# PEAC (UK) Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## For the year ended 30 June 2022

# PEAC (UK) Limited

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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# PEAC (UK) Limited

## DIRECTORS AND OTHER INFORMATION

| | |
|---|---|
| **Directors** | J. Ashley<br>A. Bromfield<br>J. Staadecker<br>M. Bousaba (appointed 28 February 2022)<br>S. Charlton (resigned 31 May 2022)<br>A. Hartis (appointed 11 May 2022)<br>T. Lyle (appointed 11 May 2022, resigned 27 January 2023) |
| **Registered Office** | Inspired<br>Easthampstead Road<br>Bracknell<br>RG12 1YQ |
| **Registered Number** | 03088213 |
| **Secretary** | P. Venner |
| **Independent Auditor** | BDO LLP<br>55 Baker Street<br>London<br>W1U 7EL<br>United Kingdom |
| **Bankers** | Barclays Bank PLC<br>Broadgate<br>Leicestershire<br>LE87 2BB<br>United Kingdom<br><br>Bank of America Merrill Lynch Limited<br>2 King Edward Street<br>EC1A 1HQ<br>London<br>United Kingdom |

## STRATEGIC REPORT

### Principal Activity

PEAC (UK) Limited ("the Company") is a leading provider of business asset finance in the UK.

The Company works directly with equipment manufacturers, distributors, partners, and dealers (collectively "vendors") and also via brokers and intermediaries to deliver products which include hire purchase, operating lease, finance lease & block discounting. The vendor and broker relationships are typically supported by traditional program or referral agreements that have varying degrees of integration to support the financial transaction.

### Review of business and future developments

New business volumes during the 2022 financial year were favourable to prior year (impacted by covid) but volumes still impacted by continuing supplier stock issues combined with the withdrawal from block discounting. During the year ended 30 June 2022 the Company generated new business originations of £126.9 million compared to £109.0 million in the year ended 30 June 2021.

### Results

For the year ended 30 June 2022, the Company recorded a profit before tax of £31,570k (2021: £13,334k), subsequently a tax credit of £371k (2021: £2,158k) resulted in a profit after tax of £31,941k compared to the prior Year profit after tax of £15,492k.

### Lease earnings

Lease earnings in the current year were marginally higher by £199k compared to the prior year, driven by end of lease behaviour.

### Interest payable and similar charges

The interest payable and similar charges increased by £936k, reflecting the increase in the amount owing to PEAC Holdings (UK) Limited, offset partially by the decrease in the securitisation facility.

### Change in bad debt provision/chargeoffs (net of recoveries)

For the year ended 30 June 2022, charge offs decreased by £850k compared to the prior year, excluding the one-off impairment in 2021 of £4,158k.

### Administrative Expenses

Administrative expenses for the year ended 30 June 2022 were down by (£729k) to £8,791k (2021: £9,520k).

### Interest receivable and similar income

Interest receivable increased by £3,636k reflecting an increase in amounts owed by parent PEAC Holdings (UK) Ltd.

### Fair Value Movement of Derivative Instruments

The fair value of the SWAP derivative instruments resulted in a gain of £13,837k in the current year as a result of a favourable movement in the mark to market adjustment (2021: gain of £4,237k) following the increased interest rates.

### Tax

The credit in the period of £371k represents the movement on the deferred tax assets recognised in the period (2021: £2,158k).

### Funding through securitisation facility

The Company's sources of financing for its portfolio and new originations are through a combination of funds from its parent, PEAC Holdings (UK) Limited, and from Bank of America Merrill Lynch through a securitized loan facility entered by PEAC Receivables I D.A.C., the special purpose vehicle set up as part of the securitisation programme. In December 2019, a second special purpose vehicle, PEAC Receivables II D.A.C., was incorporated as part of the funding changes.

**STRATEGIC REPORT (continued)**

**Principal risks and uncertainties**
The Company's operations expose it to a variety of financial risks that include credit, liquidity, foreign exchange, residual and interest rate risk. The directors have delegated the responsibility of monitoring financial risk management to a sub-committee of the Board.

***Credit Risk***
The Company performs ongoing credit evaluations of its customers and evaluates past-due payment status in its determination of the need for specific customer allowances on its accounts receivable.

***Foreign Exchange Risk***
The Company has exposure to foreign exchange risk as a result of a number of euro denominated operating expenses and borrowings. Movements in the euro/sterling exchange rates may cause an increase or reduction in the Company's overhead base. The Company monitors the level of foreign exchange risk on an ongoing basis.

***Residual Value***
The Company has finance lease contracts which have residual values on completion of contract term. These residual values are monitored and reviewed on an ongoing basis by the "End of Lease" team.

***Liquidity Risk***
The Company has exposure to liquidity risks which it manages by producing regular short and medium term cash flow projections, maintaining minimum cash balances, and utilising its conduit financing facility and drawing on funds from its parent.

***Interest Rate Risk***
The largest of the Company's interest bearing liability is a floating rate loan. The Company has entered into swap agreements to manage the risk associated to the movement of the interest rate. The Company monitors the level of interest rate risk on an ongoing basis.

