recognised on the consideration receivable less costs directly attributable to any sale. Amounts recognised on future sales are reflected at fair value as per section i) below.

c) Derivative liability

The company classifies its holdings of derivatives as financial liabilities at fair value through profit or loss. When the company wrote an option an amount equal to the fair value was recorded as a liability.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial liabilities at fair value through profit or loss' category are presented in the profit and loss account within net changes in fair value on derivative liability.

d) Administrative expenses

Administrative expenses represent certain costs incurred with the provision of debt options to fellow subsidiary undertakings and are recognised on an accruals basis.

e) Taxation

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date and is determined using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation is not recognised on revalued assets unless there is a binding agreement at the balance sheet date to sell the revalued asset and the related gain has been recognised in the financial statements. Deferred taxation balances are not discounted.

Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Where withholding tax has been suffered on overseas income received, it has been accounted for as overseas tax. Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. Principal accounting policies (continued)

f) Cash flow statement

As permitted by FRS 101, no cash flow statement is presented as the company is a wholly owned subsidiary undertaking of International Personal Finance plc and is included in the consolidated financial statements of International Personal Finance plc, which are publicly available.

g) Foreign exchange

The functional currency of the company is Polish zloty because that is the currency of the primary economic environment in which the company operates. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are expressed, in Polish zloty, at the rates of exchange ruling at the end of the financial period. Resultant gains or losses are taken to the profit and loss account.

h) Financial instruments

The Company classifies non-derivative financial assets as loans and receivables, available for sale assets or at fair value through the profit and loss account. No financial assets are held to maturity. Non-derivative financial liabilities, which include the Company's borrowings, are measured at amortised cost with interest recognised using the effective interest rate method. Derivatives are held at fair value through profit and loss.

i) Fair value measurement

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market on the valuation date and the current market conditions, regardless of whether the price is directly observable or estimated using other valuation techniques. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants take these characteristics into account when pricing the asset or liability at the measurement date.

Moreover, for financial reporting purposes, the fair value measurements are categorized into level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable, and the significance of the inputs to the fair value as a whole. These levels are as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities for which the entity has an access at the measurement date;

• Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

• Level 3 inputs are unobservable inputs for valuation of the asset or liability.

In measuring the fair value of assets or liabilities, the Company uses observable market data to the extent that this is possible.

The areas relating to fair valuation which involve a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the paragraph 'Key assumptions and estimates'.

1. Principal accounting policies (continued)

j) Going concern

The company's business activities are set out in the Strategic Report on page 1.

The company is a subsidiary of International Personal Finance plc (the "Group") and has financing arrangements with the Group and therefore is dependent on the Group's ongoing support. A material uncertainty has been assessed over the going concern basis of the Group due to the Group's Eurobond maturing in April 2021 and seeking a covenant amendment from its lenders. The Group's forecast assumes that this bond is substantially refinanced ahead of this date with the balance being repaid at maturity and the covenant amendments will be secured. Given the complexities attached to the refinancing of the Group, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The company's directors note that the company has net assets of PLN 838,522,000 and therefore the directors believe that the company is well placed and has sufficient financial resources to manage its business risks successfully despite the uncertain economic outlook. The company has financing arrangements with the Group and therefore is dependent on the Group's ongoing support. Therefore, the existence of the material uncertainty at Group level due to complexities attaching to the refinancing of the Group results in a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. After making enquiries, the directors have a reasonable expectation that the Group will complete its refinancing plan and that the company has adequate resources to continue in operational existence for the foreseeable future (12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. However, given the material uncertainty assessed over the going concern for the Group, this results in a material uncertainty for the company that may cast a significant doubt on the company's ability to continue as a going concern.

k) Exceptional

The company classifies as exceptional those significant items that are one-off in nature and do not reflect the underlying performance of the company.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

m) Debtors and Creditors

Debtors and creditors do not carry interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised when the group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

n) Interest payable and receivable

Interest is charged at rates based on the cost of external finance and credited at rates linked to equivalent national LIBOR.

o) Subsidiary undertakings

The company undertakes an annual impairment review of investments in subsidiaries, which is performed by way of a comparison of the carrying value of the investment with the net assets of the subsidiary, or the future value in use. Where the carrying value is greater than the net assets or future value in use, a provision for impairment is made.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The directors deem that the only significant source of estimation certainty is in relation to the level 3 classification of the financial instrument that is disclosed in note 14 and outlined in note 3. There have been no critical accounting judgements.

