TRU | FIN

INTERIM FINANCIAL REPORT

For the six months ended 30 June 2018
(Unaudited)

CONTENTS

FINANCIAL HIGHLIGHTS

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)
("TruFin" or the "Company" or together with its subsidiaries "TruFin Group")

Financial Highlights

- Combined gross revenues were £3.6m for the six months ended 30 June 2018 (six months ended 30 June 2017: £1.5m) representing growth of 142%

- Combined loans and advances to customers were £74m as at 30 June 2018 representing growth in excess of 125% in the first half of 2018 and growth in excess of 500% over the last twelve months

- Oxygen's clients' total procurement spend reached £15.7bn as at 30 June 2018 (31 December 2017: £11.3bn)

- Adjusted Loss Before Tax and Exceptional Items and share based payment expense was £7.1m (six months ended 30 June 2017 loss: £4.0m)

- Consolidated net assets as at 30 June 2018 of £159m (31 December 2017: £91m)

- The investment in Zopa was revalued upwards by £8.0m to £44.5m following a recent funding round to support capital investment required to build a next generation bank.

	6m to 30 June 2018	**6m to 31 December 2017**	**6m to 30 June 2017**
Financials and KPI's (Unaudited)	**£'000**	**£'000**	**£'000**
Gross Revenue	3,593	2,291	1,483
Adjusted Loss:			
Loss before tax	(8,323)	(5,650)	(4,352)
Add: exceptional items	-	-	330
Add: share-based payment charge	1,191	-	-
Adjusted Loss	(7,132)	(5,650)	(4,022)
Gain on investment in Zopa	8,000	2,578	22
Net Assets (£ 000's)	158,743	91,396*	43,332
Loan Book at period end (£000's)	73,899	32,709*	11,410
Total volume of Loans written (£'000)	107,015	47,374	15,280
DFC: Number of dealers on to programme (#)	371	246	80
Oxygen: Clients' Total annual procurement spend under contract (£bn)	15.7	11.3	7.4
Average Headcount for the TruFin Group (#)	115	69	61

*Audited figures

Trading Update

- As at 31 August 2018 the combined loans and advances were £89m representing growth in excess of 170% since 31 December 2017. We expect growth to continue into the year end targeting combined loans and advances of £120m

- DFC's growth remains strong with a growing pipeline. With such robust demand and prior to obtaining a banking licence, it is unsurprising that capital is the limiting factor to writing more business and we are actively addressing this issue

- DFC's application for a UK banking licence was submitted to the PRA/FCA on 28 June 2018. We are in active dialogue with the regulators and will continue to keep investors updated as appropriate

- Oxygen continues to win and implement new business mandates. New streamlined processes to improve client implementation and supplier onboarding were introduced in the period and are proving effective, although the full benefits have yet to be monetised

- Satago is pursuing several new corporate partnerships as it becomes a meaningful competitor in its core financing business whilst also experiencing strong growth in its other niche lending activities

- Zopa's UK banking licence application continues in line with its schedule.

Post Balance Sheet Update

- Oxygen recently acquired Porge Ltd, a provider of evidence-based public sector market insight services and research products. This strategically enhances Oxygen's product offering.

Henry Kenner, Chairman and Chief Executive Officer commented:

"This has been a pleasing first half for the TruFin Group with activity levels post IPO continuing apace.

We continue to invest in the businesses and confidence levels are such that we have accelerated some of these investments whether in people, systems or a small bolt-on acquisition. This accelerated investment and associated cost lays down the foundations for achieving our long-term goals.

Clearly the banking licence applications are a focus. Whilst the applications have been submitted we await the outcomes and will update investors in due course.

In conclusion, the TruFin Group remains robust and exciting. The businesses are rapidly being recognised as quality providers of niche finance and early payment provision and this is having tangible effects in the scale and depth of opportunities being presented to us. Whilst we are engaging with these, we remain focused on our current core product offerings. As such the Board and Executive Management are working effectively to ensure that an appropriate balance is achieved between investment in strategic long-term objectives and medium-term financial rewards."

FIRST HALF REVIEW

The TruFin Group has performed well in the first six months of 2018 and we remain optimistic for the remainder of 2018. Businesses in detail:

DFC

DFC's loan book growth continues and ended the first half 111% higher than at the start of the year.

The number of manufacturers and dealers signed up has been strong and there is a growing pipeline. Additionally, as DFC becomes more widely recognised the lending opportunities are increasing in terms of frequency, size and quality.

Portfolio diversification has been accelerated as lending to the industrial and agricultural sectors has been increased and the technology sector is now being actively explored.

Pricing levels have largely remained resilient over the period. That said, customer behaviour coupled with the larger financing programmes (with generally higher quality corporates) have meant that revenues in the first half of 2018, whilst increasing in excess of 98% over the second half of 2017, have not mirrored like-for-like the growth in the loan book.

Credit quality as mentioned remains high with zero actual losses and an impairment provision in accordance with IFRS9 at 0.2%.

We continue to build out the core business with accelerated investment being allocated to the roll-out of the personnel, systems and processes commensurate with being a bank.

The management team have been heavily focused on submitting the banking licence application and the application was submitted on 28 June 2018. Whilst we await the outcome, the exact timing of any decision is in the hands of the regulators.

Satago

Satago's core invoice financing book has grown by over 140% in the first half, albeit from a low base, and we expect this momentum to continue. With customer satisfaction levels remaining high, Satago is seeing increasing interest from direct origination and also from several large organisations seeking partnerships. Financing opportunities are already being sourced from one key partner and we expect to expand these relationships into the year end.

Actual default levels remain low, whilst IFRS9 has meant an impairment provision of 1.6%.

Within its niche lending business, the initial Vertus funding transaction was completed and the team is busy originating new transactions. Meanwhile in the mobile games vertical, PlayStack continues to launch its library of new games and whilst some of these have been marginally delayed, the remainder of the year has an extremely full launch programme.

Satago's leading edge technology continues to be the recipient of material and increased investment as the company looks to not only strengthen its existing service, but expand its wider product offering. As a result, it is anticipated that a number of new products will be launched over the next twelve months.

Oxygen

Oxygen's new client mandates have been on plan in the six months ended 30 June 2018.

This coupled with the total number of clients going live having doubled in the last 12 months and with client implementations at record levels the momentum is with the company.

However, revenues in the period have remained broadly flat compared to the comparable period in 2017. This has been caused by a combination of the residual impact of the company's migration to the new billing methodology introduced last year and a backlog in supplier onboarding. To address these issues Oxygen's management has been focusing on introducing new streamlined processes to optimise delivery of the monetary rewards for its clients and itself. This has resulted in some immediate operational changes, but the full benefits will not be seen until future periods.

