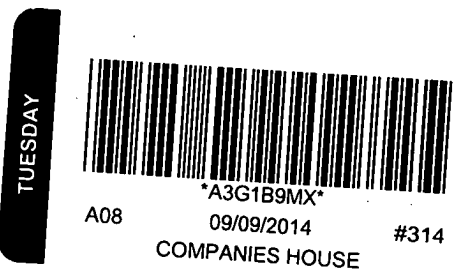


**BAINES & ERNST LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2013**



# **BAINES & ERNST LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2013**

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# **BAINES & ERNST LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

S Sulaman  
A Wisedale

### **REGISTERED OFFICE**

8 St John Street  
Manchester  
M3 4DU

### **BANKERS**

National Westminster Bank Plc  
1 Spinningfields Square  
Manchester  
M3 3AP

### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester  
United Kingdom

# **BAINES & ERNST LIMITED**

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013.

### **DIRECTORS**

The Directors who served during the year under review and thereafter were:

T J O'Neill (Resigned 31 March 2014)  
P Nicholson (Resigned 31 March 2014)  
S Brilus (Resigned 31 March 2014)  
S Sulaman (Appointed 31 March 2014)  
A Wisedale (Appointed 31 March 2014)

### **GOING CONCERN**

The current economic environment presents increased risks and uncertainties for businesses in general. However, given the nature of the Company's business activities, the current economic climate provides it with significant opportunities. As discussed in the business review, the strong prospects for the Company are underpinned by the value of the future cash flows generated from the existing Debt Management Plan (DMP) client book.

The Directors have a reasonable expectation that banking facilities will continue to be secured for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

### **EMPLOYEE INVOLVEMENT**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and in the various factors affecting the performance of the Company.

### **DISABLED EMPLOYEES**

The Company has continued its policy regarding employment of disabled persons. Applications for employment by disabled persons are always given full and fair consideration, bearing in mind the particular aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training, including re-training, is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

### **AUDITOR**

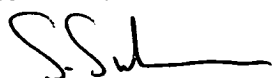
A resolution for the re-appointment of the auditor will be proposed at the next Annual General Meeting.

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board of Directors and signed on behalf of the Board on 26 June 2014.



S Sulaman  
Director  
8 St John Street  
Manchester M3 4DU

## **STRATEGIC REPORT**

### **REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

The audited financial statements for the year ended 31 December 2013 are set out on pages 7 to 17.

A significant key performance indicator for the business is the value of future cash receipts to be generated from the existing Debt Management Plan (DMP) book as this represents future income and profitability already locked in the business. As at 31 December 2013 the value of these future receipts, after allowing for expected attrition, was £28.1m (2012: £28.7m).

The UK continues to have very high levels of personal debt and the Directors believe that there continues to be a very strong demand for the products and solutions provided by the Company and that as one of the market leaders, the Company is well positioned to serve this demand.

On 1 April 2014, The Financial Conduct Authority (FCA) took over responsibility from the Office of Fair Trading for regulation of the debt management sector. The Company has always been committed to adherence to best practice and during 2013 and into 2014 the Company has been reviewing its operating procedures and structures to ensure it is well placed to demonstrate that it meets the high standards required by the FCA. The Company has been granted interim permissions by the FCA and expects to obtain full authorisation by the end of the year.

The Company's strategy is to achieve a balance of operational profitability while growing and maintaining the locked in value of the DMP book. This will be achieved by continuing to focus on offering a best advice service to all customers based on a detailed understanding of their financial circumstances, whether that is through a DMP provided by the Company or referral to providers of alternative solutions.

It is too early to conclude on what the impact of greater regulation will be, but in the medium term we do expect some opportunities for market consolidation as smaller firms exit the market. The Company will carefully consider any acquisition opportunities which arise and pursue any which we believe will enhance value for both the customer and the Company.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's financial instruments other than short term debtors and creditors, comprise cash balances and hire purchase contracts. The Company does not trade in financial instruments nor does it enter into any derivative transactions.

