

PEAC (UK) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2021



PEAC (UK) Limited

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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PEAC (UK) Limited

DIRECTORS AND OTHER INFORMATION

Directors

J. Ashley
S. Charlton
A. Bromfield (appointed 26 May 2021)
J. Staadecker (appointed 12 October 2021)
M. Bousaba (appointed 28 February 2022)
J. Andrew (appointed 5 December 2019, resigned 16 July 2020)
J. Sutton (resigned 3 March 2021)
A. Dahiya (resigned 8 November 2021)

Registered Office

Inspired
Eastthampstead Road
Bracknell
RG12 1YQ

Registered Number

03088213

Secretary

P. Venner

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EL
United Kingdom

Bankers

Barclays Bank PLC
Broadgate
Leicestershire
LE87 2BB
United Kingdom

Bank of America Merrill Lynch Limited
2 King Edward Street
EC1A 1HQ
London
United Kingdom

PEAC (UK) Limited

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 volume during the 2021 financial year and the last three months of the prior year was negatively impacted by the COVID 19 pandemic. During the year ended 30 June 2021 the Company generated new business originations of £109.0 million compared to £118.8 million in the year ended 30 June 2020.

On 30 June 2021, PEAC Business Finance Holdings Limited (then called Japan Bidco Limited), a subsidiary of the Company's parent company, PEAC Holdings (UK) Limited, acquired the entire share capital of PEAC Business Finance Limited (then called Barclays Mercantile Business Finance Limited). As a part of the acquisition, the Company has agreed to provide PEAC Business Finance Limited and its subsidiary, PEAC (BF1) Limited) post-acquisition with certain credit, collection, asset management, operational, facilities, legal, compliance, IT, finance, treasury, human resource, payroll, marketing and executive support services.

Results

For the year ended 30 June 2021, the Company recorded a profit before tax of £13,334k, which included a one off event of £4,158k impairment (2020: £7,591k), subsequently a tax credit of £2,158k resulted in a profit after tax of £15,492k compared to the prior Year profit after tax of £7,882k.

Lease earnings

Lease earnings in the current year were lower by £3,020k compared to the prior year, due to the pandemic negatively impacting supply chains and reducing new business volume.

Interest payable and similar charges

The interest payable and similar charges increased by £589k, 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 2021, proportionally charge offs decreased by 50% compared to the prior year, excluding the one-off impairment of £4,158k (2020: nil), see page 7.

Administrative Expenses

Administrative expenses for the year ended 30 June 2021 were down by (£748k) to £9,520k (2020: £10,268k).

Interest receivable and similar income

Interest receivable increased by £3,103k 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 £4,237k in the current year as a result of a favourable movement in the mark to market adjustment (2020: charge of (£3,269k)).

Tax

The credit in the period of £2,158k represents the movement on the deferred tax assets recognised in the period (Year ended 30 June 2020: £291k).

PEAC (UK) Limited

STRATEGIC REPORT (continued)

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.

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 with 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

PEAC (UK) Limited

STRATEGIC REPORT (continued)

Key performance indicators (KPI's) (continued)

KPIs	Year ended 30 June 2021	Year ended 30 June 2020
Average Yield of Portfolio	9.65%	9.43%
New volume (£/m)	109m	119m
Net Charge-offs*	0.98%	1.38%
Net investment (£/m)	261m	283m

*Excluding investment impairment, see Adjusting Event in the Directors' Report, page 7.

The Company achieved comparatively strong performance in the year ended 30 June 2021, generating £109m of volume (92% of prior year) and maintaining portfolio yields in the challenging and uncertain economic environment caused by the COVID pandemic.

The Company actively supported customers in financial difficulty via granting requests for forbearance and other measures. The success of this approach is reflected in a significantly improved net charge off rate of 0.98% for the year ending 30 June 2021.

By order of the Board



S. Charlton
Director

Date: 31 March 2022

PEAC (UK) Limited

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of PEAC (UK) Limited ("the Company") for the year ended 30 June 2021.

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 2021 (year ended 30 June 2020: nil).

For the year ended 30 June 2021 the Company made a profit after tax of £15,492k (year ended 30 June 2020: £7,882k).

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 of which there is no impact on the financial statements for the year ending 30 June 2021 and 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 2021 financial statements, the directors have taken various matters into account. Refer to Note 2(b) to the financial statements on page 16.