On the strategic front the focus is on offering more products to Oxygen's clients. In August 2018 the company acquired Porge Ltd which provides evidence-based public sector market insight services and research products to the UK corporate and government sectors. This business fits in strategically with its offering to existing clients by providing a wider and deeper service in terms of supplier data analytics as well as broadening Oxygen's client base. Additionally, the company is considering other partnership arrangements which will offer benefits to its clients whilst enhancing Oxygen's revenue opportunities.

INDEPENDENT REVIEW REPORT TO TRUFIN PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the TruFin Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Statutory Auditor
London, United Kingdom
12 September 2018

UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Notes	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Interest and similar income		2,377	204	1,136
Interest and similar expenses		(805)	(18)	(68)
Net interest income		1,572	186	1,068
Fee income	3	1,216	1,279	2,638
Fee expenses		(18)	(31)	(53)
Net fee income		1,198	1,248	2,585
Revenue		**2,770**	**1,434**	**3,653**
Staff costs	5	(7,771)	(3,601)	(8,188)
Other operating expenses		(3,109)	(1,239)	(4,251)
Depreciation & amortisation		(106)	(14)	(146)
Operating loss before share of loss from joint venture		**(8,216)**	**(3,420)**	**(8,932)**
Share of loss of joint venture accounted for using the equity method		-	(582)	(582)
Operating loss		**(8,216)**	**(4,002)**	**(9,514)**
Net impairment loss on financial assets		(107)	(20)	(158)
Exceptional expenses	8	-	(330)	(330)
Loss before tax		**(8,323)**	**(4,352)**	**(10,002)**
Taxation	10	179	242	867
Loss after tax		**(8,144)**	**(4,110)**	**(9,135)**
Other comprehensive income				
Exchange differences on translating foreign operations		(213)	57	(357)
Gains on investments		8,000	22	2,600
Other comprehensive income for the period, net of tax		**7,787**	**79**	**2,243**
Total comprehensive loss for the period		**(357)**	**(4,031)**	**(6,892)**
Loss after tax attributable to:				
Owners of TruFin plc		(7,903)	(3,783)	(8,103)
Non-controlling interests		(241)	(327)	(1,032)
		(8,144)	**(4,110)**	**(9,135)**
Total comprehensive loss for the period attributable to:				
Owners of TruFin plc		(116)	(3,704)	(5,860)
Non-controlling interests		(241)	(327)	(1,032)
		(357)	**(4,031)**	**(6,892)**

UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
(CONTINUED)

EARNINGS PER SHARE

	Notes	**6 months ended 30 June 2018 (Unaudited)** pence	**6 months ended 30 June 2017 (Unaudited)** pence	**Year ended 31 December 2017 (Unaudited)** pence
Basic and Diluted EPS	20	**(8.1)**	**NA**	**(6.5)**
Adjusted EPS	20	**(6.9)**	**NA**	**(6.5)**

The number of shares in issue as at 30 June 2018 was 97m (31 December 2017: 124m)

UNAUDITED CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2018 (Unaudited) £'000	As at 31 December 2017 (Audited) £'000
Assets			
Non-current, non-financial assets			
Intangible assets	11	1,864	649
Property, plant and equipment		211	131
Deferred tax asset	10	5,368	5,189
Total non-current, non-financial assets		**7,443**	**5,969**
Financial assets			
Cash and cash equivalents		62,158	26,049
Loan and advances	13	73,899	32,709
Other investments	12	44,500	36,500
Total financial assets		**180,557**	**95,258**
Other current assets			
Trade and other receivables	14	413	487
Other receivables	14	2,845	1,821
Total other current assets		**3,258**	**2,308**
Total assets		**191,258**	**103,535**
Equity and liabilities			
Equity			
Issued share capital	15	185,000	123,966
Retained earnings		21,531	(4,962)
Foreign exchange reserve		(609)	(396)
Non-controlling interest		3,437	(293)
Other reserves		(50,616)	(26,919)
Total equity		**158,743**	**91,396**
Liabilities			
Current liabilities			
Borrowings	16	23,638	9,035
Trade and other payables	17	8,480	2,805
Provision for commitments and other liabilities	7	397	299
Total current liabilities		**32,515**	**12,139**
Total liabilities		**32,515**	**12,139**
Total equity and liabilities		**191,258**	**103,535**

These financial statements were approved by the Board of Directors on 12 September 2018 and were signed on its behalf by:

Henry Kenner

Chairman and Chief Executive Office

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Retained Earnings £'000	Foreign exchange reserve £'000	Other reserves £'000	Total £'000	Non-controlling interest £'000	Total Equity £'000
Balance at 1 January 2017	**2,202**	**31,249**	**541**	**(39)**	**-**	**33,953**	**547**	**34,500**
Loss for the period	-	-	(3,783)	-	-	**(3,783)**	(327)	**(4,110)**
Gains on FVTOCI investments	-	-	22	-	-	**22**	-	**22**
Exchange differences on translating foreign operations	-	-	-	57	-	**57**	-	**57**
Balance at 30 June 2017 (Unaudited)	**2,202**	**31,249**	**(3,220)**	**18**	**-**	**30,249**	**220**	**30,469**
Balance at 1 July 2017	**2,202**	**31,249**	**(3,220)**	**18**	**-**	**30,249**	**220**	**30,469**
Loss for the period	-	-	(4,320)	-	-	**(4,320)**	(705)	**(5,025)**
Gains on FVTOCI investments	-	-	2,578	-	-	**2,578**	-	**2,578**
Exchange differences on translating foreign operations	-	-	-	(414)	-	**(414)**	-	**(414)**
Capital contribution in relation to the issue of preference shares	-	-	-	-	-	**-**	192	**192**
New issue of shares	123,966	-	-	-	-	**123,966**	-	**123,966**
Arising on consolidation	(2,202)	(31,249)	-	-	(26,919)	**(60,370)**	-	**(60,370)**
Balance at 31 December 2017 (Audited)	**123,966**	**-**	**(4,962)**	**(396)**	**(26,919)**	**91,689**	**(293)**	**91,396**
Balance at 1 January 2018	**123,966**	**-**	**(4,962)**	**(396)**	**(26,919)**	**91,689**	**(293)**	**91,396**
Loss for the period	-	-	(7,903)	-	-	**(7,903)**	(241)	**(8,144)**
Gains on FVTOCI investments	-	-	8,000	-	-	**8,000**	-	**8,000**
Exchange differences on translating foreign operations	-	-	-	(213)	-	**(213)**	-	**(213)**
New issue of shares	61,034	-	(3,658)	-	8,966	**66,342**	-	**66,342**
Share based payment	-	-	1,191	-	-	**1,191**	-	**1,191**
Reduction of Capital	-	-	28,752	-	(28,752)	**-**	1,819	**1,819**
NCI Share Premium	-	-	-	-	-	**-**	1,482	**1,482**
Arising on consolidation	-	-	111	-	(3,911)	**(3,800)**	670	**(3,130)**
Balance at 30 June 2018 (Unaudited)	**185,000**	**-**	**21,531**	**(609)**	**(50,616)**	**155,306**	**3,437**	**158,743**