3. Key assumption and estimates

In applying the accounting policies set out above, the Company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Credit default options

The initial recognition of credit default options is at fair value which is their transaction price. The subsequent measurement at the balance sheet date is based on the fair value of the credit default options. In order to measure credit default options at fair value at the balance sheet date, the Company makes an estimate of future cash flows from the credit default options, based on analysis of historic data. The analysis includes predictions of total loans to be written off, the amount of predicted recoveries by the counterparty's debt recovery department and the average period from the loan issue date to the moment when the option is exercised.

The output of the model is an estimate of a value that cannot be determined with certainty, but valuations are adjusted where appropriate, to allow for additional factors including model risk and historical performance.

The future cash flows are discounted to determine the fair value of credit default options using the weighted average cost of external funding. The sensitivity analysis of the option valuation due to changes in key parameters is presented in note 14.

4. Interest (payable)/receivable and similar payments

	2019 PLN'000	2018 PLN'000
Interest payable and similar payments		
Interest payable - Group	**(13,040)**	(5,362)
Interest receivable		
Interest receivable - Group	**147,815**	143,863

5. Income and profit before taxation

Income relates to one class of business, the origin of which is wholly within Central Europe.

The profit on ordinary activities before taxation is stated after charging / (crediting):

	2019 PLN'000	2018 PLN'000
Auditor's remuneration		
Fees payable to the auditor for the audit of the company's Financial statements	**60**	60
Net foreign exchange losses	**356**	79
Dividends	**(10,000)**	-

6. Directors' emoluments

None of the directors received any emoluments in respect of their services to the company during the year (2018: nil).

During the year two of the directors (2018: three) exercised 21,173 (2018: 62,946) share options in shares of the company's ultimate parent undertaking International Personal Finance plc. The exercise price of these options was £zero (2018: £zero).

7. Employee information

The average number of persons employed by the company, excluding executive directors, during the year was nil (2018: nil). All employee and related costs were borne by the company's parent undertaking or fellow subsidiary undertakings.

8. Tax on profit

(a) Analysis of credit for the year:

	2019 PLN'000	2018 PLN'000
Current tax		
Adjustment in respect of prior years	(3,386)	588
Foreign exchange movements	(171)	(181)
Total current tax (charge) / credit	(3,557)	407
Deferred tax		
Origination and reversal of timing differences	6,079	7,361
Impact of change of tax rate	894	(566)
Total deferred tax credit (note 13)	6,973	6,795
Tax credit on profit (note 8(b))	3,416	7,202

8. Tax on profit (continued)

(b) Factors affecting the tax credit for the year:
The tax credit for the year can be reconciled to the profit and loss account as follows:

	2019 PLN'000	2018 PLN'000
Profit before taxation	135,040	202,161
Expected tax charge calculated at the standard rate of corporation tax in the UK of 19% (2018: 19%)	(25,658)	(38,411)
Effects of:		
Adjustment in respect of prior years	(3,386)	589
Group relief for nil payment	30,553	45,205
Income non taxable	1,900	-
Deferred tax rate changes	179	-
Foreign exchange movements	(172)	(181)
Total tax credit for the year (note 8(a))	3,416	7,202

(c) Factors that may affect future tax charges:
Future tax charges or credits are likely to be in line with the standard rate of corporation tax in the UK which is currently 19% (17% with effect from 1 April 2020).

9. Investments

Investments in subsidiary undertakings or fellow subsidiary undertakings comprise:

	Shares at cost PLN'000
At 1 January, and 31 December 2019	103,727

Name of subsidiary or fellow subsidiary	Country of incorporation	Class of shares issued	Percentage holding
International Credit Insurance Limited	Guernsey	Ordinary £1	100%

The registered address of the company's subsidiary undertaking is Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT.