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 2020 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

Adjusting Event

On or around 12 November 2021, PEAC was informed that one of PEAC (UK) Limited's customers had ceased trading as a result of suspected fraudulent activity. Joint administrators of the customer Arena Holdings Limited later confirmed that all the assets presumed to be financed by PEAC (UK) Limited did not exist. A significant number of lenders were exposed to the Arena Group fraud, including PEAC (UK) Limited and PEAC Business Finance Limited; as such the related net investment held by PEAC (UK) Limited was fully impaired at a value of £4,158k.

Non-adjusting Events

On 5 November 2021 the Company entered into an interest rate swap agreement to hedge fixed rate leases originated in PEAC Business Finance, a group Company acquired on 30 June 2021.

On 15 December 2021 the floating rate on both loan facilities were converted from Libor to Sonia. At the same time the derivative profile of the Company was restructured; whereby interest rate swap products were converted from LIBOR reference rates to Sonia to align with the financing facility. Additionally the future notional profiles were amended and extended to improve hedge efficiency and hedge future originations. The revolving period on the financing facility for PEAC Receivables II DAC was also extended to the 20th December 2023 (previously 21st March 2022).

PEAC (UK) Limited

DIRECTORS' REPORT (continued)

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 2021 and the year ended 30 June 2020, there were no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions in place.

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



S. Charlton
Director

Registered No: 03088213

Date: 31 March 2022

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



S. Charlton
Director

Date: 31 March 2022

PEAC (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS 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 2021 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 2021 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.

PEAC (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS 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 and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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; or

Responsibilities of Directors

As explained more fully in the Statement of the 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.

PEAC (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS 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 Financial Conduct Authority ("FCA") regulations, pension legislation, 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 discussed above.
- 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 and correspondence with the Financial Conduct Authority.
- 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.

PEAC (UK) Limited

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

31 March 2022

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

PEAC (UK) Limited

STATEMENT OF COMPREHENSIVE INCOME For the Year ended 30 June 2021

	Note	Year ended 30 June 2021 £000's	Year ended 30 June 2020 £000's
Lease earnings	4	25,612	28,632
Interest payable and similar charges	6	(7,967)	(7,378)
Gross profit		17,645	21,254
Change in bad debt provision/ charge offs (net of recoveries)		(6,358)	(4,353)
Administrative costs	5	(9,520)	(10,268)
Operating profit		1,767	6,633
Interest receivable and similar income	7	7,330	4,227
Fair value movement of mark to market SWAP derivative instruments	8	4,237	(3,269)
Profit on ordinary activities before taxation		13,334	7,591
Tax on profit on ordinary activities	11	2,158	291
Profit for the year		15,492	7,882
Other comprehensive income		-	-
Total comprehensive income for the year		15,492	7,882

The notes on pages 16 to 31 form an integral part of these financial statements.

PEAC (UK) Limited

BALANCE SHEET As at 30 June 2021

	Note	30 June 2021 £ 000's	30 June 2020 £ 000's
Non Current Assets			
Intangible assets	12	1,255	534
Tangible assets	13	588	929
Deferred tax asset	17	7,765	5,608
Debtors: due after one year	15	<u>142,506</u>	<u>164,963</u>
		152,114	172,034
Current assets			
Cash at bank	14	36,802	31,911
Debtors: due within one year	15	<u>216,857</u>	<u>188,778</u>
		253,659	220,689
Creditors: due within one year	18(a)	<u>(130,361)</u>	<u>(121,496)</u>
Net current assets		123,298	99,193
Total assets less current liabilities		275,412	271,227
Creditors: due after one year	18(b)	<u>(136,583)</u>	<u>(147,890)</u>
Net Assets		<u>138,829</u>	<u>123,337</u>
Capital and reserves			
Called up share capital	20	21,192	21,192
Share premium reserve		41,919	41,919
Profit and loss account		75,718	60,226
Shareholders' funds		<u>138,829</u>	<u>123,337</u>

The notes on pages 16 to 31 form an integral part of these financial statements.