UNAUDITED CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 June 2018 (Unaudited)	6 months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
Cash flows from operating activities	£'000	£'000	£'000
Loss before income tax	(8,323)	(4,352)	(10,002)
Adjustments for			
Depreciation of property, plant and equipment	41	14	43
Amortisation of intangible fixed assets	83	30	156
Share based payment expense	1,191	-	-
Finance Costs	-	18	27
Increase in provisions	98	-	-
Foreign exchange translation	(42)	58	-
Share in joint venture	-	582	582
	(6,952)	**(3,650)**	**(9,194)**
Working capital adjustments			
Loans to customers	(106,908)	(11,978)	(62,512)
Loans repaid by customers	65,718	3,478	30,673
Increase in trade and other receivables	(950)	(2,152)	(1,214)
Increase in trade and other payables	5,675	2,356	1,979
	(36,465)	**(8,296)**	**(31,074)**
Net cash used in operating activities	**(43,417)**	**(11,946)**	**(40,268)**
Cash flows from investing activities:			
Additions to intangible assets	(1,298)	(656)	(805)
Additions to property, plant and equipment	(121)	(32)	(107)
Net cash used in from investing activities	**(1,419)**	**(688)**	**(912)**
Cash flows from financing activities:			
Issue of ordinary share capital	70,000	-	2,000
Issue of preference share capital	-	3,500	3,500
Share issue costs	(3,658)	-	-
Net borrowings from Group Undertakings	-	16,000	46,000
New borrowings	14,603	-	9,000
Net interest received	-	-	38
Net cash generated from financing activities	**80,945**	**19,500**	**60,538**
Net increase in cash and cash equivalents	**36,109**	**6,866**	**19,358**
Cash and cash equivalents at beginning of the period	26,049	6,690	6,690
Effect of exchange rate fluctuations on cash held	-	-	1
Cash and cash equivalents at end of the period	**62,158**	**13,556**	**26,049**

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The annual financial statements of TruFin plc are prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union.

The condensed set of financial statements included in this Interim Financial Report has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (‘IAS 34’). This condensed set of Financial Statements has been prepared by applying the accounting policies and presentation that were applied in the preparation of the TruFin Group’s published Financial Statements for the year ended 31 December 2017.

The condensed set of financial statements included in this Interim Financial Report for the six months ended 30 June 2018 should be read in conjunction with the annual audited financial statements of TruFin plc for the year ended 31 December 2017.

Going concern

The Directors are satisfied that the TruFin Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Group structure

The consolidated financial statements include all of the companies controlled by the TruFin Group which are as follows:

- Satago Financial Solutions Limited (“SFSL”)
- Distribution Finance Capital Ltd (“DFC”)
- Oxygen Finance Group Limited (together with OFL and OFAI) (“Oxygen”)
- Oxygen Finance Limited (“OFL”)
- Oxygen Finance Americas, Inc (“OFAI”)
- TruFin Software Limited (“TSL”)
- TruFin Holdings Limited (“THL”)
- AltLending UK (“AltLending”)

The consolidated financial information also includes three further investments:

- 50% interest in a joint venture, Clear Funding Limited (“Clear Funding”), which is accounted for using the equity method;
- 40% interest in PlayIgnite Ltd (“PlayIgnite”), which is accounted for using the equity method; and
- 14.9% in Zopa Group Limited (“Zopa”)

Significant accounting policies and use of estimates and judgements

The preparation of interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting judgements and key sources of estimation uncertainty. It also requires the exercise of judgement in applying the TruFin Group’s accounting policies. There have been no material revisions to the nature and the assumptions used in estimating amounts reported in the annual audited financial statements of TruFin plc for the year ended 31 December 2017.

The accounting policies, presentation and methods of computation in the audited financial statements have been followed in the condensed set of financial statements. Any new or amended policies are included below.

Share based payments

Where the TruFin Group engages in share-based payment transactions in respect of services received from certain of its employees, these are accounted for as equity-settled share-based payments in accordance with IFRS 2 'Share-based Payment'. The equity is in the form of ordinary shares.

The grant date fair value of a share-based payment transaction is recognised as an employee expense, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. In the absence of market prices, the fair value of the equity at the date of the grant is estimated using an appropriate valuation technique.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related services and non-market vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with market performance conditions the grant date fair value of the award is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Financial assets at Fair Value

Financial assets held by the TruFin Group are measured at Fair Value Through Profit and Loss as they fail the contractual cash flow characteristics test required by IFRS 9 for classification under amortised cost. Movements in the fair value of these assets are recognised in the Statement of Comprehensive Income.

2. General Information

TruFin plc is a public limited company incorporated in Jersey. The shares of the Company are listed on the Alternative Investment Market. The address of the registered office is 26 New Street, St Helier, Jersey, JE2 3RA.

A copy of this Interim Financial Report including Condensed Financial Statements for the period ended 30 June 2018 is available at the Company's registered office and on the Company's investor relations website (www.trufin.com).

3. Fee income

	6 months ended 30 June 2018 (Unaudited)	6 months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
	£'000	£'000	£'000
Revenue from:			
Early Payment Programme Services	1,060	1,028	2,153
Assessment fees	145	194	219
Consultancy fees	11	57	78
Facility fees	-	-	188
Total revenue	**1,216**	**1,279**	**2,638**

4. Segmental reporting

The results of the TruFin Group are broken down into segments based on the products and services from which it derives its revenue:

Short term finance:

Provision of distribution finance products and invoice discounting. For results during the reporting period, this corresponds to the results of DFC, SFSL and AltLending.

Payment services:

Provision of Early Payment Programme Services. For results during the reporting period, this corresponds to the results of Oxygen.