**Key performance indicators (KPI's)**
In order to understand the development, performance and position of the business, the directors of the Company use the following KPI:

- Average portfolio yield
- New volume
- Net charge off rate
- Net investment

| KPIs | Year ended 30 June 2022 | Year ended 30 June 2021 |
|---|---|---|
| Average Yield of Portfolio | 10.25% | 9.65% |
| New volume (£/m) | 126.9m | 109.0m |
| Net Charge-offs | 0.29% | 0.98%* |
| Net investment (£/m) | 250m | 261m |

*Excluding 2021 investment impairment

**STRATEGIC REPORT (continued)**

The Company generated £126.9m of volume in the year ended 30 June 2022 (116% of prior year) and enhanced portfolio yields, this was however below growth aspirations with a reduction in Net Investment by £11m from prior year. Net Charge Offs remained exceptionally low at 0.29% due to quality of portfolio and impact of government support to customers during COVID pandemic.

By order of the Board

A. Hartis
Director

Date: 12 May 2023

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of PEAC (UK) Limited ("the Company") for the year ended 30 June 2022.

**Dividends**

The Company paid no interim dividends during the year and the Directors do not recommend the payment of a final dividend in respect of the year ended 30 June 2022 (year ended 30 June 2021: nil).

For the year ended 30 June 2022 the Company made a profit after tax of £31,941k (year ended 30 June 2021: £15,492k).

**Going concern risk**

The financial statements have been prepared on a going concern basis.

The ongoing liquidity of the Company is dependent on its rental payment streams, satisfying the eligibility criteria for conduit financing of receivables.

The Directors have considered the impact of recent current events on the business, in particular the conflict in Ukraine. They have concluded that these events have no material impact on the financial statements for the year ending 30 June 2022. They have also considered various factors in the current economic environment that may impact on the company's profitability including the impact of recent interest rate rises and the potential indirect impact associated with current inflationary pressures. No material impact is foreseen to the Company's portfolio or operations going forward. The Directors are monitoring the situation and are prepared to take such actions as are necessary to mitigate any significant impact on the business.

In concluding that the going concern basis is appropriate for the Company for the year ended 30 June 2022 financial statements, the Directors have taken various matters into account. Refer to Note 2(b) to the financial statements on page 18 for further details.

**Basis of preparation**

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102,"The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), in force in the United Kingdom at 30 June 2021 and the Statements of Recommended Accounting Practice "Accounting issues in the asset finance and leasing industry". At 30 June 2022 PEAC (UK) Limited was a wholly owned subsidiary of PEAC Holdings (UK) Limited, which is incorporated in the England and Wales. The ultimate parent Company is PEAC Holdings (Ireland) D.A.C.

**Events after balance sheet date**

**Non-adjusting Events**

On 20 December 2022 the Company repaid its secured loan with PEAC Germany Gmbh, included in current liabilities, for €7,019k including interest charges.

On 21 December 2022 the Company entered into a secured revolving loan facility, alongside other group companies, with Societe Generale. On 23 December 2022 the Company received a loan for £25,000k from the facility.

## DIRECTORS' REPORT (continued)

### Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 4. These matters relate to the principal activity of the Company, its business review and future developments and principal risks and uncertainties and information regarding financial risk management.

### Environmental, Social & Governance Policy

PEAC's ESG philosophy is focussed on products, services, people and the environment, and also to providing long term support to the Company's clients.

PEAC sees ESG, as:

- Environmental: the environmental focus is on the impact of a business on the natural world;
- Social: the social focus is on a business's impact on its employees, workers, contractors and its wider community; and
- Governance: the governance focus is on the running of the business itself

PEAC consider its key ESG issues relate to the following:

- Wellbeing and development of PEAC employees and community engagement.
- Trust of PEAC clients and security of their information; and
- Environmental impact of PEAC offices, including energy consumption, printing and paper use.

PEAC's Community

PEAC supports local events and contribution of staff time. Examples of the support provided include internal charity events, donations to charities and supporting niche local not for profit organisations.

Implementation of the ESG Policy

The responsibility for the implementation of the ESG Policy lies with the board of directors with all employees encouraged to suggest initiatives.

### Directors and their interests

The names of the Directors who held office during the year and to date are listed on page 3.

The Company is exempt from the requirement to report directors' interests on the grounds that the Company was wholly owned by an overseas Company.

### Registered Office

The registered office of the Company is Inspired Easthampstead Road Bracknell RG12 1YQ.

### Qualifying third party and pension scheme indemnity provisions

Throughout the year ended 30 June 2022 and the year ended 30 June 2021, there were no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions in place.

**DIRECTORS' REPORT (continued)**

**Auditors and disclosure of information to auditors**

(a) In so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

A. Hartis
Director

**Registered No: 03088213**
Date: 12 May 2023

**PEAC (UK) Limited**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the directors' report and 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 Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)".

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 year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

By order of the Board

A. Hartis
Director

Date: 12 May 2023

## INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF PEAC (UK) LIMITED

### *Opinion on the financial statements*

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its profit 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.

We have audited the financial statements of PEAC (UK) Limited ("the Company") for the year ended 30 June 2022 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

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.

### Conclusions relating to going concern

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF PEAC UK LIMITED (CONTINUED)**

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**Other Companies Act 2006 reporting**

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF PEAC UK LIMITED (CONTINUED)**

**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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, the accounting standards, and tax legislation.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations.
- enquiring of management and those charged with governance about their own identification and assessment of the risks of irregularities, including fraud.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- reading minutes of meetings of those charged with governance.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- we also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF PEAC UK LIMITED (CONTINUED)**

**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.

DocuSigned by:
Andrew Barclay
298E77467C494FE...

