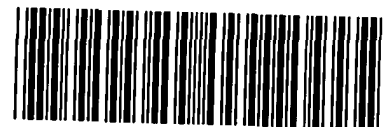


**Beaully Financial Services Limited (Formerly known  
as T.M. Sutton Limited)**

**Annual Report and Financial Statements**

for the year ended 30 June 2019

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COMPANIES HOUSE

## **Directors and company information**

### **Directors**

J Ashley  
S Afzal  
L Gray

### **Auditor**

BDO LLP  
Statutory Auditor  
150 Aldersgate  
Barbican  
London  
EC1A 4AB

### **Bankers**

The Royal Bank of Scotland  
Corporate Banking  
East Midlands  
PO Box 7895  
6th Floor  
Cumberland Place  
Nottingham  
United Kingdom  
NG1 7ZS

### **Solicitors**

Eversheds Sutherland  
Water Court  
116 – 118 Canal Street  
Nottingham  
NG1 7HF

### **Registered Office**

6 Bevis Marks  
London  
United Kingdom  
EC3A 7BA

## Strategic report for the year ended 30 June 2019

The directors present their Strategic Report for Beaully Financial Services Limited (Formerly known as T.M. Sutton Limited) (the "Company") for the year ended 30 June 2019.

### Principal activities

The principal activities of the Company continued to be that of pawnbroking and jewellery retailing.

### Business review

Throughout the year ended 30 June 2019 the Company acquired 71 stores from a fellow group subsidiary, Instant Cash Loans Limited. At 30 June 2019, the business operated from 76 retail stores in the UK (2018: 5 stores). The acquisition of stores during the year resulted in large increases in the financials reported versus the previous year ended 30 June 2018.

During the year a new revenue stream was trialed of car leasing. The trial was considered unsuccessful and the product stopped being offered during the year. Revenue from the trial will continue as lease terms come to an end.

The results for the year are set out on page 10. The loss for the year, after tax, amounted to £1,483,000 (2018: loss of £894,000).

### Key performance indicators (KPIs)

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

	2019 £'000	2018 £'000	Change %
Turnover	14,345	6,708	114
Operating loss	(862)	(894)	(4)
Average number of retail stores	27	5	460

Turnover increased by 114% in 2019 compared to the prior year due to the additional stores acquired in the year.

### Principal risks and uncertainties

The main risks arising from the Company's activities are liquidity risk, credit risk, regulatory risk and precious metal price risk.

#### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient resources to meet its financial obligations as they fall due. The Company aims to mitigate liquidity risk by managing the cash generation of its operations through the utilisation of the Group's Treasury department to ensure that cash holdings are utilised effectively.

#### Credit risk

The Company's secured lending policies are aimed at minimising such losses and define the requirements necessary to ensure that the Company can operate within its credit risk appetite and business strategy. The Company has in place procedures that set out the rules and statements that the Company adopts in its approach to, and the management of, items pledged as security against a pawn loan. Such procedures ensure that there are controls around interest rates, lending rates and valuations.

## **Strategic report for the year ended 30 June 2019 (continued)**

### **Currency risk**

Currency risk is the risk of financial loss to the Company resulting from fluctuations in foreign exchange rates. The Company deals in the buying and selling of foreign currency, which is sold to customers via its store network. There is foreign currency risk to the Company from fluctuations in foreign currency rates between purchase and sale to the customer.

The risk from foreign currency exposure through buying and selling foreign currency is mitigated through only holding small amounts of foreign currency at each store, only buying enough foreign currency to service the Company's known requirements/expectations and only dealing with stable currencies.

### **Cyber risk**

In line with other businesses, the Company is subject to the increased prevalence and sophistication of cyber-attacks, which could result in unauthorised access to customer and other data that the Company holds, or cause business disruption to our services. This could result in a loss of customers, legal liability, regulatory action or harm to our reputation. The risk is mitigated by reviewing information policy and regular reviews by a dedicated internal team. We continue to invest in IT security and have layers of protection across our technology infrastructure.

