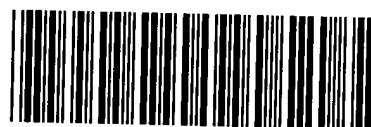


BAINES & ERNST LIMITED

Report and Financial Statements

For the year ended 31 December 2014

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BAINES & ERNST LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

CONTENTS

Officers and professional advisers	1
Directors' report	2
Strategic report	3
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9

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 2014.

DIRECTORS

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

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

GOING CONCERN

The details of the Company's borrowing facilities are detailed in note 10 to the financial statements. The Group has a policy of continually reviewing its current and future borrowing requirements. The Directors have a reasonable expectation that facilities will continue to be secured for the foreseeable future and have therefore adopted a 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 2015.


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 2014 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 2014 the value of these future receipts, after allowing for expected attrition, was £25.6m (2013: £28.1m).

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 2014 the Company has continued to review and enhance its operating procedures and corporate governance 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 submitted its full authorisation in December 2014. This application is currently being determined by the FCA in accordance with its agreed procedure and we are confident of receiving authorisation in due course.

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 2015.

A handwritten signature in black ink, appearing to be 'S. Sulaman', written over a horizontal line.

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 2014 which comprise the Profit and Loss Account, 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 2014 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.

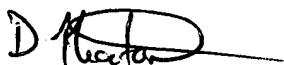
Opinion on other matter prescribed by the Companies Act 2006

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.



David Heaton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

30 June 2015

BAINES & ERNST LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2014

	Note	2014 £	2013 £
TURNOVER	2	13,782,884	15,123,288
Administrative expenses		(11,974,699)	(15,713,200)
OPERATING PROFIT/(LOSS)		<u>1,808,185</u>	<u>(589,912)</u>
Interest payable and similar charges	4	(903,915)	(629,709)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	904,270	(1,219,621)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(212,211)	268,909
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	16	<u>692,059</u>	<u>(950,712)</u>

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

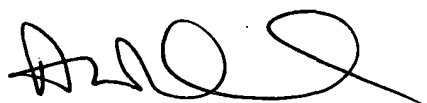
As at 31 December 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Tangible assets	7	558,027	624,663
CURRENT ASSETS			
Debtors	8	14,640,872	13,727,726
Cash at bank and in hand		191,394	391,317
		14,832,266	14,119,043
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(3,934,307)	(3,739,020)
NET CURRENT ASSETS		10,897,959	10,380,023
TOTAL ASSETS LESS CURRENT LIABILITIES		11,455,986	11,004,686
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	10	(8,295,835)	(8,546,530)
PROVISIONS FOR LIABILITIES	11	(110,995)	(101,059)
NET ASSETS		3,049,156	2,357,097
CAPITAL AND RESERVES			
Called up share capital	15	500,000	500,000
Capital redemption reserve	16	25	25
Profit and loss account	16	2,549,131	1,857,072
SHAREHOLDER'S FUNDS	17	3,049,156	2,357,097

Company registration number: 3167325

These financial statements were approved by the Board of Directors on 26 June 2015.

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 2014

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 2014

1. ACCOUNTING POLICIES (CONTINUED)

Retirement benefits

The Group operates an auto enrolment pension scheme which all employees are entitled to join. In addition to certain members of the executive management team are in the Group's salary exchange personal pension plan (note 14). The schemes are money purchase schemes with contributions invested by independent 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

	2014 £	2013 £
Wages and salaries	5,729,444	6,476,720
Social security costs	615,645	691,024
Pension contributions (note 14)	36,357	17,464
	<u>6,381,446</u>	<u>7,185,208</u>

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

	2014 No.	2013 No.
Administrative staff	154	145
Sales staff	98	147
	<u>252</u>	<u>292</u>

BAINES & ERNST LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
Year ended 31 December 2014**3. STAFF COSTS (continued)**

Directors' emoluments for the year were as follows:

	2014 £	2013 £
Directors' emoluments	350,451	262,518
Contributions to money purchase pension scheme	8,427	2,853
	<u>358,878</u>	<u>265,372</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:

	2014 £	2013 £
Emoluments and benefits in kind	150,750	262,518
Contributions to money purchase pension scheme	5,663	2,853
	<u>156,413</u>	<u>265,372</u>
Number of directors receiving contributions to money purchase pension scheme	<u>3</u>	<u>1</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Bank interest	609,746	623,464
Interest to parent undertaking	282,424	-
Interest on finance leases and hire purchase agreements	11,745	6,245
	<u>903,915</u>	<u>629,709</u>

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

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

	2014 £	2013 £
Rent – operating leases	254,513	238,233
Depreciation – owned assets	180,772	166,696
Depreciation – assets on hire purchase contracts or finance leases	57,086	20,416
Profit on disposal of fixed assets	-	(3,000)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	19,478	21,885
Other services pursuant to legislation	-	3,060
	<u></u>	<u></u>

BAINES & ERNST LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2014****6. TAXATION****Analysis of the tax charge/(credit)**

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

	2014	2013
	£	£
Current tax		
UK Corporation tax	163,768	-
Adjustment to prior years	-	(289,459)
	<hr/>	<hr/>
Total current tax	163,768	(289,459)
Deferred taxation (note 8)	48,443	20,550
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	<u>212,211</u>	<u>(268,909)</u>

Factors affecting the tax charge/(credit)