Approved by the Directors on 30 March 2022 and signed on their behalf by:



S. Charlton
Director

PEAC (UK) Limited

STATEMENT OF CHANGES IN EQUITY
As at 30 June 2021

	Note	Called-up share capital	Share Premium reserve	Retained earnings	Total
Balance as at 1 July 2019		21,192	41,919	52,359	115,470
Prior year adjustment				(15)	(15)
Total comprehensive income for the year		-	-	7,882	7,882
Balance as at 30 June 2020	21	21,192	41,919	60,226	123,337
Balance as at 1 July 2020	20	21,192	41,919	60,226	123,337
Total comprehensive income for the year		-	-	15,492	15,492
Balance as at 30 June 2021	21	21,192	41,919	75,718	138,829

The notes on pages 16 to 31 form an integral part of these financial statements.

PEAC (UK) Limited

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.
- 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 2.f, 2.n and 2.p.

b) Going concern

As at 30 June 2021, the Company had net assets of £138.8m (30 June 2020: £123.3m) and it has recorded a profit after tax of £15.5m for the year ended 30 June 2021 (Year ended 30 June 2020: £7.9m profit).

The Directors have considered the impact of recent current events on the business, in particular the conflict in Ukraine of which there is no impact on the financial statements for the year ending 30 June 2021 and 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.

An assessment of the Company's ability to continue as a going concern has been carried out and the Directors have concluded that the going concern basis of preparation is appropriate.

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 is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

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.

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.

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

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.

Deferred tax assets are recognised on the expected Company profit, based on its financial plan.

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

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

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
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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.

(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

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

n) Financial instruments (continued)

(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.

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 2021. The interest rate derivatives have a total notional of £233.9m (30 June 2020: £333.8m) and a fair value adjustment at 30 June 2021 of +£4.2m gain (30 June 2020: -£3.3m charge). The derivative contracts in relation to the activity of PEAC Receivables I D.A.C. are due to mature in 2023 with the remainder expected to mature in 2025. The impact of these derivatives has been reflected in the Statement of Comprehensive Income of the Company.

On 15 December 2021 the derivative profile of the Company was restructured; whereby interest rate swap products were converted from LIBOR reference rates to Sonia to align with the financing facility. Additionally the future notional profiles were amended and extended to improve hedge efficiency and hedge future originations.

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

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

n) Financial instruments (continued)

(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 if 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.

4. Lease Earnings

Lease earnings includes the following:

	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
Finance lease income	16,736	18,084
Operating lease income	218	420
Loans/hire purchase income	2,393	3,812
Renewal income	5,360	5,172
Gain/(loss) on disposals	708	571
Other fees	197	573
	<u>25,612</u>	<u>28,632</u>

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Administrative costs

Administrative costs in the year include :	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
European shared service centre fee (operations costs)	1,873	1,632
Depreciation	284	518
Professional fees (legal fees, audit fees, consulting fees)	653	651
Staff costs	5,263	5,470
Occupancy costs	162	55
IT & other office costs	1,165	1,370
Facility & bank fees	369	174
Printing & stationery	71	83
Foreign exchange (gain)/loss	(347)	110
Other costs (including marketing/ sales, subscriptions, miscellaneous)	27	205
	<u>9,520</u>	<u>10,268</u>

6. Interest payable and similar charges

Interest payable and similar charges include:	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
Interest on intercompany loans from group undertakings	2,453	519
Interest expense on third party debt	5,192	5,876
Deferred debt issuance costs amortised	28	455
Other charges	294	528
	<u>7,967</u>	<u>7,378</u>

Deferred debt issuance costs:	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
At 1 July	7	462
Additions	175	-
Amortised through SOCI during the year	(28)	(455)
At 30 June 2021	<u>155</u>	<u>7</u>

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 2021 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 2021 £ 000's	Year ended 30 June 2020 £ 000's
Interest on intercompany loans to parent	7,330	4,216
Bank interest receivable	-	11
	<u>7,330</u>	<u>4,227</u>

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Profit/(loss) on ordinary activities before taxation is stated after charging:	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
Fees paid to Company auditors – for current year audit services	250	139
Fees paid for tax compliance	22	36
Staff costs (see note 9)	5,263	5,470
Other expenses:		
- Fair value movement of mark to market SWAP derivative instruments	4,237	(3,269)
- Operating lease expenses	159	156
- Depreciation Operating Lease equipment	191	376
- Depreciation Other tangible fixed assets	93	157

9. Staff numbers and related costs

The average number of people employed by the Company (including directors) is 62 as at 30 June 2021 (Year ended 30 June 2020: 58).