The main risks to the Company, and the policies adopted by the Directors to minimise their effects on the Company, are as follows:

#### **Interest rate and liquidity risk**

Interest rate and liquidity risk are managed by the Company's treasury function through the drawdown of cash available under the parent company's secured loan facility. The drawdown of cash is managed to achieve a balance between access to working capital and minimising borrowings to control interest costs. The value of the secured loan facility is determined each month by reference to the value of future cash receipts which will be generated from the book of DMPs at the end of the preceding month. The Directors constantly monitor the available loan facility and the working capital requirements of the Group.

#### **Credit risk**

The Directors believe that credit risk is limited as amounts due under DMPs are only recognised in the financial statements when received from the client.

#### **Regulatory and taxation risk**

In the forthcoming year the directors expect the level of regulation including the regulatory focus on tax matters to increase, particularly in relation to certain responsibilities of the OFT moving to the FCA.

The Directors constantly monitor the external environment and adapt business practice to ensure that such risks are effectively managed, and that business practice remains fully compliant with all laws and regulations.

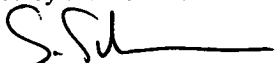
**STRATEGIC REPORT (continued)**

**SOCIAL RESPONSIBILITY**

The Company has considered its activities and their impact in all respects. We are committed to ensuring that the Company delivers value to our customers in a way that is both socially and environmentally acceptable and sustainable.

We similarly have a socially responsible approach to our employment policies with family-friendly working being introduced wherever possible.

Approved by the Board of Directors and signed on behalf of the Board on 26 June 2014.



S Sulaman  
Director  
8 St John Street  
Manchester M3 4DU

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAINES & ERNST LIMITED**

We have audited the financial statements of Baines & Ernst Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where 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.

  
Stephen Williams (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom  
27 JUNE 2014



# BAINES & ERNST LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2013

	Note	2013 £	2012 £
<b>TURNOVER</b>	2	15,123,288	15,145,495
Administrative expenses		(15,713,200)	(13,364,374)
<b>OPERATING (LOSS)/PROFIT</b>		(589,912)	1,781,121
Interest payable and similar charges	4	(629,709)	(636,542)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	(1,219,621)	1,144,579
Tax credit/(charge) on (loss)/profit on ordinary activities	6	268,909	(310,899)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	17	(950,712)	833,680

All results are derived from continuing operations.

There are no recognised gains and losses for the current or preceding financial year, other than as stated above. Therefore, no statement of total recognised gains and losses has been presented.

The accompanying notes are an integral part of these financial statements.

# BAINES & ERNST LIMITED

## BALANCE SHEET

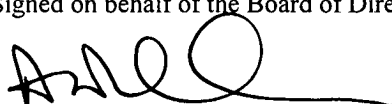
As at 31 December 2013

	Note	2013 £	2012 £
<b>FIXED ASSETS</b>			
Tangible assets	7	624,663	269,392
<b>CURRENT ASSETS</b>			
Debtors	8	13,727,726	15,926,654
Cash at bank and in hand		391,317	282,891
		14,119,043	16,209,545
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(3,739,020)	(4,696,304)
<b>NET CURRENT ASSETS</b>		10,380,023	11,513,241
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,004,686	11,782,633
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	10	(8,546,530)	(8,353,834)
<b>PROVISIONS FOR LIABILITIES</b>	11	(101,059)	(120,990)
<b>NET ASSETS</b>		2,357,097	3,307,809
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	500,000	500,000
Capital redemption reserve	16	25	25
Profit and loss account	16	1,857,072	2,807,784
<b>SHAREHOLDER'S FUNDS</b>	17	2,357,097	3,307,809

Company registration number: 3167325

These financial statements were approved by the Board of Directors on 26 June 2014.

Signed on behalf of the Board of Directors



A Wisedale

Director

The accompanying notes are an integral part of these financial statements.

# **BAINES & ERNST LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2013**

### **1. ACCOUNTING POLICIES**

The principal accounting policies, all of which have been applied consistently throughout the current and preceding year are set out below:

#### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards. In accordance with FRS 1 Cash Flow Statements (revised 1996) the Company has not presented its own cash flow statement as it is a 100% subsidiary of Paymex Limited and its cash flows are included in the consolidated cash flow statement presented in the financial statements of that company.