Andrew Barclay (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date: 12 May 2023

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 2022**

| | Note | Year ended 30 June 2022 £000's | Year ended 30 June 2021 £000's |
|---|---|---|---|
| Lease earnings | 4 | **25,811** | 25,612 |
| Interest payable and similar charges | 6 | **(8,903)** | (7,967) |
| **Gross profit** | | **16,908** | 17,645 |
| Change in bad debt provision/ charge offs (net of recoveries) | 5 | **(1,350)** | (6,358) |
| Administrative costs | 5 | **(8,791)** | (9,520) |
| **Operating profit** | | **6,767** | 1,767 |
| Interest receivable and similar income | 7 | **10,966** | 7,330 |
| Fair value movement of mark to market SWAP derivative instruments | 8 | **13,837** | 4,237 |
| **Profit on ordinary activities before taxation** | | **31,570** | 13,334 |
| Tax on profit on ordinary activities | 11 | **371** | 2,158 |
| **Profit for the year** | | **31,941** | 15,492 |
| Other comprehensive income | | **-** | - |
| Total comprehensive income for the year | | **31,941** | 15,492 |

*The notes on pages 18 to 35 form an integral part of these financial statements.*

## PEAC (UK) Limited

**BALANCE SHEET**
**As at 30 June 2022**

| | Note | 30 June 2022 £ 000's | 30 June 2021 as restated* £ 000's |
|---|---|---|---|
| **Non Current Assets** | | | |
| Intangible assets | 12 | **2,362** | 1,255 |
| Tangible assets | 13 | **279** | 588 |
| Deferred tax asset | 17 | **8,136** | 7,765 |
| Debtors: due after one year | 15, 27 | **151,441** | 144,423 |
| | | **162,218** | 154,031 |
| **Current assets** | | | |
| Cash at bank | 14 | **30,391** | 36,802 |
| Debtors: due within one year | 15, 27 | **224,875** | 214,940 |
| | | **255,266** | 251,742 |
| Creditors: due within one year | 18(a) | **(106,640)** | (130,361) |
| **Net current assets** | | **148,626** | 121,381 |
| **Total assets less current liabilities** | | **310,844** | 275,412 |
| Creditors: due after one year | 18(b) | **(140,074)** | (136,583) |
| **Net Assets** | | **170,770** | 138,829 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | **21,192** | 21,192 |
| Share premium reserve | | **41,919** | 41,919 |
| Profit and loss account | | **107,659** | 75,718 |
| **Shareholders' funds** | 21 | **170,770** | 138,829 |

* Please see note 27 for further details.

The notes on pages 18 to 35 form an integral part of these financial statements.

Approved by the Directors on 12 May 2023 and signed on their behalf by:

A. Hartis
Director

Registered No: 03088213

## PEAC (UK) Limited

### STATEMENT OF CHANGES IN EQUITY
**As at 30 June 2022**

| | Note | Called-up share capital | Share Premium reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance as at 1 July 2020 | | 21,192 | 41,919 | 60,226 | 123,337 |
| Total comprehensive income for the year | | - | - | 15,492 | 15,492 |
| Balance as at 30 June 2021 | **20** | **21,192** | **41,919** | **75,718** | **138,829** |
| Balance as at 1 July 2021 | **20** | 21,192 | 41,919 | 75,718 | 138,829 |
| Total comprehensive income for the year | | - | - | 31,941 | **31,941** |
| Balance as at 30 June 2022 | **20** | **21,192** | **41,919** | **107,659** | **170,770** |

The notes on pages 18 to 35 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

**1. Incorporation and operations**

PEAC (UK) Limited is incorporated and domiciled in England and Wales as a private Company limited by shares. The registered address is Inspired, Easthampstead Road, Bracknell, RG12 1YQ. The principal activity of the Company is that of a business asset provider in the UK. The activities of the Company are described in the Principal Activity section of the Strategic Report.

**2. Statement of compliance**

The financial statements of PEAC (UK) Limited ("the Company") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the *Companies Act 2006*.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

**a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the Company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis. See 3.e (lease earnings) for further details.
- Determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.f (residual values), 3.j (taxation), 3.n (financial instruments) and 3.p (provisions and contingencies).

**b) Going concern**

As at 30 June 2022, the Company had net assets of £170.8m (30 June 2021: £138.8m) and recorded a profit after tax of £31.9m for the year ended 30 June 2022 (Year ended 30 June 2021: £15.5m profit).

The Directors have considered the impact of recent current events on the business, in particular the conflict in Ukraine. They have concluded that these events have no material impact on the financial statements for the year ending 30 June 2022. They have also considered various factors in the current economic environment that may impact on the company's profitability including the impact of recent interest rate rises and the potential indirect impact associated with current inflationary pressures. No material impact is foreseen to the Company's portfolio or operations going forward. The Directors are monitoring the situation and are prepared to take such actions as are necessary to mitigate any significant impact on the business.

**3. Summary of significant accounting policies (continued)**

**b) Going concern (continued)**

An assessment of the Company's ability to continue as a going concern has been carried out. In making this assessment the Directors have taken into consideration the increase in inflation and interest rates and other macro-economic factors including new originations, volumes and credit losses. Even under extreme stress scenarios, the Directors have concluded that the company has adequate resources to continue its operations and that the going concern basis of preparation is appropriate.

Furthermore, the Company's parent has agreed to provide financial support, if necessary, for at least the next 12 months.

**c) Exemptions for entities under FRS 102**

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows as PEAC Holdings (Ireland) D.A.C., includes the Company's cash flows in its own consolidated financial statements.