	Year ended 30 June 2021	Year ended 30 June 2020
Senior management	1	2
Credit, Finance and Legal	18	16
Sales and Marketing	9	10
Operations	34	31
Average number of employees	62	58

	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
Wages & salaries	3,861	4,027
Social security	471	505
Other pension costs	294	308
Other benefits and sales incentives	637	630
	5,263	5,470

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 £282k for the year (Year ended 30 June 2020 : £294k).

10. Directors' Remuneration

	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
Directors' emoluments	360	728
Company contributions to money purchase pension schemes	-	27
	360	755

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Directors' Remuneration (continued)

Two directors were employed and paid by the Company, with one of these active directors at 30 June 2021. The other directors have not received remuneration for their service to the Company.

Emoluments of the highest paid director were £342k (Year ended 30 June 2020: £422k).

11. Taxation

a. Analysis of the tax charge in the period	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 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	(387)	288
Total deferred tax	(1,771)	(579)
Tax on profit/(loss) on ordinary activities	(2,158)	(291)

b. Factors affecting tax charge for the period	Year ended 30 June 2021 £ 000's	Year ended 30 June 2020 £ 000's
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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	13,334	7,591
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 19.00% (2020: 19.00%)	2,533	1,442
Effects of:		
Fixed Asset Differences	7	113
Deferred tax not recognised	(2,735)	(111)
Income not taxable for tax purposes	(25)	(76)
Expenses not deductible for tax purposes	8	95
Group relief (claimed)	(1,955)	(1,754)
Adjustment relating to tax charge in respect of previous periods	9	
Current tax (credit)/charge for period (note 11a.)	(2,158)	(291)

c. Factors that may affect future tax charges

The Corporation Tax main rate has been maintained at 19% (2020 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.

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Intangible assets

	Software £ 000's	Total £ 000's
Cost		
At 1 July 2020	677	677
Additions	809	809
Disposals	-	-
At 30 June 2021	<u>1,485</u>	<u>1,485</u>
Amortisation		
At 1 July 2020	143	143
Additions	87	87
Disposals	-	-
At 30 June 2021	<u>230</u>	<u>230</u>
Net Book Value		
At 30 June 2021	<u>1,255</u>	<u>1,255</u>
At 30 June 2020	<u>534</u>	<u>534</u>

During the year £395,885 of software was purchased for the operations of PEAC Business Finance Limited, in advance of the acquisition, and was transferred in full on the 1 July 2021 to PEAC Business Finance Limited, when the working life of the assets began; no amortisation was charged during the year held in PEAC UK Limited.

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 2020	1,902	335	229	2,466
Additions	-	-	74	74
Disposals	(856)	-	-	(856)
At 30 June 2021	<u>1,046</u>	<u>335</u>	<u>303</u>	<u>1,684</u>
Depreciation				
At 1 July 2020	1,361	83	93	1,537
Charge for the year	191	33	60	285
Disposals	(725)	-	-	(725)
At 30 June 2021	<u>827</u>	<u>116</u>	<u>153</u>	<u>1,096</u>
Net Book Value				
At 30 June 2021	<u>219</u>	<u>219</u>	<u>150</u>	<u>588</u>
At 30 June 2020	<u>541</u>	<u>252</u>	<u>136</u>	<u>929</u>

During the year £41,383 of office equipment was purchased for the operations of PEAC Business Finance Limited, in advance of the acquisition, and was transferred in full on the 1 July 2021 to PEAC Business Finance Limited, when the working life of the assets began; no depreciation was charged during the year held in PEAC UK Limited.

PEAC (UK) Limited

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 2021 £ 000's	30 June 2020 £ 000's
Less than 1 year	107	193
1 - 2 years	3	47
Total	110	240

14. Cash at Bank

Included in cash at bank is cash in hand, deposits held on call and £750k of collateral of which £620k is held with BAML as security for the negative swap valuation and £130k held by Barclays for direct deposits. Restricted cash balance of £14.7m relates to bank financing security reserves and advance bank funding for lease purchases.