#### **Going concern**

As outlined in the Directors' Report, these financial statements have been prepared on a going concern basis. The Company receives the continuing support of the parent Company, Paymex Limited and the Directors have a reasonable expectation that banking facilities will continue to be secured for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

#### **Turnover**

The turnover shown in the profit and loss account represents initial and ongoing management fees earned in the normal course of business. Referral fees are recognised on the basis of amounts invoiced. The turnover is exclusive of Value Added Tax where applicable.

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	33% on cost
Fixtures and fittings	20% on cost
Motor vehicles	25% on cost
Computer equipment & software	33% on cost

#### **Borrowings**

Interest bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account over the term of such instruments at a constant rate on the carrying value.

#### **Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be a suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

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

# BAINES & ERNST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2013

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Retirement benefits

Certain members of the executive management team are in the Company's salary exchange personal pension plan (note 14). This scheme is a money purchase scheme with contributions invested by an independent firm of fund managers. Contributions are expensed in the profit and loss account in the year they are incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Employer Financed Retirement Benefit schemes (EFRBSs)

In a previous year, the Group established an employer financed retirement benefit scheme for the benefit of its officers, employees and their wider families, The Paymex Limited Employer Financed Retirement Benefit Scheme ("The Scheme").

In accordance with UITF abstract 32 "Employee Benefit Trusts and other intermediate payment arrangements", the Company does not include the assets and liabilities of The Scheme on its balance sheet to the extent that it considers that it will not have control of the rights or other access to those future economic benefits.

#### Client funds

Client funds are monies held on behalf of consumers prior to being distributed to their respective creditors in accordance with the repayment plans. All client funds are maintained in a designated client account and there is no right of set off between the client money service account and the company office account. These accounts do not form part of the assets of the Company but together with their respective creditors are disclosed by way of note (note 18).

### 2. TURNOVER

All turnover arose within the United Kingdom and relates to one class of business, being that of financial management advice and repayment plan administration.

### 3. STAFF COSTS

	2013 £	2012 £
Wages and salaries	6,476,720	6,460,265
Social security costs	691,024	639,036
Pension contributions (note 14)	17,464	8,262
	<u>7,185,208</u>	<u>7,107,563</u>

The average monthly number of persons employed, including Directors, by the Company during the year was:

	2013 No.	2012 No.
Administrative staff	145	144
Sales staff	147	151
	<u>292</u>	<u>295</u>

**BAINES & ERNST LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2013****3. STAFF COSTS (continued)**

Directors' emoluments for the year were as follows:

	2013 £	2012 £
Directors' emoluments	262,518	499,117
Contributions to money purchase pension scheme	2,853	2,802
	<u>265,372</u>	<u>501,919</u>

Two of the Directors are remunerated through another group company and a recharge is made to the Company for the cost.

Information regarding the highest paid director is as follows:

	2013 £	2012 £
Emoluments and benefits in kind	262,518	244,262
Contributions to money purchase pension scheme	2,853	2,802
	<u>265,372</u>	<u>247,064</u>
Number of directors receiveing contributions to money purchase pension scheme	<u>1</u>	<u>1</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £	2012 £
Bank interest	623,464	630,568
Interest on finance leases and hire purchase agreements	6,245	5,974
	<u>629,709</u>	<u>636,542</u>

**5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	2013 £	2012 £
Rent – operating leases	238,233	288,406
Depreciation – owned assets	166,696	158,430
Depreciation – assets on hire purchase contracts or finance leases	20,416	6,689
Profit on disposal of fixed assets	(3,000)	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	21,885	21,457
Other services pursuant to legislation	3,060	3,000
	<u>450,290</u>	<u>478,982</u>

**BAINES & ERNST LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2013****6. TAXATION****Analysis of the tax (credit)/charge**

The tax charge on the (loss)/profit on ordinary activities for the year was as follows:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK Corporation tax	-	289,459
Adjustment to prior years	(289,459)	1,648
	<u>(289,459)</u>	<u>291,107</u>
Total current tax	(289,459)	291,107
Deferred taxation (note 8)	20,550	19,792
	<u>20,550</u>	<u>19,792</u>
Tax on (loss)/profit on ordinary activities	<u>(268,909)</u>	<u>310,899</u>