The Company has also taken advantage of the exemption, under FRS 102 paragraph 33.1A, from disclosing related party transactions with other companies that are wholly owned within a Group.

**d) Foreign currency**

*(i) Functional and presentation currency*

The Company's functional and presentation currency is the pound sterling.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**e) Lease Earnings**

Lease earnings are derived entirely from activities in the United Kingdom and comprise of finance income recognised in the year in respect of finance leases, hire purchase contracts and rental receivable on operating lease contracts. It also includes income in respect of early terminations of such types of contracts, gains / losses made on sale of equipment and renewal income, offset by any recoveries, charge offs and changes in bad debt provision for the year.

*i) Operating leases*

Where the Company leases out equipment for less than its expected useful life or does not transfer substantially all the risks and rewards of ownership, the lease is accounted for as an operating lease. Operating lease rental income is recognised on a straight-line basis over the term of the lease.

*ii) Finance leases (and hire purchase/loan contracts with similar characteristics)*

Where the Company leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease, and the net investment is included in current assets. Income from finance leases is credited to the statement of comprehensive income on a basis that produces a constant periodic rate of return on the outstanding net investment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3. Summary of significant accounting policies (continued)**

**e) Lease Earnings (continued)**

*ii) Finance leases (and hire purchase/loan contracts with similar characteristics) (continued)*

Amounts due from lessees in respect of finance leases are stated at the total of the minimum lease payments plus residual value less rentals received to date and less finance income allocated to future periods.

**f) Residual values**

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset, its residual value will fluctuate because of the uncertainty of the future market and technological changes or product enhancements as well as general economic conditions. Residual values are set at the commencement of the lease based upon management's expectations of future values. During the course of the lease, residual values are reviewed on an annual basis so as to identify any impairment provision required. This monitoring takes account of the Company's past history for residual values, current values and projections of the likely future market for each group of assets.

Any permanent impairment in the residual value of an asset is identified within such reviews and charged immediately to the statement of comprehensive income.

**g) Initiation costs**

The Company's policy with respect to initiation costs is to capitalise costs and amortise on a reducing balance basis over the life of the related lease.

**h) Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension scheme.

*i) Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*ii) Annual bonus plan*

The Company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

**i) Interest receivable and similar income and interest payable and similar charges**

All income and expense is recognised on an accruals basis so as to match costs incurred with revenues earned, irrespective of when payments are made or received.

**j) Taxation**

UK Corporation tax is provided on taxable profits/(losses) at the current tax rate.

Deferred tax is provided on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

**3. Summary of significant accounting policies (continued)**

**j) Taxation (continued)**
Deferred tax assets are recognised on the basis that the company will continue to make profits in future years. Future profits are calculated using forecast and budgets, in line with the going concern assessment, multiplied by the expected tax rate at that date. Actual results could differ from these estimations. As at 30 June 2022 the company had recognised an asset of £8,138k (as at 30 June 2021: £7,765k).

**k) Tangible fixed assets and depreciation**
Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Assets under operating leases are classified as fixed assets and depreciated from original cost to estimated residual value.

Depreciation on tangible fixed assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Office Equipment under Operating lease | Over the term of the lease |
| Leasehold property | Over the period of lease |
| Office equipment | Straight line over 4 years |

**l) Intangible assets and amortisation**
Intangible assets identified and held by the entity are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives, this includes:

| | |
|---|---|
| Software | Straight line over 10 years |

**m) Issue cost of capital instruments**
Issue costs are those incurred directly in connection with the issue of a capital instrument and that would not have been incurred had the specific instrument in question not been issued.

Issue costs are accounted for as a deduction from the amount of the consideration received and amortized over the instrument's term.

**n) Financial instruments**
*(i) Financial assets*
Basic financial assets, including net investment in finance leases, intercompany loans and hire purchase contracts, trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

**3. Summary of significant accounting policies (continued)**

**n) Financial instruments (continued)**

*(i.i) Financial assets - net investment in finance leases credit losses*
The Company provides for credit losses equivalent to the net investment for an exposure where:
- The arrears on the agreement has reached 151 days past due (dpd); or
- The Company is insolvent; or
- The Company is not technically insolvent but there is clear objective evidence that the customer will be unable to meet its obligations as they fall due.

Exemptions may be applied provided all the following conditions are met:
- An assessment is made by management that the exposure or a proportion of the exposure is recoverable; and
- The recovery scenario is clear and recoverability is judged to be more probable than not. Partial exemptions may be applied where the assessment of the probability is complex with many uncertainties; and
- Reasonable costs of recovery have been provided for in the net assessment of the provision; and
- The exemption has been authorised during the month end review process

*(ii) Financial liabilities*
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specific notional amounts. Interest rate swaps relate to contracts taken out by the Company with Bank of America Merrill Lynch as part of the securitisation programme started in January 2016, in which the Company either receives or pays a floating rate of interest in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The valuation of the interest rate swaps for the approximate net amount to be received or paid (i.e., the fair value) is marked-to-market by using counterparty prices, and such valuations are based on the obligations of the Company relative to the terms of the contract, current interest rates, interest accrual through the valuation date and certain other factors.

The Company and PEAC Receivables I D.A.C. and PEAC Receivables II D.A.C., the special purpose vehicles set up as part of the securitized facility, entered into derivative financial instruments, to manage the entity's exposure to interest rate risk under the securitisation programme.