	30 June 2021 £ 000's	30 June 2020 £ 000's
Cash at bank	36,802	31,911
<i>Of which restricted</i>	<i>14,749</i>	<i>10,928</i>

15. Debtors

	Note	30 June 2021 £ 000's	30 June 2020 £ 000's
Amounts falling due within one year:			
Trade debtors		28,004	28,375
Net investment in finance leases and hire purchase contracts		114,758	118,507
Amounts owed by parent undertaking	23	89,204	50,976
Amounts owed by other group undertakings	23	4,586	5,491
Other debtors		180	654
Prepayments and accrued income		1,150	683
Bad debts provision	16	(21,025)	(15,908)
		216,857	188,778

	30 June 2021 £ 000's	30 June 2020 £ 000's
Amounts falling due after more than one year:		
Net investment in finance leases and hire purchase contracts	142,506	164,963

	30 June 2021 £ 000's	30 June 2020 £ 000's
Reconciliation of gross investment and present value of minimum lease payments receivable		
Gross investment in the lease	292,931	322,434
Less: Finance charges allocated to future years	(35,667)	(39,955)
	257,264	283,469

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Debtors (continued)

	30 June 2021 £ 000's	30 June 2020 £ 000's
Gross investment in finance leases		
One year or less	127,439	132,087
Between one and five years	162,372	186,481
Over five years	3,120	4,856
Total net investment	<u>292,931</u>	<u>323,424</u>
	30 June 2021 £ 000's	30 June 2020 £ 000's
Present value of minimum lease payments receivables		
One year or less	114,759	118,506
Between one and five years	140,085	161,267
Over five years	2,420	3,696
Total net investment	<u>257,263</u>	<u>283,469</u>
	30 June 2021 £ 000's	30 June 2020 £ 000's
Residual values included in finance lease net investment		
One year or less	15,673	15,066
Between one and five years	12,373	12,176
Over five years	1	5
Total exposure	<u>28,047</u>	<u>27,247</u>

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

Also included in debtors was a second portfolio of lease receivables with a net present value of £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 2021 £'000's	30 June 2020 £'000's
1 July 2020	15,908	11,224
Provision movement in year	959	4,684
Impairment	<u>4,158</u>	-
30 June 2021	<u>21,025</u>	<u>15,908</u>

On or around 12 November 2021, PEAC was informed that one of PEAC (UK) Limited's customers had ceased trading as a result of suspected fraudulent activity. Joint administrators of the customer Arena Holdings Limited later confirmed that all the assets presumed to be financed by PEAC (UK) Limited did not exist. A significant number of lenders were exposed to the Arena Group fraud, including PEAC (UK) Limited and PEAC Business Finance Limited; as such the related net investment held by PEAC (UK) Limited was fully impaired at a value of £4,158k.

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax asset/(liability)

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

	30 June 2021 Recognised	30 June 2021 Unrecognised	30 June 2020 Recognised	30 June 2020 Unrecognised
	£'000's	£'000's	£'000's	£'000's
At 1 July	5,607	26,986	5,316	23,705
(Released)/arising relating to the current year	-	7,375	-	3,073
(Released)/arising during the prior year	-	-	-	208
Recognition of deferred tax through SOCI	2,158	-	291	-
At 30 June	<u>7,765</u>	<u>34,361</u>	<u>5,607</u>	<u>26,986</u>

The amount of the unprovided deferred tax asset at the balance sheet date in respect of all unrecognised timing differences is £34,361k (30 June 2020: unrecognised £26,986k) using a rate of 25% (2020: 19%). 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; this is likely to increase the company's future tax charge and the deferred tax asset has been calculated on this basis accordingly.

The Directors believe sufficient taxable profits to utilise the losses will arise in the future and have decided to recognize deferred tax assets for £7,765k (30 June 2020: £5,607k) based on the accounting policy described in note 2.j. The majority of these losses and charges may be carried forward indefinitely under current law.

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

	Note	30 June 2021 £ 000's	30 June 2020 £ 000's
Trade creditors		(5,950)	(1,311)
Amounts owed to other group undertakings	23	(3,945)	(3,572)
Loan note facility		(105,177)	(102,095)
Secured loan		(6,009)	-
Payroll taxes		(176)	(145)
Amounts owed to HMRC		(2,063)	(3,623)
Other creditors		(1,229)	(1,315)
Derivative financial liability		(3,161)	(7,398)
Accruals and deferred income		(2,651)	(2,038)
		<u>(130,361)</u>	<u>(121,496)</u>

18(b) Creditors: amounts falling after one year

		30 June 2021 £ 000's	30 June 2020 £ 000's
Loan note facilities	15	<u>(136,583)</u>	<u>(147,890)</u>

Loan note facilities financing the receivables referred to in Note 15. PEAC Receivables I D.A.C. entered into a senior loan facility with Bank of America Merrill Lynch as part of the securitisation programme started in January 2016. The facility is backed by commercial equipment lease contracts.