**Factors affecting the tax (credit)/charge**

The tax assessed for the year is different than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
(Loss)/profit on ordinary activities before tax	(1,219,621)	1,144,579
	<u>(1,219,621)</u>	<u>1,144,579</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(283,562)	280,422
Effects of:		
Expenses not deductible for tax purposes	27,435	19,438
Losses carried forward	37,160	
Impact of change in corporation tax rates	(6,349)	-
Adjustment in respect of previous years	1,772	1,648
Capital allowances in excess of depreciation	(65,915)	(10,401)
	<u>(289,459)</u>	<u>291,107</u>
Current tax charge	<u>(289,459)</u>	<u>291,107</u>

The Finance Act 2013 which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# BAINES & ERNST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2013

### 7. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Computer equipment & software £	Total £
<b>Cost</b>					
At 1 January 2012	95,307	1,809,062	55,126	5,969,381	7,928,876
Additions	19,482	202,128	-	320,773	542,383
At 31 December 2013	114,789	2,011,190	55,126	6,290,154	8,471,259
<b>Depreciation</b>					
At 1 January 2012	65,940	1,717,001	55,126	5,821,417	7,659,484
Charge for the year	16,644	68,252	-	102,216	187,112
At 31 December 2013	82,584	1,785,253	55,126	5,923,633	7,846,596
<b>Net book value</b>					
At 31 December 2013	32,205	225,937	-	366,521	624,663
At 31 December 2012	29,367	92,061	-	147,964	269,392

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Computer equipment & software £
<b>Cost</b>	
At 1 January 2013	53,830
Additions	138,962
At 31 December 2013	192,792
<b>Depreciation</b>	
At 1 January 2013	5,383
Charge for the year	20,416
At 31 December 2013	25,799
<b>Net book value</b>	
At 31 December 2013	166,993
At 31 December 2012	48,447

The hire purchase and finance lease obligations are secured upon the relevant assets.

**BAINES & ERNST LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2013****8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	310,500	260,397
Amounts due from parent undertaking	13,332,216	15,560,697
Deferred tax	85,010	105,560
	<u>13,727,726</u>	<u>15,926,654</u>
	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax</b>		
Corporation tax loss carried forward	37,160	-
Depreciation in excess of capital allowances	47,850	105,560
	<u>85,010</u>	<u>105,560</u>
Balance brought forward	105,560	125,352
Loss in the year carried forward	37,160	
Charge to profit and loss account (note 6)	(57,710)	(19,792)
	<u>85,010</u>	<u>105,560</u>
Balance carried forward	<u>85,010</u>	<u>105,560</u>

Included within debtors is an amount of £47,850 (2012: £105,560) in respect of a deferred tax asset which relates to capital allowances lower than depreciation charges and is recoverable after more than one year. The deferred tax asset will be recovered against future profits of the Company.

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase agreements (note 12)	48,586	17,338
Trade creditors	389,206	593,756
Social security & other taxes	462,301	467,414
Corporation tax	866,717	1,156,176
Accruals and deferred income	1,972,210	2,461,620
	<u>3,739,020</u>	<u>4,696,304</u>



**BAINES & ERNST LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2013****10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases and hire purchase agreements (note 12)	63,471	28,084
Bank loan	8,483,059	8,325,750
	<u>8,546,530</u>	<u>8,353,834</u>

The bank loan is repayable as follows:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Between two and five years	<u>8,483,059</u>	<u>8,325,750</u>

The bank loan is secured on future cash receipts from the Company's Debt Management Plan book. As at 31 December 2013 the value of these future cash flows was £28.1m. This loan bears interest at market rates.

**11. PROVISIONS FOR LIABILITIES**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Other provisions	<u>101,059</u>	<u>120,990</u>
Balance brought forward	120,990	147,858
Increase in provision in the year	13,568	3,677
Utilised in the year	<u>(33,499)</u>	<u>(30,545)</u>
Balance carried forward	<u>101,059</u>	<u>120,990</u>

Other provisions represent reward payments owed to customers who complete payment plan contracts entered into before May 2003. A further amount has been provided in the year to reflect the continuation of Debt Management Plans longer than expected and will be utilised over the remaining life of the relevant plans which may exceed 10 years.

