Financial Statements
Mobile Money Limited

For the Year Ended 31 December 2016

Company No. 03609486

Company Information

Company registration number	03609486
Registered office	St Crispins House Duke Street Norwich England NR3 1PD
Directors	A C Turner P J Hollander R J Lingard
Company secretary	A Richardson
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 30 Finsbury Square London EC2P 2YU

Contents

Strategic report

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activities

The Company is a subsidiary of Norfolk Capital Limited. The Company's principal activity during the year was the provision of short-term personal secured loans in the United Kingdom.

Business review and future developments

During 2016 the Company continued to make changes to its main product, tightening its underwriting criteria whilst also reducing its yield. These changes were designed to change the customer base which the Company lends to and align yield to the size of the loan. This has affected the Company's results in 2016 with both the loan book and operating result being lower than 2015 as the revised product has not driven the increase in market share expected.

At the end of 2015 the Company began a review of its operating model which has resulted in a number of branch closures. These branch closures were executed in quarter one of 2016 with the Company moving to a centralised head office function.

However, longer-term these changes in product and operating model will benefit the Company and give it access to a potential new customer base with an operating cost more suited to the yield generated by these new customers.

Key performance indicators

The key performance indicators ("KPIs") used to monitor and manage the Company's performance are set out below:

	2016	2015	Definition, method of calculation and analysis
Loan book	**£3.2m**	£5.3m	Loans to customers net of provision for bad and doubtful debts. The loan book has reduced during the year as the sales of the revised product offering have taken time to build.
Gross margin	**67%**	64%	Gross margin is the ratio of gross profit to turnover expressed as a percentage. This has increased with a reduction in cost of sales in the statement of income.
Operating (loss)/profit on ordinary activity before tax	**£(1.1)m**	£0.1m	The reduction in operating profit is attributable to the changes in the product offering noted above, as well as costs associated with branch closures.

Principal risks and uncertainties

The Company's objective is to manage appropriately all of the risks that arise from its activities. Risk management is a fundamental part of the Company's business activity and is an essential component in its planning process. Risk oversight and ownership sits with the Board of Directors who regularly review the key risks.

Strategic report

Principal risks and uncertainties (continued)

The principal risks and uncertainties (including financial risks) impacting the Company are considered below:

Economic risk

The Company has an exposure to economic risk in respect of its trading performance and the recoverability of its loan assets. There is the risk that an unexpected deterioration in the economy will increase unemployment which will impact the level of arrears in the Company's loan book resulting in an impact on profitability. Management monitor the Company's exposure to economic risk through reviews of economic forecasts and careful monitoring of the arrears experience and trends in the loan book.

Credit/counterparty risk

The Company has an exposure to credit risk in respect of loans and receivables, which is the risk the customer will be unable to pay the amounts in full as they fall due. Provisions are made to provide for losses that have been incurred or are foreseen at the balance sheet date in respect of loans advanced prior to the balance sheet date. Management take account of several factors when calculating the aforementioned provisions, which include changes in economic conditions and industry experience of delinquency rates. The Directors carefully manage the Company's exposure to credit risk, through the Company's lending processes across the credit lifecycle and through carefully managing pricing and customer quality.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company actively monitors its cash flows and expected liabilities and ensures that it has the resources to meet its liabilities as they fall due at all times.

Regulatory risk

The Company is regulated by the Financial Conduct Authority, and as such is exposed to regulatory compliance risk. As a regulated business, the Company places significant importance on managing its operations in a way that effectively manages the risk of fines or censure through non-compliance with laws and regulations. The Directors identify all material legal and regulatory requirements and relevant voluntary codes and standards affecting the Company and work with business areas to determine how it applies. This is supported by review mechanisms to ensure compliance with material regulatory and legal obligations. The Board is responsible for ensuring compliance with laws and regulations.

The Directors will revisit the appropriateness of the above policies should the Company's operations change in size and nature.