**3. Summary of significant accounting policies (continued)**

**n) Financial instruments (continued)**

As the Company retains the risk and rewards of these derivative financial instruments, the impact of these derivatives has been reflected in the financial statements of the Company as at 30 June 2022. The interest rate derivatives have a total notional value of £211.6m (30 June 2021: £233.9m) and a fair value adjustment at 30 June 2022 of +£13.8m gain (30 June 2021: +£4.2m gain). The derivative contracts in relation to the activity of PEAC Receivables I D.A.C. are due to mature in 2024 with the remainder expected to mature in 2026. The impact of these derivatives has been reflected in the Statement of Comprehensive Income of the Company.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

*(iii) Offsetting*
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**o) Cash and cash equivalents**
Included in cash and cash equivalents and deposits held on call with the bank.

**p) Provisions and contingencies**
*(i) Provisions*
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even of the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. In particular, provision is not made for future operating losses.

*(ii) Contingencies*
Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Lease Earnings

Lease earnings includes the following:

| | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Finance lease income | **16,339** | 16,736 |
| Operating lease income | **118** | 218 |
| Loans/hire purchase income | **1,385** | 2,393 |
| Renewal income | **6,462** | 5,360 |
| Gain/(loss) on disposals | **1,040** | 708 |
| Other fees | **467** | 197 |
| | **25,811** | 25,612 |

### 5. Administrative costs and charge offs

| Administrative costs in the year include : | Note | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|---|
| European shared service centre fee (operations costs) | | **1,965** | 1,873 |
| Depreciation | | **425** | 284 |
| Professional fees (legal fees, audit fees, consulting fees) | | **691** | 653 |
| Staff costs | 9 | **5,828** | 5,263 |
| Occupancy costs | | **(266)** | 162 |
| IT & other office costs | | **1,300** | 1,165 |
| Facility & bank fees | | **160** | 369 |
| Printing & stationery | | **131** | 71 |
| Foreign exchange (gain)/loss | | **(38)** | (347) |
| Other costs (including marketing/ sales, subscriptions, miscellaneous) | | **95** | 27 |
| Group shared costs* | | **(1,500)** | - |
| | | **8,791** | 9,520 |

*Group shared costs relate to costs shared between PEAC UK Ltd and PEAC Business Finance Ltd initially incurred by PEAC UK Ltd such as employee salaries.

The change in bad debt provisions and charges offs includes amounts written off for delinquent debtors as well as movements in the bad debt provision. During the current year there was a combined charge of £1,350k (2021: £6,358 (which included an impairment of £4,158 in relation to the Arena Group fraud)).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Interest payable and similar charges

| Interest payable and similar charges include: | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Interest on intercompany loans from group undertakings | 3,591 | 2,453 |
| Interest expense on third party debt | 5,007 | 5,192 |
| Deferred debt issuance costs amortised | 74 | 28 |
| Other charges | 231 | 294 |
| | 8,903 | 7,967 |

| Deferred debt issuance costs: | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| At 1 July | 155 | 7 |
| Additions | - | 176 |
| Amortised through SOCI during the year | (74) | (28) |
| At 30 June | 81 | 155 |

Debt issuance costs are deferred on the balance sheet and subsequently written off over the weighted average life of the portfolio. The costs deferred at 30 June 2022 include the Company's allocation of the fees relating to setting up the securitisation program.

### 7. Interest receivable and similar income

| | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Interest on intercompany loans to parent | 10,941 | 7,330 |
| Bank interest receivable | 25 | - |
| | 10,966 | 7,330 |

### 8. Profit/(loss) on ordinary activities before taxation

| Profit/(loss) on ordinary activities before taxation is stated after charging: | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Fees paid to Company auditors – for current year audit services | 228 | 250 |
| Fees paid to Company auditors for tax compliance | 13 | 22 |
| Staff costs (see note 9) | 5,828 | 5,263 |
| Other expenses: | | |
| - Fair value movement of mark to market SWAP derivative instruments | 13,837 | 4,237 |
| - Operating lease expenses | 243 | 159 |
| - Depreciation Operating Lease equipment | 102 | 191 |
| - Amortisation of other intangible fixed assets | 237 | 87 |
| - Depreciation other tangible fixed assets | 188 | 93 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Staff numbers and related costs

The average number of people employed by the Company (including directors) is 62 as at 30 June 2022 (Year ended 30 June 2021: 62).

| | Year ended 30 June 2022 | Year ended 30 June 2021 |
|---|---|---|
| Senior management | 1 | 1 |
| Credit, Finance and Legal | 19 | 18 |
| Sales and Marketing | 9 | 9 |
| Operations | 33 | 34 |
| Average number of employees | 62 | 62 |

| | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Wages & salaries | 4,005 | 3,861 |
| Social security | 490 | 471 |
| Other pension costs | 305 | 294 |
| Other benefits and sales incentives | 1,028 | 637 |
| | 5,828 | 5,263 |

The Company operates a Defined Contribution Pension (DCP) Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The DCP contributions were £305k for the year (Year ended 30 June 2021 : £294k).

### 10. Directors' Remuneration

| | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Directors' emoluments | 392 | 360 |
| Company contributions to money purchase pension schemes | 2 | - |
| | 394 | 360 |

Two directors were employed and paid by the Company, with one of these active directors at 30 June 2022. The other directors have not received remuneration for their service to the Company.