### **Regulatory risk**

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") as a consumer credit firm.

There is a risk that the Company fails to comply with the regulatory requirements, and suffers detrimental consequences of those failures. The FCA have the power to charge fines, suspend the Company's authorisation to operate or fully withdraw that authorisation. This would result in the Company being unable to operate in the FCA as an authorised entity. The Company is able to manage the risk by having:

- An experienced Board both in Credit and FCA regulated businesses;
- A dedicated Compliance function; and
- Well-developed procedures, training, systems and operational controls.

### **Precious metal price risk**

The income of the Company continues to be driven by pawnbroking and jewellery retailing. There is a risk that a significant fall in the gold price would impact the security of pledges and the revenues from scrap operations. The Company is able to manage the risk by:

- Maintaining an appropriate margin between the pledge value (or purchase price for Bought Gold) and gold price;
  - Encouraging customers to redeem their pawned items;
  - Managing stock disposition through retail windows; and
- Ensuring items are recorded in the balance sheet at the lower of cost and net realisable value, and re-valued on a monthly basis using the spot rate at the month end date.

## Strategic report for the year ended 30 June 2019 (continued)

### Future developments

In July 2019, the Company sold 65 stores and 2 pledgebooks to an unconnected third party company. As a result, the directors expect decreased revenues and associated receivables in future periods.

In October 2019, the Company launched a new online lending product offering unsecured loans over a 3 year term. As a result, the directors expected increased revenues and associated receivables in future periods. However in February 2020 management decided to cease further new lending on this product. The existing loan book will continue to be collected as normal for the foreseeable future.

In December 2019, the Company sold 5 stores to an unconnected third party company. As a result, the directors expect decreased revenues and associated receivables in future periods. Following this sale, the Company has 2 trading stores remaining.

On behalf of the Board



S Afzal  
Director

Date: 30 MARCH 2020

Address of registered office:  
6 Bevis Marks  
London  
United Kingdom  
EC3A 7BA

## Directors' report

The directors present their Annual Report and the audited financial statements of Beaully Financial Services Limited (Formerly known as T.M. Sutton Limited) (the "Company") for the year ended 30 June 2019.

### Directors and directors' interests

The directors who served the Company during the year and up to the date of signing these financial statements were as follows:

A Smith	(resigned 8 May 2019)
J Staadecker	(resigned 6 September 2019)
J Ashley	
S Afzal	(appointed 8 May 2019)
L Gray	(appointed 6 September 2019)

The directors have no declarable interest in the shares of the Company or of any other group company.

### Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force at the date of approval of the directors' report and financial statements.

### Financial risk management objectives and policies

Details of financial risk management policies can be found in the Strategic Report which begins on page 2 and form part of this report by cross-reference.

### Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## Directors' report (continued)

### Employee consultation

The Company takes its responsibilities seriously regarding employee involvement. Efforts are made to ensure employees are provided with information on matters of concern to them, consulted regularly so that their views are taken into account in making decisions which may affect their interests, and made aware of the economic factors affecting the performance of the Company.

### Going concern

The outlook for the UK economy, and the Company, has changed significantly in the first quarter of 2020 due to the spread of Covid-19 and the impact of the associated mitigation and suppression actions by governments around the world. The full impact of these events and the impact on the Company is not yet known. The directors have performed stress testing on the Company's cash flow forecasts in light of these circumstances, and given the Company's liquidity position and low ongoing cost base, combined with UK government support for businesses to mitigate employment costs and business rates, the directors are confident of its ability to continue to operate on a going concern basis.

### Company name change

In January 2020, the directors decided to change the name of the Company to Beauly Financial Services Limited (formerly T.M. Sutton Limited). The name change was filed with Companies House on 6 January 2020.