In the opinion of the directors, the value of the company's investment in its subsidiary undertakings at the balance sheet date is not worth less than the amount at which it is stated in the balance sheet.

10. Dividends

	2019 PLN'000	2018 PLN'000
Ordinary dividend paid of PLN 3,125 (2018: PLN 3,593.75) per ordinary share	200,000	230,000

11. Debtors

	2019 PLN'000	2018 PLN'000
Amounts owed by the ultimate parent undertaking	-	76,185
Amounts owed by other Group undertakings	1,257,431	1,808,426
Valuation of receivables relating to exercised options	22,798	21,616
Corporation tax	-	3,397
Prepayments	3	3
	1,280,232	1,909,627

Amounts owed by the ultimate parent undertaking are unsecured and interest is credited at rates linked to equivalent national LIBOR. Amounts owed by other Group undertakings are unsecured and have no fixed date of repayment. Interest is credited at rates linked to equivalent national LIBOR. The valuation of receivables relating to exercised options represents the directors' best estimate of the value that can be achieved by selling these receivables to a third party.

12. Creditors

Amounts falling due within one year:

	2019 PLN'000	2018 PLN'000
Amounts owed to ultimate parent undertaking	10,402	323,220
Amounts owed to other Group undertakings	16,892	31,626
Accruals	2,180	803
Corporation tax payable	-	-
	29,474	355,649

Amounts owed to the company's ultimate parent and other Group undertakings are unsecured and have no fixed date of repayment. No interest is charged on amounts owed to other Group undertakings. Interest is paid on amounts owed to other Group undertakings at rates linked to equivalent national LIBOR rates.

13. Deferred taxation liability

a) Deferred taxation liability is recognised in the financial statements as follows:

	2019 PLN'000	2018 PLN'000
Temporary differences relating to taxation of debt options	**30,397**	37,370

b) The movement in deferred taxation during the year is as follows:

	2019 PLN'000
Deferred tax liability at 1 January 2019	**37,370**
Credited to the profit and loss account in the year (note 8(a))	**(6,973)**
Deferred tax liability at 31 December 2019	30,397

The Finance Act 2018 included provisions to reduce the UK corporation tax rate to 17% with effect from 1 April 2020. The impact of this rate change has been taken into account in the calculation of deferred tax assets and liabilities at 31 December 2019.

14. Derivative liability

Credit default options at FVTPL	2019 PLN'000	2018 PLN'000
At 1 January	**720,301**	900,725
Premiums received	-	116,931
Options exercised	**(271,315)**	(312,289)
Movement in fair value	**36,597**	14,934
At 31 December	**485,583**	720,301

The derivative liability represents the fair value of the discounted cashflows expected under the credit default options granted prior to 31 December 2019. The total balance of credit default options are measured at fair value and are considered level 3 financial instruments. The liability will be utilised as options are exercised or expire. The options in issue have a maximum expiry date of 30 April 2028.

The Company writes put options to a fellow subsidiary undertaking granting it the right to sell customer debt to the company in order to mitigate credit risk in the fellow subsidiary. The fair value of the credit default option depends primarily on the credit quality of the fellow subsidiary underlying loan portfolios and the timing of any exercise.

An active market for the credit default options does not exist therefore the options are measured using an internal valuation model. The value of the credit default options primarily depends on five parameters: anticipated bad debt charge (BDC), subsequent collections (SC), weighted average cost of external funding (WACF), anticipated time pattern of cash flows and the risk premium.

14. Derivative liability (continued)

The risk premium in the model used by the company for pricing the credit default option is called Value of Certainty and is amortised over the expected life of the option (120 months).

The expected cash flows from the option are estimated separately for groups of loans issued by the counterparty in consecutive months based on historical experience. Using historical data the company estimates both the value and timing of cash flows. The estimated cash flows are discounted using WACF in order to calculate the fair value of the instrument.

The BDC parameter predicts what part of total amount payable (TAP) will be written off for loans issued by the counterparty in a specific month. It is estimated based on historical data. The BDC statistic is computed separately for each cohort based on the characteristics of the loans.