Other:

Revenue and costs arising from investment activities and peer-to-peer lending. For results during the reporting period, this corresponds to the results of TSL, THL, the TruFin Group's investment in Zopa and joint venture in Clear Funding, and TruFin plc.

The results of each segment, prepared using accounting policies consistent with those of the TruFin Group as a whole, are as follows:

Period ended 30 June 2018 (Unaudited)	Short term finance	Payment services	Other	Total
	£'000	£'000	£'000	£'000
External revenue	2,340	1,210	43	3,593
Expenses	(805)	(18)	-	(823)
Total revenue	**1,535**	**1,192**	**43**	**2,770**
Operating loss	(3,740)	(1,433)	(3,043)	(8,216)
Loss before tax	(3,847)	(1,433)	(3,043)	(8,323)
Taxation	-	179	-	179
Loss for the year	**(3,847)**	**(1,254)**	**(3,043)**	**(8,144)**
Total assets	129,337	2,360	59,561	191,258
Total liabilities	(29,632)	(1,544)	(1,339)	(32,515)
Net assets	**99,705**	**816**	**58,222**	**158,743**

Period ended 30 June 2017 (Unaudited)	Short term finance	Payment services	Other	Total
	£'000	£'000	£'000	£'000
External revenue	203	1,275	5	1,483
Expenses	(18)	(31)	-	(49)
Total revenue	**185**	**1,244**	**5**	**1,434**
Operating loss	(1,254)	(1,314)	(1,434)	(4,002)
Loss before tax	(1,274)	(1,644)	(1,434)	(4,352)
Taxation	(3)	245	-	242
Loss for the year	**(1,277)**	**(1,399)**	**(1,434)**	**(4,110)**
Total assets	23,672	7,551	34,146	65,369
Total liabilities	(20,996)	(1,041)	-	(22,037)
Net assets	**2,676**	**6,510**	**34,146**	**43,332**

5. Staff costs

Analysis of staff costs

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Wages and salaries	5,028	2,561	6,111
Consulting costs	769	710	1,262
Social security costs	667	286	710
Pension costs arising on defined contribution schemes	116	44	105
Share based-payment	1,191	-	-
	7,771	**3,601**	**8,188**

Consulting costs are recognised within personnel costs where the work performed would otherwise have been performed by employees. Consulting costs arising from the performance of other services is included within other operating expenses.

Average monthly number of persons (including Executive Directors) employed

	6 months ended 30 June 2018 (Unaudited) Number	6 months ended 30 June 2017 (Unaudited) Number	Year ended 31 December 2017 (Audited) Number
Management	14	4	10
Finance	8	4	4
Sales & marketing	22	11	12
Operations	57	36	35
Technology	14	6	8
	115	**61**	**69**

Key management compensation

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Combined remuneration	587	-	-
Pension contributions	5	-	-

The Directors consider that key management personnel are those persons who are the Executive Committee of TruFin plc. These individuals have the authority and responsibility for planning, directing and controlling the activities of the TruFin Group.

6. Employee share-based payment transactions

The employee share-based payment charge comprises:

	6 Months ended 30 June 2018 (Unaudited)	6 Months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
	£'000	£'000	£'000
Performance Share Plan and Joint Share Ownership Plan Founder Award	1,106	-	-
Performance Share Plan Market Value Award	85	-	-
Performance Share Plan – 2018 Award	-	-	-
Total	1,191	-	-

All employee share-based awards are deemed to be equity-settled schemes.

Performance Share Plan and Joint Share Ownership Plan Founder Award ("PSP and JSOP")
On 21 February 2018, 3,407,895 shares were granted to selected members of senior management of which the Share price at date of grant was £1.90 per share. The award is structured as a Performance Share Plan and a Joint Share Ownership Plan. The Performance Share Plan is structured as a nil cost option with no performance conditions attached, although the individuals are subject to continued employment until February 2021. The Joint Share Ownership Plan allows the employee to participate in the growth in value over and above the grant price of £1.90.

Performance Share Plan Market Value Award ("PSP Market Value")
On 21 February 2018, 4,868,420 shares were granted to the senior management team. The vesting of this award is based on market-based performance conditions. The vesting of these awards is subject to the holder remaining an employee of the Company and the Company's share price achieving five distinct milestones vesting at 20% each milestone. The exercise price of the shares on vesting is £1.90 per share.

Performance Share Plan 2018 Award ("PSP 2018")
On 21 February 2018, 1,000,001 shares were granted to the senior management team. The PSP 2018 award is structured as a nil cost option. The vesting of this award is subject to the holder being in continued employment until February 2021 and the Company achieving certain financial metrics over a three-year period.

7. Provision for commitments and other liabilities

As at 31 December 2017 management has recognised a provision in relation to uncertain tax positions prior to 31 December 2016. Although advice has been taken, the legislation is complex and could result in different interpretations. The amount recognised is the best estimate of the consideration required to settle the present obligation at the balance sheet date.

The movement in provision during the year relates to a lease provision for DFC's remaining property costs outstanding on the Sutton office following the relocation of staff to Manchester and London. The provision will be released over the course of the remainder of the lease which expires February 2019.

	£'000
At 1 January 2018 (Audited)	299
Additional provision during the year	98
At 30 June 2018 (Unaudited)	**397**

8. Exceptional expenses

Loss before income tax is stated after charging the following material items:

	6 months ended 30 June 2018 (Unaudited) £'000	**6 months ended 30 June 2017 (Unaudited)** £'000	**Year ended 31 December 2017 (Audited)** £'000
Oxygen IT platform transition	-	330	330
	-	**330**	**330**

Oxygen's legacy business strategy had also been based around a technology platform operated by a third-party provider on Oxygen's behalf. Oxygen incurred material costs to transfer the platform to a cloud based environment under its own control and in terminating certain legacy contracts.