### Future developments

Details of future developments can be found in the Strategic Report which begins on page 2 and form part of this report by cross-reference.

Approved by the board and signed on its behalf by:



S Afzal  
Director

Date: 30 MARCH 2020

## Statement of directors' responsibilities

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 the 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.



# Independent auditors' report

to the members of Beaully Financial Services Limited (Formerly known as T.M. Sutton Limited)

## Opinion

We have audited the financial statements of Beaully Financial Services Limited (Formerly known as T.M. Sutton Limited) ("the Company") for the year ended 30 June 2019 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## 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 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' 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 this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

- adequate accounting records have not been kept, 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.

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors Responsibilities, 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 Financial Reporting Council's website at:  
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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.



Daniel Taylor (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

Date: 30 March 2020

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Turnover	3	14,345	6,708
Cost of sales		<u>(6,630)</u>	<u>(3,873)</u>
<b>Gross profit</b>		<b>7,715</b>	<b>2,835</b>
Total administrative expenses		<u>(8,577)</u>	<u>(3,773)</u>
<b>Operating loss</b>	4	<b>(862)</b>	<b>(938)</b>
Interest payable to fellow group companies		<u>(637)</u>	<u>(14)</u>
Interest receivable from fellow group companies		<u>16</u>	<u>58</u>
<b>Loss on ordinary activities before taxation</b>		<b>(1,483)</b>	<b>(894)</b>
Tax on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Loss and total comprehensive income for the financial year, attributable to the equity shareholders of the Company</b>		<b><u>(1,483)</u></b>	<b><u>(894)</u></b>

All amounts relate to continuing activities.

The accompanying notes on pages 14 to 28 are integral part of these financial statements.

## Statement of Financial Position

As at 30 June 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible fixed assets	8	2,152	99
Tangible fixed assets	9	1,321	463
Investments	10	-	-
		<u>3,473</u>	<u>562</u>
<b>Current assets</b>			
Stocks	11	5,562	3,027
Debtors: amounts falling due within one year	12	15,552	7,828
Cash at bank and in hand		<u>4,484</u>	<u>298</u>
		<u>25,598</u>	<u>11,153</u>
<b>Current liabilities</b>			
Provision for liabilities	14	(963)	(273)
Creditors: amounts falling due within one year	13	<u>(19,285)</u>	<u>(1,136)</u>
<b>Net current assets</b>		<u>5,350</u>	<u>9,744</u>
<b>Total assets less current liabilities</b>		<u>8,823</u>	<u>10,306</u>
Creditors: amounts falling due after more than one year		-	-
<b>Net assets</b>		<u>8,823</u>	<u>10,306</u>
<b>Capital and reserves</b>			
Called up share capital	15	70	70
Profit and loss account		<u>8,753</u>	<u>10,236</u>
<b>Shareholders' funds</b>		<u>8,823</u>	<u>10,306</u>

The accompanying notes on pages 14 to 28 are integral part of these financial statements.

The financial statements on pages 10 to 28 were approved and authorised for issue by the Board of Directors on the date shown below and were signed on its behalf by:



S Afzal  
Director

Date: 30 MARCH 2020

## Statement of changes in equity

for the year ended 30 June 2019

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 July 2017	70	11,130	11,200
Loss and total comprehensive income for the year	-	(894)	(894)
At 1 July 2018	70	10,236	10,306
Loss and total comprehensive income for the year	-	(1,483)	(1,483)
<b>At 30 June 2019</b>	<b>70</b>	<b>8,753</b>	<b>8,823</b>

The accompanying notes on pages 14 to 28 are integral part of these financial statements.

## Notes to the financial statements

for the year ended 30 June 2019

### 1. Significant accounting policies

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

#### *Basis of preparation*

Beaully Financial Services Limited (Formerly known as T.M. Sutton Limited) is a private company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and registered in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report which begins on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 issued by the Financial Reporting Council and Companies Act 2006.