The SC parameter reflects the expected collections from debt recovery conducted by the counterparty as a percentage of TAP that has been written off. The parameter is estimated by the company based on historical performance.

The forecasts of future SC for loans covered by credit default option agreement are made for 60 months from the moment the loan has been passed to debt recovery, as after that period SC are insignificant based on historical evidence.

The WACF parameter is used for discounting future cash flows. It is computed by the company based on the relationship between the counterparty's external funding costs and the average external funding balance. The rate reflects the risk of the counterparty's business and its clientele. The anticipated timing of cash flows determines when the forecast cash flows will occur. As such it impacts their discounted value. The timing is estimated based on historical cash flows from the credit default option agreement.

Analysis of the sensitivity of the valuation of credit default options (based on reasonably possible changes in the parameters – projected using historical data) at 31 December 2019 showed that:

- increase/(decrease) in the BDC parameter by 100 bp increases/(decreases) the fair value of the options by 5.76%/(5.35%), which is PLN 27.98 million/(PLN 25.97 million) respectively,
- increase/(decrease) in the SC parameter by standard deviation which is 4.03% (calculated on the basis of historical data from January 2010) (decreases)/increases the fair value of the options by (21.73%)/17.71%, which is (PLN 105.50 million)/PLN 86.02 million respectively,
- increase/(decrease) in WACF of 50 bp (decreases)/increases the fair value of the options by (0.95%)/0.97%, which is (PLN 4.60 million)/PLN 4.69 million respectively.

Analysis of the sensitivity of the valuation of the credit default options (based on reasonable possible changes in the parameters – projected using historical data) at 31 December 2018 showed that:

- increase/(decrease) in the BDC parameter by 100 bp increases/(decreases) the fair value of the options by 4.09%/(3.89%), which is PLN 29.50 million/(PLN 28.03 million) respectively,
- increase/(decrease) in the SC parameter by standard deviation which is 3.56% (calculated on the basis of historical data from January 2009) (decreases)/increases the fair value of the options by (11.47%)/8.65%, which is (PLN 82.62 million)/PLN 62.29 million respectively,
- increase/(decrease) in WACF of 50 bp (decreases)/increases the fair value of the options by (1.35%)/1.39%, which is (PLN 9.73 million)/PLN 10.00 million respectively.

The fair valuation of the options as at 31 December 2019 amounted to PLN 485.6 million (PLN 720.3 million as at 31 December 2018). On the basis that the payment performance of the counterparty's customers could be different from the assumptions used in estimating future cash flows, a material adjustment to the carrying value of the credit default options may be required. To the extent that the net present value of estimated cash flows differs by +/- 5%, it is estimated that the credit default options balance would be PLN 22.0 million (2018 PLN 31.8 million) higher/lower.

15. Called-up share capital

	2019 PLN'000	2018 PLN'000
Authorised		
100,000 ordinary shares of £1 each	461	461
Allotted, called-up and fully paid		
64,000 ordinary shares of £1 each (2018: 64,000)	300	300

Called-up share capital is reported at historic cost.

16. Share Premium

	2019 PLN'000
At 1 January 2019 and 31 December 2019	139,930

17. Related party disclosure

As a wholly owned subsidiary, the company has taken advantage of the exemption in FRS 101 "Related Party Transactions" from disclosing related party transactions with other entities included in the consolidated financial statements of International Personal Finance plc.

18. Parent undertakings

The immediate parent undertaking is IPF Holdings Limited.

The company, whose liability is limited to a maximum of the share capital issued, is registered and domiciled in the United Kingdom, the registered office of the company is located at Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD. The ultimate parent undertaking and controlling party is International Personal Finance plc, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of that company's consolidated financial statements can be obtained from the Company Secretary, International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD.

19. Post balance sheet event

In 2020 the Covid-19 virus has caused disruption in the markets that the Group's subsidiaries operate in. Whilst there is no direct impact expected on the operations of the company there is possibility that the value of the investments held, as per note 9, could be impacted. The impact of this is not yet known. The Group is deploying contingency plans to mitigate the risk to the operating subsidiaries and the value of investments will be kept under review by the directors. The ultimate parent company has confirmed its support should the company be unable to meet its liabilities as a result.