9. Loss before income tax

Loss before income tax is stated after charging:

	6 months ended 30 June 2018 (Unaudited) £'000	**6 months ended 30 June 2017 (Unaudited)** £'000	**Year ended 31 December 2017 (Audited)** £'000
Depreciation of property, plant and equipment	41	14	43
Amortisation of intangible assets	83	30	156
Staff costs	7,771	3,601	8,188
Operating lease rentals	231	194	258
Audit fees payable to the Group's auditor	60	-	107
Non-audit fees payable to the Group's auditor	59	-	894

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10. Taxation

Analysis of tax credit recognised in the period

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Current tax credit	-	3	-
Deferred tax credit	(179)	(245)	(867)
Total tax credit	**(179)**	**(242)**	**(867)**

Deferred Tax Asset

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Balance at start of the period	5,189	4,322	4,322
Credit to the statement of comprehensive income	179	245	867
Balance at the end of the year	**5,368**	**4,567**	**5,189**

11. Other intangible assets

	Client Contracts £'000	Software, licenses and similar assets £'000	Total £'000
Cost			
At 1 January 2018	305	500	805
Additions	823	475	1,298
At 30 June 2018	**1,128**	**975**	**2,103**
Amortisation			
At 1 January 2018	(52)	(104)	(156)
Charge for the period	(18)	(65)	(83)
At 30 June 2018	**(70)**	**(169)**	**(239)**
Net book value			
At 30 June 2018 (Unaudited)	**1,058**	**806**	**1,864**
At 31 December 2017 (Audited)	253	396	649

Cost			
At 1 January 2017	-	-	-
Additions	155	500	655
At 30 June 2017	**155**	**500**	**655**
Additions	150	-	150
At 31 December 2017	**305**	**500**	**805**
Amortisation			
At 1 January 2017	-	-	-
Charge for the period	(30)	-	(30)
At 30 June 2017	**(30)**	**-**	**(30)**
Charge for the period	(22)	(104)	(126)
At 31 December 2017	**(52)**	**(104)**	**(156)**
Net book value			
At 31 December 2017 (Audited)	**253**	**396**	**649**
At 30 June 2017 (Unaudited)	**125**	**500**	**625**
At 31 December 2016 (Audited)	-	-	-

Client Contracts comprise the directly attributable costs incurred at the beginning of an Early Payment Scheme Service contract to revise a client's existing payment systems and provide access to the TruFin Group's software and other intellectual property. These implementation (or "set up") costs are comprised primarily of employee costs.

The useful economic life for each individual asset is deemed to be the term of the underlying Client Contract (generally 5 years) which has been deemed appropriate and for impairment review purposes, projected cash flows have been discounted over this period.

The amortisation charge is recognised in fee expenses within the statement of comprehensive income.

Software, licenses and similar assets comprises internally developed platforms and systems, as well as external licenses. Costs that are directly associated with the production of identifiable and unique software products controlled by the TruFin Group and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

A useful economic life of 3-5 years has been deemed appropriate and for impairment review purposes, projected cash flows have been discounted over this period.

The amortisation charge is recognised in depreciation and amortisation on non-financial assets within the statement of comprehensive income.

12. Other investments

	Level 3 valuation £'000
Fair value at 31 December 2017	36,500
Gain on revaluation at 30 June 2018	8,000
Fair value at 30 June 2018 (Unaudited)	**44,500**

	Level 3 valuation £'000
Fair value at 31 December 2016	33,900
Gain on revaluation at 31 December 2017	2,600
Fair value at 31 December 2017 (Audited)	**36,500**

At 31 December 2017, the TruFin Group had an economic interest in Zopa Group Limited (the ultimate owner of the UK-based Zopa peer-to-peer lending business). During the first half of 2017, Zopa underwent a corporate restructuring. Prior to this, the ultimate owner of the Zopa business was Zopa Holdings Inc, a Delaware (USA) company. The below table represents the economic ownership both on an undiluted basis and a fully diluted basis (i.e. assuming that all holders of options, warrants and preferred shares were to have exercised their subscription and conversion rights).

Zopa Ownership:

	30 June 2018 (Unaudited)	**31 December 2017 (Audited)**
Undiluted	14.9%	17.7%
Fully diluted	13.1%	15.7%

A level 3 valuation is one that relies on unobservable inputs to the valuation process.

The shares are not quoted in any market. TruFin values it investment in Zopa using the most recent funding round. Zopa has had a series of funding rounds and the latest funding round therefore represents the most recent price of the transaction and is the best estimate for its market value. TruFin values the investment on a monthly basis. At the half year end and the year end an independent valuation is carried out by an independent valuation service provider.

13. Loans and advances

	30 June 2018 (Unaudited) £'000	**31 December 2017 (Audited)** £'000
Total loans and advances	74,092	32,835
Less: loss allowance	(193)	(126)
	73,899	**32,709**

Total loans and advances are made up of;

	30 June 2018 (Unaudited) £'000	**31 December 2017 (Audited)** £'000
Loans and advances to customers	66,942	32,835
Financial assets at Fair Value	7,150	-
	74,092	**32,835**

Past due receivables relating to loans and advances are analysed as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£'000	£'000
Neither past due nor impaired	72,653	32,402
Past due: 0-30 days	761	254
Past due: 31-60 days	26	16
Past due 61-90 days	6	1
Past due: More than 91 days	0	32
Impaired	453	4
	73,899	**32,709**

14. Trade and other receivables

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£'000	£'000
Trade and receivables	413	487
Prepayments	1,177	1,062
Accrued income	461	354
VAT	248	29
Other debtors	959	376
	3,258	**2,308**

Trade receivables above are stated net of a loss allowance of £Nil (Dec 2017: £Nil). All receivables are due within one year.

Unimpaired, past due trade receivables are analysed as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£’000	£’000
Not yet due	280	328
Past due: 0–30 days	21	10
Past due: 31–60 days	43	8
Past due: 61–90 days	16	-
Past due: More than 91 days	53	141
	413	**487**

15. Share capital

	Share Capital	Total
	£'000	£'000
97,368,421 shares at £1.90 each	185,000	185,000

At 31 December 2017, 123,965,702 shares were issued and fully paid. 1 share was issued and unpaid.

In February 2018, these were consolidated to form 57,118,419 ordinary shares and on 21 February 2018, the shares of TruFin plc were listed on the Alternative Investment Market of the London Stock Exchange. The company raised £70 million from the IPO, issuing 36,842,106 shares at a price of 190p share.

All ordinary shares carry equal entitlements to any distributions by the company. No dividends were proposed by the Directors for the period ended 30 June 2018.

16. Borrowings

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£'000	£'000
Loans due within one year	44	35
Loans due in over a year	23,594	9,000
	23,638	**9,035**

On 12 December 2017, DFC entered into a two year senior debt facility with a leading bank which is secured on a floating pool of underlying assets. Interest is payable at 3 month LIBOR + 4%.

17. Trade and other payables

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£'000	£'000
Trade payables	4,716	212
Accruals	2,940	1,430
Other payables	426	652
Other taxation and social security	398	511
	8,480	**2,805**

18. Financial instruments

The Directors have performed an assessment of the risks affecting the TruFin Group through its use of financial instruments and believe the principal risks to be: capital risk; credit risk; market risk and interest rate risk.