The financial statements are presented in pounds sterling which is considered to be the Company's functional currency because that is the currency of the primary economic environment in which the Company operates. The amounts presented in the financial statements are rounded to the nearest thousand.

#### *Going concern*

The outlook for the UK economy, and the Company, has changed significantly in the first quarter of 2020 due to the spread of Covid-19 and the impact of the associated mitigation and suppression actions by governments around the world. The full impact of these events and the impact on the Company is not yet known. The directors have performed stress testing on the Company's cash flow forecasts in light of these circumstances, and given the Company's liquidity position and low ongoing cost base, combined with UK government support for businesses to mitigate employment costs and business rates, the directors are confident of its ability to continue to operate on a going concern basis.

#### *Group financial statements*

The Company has taken advantage of the exemption to not prepare group financial statements for its group under section 401 of the Companies Act 2006 on the grounds that:

- the Company and all of its subsidiaries are included in the group financial statements of Aurajoki Holdings UK Limited drawn up to 30 June 2019; and
- the group financial statements of Aurajoki Holdings UK Limited are drawn up in a manner equivalent to group financial statements drawn up in accordance with the provisions of the Seventh Directive.

Consequently, the financial statements only contain information about Beaully Financial Services Limited (Formerly known as T.M. Sutton Limited) as an individual company and do not contain group financial information as the parent of a group. These financial statements are available on request from Companies House, Crown Way, Cardiff, CF14 3UZ.

## Notes to the financial statements

for the year ended 30 June 2019

### 1. Significant accounting policies (continued)

#### *Cash flow statement*

The Company is exempt from the requirements of section 7 of FRS 102 and therefore has not prepared a cash flow statement. Its results are included within the group financial statements of its parent undertaking, Aurajoki Holdings UK Limited, and these financial statements are available on request from the Companies House, Crown Way, Cardiff, CF14 3UZ.

#### *Turnover*

The revenue of the Company represents interest receivable and similar charges. Interest income and similar charges are accounted for on an accrual basis and is recognised on the effective interest rate (EIR), which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to its net carrying amount.

Turnover from retail jewellery sales is stated net of VAT and discounts where applicable, and is recognised when the significant risks and rewards are considered to have been transferred to the buyer, namely when the goods are physically received by the customer.

Commission receivable on cheque cashing, money transfers, foreign exchange services and related services is recognised at the time of performing the transaction.

Turnover from operating leases is recognised in line with the relevant agreement over the life of the lease.

#### *Intangible assets*

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is estimated to be 20 years.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Internally developed software ("IDS") arises on the capitalisation of costs incurred which meet the recognition of intangible assets criteria under FRS 102. The costs are capitalised and amortised on a straight line basis over its useful economic life, which is estimated to be 5 years.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, except freehold land and work in progress (WIP), at rates calculated to write off the cost or valuation, less any estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold property improvements	10% to 20% per annum straight line basis
Furniture and equipment	20% per annum straight line basis
Computer equipment	33% per annum straight line basis
Purchased software (major)	20% per annum straight line basis
Purchased software (minor)	33% per annum straight line basis
Fixtures and fittings	20% per annum straight line basis
Motor vehicles	20% per annum straight line basis



## Notes to the financial statements

for the year ended 30 June 2019

### 1. Significant accounting policies (continued)

#### *Tangible fixed assets (continued)*

Items within work in progress are assets not brought into use in the business, when these items are ready for use depreciation is calculated as per the asset category the item relates to. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Investments*

Investments held as fixed assets are stated at cost, less any provision for permanent diminutions in value.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Stock – goods for resale*

Goods for resale are items which have been purchased under normal terms of business and are held for resale.

Goods for resale are stated within the balance sheet at cost unless there is indication that the future sale price of the item will not recover the full carrying cost held in the balance sheet. Where there is an indication that this event may occur, a net realisable value provision is created against the value of the item for resale.