Emoluments of the highest paid director were £369k (Year ended 30 June 2021: £342k).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Taxation

| a. Analysis of the tax charge in the period | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax on loss of the periods | - | - |
| Adjustment in respect of previous periods | - | - |
| **Total current tax** | | - |
| | | |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | **(371)** | (387) |
| Deferred tax adjustments | - | (1,771) |
| **Tax on profit on ordinary activities** | **(371)** | (2,158) |

| b. Factors affecting tax charge for the period | Year ended 30 June 2022 £ 000's | Year ended 30 June 2021 £ 000's |
|---|---|---|
| Reconciliation of current tax on profits on ordinary activities at the standard rate of corporation tax to the Company's actual current tax charge is shown below | | |
| | | |
| Profit on ordinary activities before tax | **31,570** | 13,334 |
| Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 19.00% (2021: 19.00%) | **5,998** | 2,533 |
| | | |
| Effects of: | | |
| Fixed Asset Differences | **85** | 7 |
| Deferred tax not recognised | **12,019** | (2,735) |
| Income not taxable for tax purposes | **(20)** | (25) |
| Expenses not deductible for tax purposes | **8** | 8 |
| Group relief (claimed) | **(2,188)** | (1,955) |
| *Adjustment relating to tax charge in respect of previous* periods | - | 9 |
| Adjustment to brought forward values | **(13,295)** | - |
| Remeasurement of deferred tax for change in tax rates | **(2,978)** | - |
| Current tax (credit)/charge for period (note 11a.) | **(371)** | (2,158) |

**c. Factors that may affect future tax charges**

The Corporation Tax main rate has been maintained at 19% (2021 effective rate: 19.00%)). An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted in the Finance Bill 2021 on 24 May 2021. See Note 17.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Intangible assets

| | Software £ 000's | Total £ 000's |
|---|---|---|
| **Cost** | | |
| At 1 July 2021 | 1,485 | 1,485 |
| Additions | **1,344** | **1,344** |
| At 30 June 2022 | **2,829** | **2,829** |
| **Amortisation** | | |
| At 1 July 2021 | 230 | 230 |
| Charge for the year | **237** | **237** |
| At 30 June 2022 | **467** | **467** |
| **Net Book Value** | | |
| **At 30 June 2022** | **2,362** | **2,362** |
| At 30 June 2021 | 1,255 | 1,255 |

### 13. Tangible fixed assets

| | Office Equipment under Operating leases £ 000's | Leasehold Property £ 000's | Office Equipment £ 000's | Total £ 000's |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 July 2021 | 1,046 | 335 | 303 | 1,684 |
| Additions | - | - | 26 | 26 |
| Disposals | (774) | - | (42) | (816) |
| At 30 June 2022 | **272** | **335** | **287** | **894** |
| **Depreciation** | | | | |
| At 1 July 2021 | 827 | 116 | 153 | 1,096 |
| Charge for the year | **102** | **33** | **53** | **188** |
| Disposals | **(669)** | **-** | **-** | **(669)** |
| At 30 June 2022 | **260** | **149** | **206** | **615** |
| **Net Book Value** | | | | |
| **At 30 June 2022** | **12** | **186** | **81** | **279** |
| At 30 June 2021 | 219 | 219 | 150 | 588 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13. Tangible fixed assets (continued)

The Company's residual value exposure in respect of operating lease equipment, all of which are expected to be disposed of at the end of the lease term, is expected to be recovered as follows:

| | 30 June 2022<br>£ 000's | 30 June 2021<br>£ 000's |
|---|---|---|
| Less than 1 year | 3 | 107 |
| 1 - 2 years | 3 | 3 |
| **Total** | **6** | 110 |

### 14. Cash at Bank

Included in cash at bank is cash in hand, deposits held on call and £130k (Year ended 30 June 2021: £750k) of collateral of which £130k (Year ended 30 June 2021: £130k) is held by Barclays for direct deposits and *£nil (Year ended 30 June 2021: £620k)* is held with BAML as security for the negative swap. Restricted cash balance of £9.9m (Year ended 30 June 2021: £14.7m) relates to bank financing security reserves and advance bank funding for lease purchases.

| | 30 June 2022<br>£ 000's | 30 June 2021<br>£ 000's |
|---|---|---|
| Cash at bank | **30,391** | 36,802 |
| *Of which restricted* | ***9,885*** | *14,749* |

### 15. Debtors

| | Note | 30 June 2022<br>£ 000's | 30 June 2021 as restated*<br>£ 000's |
|---|---|---|---|
| **Amounts falling due within one year:** | | | |
| Trade debtors | | **19,120** | 25,352 |
| Net investment in finance leases and hire purchase contracts | | **96,080** | 111,101 |
| Amounts owed by parent undertaking | **23** | **106,843** | 89,204 |
| Amounts owed by other group undertakings | **23** | **3,385** | 4,586 |
| Other debtors | | **180** | 180 |
| Prepayments and accrued income | | **876** | 1,150 |
| VAT receivable | | **877** | - |
| Derivative financial assets | | **5,422** | - |
| Bad debts provision | **16** | **(7,908)** | (16,633) |
| | | **224,875** | 214,940 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15. Debtors (continued)**

| | Note | 30 June 2022 | 30 June 2021 as restated * |
|---|---|---|---|
| | | £ 000's | £ 000's |
| **Amounts falling due after more than one year:** | | | |
| Net investment in finance leases and hire purchase contracts | | 153,200 | 146,163 |
| Bad debt provision | 16 | (1,759) | (1,740) |
| | | 151,441 | 144,423 |