**12. FINANCE LEASE OBLIGATIONS**

Net obligations under finance lease and hire purchase agreements fall due as follows:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Within one year	48,586	17,338
Within two to five years	<u>63,471</u>	<u>28,084</u>
	<u>112,057</u>	<u>45,422</u>

Finance lease obligations are secured on the underlying assets financed by the agreements.

# BAINES & ERNST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2013

### 13. OPERATING LEASE COMMITMENTS

The following annual payments are committed to be paid under operating leases:

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiry date				
Within one year	-	-	12,162	-
Between one and two years	17,136	-	-	120,755
Between two and five years	243,924	261,060	-	5,581
	<u>261,060</u>	<u>261,060</u>	<u>12,162</u>	<u>126,336</u>

### 14. RETIREMENT BENEFITS

Certain members of the executive management team are in the Group's salary exchange personal pension plan. This scheme is a money purchase scheme with contributions invested by an independent firm of fund managers. The Group contributed an amount equivalent to 2.58% (2012: 1.07%) of members' salaries during the year. Total contributions by the employer during the year were £17,464 (2012: £8,262). As at 31 December 2013 one month's employee and employer contributions were outstanding totalling £48,218 (2012: £8,144) and were paid in January 2014 (2012: January 2013) in accordance with the scheme rules.

### 15. CALLED UP SHARE CAPITAL

	2013	2012
	£	£
<b>Called up, allotted and fully paid:</b>		
400,000 ordinary 'A' class shares of £1 each	400,000	400,000
50,000 ordinary 'B' class shares of £1 each	50,000	50,000
50,000 ordinary 'C' class shares of £1 each	50,000	50,000
	<u>500,000</u>	<u>500,000</u>

The rights of each class of share can be summarised as follows. 'B' shares owned by non-founders are not entitled to vote at general meetings of the Company. The profits which the Company may determine to distribute in respect of any financial period shall be distributed as to 6% of the distribution amongst the holders of 'C' class in proportion to the amounts paid up (excluding premium) by them respectively; and as to 94% of the distribution amongst the holders of the 'A' and 'B' class shares (as if they constituted one class) in proportion to the amounts paid up (excluding premium) by them respectively. In the event of a share sale, listing, liquidation or disposal, the 'C' shareholders are entitled to 30% of any proceeds above an amount specified by the Articles. Depending on the value of net proceeds, the balance is due to either the 'A' shareholders or the 'A' and 'B' shareholders (as if they were a single class).

### 16. RESERVES

	Capital redemption reserve	Profit & loss reserve
	£	£
At 1 January 2013	25	2,807,784
Retained loss for the year	-	(950,712)
At 31 December 2013	<u>25</u>	<u>1,857,072</u>

## BAINES & ERNST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2013

#### 17. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013 £	2012 £
(Loss)/profit for the financial year	(950,712)	833,680
Net (reduction)/addition to shareholder's funds	(950,712)	833,680
Opening shareholder's funds	3,307,809	2,474,129
Closing shareholder's funds	<u>2,357,097</u>	<u>3,307,809</u>

#### 18. CLIENT FUNDS HELD

The Company held client funds at the year end, which represent amounts received from clients which were in the process of being distributed to their respective creditors in accordance with the repayment plan. These amounts are not included within the assets and liabilities of the Company. At the year end amounts held on client accounts and the corresponding amounts due to their respective creditors totalled £1,340,186 (2012: £1,419,912).

#### 19. ULTIMATE HOLDING COMPANY AND RELATED PARTIES

The Company is a 100% subsidiary of Paymex Limited, a company under the control of T J O'Neill, the Chairman and majority shareholder. The Company's results are included in the consolidated group accounts of Paymex Limited which are available to the public from Companies House, Crown Way, Cardiff. The Company has not disclosed those balances arising from transactions with Paymex Limited or its fellow 100% owned subsidiaries.

TJ O'Neill and P Nicholson own interests in other companies which are not subsidiaries of the Paymex Group. During the year ended 31 December 2013 the Company made arms length purchases and sales of £167,793 (2012: £nil) and £553,570 (2012: £546,659) respectively to these companies. As at 31 December 2013 there were no amounts in debtors and £34,153 in creditors in respect of these companies.