#### *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the criteria, as laid out in FRS 102 section 11.9, are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the criteria, as laid out in FRS 102 section 11.9, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of any impairment.

Debt instruments which do not meet the criteria, as laid out in FRS 102 section 11.9, are measured at fair value through profit and loss.

## Notes to the financial statements

for the year ended 30 June 2019

### 1. Significant accounting policies (continued)

#### *Financial assets and liabilities (continued)*

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### *Impairment of financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### *Tax*

The charge for tax is based on the result for the year and takes into consideration timing differences arising as a result of different treatments of certain items for tax and accounting purposes.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

## Notes to the financial statements

for the year ended 30 June 2019

### 1. Significant accounting policies (continued)

#### *Pensions*

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Operating leases*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the term of the relevant lease. Prior to the transition to FRS 102, incentives received in relation to the operating leases were recognised over the period to the next rent review. Under the transitional provisions of FRS 102, this treatment has continued for lease incentives negotiated before the date of transition. Lease incentives negotiated after the date of transition are recognised over the life of the lease in line with FRS 102.

#### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### 2. Critical accounting judgements in applying the accounting policies

#### *Key sources of estimation uncertainty – provision for impairment of secured loans*

Management have considered whether a provision for future losses on secured pawn loans issued to customers is required in order to show a true and fair view. It was historically management's view that no provision was required, however since the acquisition of the secured loan books in the year, management now believe that a provision for potential impairment of the secured loan book is appropriate.

Estimation of the secured loan book provision requires a significant degree of management judgement in respect of the estimated future cash flows. This estimation is based on historical experience. The estimation of potential impairment at 30 June 2019 was £233,000 (2018: £nil).

#### *Key source of estimation uncertainty – closed store provision*

Determining whether the remaining store closure provision is at an appropriate level requires an estimation of the present value of estimated future cash flows. The key assumption is that the provision will be utilised during the period until all related costs have been incurred.

### 3. Turnover

Turnover is attributable to the principal activities of the Company and arises solely within the United Kingdom. Turnover can be analysed as follows:

	2019	2018
	£'000	£'000
Sale of goods	7,440	3,970
Interest income	5,916	2,738
Commission	989	-
	<b>14,345</b>	<b>6,708</b>

## Notes to the financial statements

for the year ended 30 June 2019

### 4. Operating profit/(loss)

This is stated after charging:

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	340	130
Impairment of secured loans	835	-
Amortisation of intangibles	65	37
Operating lease rentals – land and buildings	<u>1,302</u>	<u>720</u>

The Company's audit fee is £80,000 (2018: £48,000) for the current year and is payable to BDO LLP. Non-audit services are £nil for the current year as well as for the previous year.

### 5. Directors' remuneration

Aggregate emoluments in respect of qualifying services:

	2019 £'000	2018 £'000
Salaries	26	-
Benefits and other pension costs	<u>1</u>	<u>-</u>
	<u>27</u>	<u>-</u>

Highest paid director:

	2019 £'000	2018 £'000
Salaries	26	-
Benefits and other pension costs	<u>1</u>	<u>-</u>
	<u>27</u>	<u>-</u>

During 2019, £nil was paid to directors' as compensation for loss of office (2018: £nil).

	2019 No.	2018 No.
Members of money purchase pension schemes	<u>1</u>	<u>-</u>

Throughout the year ended 30 June 2019, there was one director who was a member of the money purchase scheme.

The directors of the Company are also directors of a number of other companies in the Aurajoki Holdings UK Limited group. The directors received total remuneration for the year of £27,000 (2018: £nil) from the Company of which they estimate £20,000 (2018: £nil) relates to qualifying services to other group companies for which no recharge has been made.

For the directors of the Company remunerated by fellow group undertakings, the directors consider that the level of their qualifying services provided to the Company is inconsequential to their wider group role.