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

	2014	2013
	£	£
Profit/(loss) on ordinary activities before tax	904,270	(1,219,621)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	194,327	(283,562)
Effects of:		
Expenses not deductible for tax purposes	16,184	27,435
Losses carried forward	(16,095)	37,160
Impact of change in corporation tax rates	28	(6,349)
Adjustment in respect of previous years	-	1,772
Capital allowances in excess of depreciation	(30,676)	(65,915)
	<hr/>	<hr/>
Current tax charge	<u>163,768</u>	<u>(289,459)</u>

The Finance Act 2014 which was substantively enacted in July 2014, included provisions to reduce the rate of UK corporation tax to 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 2014

7. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Computer equipment & software £	Total £
Cost					
At 1 January 2014	114,789	2,011,190	55,126	6,290,154	8,471,259
Additions	-	62,282	-	108,940	171,222
At 31 December 2014	114,789	2,073,472	55,126	6,399,094	8,642,481
Depreciation					
At 1 January 2014	82,584	1,785,253	55,126	5,923,633	7,846,596
Charge for the year	16,283	57,613	-	163,962	237,858
At 31 December 2014	98,867	1,842,866	55,126	6,087,595	8,084,454
Net book value					
At 31 December 2014	15,922	230,606	-	311,499	558,027
At 31 December 2013	32,205	225,937	-	366,521	624,663

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

	Computer equipment & software £
Cost	
At 1 January 2014	192,792
Additions	-
At 31 December 2014	192,792
Depreciation	
At 1 January 2014	25,799
Charge for the year	57,086
At 31 December 2014	82,885
Net book value	
At 31 December 2014	109,907
At 31 December 2013	166,993

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 2014****8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £	2013 £
Prepayments and accrued income	583,985	310,500
Amounts due from parent undertaking	14,020,320	13,332,216
Deferred tax	36,567	85,010
	<u>14,640,872</u>	<u>13,727,726</u>
	2014 £	2013 £
Deferred tax		
Corporation tax loss carried forward	-	37,160
Depreciation in excess of capital allowances	36,567	47,850
	<u>36,567</u>	<u>85,010</u>
Balance brought forward	85,010	105,560
Loss in the year carried forward	-	37,160
Charge to profit and loss account (note 6)	(48,443)	(57,710)
Balance carried forward	<u>36,567</u>	<u>85,010</u>

Included within debtors is an amount of £36,567 (2013: £47,850) 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

	2014 £	2013 £
Obligations under finance leases and hire purchase agreements (note 12)	43,951	48,586
Trade creditors	260,870	389,206
Social security & other taxes	440,899	462,301
Corporation tax	1,030,485	866,717
Accruals and deferred income	2,158,102	1,972,210
	<u>3,934,307</u>	<u>3,739,020</u>

BAINES & ERNST LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2014****10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2014 £	2013 £
Obligations under finance leases and hire purchase agreements (note 12)	18,432	63,471
Bank loan	8,277,403	8,483,059
	<u>8,295,835</u>	<u>8,546,530</u>

The bank loan is repayable as follows:

	2014 £	2013 £
Between one and two years	8,277,403	-
Between two and five years	-	8,483,059
	<u>-</u>	<u>8,483,059</u>

The bank loan is secured on future cash receipts from the Company's Debt Management Plan book. As at 31 December 2014 the value of these future cash flows was £25.6m. This loan bears interest at market rates.

11. PROVISIONS FOR LIABILITIES

	2014 £	2013 £
Other provisions	110,995	101,059
Balance brought forward	101,059	120,990
Increase in provision in the year	35,315	13,568
Utilised in the year	(25,379)	(33,499)
Balance carried forward	<u>110,995</u>	<u>101,059</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:

	2014 £	2013 £
Within one year	43,951	48,586
Within two to five years	18,432	63,471
	<u>62,383</u>	<u>112,057</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 2014****13. OPERATING LEASE COMMITMENTS**

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

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Expiry date				
Within one year	102,683	-	-	12,162
Between one and two years	19,800	243,924		-
Between two and five years	-	17,136	15,808	-
	<u>122,483</u>	<u>261,060</u>	<u>15,808</u>	<u>12,162</u>

14. RETIREMENT BENEFITS

The Group operates an auto enrolment pension scheme which all employees are entitled to join. The employer contributes between 1% and 3% of relevant salaries. In addition to certain members of the executive management team are in the Group's salary exchange personal pension plan. The schemes are money purchase schemes with contributions invested by independent fund managers. Total contributions by the employer during the year were £36,357 (2013: £17,464). As at 31 December 2014 one month's employee and employer contributions were outstanding totalling £30,894 (2013: £48,218) and were paid in January 2015 (2013: January 2014) in accordance with the scheme rules.

15. CALLED UP SHARE CAPITAL

	2014	2013
	£	£
Called up, allotted and fully paid:		
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 2014	25	1,857,072
Retained profit for the year	-	692,059
At 31 December 2014	<u>25</u>	<u>2,549,131</u>

BAINES & ERNST LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2014****17. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	2014 £	2013 £
Profit/(loss) for the financial year	692,059	(950,712)
Net addition/(reduction) to shareholder's funds	692,059	(950,712)
Opening shareholder's funds	2,357,097	3,307,809
Closing shareholder's funds	<u>3,049,156</u>	<u>2,357,097</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 £1,520,813 (2013: £1,340,186).

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 2014 the Company made arms length purchases and sales of £131,441 (2013: £167,793) and £421,794 (2013: £553,570) respectively to these companies. As at 31 December 2014 there were no amounts in debtors or creditors in respect of these companies.