| | 30 June 2022 | 30 June 2021 |
|---|---|---|
| | £ 000's | £ 000's |
| **Reconciliation of gross investment and present value of minimum lease payments receivable** | | |
| Gross investment in the lease | 282,910 | 292,931 |
| Less: Finance charges allocated to future years | (33,630) | (35,667) |
| | 249,280 | 257,264 |

| | 30 June 2022 | 30 June 2021 as restated* |
|---|---|---|
| | £ 000's | £ 000's |
| **Gross investment in finance leases** | | |
| One year or less | 106,965 | 123,145 |
| Between one and five years | 174,073 | 166,666 |
| Over five years | 1,872 | 3,120 |
| Total net investment | 282,910 | 292,931 |

| | 30 June 2022 | 30 June 2021 as restated* |
|---|---|---|
| | £ 000's | £ 000's |
| **Present value of minimum lease payments receivables** | | |
| One year or less | 96,081 | 111,101 |
| Between one and five years | 151,724 | 143,744 |
| Over five years | 1,475 | 2,419 |
| Total net investment | 249,280 | 257,264 |

| | 30 June 2022 | 30 June 2021 |
|---|---|---|
| | £ 000's | £ 000's |
| **Residual values included in finance lease net investment** | | |
| One year or less | 6,223 | 15,673 |
| Between one and five years | 20,645 | 12,373 |
| Over five years | 115 | 1 |
| Total exposure | 26,983 | 28,047 |

* Please see note 27 for further details.

Included in debtors at 30 June 2021 was a portfolio of lease receivables with a net present value of £70,373k (Year ended 30 June 2021: £153,542k), sold to a fellow subsidiary under a securitisation structure set up in January 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15. Debtors (continued)**

Also included in debtors was a second portfolio of lease receivables with a net present value of £178,845k (Year ended 30 June 2021: £103,635k), sold to another fellow subsidiary under a securitisation structure set up in April 2020.

The directors have concluded that the Company retains all significant risks and rewards associated with the receivables and accordingly these assets continue to be recognised in the Company's financial statements and the financial liabilities were also recognised in respect of the related funding received, see Loan note facilities in Note 18(b).

**16. Provision for bad and doubtful debts**

| **Provision against specific debts** | **30 June 2022** | 30 June 2021 as restated* |
|---|---|---|
| | **£'000's** | £'000's |
| 1 July | **18,373** | 15,908 |
| Provision movement in year | **(8,706)** | (1,693) |
| Impairment | **-** | 4,158 |
| 30 June | **9,667** | 18,373 |
| | | |
| Amounts falling due within one year | **7,908** | 16,633 |
| Amounts falling due after more than one year | **1,759** | 1,740 |
| | **9,667** | 18,373 |

* Please see note 27 for further details.

The large reduction in the provision during the current is due to termination of a number of delinquent agreements previously provided for.

**17. Deferred tax asset/(liability)**

Deferred taxation assets/(liabilities) recognised in the accounts and the assets/(liabilities) not recognised are as follows:

| | **30 June 2022 Recognised** | **30 June 2022 Unrecognised** | 30 June 2021 Recognised | 30 June 2021 Unrecognised |
|---|---|---|---|---|
| | **£'000's** | **£'000's** | £'000's | £'000's |
| At 1 July | **7,765** | **34,361** | 5,607 | 26,986 |
| Movement in the period | **371** | **12,978** | 2,158 | 7,375 |
| At 30 June | **8,136** | **47,339** | 7,765 | 34,361 |

The amount of the unprovided deferred tax asset at the balance sheet date in respect of all unrecognised timing differences is £47,339k (30 June 2021: unrecognised £34,361k) using a rate of 25% (2021: 25%). The Directors believe sufficient taxable profits to utilise the losses will arise in the future and have decided to recognise deferred tax assets for £8,136k (30 June 2021: £7,765k) based on the accounting policy described in note 2.j. It is estimated that £1,426k of the deferred tax asset recognised will reverse in the next 12 months (2021: £2,701k) mainly due to the utilisation of tax losses. These losses and charges may be carried forward indefinitely under current law.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18(a) Creditors: amounts falling due within one year

| | Note | 30 June 2022<br>£ 000's | 30 June 2021<br>£ 000's |
|---|---|---|---|
| Trade creditors | | (5,655) | (5,950) |
| Amounts owed to other group undertakings | 23 | (4,774) | (3,945) |
| Secured loan with related parties | 23 | (5,969) | (6,009) |
| Loan note facility | | (86,371) | (105,177) |
| Payroll taxes | | (180) | (176) |
| Amounts owed to HMRC | | - | (2,063) |
| Other creditors | | (1,692) | (1,229) |
| Derivative financial liability | | - | (3,161) |
| Accruals and deferred income | | (1,999) | (2,651) |
| | | (106,640) | (130,361) |

### 18(b) Creditors: amounts falling due after one year

| | | 30 June 2022<br>£ 000's | 30 June 2021<br>£ 000's |
|---|---|---|---|
| Loan note facilities | 15 | (140,074) | (136,583) |

| Maturity of Discounted Floating Rate Note | 30 June 2022<br>£ 000's | 30 June 2021<br>£ 000's |
|---|---|---|
| One year or less | (86,371) | (105,177) |
| Between one and five years | (138,703) | (134,008) |
| Over five years | (1,371) | (2,575) |
| Total | (226,445) | (241,760) |

### 19. Financial instruments

The Company's financial instruments may be analysed as follows:

| | 30 June 2022<br>£ 000's | 30 June 2021<br>£ 000's |
|---|---|---|
| Financial assets: | | |
| Financial assets measured at fair value through profit or loss | 5,422 | - |
| Financial assets measured at amortised cost | 409,198 | 416,035 |
| Financial liabilities: | | |
| Financial liabilities measured at fair value through profit or loss | - | (3,161) |
| Financial liabilities measured at amortised cost | (244,535) | (258,891) |

Financial assets measured at amortised cost comprise cash, trade debtors, finance lease and hire purchase receivables, other debtors and amounts owed by group companies.