## Notes to the financial statements

for the year ended 30 June 2019

### 6. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	2,491	670
Social security costs	224	66
Other pension costs	44	8
	<u>2,759</u>	<u>744</u>

The average monthly number of employees during the year, including directors, was made up as follows:

	2019 No.	2018 No.
Sales	105	23
Administration	<u>6</u>	<u>-</u>
	<u>111</u>	<u>23</u>

## Notes to the financial statements

for the year ended 30 June 2019

### 7. Tax

#### (a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2019 £'000	2018 £'000
<b>Current tax:</b>		
UK corporation tax on the profit for the year	-	-
Adjustments in respect of previous years	-	-
Total current tax credit (note 7(b))	-	-
<b>Deferred tax:</b>		
Total deferred tax	-	-
<b>Tax (charge) / credit on loss on ordinary activities</b>	-	-

#### (b) Factors affecting current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss) on ordinary activities before tax	(1,483)	(894)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	(282)	(169)
<b>Effects of:</b>		
Permanent disallowable items	266	210
Movement in deferred tax not recognised	(24)	35
Group relief surrendered/(received) for no payment	43	(47)
Transfer pricing adjustments	(3)	(29)
<b>Total tax (charge) / credit for the year (note 7(a))</b>	-	-

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge.

## Notes to the financial statements

for the year ended 30 June 2019

### 8. Intangible fixed assets

	Goodwill £'000	Internally Developed Software £'000	Total £'000
<b>Cost:</b>			
At 1 July 2018	330	107	437
Additions	2,118	-	2,118
At 30 June 2019	2,448	107	2,555
<b>Amortisation:</b>			
At 1 July 2018	267	71	338
Provided during the year	44	21	65
At 30 June 2019	311	92	403
<b>Net book value:</b>			
At 30 June 2019	2,137	15	2,152
At 1 July 2018	63	36	99

### 9. Tangible fixed assets

	Leasehold property improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Freehold property £'000	Motor vehicles £'000	Total £'000
<b>Cost:</b>							
At 1 July 2018	1,012	31	590	14	-	-	1,647
Additions	615	-	166	476	125	423	1,805
Disposals	-	-	(3)	-	-	-	(3)
At 30 June 2019	1,627	31	753	490	125	423	3,449
<b>Depreciation:</b>							
At 1 July 2018	618	31	535	-	-	-	1,184
Provided during year	224	-	81	-	-	35	340
Disposals	-	-	(1)	-	-	-	(1)
Impairment	86	-	29	490	-	-	605
At 30 June 2019	928	31	644	490	-	35	2,128
<b>Net book value:</b>							
At 30 June 2019	699	-	109	-	125	388	1,321
At 1 July 2018	394	-	55	14	-	-	463

An impairment loss of £490k was recognised on assets in course of construction due to the post year end decision to cease lending on the product for which the assets were being constructed during the financial year.

## Notes to the financial statements

for the year ended 30 June 2019

### 10. Investments

	Shares in subsidiary undertakings £
Cost and net book value:	
At 30 June 2018 and 30 June 2019	<u>200</u>

Details of the subsidiary undertakings are set out below. All holdings are of ordinary shares and are 100% holdings, including 100% of voting rights. All companies are incorporated in England and Wales.

<i>Name of company</i>	<i>Nature of business</i>	<i>Registered office address</i>
S & R Financial Limited	Dormant company	Unit 1 Castle Marina Road, Nottingham, UK, NG7 1TN
Suttons and Robertsons Limited	Dormant company	Unit 1 Castle Marina Road, Nottingham, UK, NG7 1TN

### 11. Stocks

	2019 £'000	2018 £'000
Goods for resale	<u>5,562</u>	<u>3,027</u>

Inventories amounting to £6,630,000 (2018: £3,873,000) have been recognised as an expense in the financial statements.

Impairment of inventories amounting to £289,000 (2018: £nil) have been recognised as an expense in the financial statements.