This note describes the TruFin Group's objectives, policies and processes for managing the material risks and the methods used to measure them. The significant accounting policies regarding financial instruments are disclosed in note 1.

Capital risk management

The TruFin Group manages its capital to ensure that entities in the TruFin Group will be able to continue as a going concern while providing an adequate return to shareholders.

The capital structure of the TruFin Group consists of net debt (borrowings disclosed in note 16) and equity of the TruFin Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The TruFin Group is not subject to any externally imposed capital requirements.

Principal financial instruments

The principal financial instruments to which the TruFin Group is party and from which financial instrument risk arises, are as follows:

- Loans and advances to customers, primarily credit risk and liquidity risk;
- Trade receivables, primarily credit risk and liquidity risk;
- Investments, primarily fair value or market price risk;
- Cash and cash equivalents, which can be a source of credit risk but are primarily liquid assets available to further business objectives or to settle liabilities as necessary;
- Trade and other payables; and
- Borrowings which are used as sources of funds and to manage liquidity risk.

Analysis of financial instruments by valuation model

Financial assets included in the balance sheet at fair value:

	30 June 2018 (Unaudited)	**31 December 2017 (Audited)**
	£'000	£'000
Investments (level 3)	44,500	36,500
Financial assets at fair value (level 3)	7,150	-

A level 3 valuation is one that relies on unobservable inputs to the valuation process.

The Zopa valuation is calculated by reference to the price of previous transactions involving the issuance of shares in Zopa and warrants over shares in Zopa and any other relevant information such as future funding rounds.

The Zopa valuation as at 30 June 2018 is based on the most recent funding round concluded by Zopa.

Financial assets at fair value have been valued by reference to the performance and financial position of the underlying companies, their credit quality and prevailing market conditions.

There are no financial liabilities included in the balance sheet at fair value.

30 June 2018

Financial assets and financial liabilities included in the balance sheet that are not measured at fair value:

	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value (Unaudited)					
Loans and advances to customers	66,749	66,749	-	-	66,749
Trade receivables	413	413	-	-	413
Other receivables	2,845	2,845	-	-	2,845
Cash and cash equivalents	62,158	62,158	62,158	-	-
	132,165	**132,165**	**62,158**	**-**	**70,007**
Financial liabilities not measured at fair value (Unaudited)					
Other borrowings	23,638	23,638	-	-	23,638
Other liabilities	8,480	8,480	-	-	8,480
	32,118	**32,118**	**-**	**-**	**32,118**

31 December 2017

	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value (Audited)					
Loans and advances to customers	32,709	32,709	-	-	32,709
Trade receivables	487	487	-	-	487
Other receivables	1,821	1,821	-	-	1,821
Cash and cash equivalents	26,049	26,049	26,049	-	-
	61,066	**61,066**	**26,049**	**-**	**35,017**
Financial liabilities not measured at fair value (Audited)					
Other borrowings	9,035	9,035	-	-	9,035
Other liabilities	2,805	2,805	-	27	2,778
	11,840	**11,840**	**-**	**27**	**11,813**

Fair values for level 3 assets were calculated using a discounted cash flow model and the Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Loans and advances to customers

Due to the short-term nature of loans and advances to customers, their carrying value is considered to be approximately equal to their fair value. These items are short term in nature such that the impact of the choice of discount rate would not make a material difference to the calculations.

Trade and other receivables, other borrowings and other liabilities

These represent short-term receivables and payables and as such their carrying value is considered to be equal to their fair value.

Financial risk management

The TruFin Group's activities and the existence of the above financial instruments expose it to a variety of financial risks.

The Board of Directors has overall responsibility for the determination of the TruFin Group's risk management objectives and policies. The overall objective of the Board of Directors is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the TruFin Group's competitiveness and flexibility.

The TruFin Group is exposed to the following financial risks:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Interest rate risk.

Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the TruFin Group. One of the TruFin Group's main income generating activities is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers. The TruFin Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The credit committees within the wider TruFin Group is responsible for managing the credit risk by:

- Ensuring that it has appropriate credit risk practices, including an effective system of internal control;
- Identifying, assessing and measuring credit risks across the TruFin Group from an individual instrument to a portfolio level;
- Creating credit policies to protect the TruFin Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits;
- Limiting concentrations of exposure by type of asset, counterparty, industry, credit rating, geographical location;
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities;

- Developing and maintaining the risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews; and
- Developing and maintaining the processes for measuring Expected Credit Loss (ECL) including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.

Significant increase in credit risk

The TruFin Group continuously monitors all assets subject to Expected Credit Loss as to whether there has been a significant increase in credit risk since initial recognition, either through a significant increase in Probability of Default ("PD") or in Loss Given Default ("LGD").

The following is based on the procedures adopted by the TruFin Group:

Granting of credit

The Business Development Team prepare a Credit Application which sets out the rationale and the pricing for the proposed loan facility and confirms that it meets the TruFin Group's product risk and pricing policies. The Application will include the proposed counterparty's latest financial information and any other relevant information but as a minimum:

- Details of the limit requirement e.g. product, amount, tenor, repayment plan etc.;
- Facility purpose or reason for increase;
- Counterparty details, background, management, financials and ratios (actuals and forecast);
- Key risks and mitigants for the application;
- Conditions, covenants & information (and monitoring proposals) and security (including comments on valuation);
- Pricing;
- Confirmation that the proposed exposure falls within risk appetite; and
- Clear indication where the application falls outside of risk appetite.

The Credit Risk Department will analyse the financial information, obtain reports from credit reference agencies, allocate a risk rating and make a decision on the application. The process may require further dialogue with the Business Development Team to ascertain additional information or clarification.

Each mandate holder and Committee is authorised to approve loans up to agreed financial limits provided that the risk rating of the counterparty is within agreed parameters. If the financial limit requested is higher than the credit authority of the first reviewer of the loan facility request, the application is sent to the next credit authority level with a recommendation.

The Executive Risk Committee reviews all applications that are outside the credit approval mandate of the mandate holder due to the financial limit requested or if the risk rating is outside of policy but there is a rationale and/or mitigation for considering the loan on an exceptional basis.

Applications where the counterparty has a high risk rating are sent to the Executive Risk Committee for a decision based on a positive recommendation from the Credit Risk department. Where a limited company has such a risk rating, the Executive Risk Committee will consider the following mitigants:

- Existing counterparty which has met all obligations in time and in accordance with loan agreements;
- Counterparty known to TruFin Group personnel who can confirm positive experience;

- Additional security, either tangible or personal guarantees where there is verifiable evidence of personal net worth; and
- A commercial rationale for approving the application, although this mitigant will generally be in addition to at least one of the other mitigants.