PEAC (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**19. Financial instruments (continued)**

Financial assets and liabilities measured at fair value through profit or loss include derivative financial instruments comprising interest rate swaps. Under FRS 102 PEAC categorises the swap inputs as Level 3. Information regarding the Company's exposure to and management of credit risk, liquidity risk, market interest rate risk, and foreign exchange risk is included in the Strategic report.

Financial liabilities measured at amortised cost comprise bank and intercompany loans, trade creditors and other creditors.

**20. Called up share capital and reserves**

| | 30 June 2022 | 30 June 2021 |
|---|---|---|
| **Authorised** | | |
| Ordinary Shares of £1 each | 350,000,000 | 350,000,000 |
| **Allotted, called up and fully paid** | | |
| Ordinary Shares of £1 each | 21,191,605 | 21,191,605 |

| | Share premium reserve £ 000's | Profit and loss account £ 000's | Total £ 000's |
|---|---|---|---|
| At 1 July 2021 | 41,919 | 75,718 | 117,637 |
| Profit for year | - | 31,941 | 31,941 |
| **At 30 June 2022** | **41,919** | **107,659** | **149,578** |

The share premium account includes the premium on issue of equity shares, net of any issue costs. Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**21. Reconciliation of movements in shareholders' funds**

| | 30 June 2022 £ 000's | 30 June 2021 £ 000's |
|---|---|---|
| Profit/ (loss) for the financial year | 31,941 | 15,492 |
| **Net addition to shareholders' fund** | 31,941 | 15,492 |
| Opening shareholders' funds | 138,829 | 123,337 |
| Prior year adjustment | | - |
| **Closing shareholders' funds** | 170,770 | 138,829 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. Contingent liabilities and commitments

**22(a) – Contingent liabilities**
There were no contingent liabilities at 30 June 2022 (30 June 2021 – none).

**22(b) – Commitments**

| **Land and buildings** | **30 June 2022** | 30 June 2021 |
|---|---|---|
| | **£ 000's** | £ 000's |
| At the year-end the Company has rental commitments under non-cancellable operating leases as follows: | | |
| Expiring: | | |
| - Not later than 1 year | **118** | 118 |
| - Later than 1 year and not later than 5 years | **43** | 161 |
| - Later than 5 years | **-** | - |
| Total | **161** | 279 |

### 23. Related party transactions
The Company has also taken advantage of the exemption, under FRS 102 paragraph 33.1A, from disclosing related party transactions with other companies that are wholly owned within a Group.

### 24. Controlling parties
At the year end, the immediate controlling party, was PEAC Holdings (UK) Limited, a Company incorporated in England. Copies of its financial statements are available from Inspired, Easthampstead Road, Bracknell, RG12 1YQ, United Kingdom.

The parent undertaking of both the largest and smallest group of undertakings for which group financial statements are drawn up, and of which the Company and immediate controlling party were members, is PEAC Holdings (Ireland) D.A.C., a Company incorporated in the Republic of Ireland. Copies of its financial statements are available from Inspired, Easthampstead Road, Bracknell, RG12 1YQ, United Kingdom.

### 25. Subsequent events

**Non-adjusting Events**
On 20 December 2022 the Company repaid its secured loan with PEAC Germany Gmbh, included in current liabilities, for €7,019k.

On 21 December 2022 the Company entered into a secured revolving loan facility, alongside other group companies, with Societe Generale. On 23 December 2022 the Company received a loan for £25,000k from the facility.

### 26. Key management compensation
The compensation of senior management team, including pension contributions, was £1,349k (year ended 30 June 2021: £1,441k).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Prior period error

The prior year financial statements included a misstatement in relation to the ageing of the net investment in finance lease and hire purchase contracts and bad debt provisions. This has been corrected in these financial statements. The correction has resulted in a total reclassification of £1,917, £3,657k in relation to net investments in finance lease and hire purchase contracts and £1,740 in relation to bad debt provisions, between debtors due within one year and debtors due after one year. Also included in the prior period adjustment was a reclassification of bad debt write offs included in the bad debt provision line within debtors due within one year.

| | Prior year financial statements £000's | Prior year adjustment £000's | As restated £000's |
|---|---|---|---|
| **Non current assets** | 152,114 | 1,917 | 154,031 |
| **Current assets** | 253,659 | (1,917) | 251,742 |
| **Net current assets** | 123,298 | (1,917) | 121,381 |
| **Debtors: due after one year** | 142,506 | 1,917 | 144,423 |
| Net investment in finance leases and hire purchase contracts | 142,506 | 3,657 | 146,163 |
| Bad debt provision | - | (1,740) | (1,740) |
| **Debtors: due within one year** | 216,857 | (1,917) | 214,940 |
| Net investment in finance leases and hire purchase contracts | 114,758 | (3,657) | 111,101 |
| Trade debtors | 28,004 | (2,652) | 25,352 |
| Bad debt provision | (21,025) | 4,392 | (16,633) |

### 28. *Approval of financial statements*

The financial statements were approved by the directors on 12 May 2023.