### 12. Debtors

*Amounts falling due within one year:*

	2019 £'000	2018 £'000
Secured loan advances to customers	14,379	7,477
Prepayments and accrued income	1,117	195
Other debtors	<u>56</u>	<u>156</u>
	<u>15,552</u>	<u>7,828</u>



## Notes to the financial statements

for the year ended 30 June 2019

### 13. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	17,575	593
Trade creditors	853	4
Accruals and deferred income	645	494
Other taxes and social security costs	150	43
Other creditors	62	2
	<u>19,285</u>	<u>1,136</u>

Within amounts due to group undertakings there are the following loan balances attracting interest at the following rates:

• Aurajoki Europe Limited	£515,000	9%	(2018: £nil)
• Aurajoki Holdings UK Limited	£13,674,000	9%	(2018: £nil)

Within amounts due to group undertakings there are the following trading balances where no interest is being charged, and balances are repayable on demand:

• Aurajoki Europe Limited:	£34,000	(2018: £19,000)
• S & R Financial Limited:	£109,000	(2018: £109,000)
• DMWSL 488 Limited:	£271,000	(2018: £271,000)
• Nathan & Co (Birmingham) Limited:	£179,000	(2018: £179,000)
• E.A. Barker Limited:	£15,000	(2018: £15,000)
• Instant Cash Loans Limited:	£2,215,000	(2018: £nil)
• Aurajoki Holdings UK Limited:	£563,000	(2018: £nil)

## Notes to the financial statements

for the year ended 30 June 2019

### 14. Provisions for liabilities

	2019 £'000	2018 £'000
Store closure provision	276	243
Asset retirement obligation	687	30
	<u>963</u>	<u>273</u>

During the year management made the decision to close a further 4 stores due to their economic performance. All 4 stores closed in the year were also acquired in the year. A provision exists on the balance sheet to cover the costs incurred with closing stores and returning the properties back to the condition required by the lease terms. The remaining balance of the provision at 30 June 2019 is £276,000 (2018: £243,000) which relates to a total of 5 closed stores (2018: 2 closed stores).

Separate to the store closure provision, the asset retirement obligation provision has been created to cover the cost of future dilapidation expenses on open stores, which will be incurred upon handing back the leased properties to the landlord(s). The terms of the lease agreements state that the Company is responsible for the cost of returning the property back to its original state, and therefore the directors consider it prudent to create a provision to cover the cost of doing so. The provision at 30 June 2019 was £687,000 (2018: £30,000).

	Store closure £'000	Asset retirement obligation £'000	Total Provision £'000
At 1 July 2018	243	30	273
Utilised	(199)	(6)	(205)
Additional charge	232	663	895
At 30 June 2019	<u>276</u>	<u>687</u>	<u>963</u>

### 15. Called up share capital and reserves

	No.	2019 £'000	No.	2018 £'000
<b>Called up, issued and fully paid</b>				
Ordinary shares of £1 each	70,003	<u>70</u>	70,003	<u>70</u>

The Company's other reserves are as follows:

- The profit and loss reserve represents cumulative profits or losses.

## Notes to the financial statements

for the year ended 30 June 2019

### 16. Pensions

The Company operates a defined contribution pension scheme for its directors and employees.

The assets of the scheme are held separately from those of the Company in an independently administered fund. At 30 June 2019 pension contributions totalling £43,000 (2018: £2,000) were included within creditors.

### 17. Other financial commitments

During the financial year the Company purchased 71 stores from a fellow group company, Instant Cash Loans Limited. The Company committed to meeting the lease costs of the stores purchased until the lease expired or was transferred to a third party purchaser.

At 30 June 2019 the Company had the following commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2019	2018
	£'000	£'000
Operating leases which expire:		
In one year	2,016	842
In two to five years	4,299	2,122
Over five years	1,440	429
	<u>7,756</u>	<u>3,393</u>

## Notes to the financial statements

for the year ended 30 June 2019

### 18. Financial instruments

The Company manages its capital to ensure that it has sufficient capital resources to continue as a going concern. The capital structure of the Company consists of debt, which are the borrowings from the parent, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Statement of changes in equity on page 13.