Identifying significant increases in credit risk

The short tenor of the current loan facilities reduces the possible adverse effect of changes in economic conditions and/or the credit risk profile of the counterparty.

The TruFin Group nonetheless measures a change in a counterparty's credit risk mainly on payment and end of contract repayment behaviour and the collateral audit process. Although regular and interim reviews may highlight other changes in a counterparty's risk profile, such as the security asset no longer being under the control of the borrower. The TruFin Group views a significant increase in credit risk as:

- A two-notch reduction in the TruFin Group's counterparty's risk rating, as notified through the credit rating agency;
- A counterparty defaults on a payment due under a loan agreement;
- Late contractual payments which although cured, re-occur on a regular basis;
- Counterparty confirmation that it has sold TruFin Group assets but delays in processing payments;
- Evidence of a reduction in a counterparty's working capital facilities which has had an adverse effect on its liquidity; and
- Evidence of actual or attempted sales out of trust or of double financing of assets funded by the TruFin Group.

An increase in significant credit risk is identified when any of the above events happen after the date of initial recognition.

Default

Identifying loans and advances to customers in default and credit impaired

The TruFin Group's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is overdue on its terms;
- The collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the lending company; or
- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

The short tenor of the loans extended by the TruFin Group means that significant economic events are unlikely to influence counterparties' ability to meet their obligations to the TruFin Group.

At 30 June 2018 a very small amount of assets are considered credit impaired and no forbearance had been granted.

Exposure at default

Exposure at default ("EAD") is the expected loan balance at the point of default and, for the purpose of calculating the Expected Credit Losses ("ECL"), management have assumed this to be the balance at the reporting date.

Expected Credit Losses

The ECL on an individual loan is based on the credit losses expected to arise over the life of the loan, being defined as the difference between all the contractual cash flows that are due to the TruFin Group and the cash flows that it actually expects to receive.

This difference is then discounted at the original effective interest rate on the loan to reflect the disposal period of such assets underlying the original contract.

Regardless of the loan status stage, the aggregated ECL is the value that the TruFin Group expects to lose on its current loan book having assessed each loan individually.

To calculate the ECL on a loan, the TruFin Group considers:

1. Counterparty PD; and
2. LGD on the asset

   whereby: ECL = EAD x PD x LGD

Forward looking information

In its ECL models, the TruFin Group applies the following sensitivity analysis of forward-looking economic inputs:

- GDP growth
- Central Bank base rates expressed as LIBOR
- Retail Price Index ("RPI")

However, in making its assessment of the impact of these key forward looking economic assumptions, the TruFin Group has placed reliance on the short-dated nature of its loans which do not extend beyond 12 months. Given the current loan book has an average tenor of less than 4 months the forward looking economic inputs above do not affect the ECL significantly.

Maximum exposure to credit risk

	30 June 2018 (Unaudited) £'000	**31 December 2017 (Audited)** £'000
Cash and cash equivalents	62,158	26,049
Loans and advances	73,899	32,709
Trade and other receivables	3,258	2,308
Maximum exposure to credit risk	**139,315**	**61,066**

Loans and advances to customers:

Collateral held as security

	30 June 2018 (Unaudited) £'000	31 December 2017 (Audited) £'000
Fully collateralised		
Loan-to-value* ratio:		
Less than 50%	-	6
50% to 70%	353	5
71% to 80%	6	3,893
81% to 90%	900	5,161
91% to 100%	65,553	23,311
	66,812	**32,376**
Partially collateralised		
Collateral value relating to loans over 100% loan-to-value	-	-
Unsecured lending	**130**	**459**

* Calculated using wholesale collateral values

The majority of the TruFin Group's lending activities are asset-backed and the TruFin Group expects that the majority of its exposure is secured by the collateral value of the asset that has been funded under the loan agreement. The TruFin Group has title to the collateral which is funded under loan agreements. The collateral has low depreciation and is not subject to rapid technological changes or redundancy. There has been no change in the TruFin Group's assessment of collateral and its underlying value in the reporting period.

The assets are generally in the counterparty's possession, but this is controlled and managed by the asset audit process. The audit process checks on an agreed periodic basis that the asset is in the counterparty's possession and has not been sold out of trust or is otherwise not in the counterparty's control. The frequency of the audits is determined by the risk rating assessed at the time that the borrowing facility is first approved.

Additional security may also be taken to further secure the counterparty's obligations and further mitigate risk. Further to this, in many cases the TruFin Group is often granted by the counterparty, an option to sell-back the underlying collateral.

Based on the TruFin Group's current principal products, the counterparty repays its obligation under a loan agreement with the TruFin Group at or before the point that it sells the asset. If the asset is not sold and the loan agreement reaches maturity, the counterparty is required to pay the amount due under the loan agreement plus any other amounts due. In the event that the counterparty does not pay on the due date, the TruFin Group's customer management process will maintain frequent contact with the counterparty to establish the reason for the delay and agree a timescale for payment. Senior Management will review actions on a regular basis to ensure that the TruFin Group's position is not being prejudiced by delays.

In the event that the TruFin Group determines that payment will not be made voluntarily, it will enforce the terms of its loan agreement and recover the asset, instituting legal proceedings for delivery, if necessary. If there is a shortfall between the net sales proceeds from the sale of the asset and the counterparty's obligations under the loan agreement, the shortfall is payable by the counterparty on demand.

Concentration of credit risk

The TruFin Group maintains policies and procedures to manage concentrations of credit at the counterparty level and industry level to achieve a diversified loan portfolio. As at 30 June 2018, the largest counterparty exposure was 7% of the total loan portfolio and the largest industry sector exposure was 34% of the total loan portfolio.

Credit quality

An analysis of the TruFin Group's credit risk exposure for loan and advances per class of financial asset, internal rating and "stage" is provided in the following tables. A description of the meanings of Stages 1, 2 and 3 is given in the accounting policies.