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18(b) Creditors: amounts falling after one year (continued)

On 25 March 2020, the Company agreed an amendment to the facility and entered the amortisation period on 1 April 2020.

PEAC receivables II D.A.C entered into a new senior loan facility with Bank of America Merrill Lynch as part of the securitisation programme started in April 2020. The facility is backed by commercial equipment lease contracts. On 15 December 2021, the Company agreed an extension to the revolving year of its facility with BAML to the 20th December 2023.

Maturity of Discounted Floating Rate Note	30 June 2021 £ 000's	30 June 2020 £ 000's
One year or less	(105,177)	(102,095)
Between one and five years	(134,008)	(144,137)
Over five years	(2,575)	(3,753)
Total	<u>(241,760)</u>	<u>(249,985)</u>

19. Financial instruments

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

	30 June 2021 £ 000's	30 June 2020 £ 000's
Financial assets:		
Financial assets measured at amortised cost	<u>416,035</u>	<u>400,877</u>
Financial liabilities:		
Financial liabilities measured at fair value through profit or loss	(3,161)	(7,398)
Financial liabilities measured at amortised cost	<u>(258,891)</u>	<u>(256,182)</u>

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

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

Financial liabilities measured at fair value through profit or loss include derivative financial instruments comprising interest rate swaps. Under FRS102 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.

20. Called up share capital and reserves

	30 June 2021	30 June 2020
Authorised		
Ordinary Shares of £1 each	<u>350,000,000</u>	<u>350,000,000</u>
Allotted, called up and fully paid		
Ordinary Shares of £1 each	<u>21,191,605</u>	<u>21,191,605</u>

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Called up share capital and reserves (continued)

	Share premium reserve £ 000's	Profit and loss account £ 000's	Total £ 000's
At 1 July 2020	41,919	60,226	102,145
Profit for year		15,492	15,492
At 30 June 2021	<u>41,919</u>	<u>75,718</u>	<u>117,637</u>

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 2021 £ 000's	30 June 2020 £ 000's
Profit/ (loss) for the financial year	<u>15,492</u>	<u>7,882</u>
Net addition to shareholders' fund	15,492	7,882
Opening shareholders' funds	123,337	115,470
Prior year adjustment	-	(15)
Closing shareholders' funds	<u>138,829</u>	<u>123,337</u>

22. Contingent liabilities and commitments

22(a) – Contingent liabilities

There were no contingent liabilities at 30 June 2021 (30 June 2020 – none).

22(b) – Commitments

Land and buildings	30 June 2021 £ 000's	30 June 2020 £ 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	79
- Later than 1 year and not later than 5 years	161	276
- Later than 5 years	-	-
Total	<u>279</u>	<u>355</u>

23. Related party transactions

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the group.

PEAC (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Adjusting Event

On or around 12 November 2021, PEAC was informed that one of PEAC (UK) Limited's customers had ceased trading as a result of suspected fraudulent activity. Joint administrators of the customer Arena Holdings Limited later confirmed that all the assets presumed to be financed by PEAC (UK) Limited did not exist. A significant number of lenders were exposed to the Arena Group fraud, including PEAC (UK) Limited and PEAC Business Finance Limited; as such the related net investment held by PEAC (UK) Limited was fully impaired at a value of £4,158k.

Non-adjusting Events

On 5 November 2021 the Company entered into an interest rate swap agreement to hedge fixed rate leases originated in PEAC Business Finance, a group Company acquired on 30 June 2021.

On 15 December 2021 the floating rate on both loan facilities were converted from Libor to Sonia. At the same time the derivative profile of the Company was restructured; whereby interest rate swap products were converted from LIBOR reference rates to Sonia to align with the financing facility. Additionally the future notional profiles were amended and extended to improve hedge efficiency and hedge future originations.

The revolving period on the financing facility for PEAC Receivables II DAC was also extended to the 20th December 2023 (previously 21st March 2022).

26. Key management compensation

The compensation of senior management team, including pension contributions, was £1,441k (year ended 30 June 2020: £1,733k).

27. Approval of financial statements

The financial statements were approved by the directors on 31 March 2022.