The Company's activities expose it to a number of financial risks and uncertainties; primarily credit risk, liquidity risk, market risk, interest rate risk, business risk, operational risk and regulatory risk. For detailed information on each of these risks refer to the Strategic Report on page 2.

Carrying values by categories of financial instrument as at 30 June are as follows:

	2019 £'000	2018 £'000
<b>Financial assets held at amortised cost</b>		
Cash	4,484	298
<b>Total</b>	<b>4,484</b>	<b>298</b>
<b>Financial assets – loans and receivables</b>		
Loan advances to customers	14,379	7,477
Other assets	1,173	351
<b>Total</b>	<b>15,552</b>	<b>7,828</b>
<b>Financial liabilities held at amortised cost</b>		
Amounts owed to group undertakings	17,575	593
Trade and other payables	1,710	543
<b>Total</b>	<b>19,285</b>	<b>1,136</b>

Maximum credit exposure for each of the above is same as the amounts disclosed. As at 30 June 2019, the company held collateral (pledged items) towards pawnbroking receivables having carrying value of £11,387,000 (2018: £6,037,000).

The Company's maturity analysis of its liabilities as at the year end are summarised as follows:

	Not more than 3 months £'000	More than 3 months but not more than one year £'000	More than one year but not more than 5 years £'000	Total £'000
<b>At 30 June 2019:</b>				
Amounts owed to group undertakings	17,575	-	-	17,575
Trade and other payables	1,710	-	-	1,710
<b>Total</b>	<b>19,285</b>	<b>-</b>	<b>-</b>	<b>19,285</b>

# Notes to the financial statements

for the year ended 30 June 2019

## 18. Financial instruments (continued)

	Not more than 3 months £'000	More than 3 months but not more than one year £'000	More than one year but not more than 5 years £'000	Total £'000
<b>At 30 June 2018:</b>				
Amounts owed to group undertakings	593	-	-	593
Trade and other payables	543	-	-	543
<b>Total</b>	<b>1,136</b>	<b>-</b>	<b>-</b>	<b>1,136</b>

	2019 £'000	2018 £'000
<b>Interest income and expense</b>		
Interest receivable	16	58
Interest payable	637	14

## 19. Related party transactions

The Company is a subsidiary undertaking of Aurajoki Holdings UK Limited, the group financial statements of which are publicly available.

Accordingly, the Company has taken advantage of the exemption in section 33 of FRS 102 from disclosing transactions with 100% members or investees of the Aurajoki Holdings UK Limited group.

## 20. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Nathan & Co (Birmingham) Limited, a company incorporated in England and Wales.

The largest and smallest group for which financial statements are drawn up which incorporate the financial statements of the Company is that headed by Aurajoki Holdings UK Limited, a company incorporated in England and Wales. The registered office of Aurajoki Holdings UK Limited is 4th Floor Devonshire House, 1 Mayfair Place, London, United Kingdom, W1J 8AJ. Copies of the group financial statements, which include the results of the Company, are available from Companies House, Crown Way, Cardiff CF14 3UZ.

## 21. Subsequent events

In July 2019, the Company sold 65 stores to an unconnected third party company. As a result, the directors expect decreased revenues and associated receivables in future periods.

In October 2019, the Company launched a new online lending product offering unsecured loans over a 3 year term. As a result, the directors expected increased revenues and associated receivables in future periods. However in February 2020 management decided to cease further new lending on this product. The existing loan book will continue to be collected as normal for the foreseeable future.

In December 2019, the Company sold 5 stores to an unconnected third party company. As a result, the directors expect decreased revenues and associated receivables in future periods. Following this sale, the Company had 2 trading stores remaining.