				30 June 2018 (Unaudited)	**31 December 2017 (Audited)**
Risk rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
	£'000	£'000	£'000	£'000	£'000
Above Average (Risk rating 1-2)	30,849	283	-	31,132	14,305
Average (Risk rating 3-5)	21,680	80	-	21,760	16,207
Below Average (Risk rating 6+)	13,248	777	25	14,050	2,323
Gross carrying amount	**65,777**	**1,140**	**25**	**66,942**	**32,835**
Loss allowance	(158)	(17)	(18)	(193)	(126)
Carrying amount	**65,619**	**1,123**	**7**	**66,749**	**32,709**

Gross Carrying Amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000	£'000	£'000	£'000
As at 31 December 2017 (Audited)	**32,835**	**-**	**-**	**32,835**
Transfer to stage 2	(538)	538	-	-
Transfer to stage 3	(13)	-	13	-
Net loans originated	33,493	602	12	34,107
As at 30 June 2018 (Unaudited)	**65,777**	**1,140**	**25**	**66,942**

Trade receivables

	30 June 2018 (Unaudited)	**31 December 2017 (Audited)**
Status at balance sheet date	£'000	£'000
Not past due, nor impaired	280	328
Past due but not impaired	133	159
Total gross carrying amount	413	487
loss allowance	-	-
Carrying amount	413	487
Net trade receivables	413	487

The TruFin Group has determined that all trade receivables are Stage 1. They all relate to amounts outstanding from public sector bodies in the UK and US. As such there is no expectation of material future credit losses relating to these financial assets.

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £Nil at 30 June 2018 (31 December 2017: £Nil).

Liquidity risk

Liquidity risk is the risk that the TruFin Group does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

Liquidity risk management

The TruFin Group delegates liquidity risk management to its subsidiary, DFC, which has in place a policy and control framework for managing liquidity risk. DFC's Asset and Liability Management Committee (ALCO) is responsible for managing the liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. The ALCO meets on a monthly basis to review the liquidity position and risks. Daily liquidity reports are produced and reviewed by the management team to track liquidity and pipeline.

DFC is in the process of applying for a Bank Licence. One of the key requirements is to a have a comprehensive liquidity management process & documentation which is submitted to the Prudential Regulation Authority (PRA) for approval. These documents have been approved by DFC's Board of Directors and submitted to the PRA.

Group Finance performs treasury management for the TruFin Group, with responsibility for the treasury for each business entity being delegated to the individual subsidiaries. However, in line with the wider Group governance structure, Group Finance performs an important oversight role in the wider treasury considerations of the TruFin Group. The primary mechanism for maintaining this oversight is a formal requirement that the subsidiaries' Finance teams notify all material Treasury matters to Group Finance.

The main Group responsibilities are to maintain banking relationships, manage and maximise the efficiency of the TruFin Group's working capital and long term funding and ensure ongoing compliance with banking arrangements. The TruFin Group currently does not have any offsetting arrangements.

Liquidity stress testing

DFC has assessed its liquidity adequacy and viability for the first 12 months of operations, based on its 5 year business plan projections. Under this analysis, DFC is confident that it will be able to meet all of its liabilities as they fall due, even in a stress scenario.

A range of liquidity stress scenarios has been conducted (as detailed in the capital and liquidity requirements), which demonstrates that DFC's liquidity profile at the end of this 12 month period will be sufficient to withstand a severe stress at this time.

Maturity analysis for financial assets and financial liabilities

The following maturity analysis is based on expected gross cash flows.

As at 30 June 2018:

	Carrying amount	< than 1 month	1 - 3 months	3 months to 1 year	1 – 5 years
Financial assets (Unaudited)					
Cash and cash equivalents	62,158	62,158	-	-	-
Trade receivables	413	362	51	-	-
Loans and advances to customers	73,899	17,174	21,284	26,326	9,159
Investment securities	44,500	-	-	-	44,500
	180,970	**79,694**	**21,335**	**26,326**	**53,659**
Financial liabilities (Unaudited)					
Trade and similar payables	8,480	8,480	-	-	-
Borrowings	23,638	104	205	917	24,156
	32,118	**8,584**	**205**	**917**	**24,156**

Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the TruFin Group's income or the value of its portfolios.

Market risk management

The TruFin Group's management objective is to manage and control market risk exposures in order to optimise return on risk while ensuring solvency.

The core market risk management activities are:

- The identification of all key market risk and their drivers;
- The independent measurement and evaluation of key market risks and their drivers;
- The use of results and estimates as the basis for the TruFin Group's risk/return-oriented management; and
- Monitoring risks and reporting on them.

Interest rate risk management

The TruFin Group is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates.

Interest rate risk

The TruFin Group's borrowings are at 3m LIBOR plus a margin. The borrowing that is currently in place is a short term measure until DFC is granted its banking licence and hence there is little cash flow interest rate risk. Conversely there is little interest rate price risk because market interest rates are currently low.

19. Leasing commitments

At the year-end date the TruFin Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years. The future minimum lease payments under non-cancellable leases are as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£'000	£'000
Due in less than one year	312	391
Due between one and five years	627	450
Total future lease payments committed	**939**	**841**

20. Earnings per share

The calculation of the basic and adjusted earnings per share is based on the following data:

	6 months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
Number of shares		
Basic and Diluted	**97,368,421**	**123,765,703**
Earnings attributable to ordinary shareholders	£'000	£'000
Loss after tax attributable to the owners of TruFin plc	**(7,903)**	**(8,103)**
Adjusted earnings attributable to ordinary shareholders		
Loss after tax attributable to the owners of TruFin plc	(7,903)	(8,103)
Adjusted for		
Share Based Payment	1,191	-
Adjusted loss after tax attributable to the owners of TruFin plc	**(6,712)**	**(8,103)**

Earnings per share (Unaudited)	Pence	Pence
Basic and Diluted	(8.1)	(6.5)
Adjusted	(6.9)	(6.5)
Adjusted[2]	1.3	(4.4)

Adjusted[2] EPS includes the unrealised gain on revaluation of the TruFin Group's investment in Zopa - £8.0m for the 6 months ended 30 June 2018 (£2.6m for the year ended 31 December 2017).

21. Related party disclosures

Transactions with Directors

Transactions with Directors, or entities in which a Director is also a Director or partner:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	£'000	£'000
Loans provided to a director	140	-
Consultancy services provided by a director	-	13

Key management personnel disclosures are provided in note 5.

Loans were issued to Henry Kenner (£74,878) and James van den Bergh (£64,894) on 21 February 2018 relating to the tax and national insurance payable on the JSOP founder awards in the month that these were granted. These loans are outstanding at the period end.

22. Post balance sheet events

On 3 August 2018, Oxygen Finance Group Limited, acquired 100% of Porge Limited ("Porge"). Porge provides an evidence based public sector market insight service and research product. The consideration comprises £2m in cash paid on completion and an earn out of a maximum of £0.75m in cash, payable in 2019, subject to meeting certain performance conditions.

An assessment of the goodwill arising from this acquisition is being carried out and will be completed as part of the preparation of the consolidated accounts for the year ended 31 December 2018.

TruFin plc

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