By order of the board:

A Richardson
Company Secretary
10 April 2017

Directors' report

Results and dividends

The Company recorded a loss for the financial year of £866,000 (2015: profit of £99,000). The directors recommended the payment of a dividend of £4.5m.

Directors

Details of the directors who held office during the year and up to the date of signing of these financial statements are given below:

A C Turner
S C Furnival (resigned 13 September 2016)
J D Painter (resigned 16 September 2016)
G C Eke (resigned 18 January 2017)
P J Hollander (appointed 18 January 2017)
R J Lingard (appointed 9 March 2017)

Directors' qualifying third party indemnity provisions

During the year and up to the date of the signing of these financial statements, the Company had in force an indemnity provision in favour of the Directors of Mobile Money Limited against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Directors' report

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board:

A Richardson
Company Secretary
10 April 2017

Independent Auditor's Report to the Member of Mobile Money Limited

We have audited the financial statements of Mobile Money Limited for the year ended 31 December 2016 which comprise the statement income and retained earnings, the balance sheet and the related notes. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's member 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 member 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 member, 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 set out on page 5, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Independent Auditor's Report to the Member of Mobile Money Limited

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.

Grant Thornton UK LLP

Marcus Swales (Senior Statutory Auditor)
For and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
London
10 April 2017

Statement of income and retained earnings

	Note	2016 £'000	2015 £'000
Turnover	5	**2,530**	5,896
Cost of sales		**(835)**	(2,111)
Gross profit		**1,695**	3,785
Administrative expenses		**(2,772)**	(3,647)
Operating (loss)/profit and (loss)/profit on ordinary activities before taxation	6	**(1,077)**	138
Tax on (loss)/profit on ordinary activities	8	**211**	(39)
(Loss)/profit for the financial year		**(866)**	99
Retained earnings at 1 January		**9,192**	9,093
Dividends paid	9	**(4,500)**	-
Retained earnings at 31 December		**3,826**	9,192

The results for the current and comparative year relate entirely to continuing operations.

The Company has no recognised gains and losses other than the results above and therefore no separate statement of other comprehensive income has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

Balance sheet

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	10	40	123
Current assets			
Debtors: amounts falling due within one year	11	2,615	4,087
: amounts falling due after more than one year	11	1,082	1,611
		3,697	5,698
Cash at bank and in hand		268	3,862
		3,965	9,560
Creditors: amounts falling due within one year	12	(178)	(490)
Net current assets		3,787	9,070
Total assets less current liabilities and Net assets		3,827	9,193
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	3,826	9, 192
Total shareholders' funds		3,827	9,193

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

A C Turner
Director
10 April 2017

Mobile Money Limited
Registration number 03609486

Notes to the financial statements

1. Company information

Mobile Money Limited ("the Company") provides short-term personal secured loans in the United Kingdom.

The Company is a private company limited by shares, incorporated and domiciled in the UK. The address of its registered office is St Crispins House, Duke Street, Norwich, NR3 1PD.

2. Statement of compliance

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

3. Accounting policies

3.1 Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and with the Companies Act 2006. The principal accounting policies, which have been consistently applied to all the years presented, unless otherwise stated, are set out below.

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. The 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 4.

3.2 Going concern

The directors of Norfolk Capital Limited, the Company's ultimate parent undertaking, have prepared projections in respect of the Group's cash requirements, which include the Company, and ongoing compliance with the terms of the Group's bank funding facilities. These projections include the directors' best estimate of cash outflows in respect of compensation payments to customers, in particular in relation to payment protection insurance, taking account of the uncertainties as disclosed in note 24 to the Group financial statements, which do not form part of these financial statements. These projections have been stress tested to determine the level of cash headroom available such as to enable the non-loan lending businesses to pay their debts as they fall due and to allow the Group to continue to operate within the financial and non-financial covenants contained in the Group's banking facility agreements, taking account of the mitigating courses of action available to the Group to enhance the level of such headroom.

The directors are required to make an assessment of the Company's ability to continue to trade as a going concern. The directors have given this matter careful consideration and, in light of the reduction in administration expenses from the closure of the branches, have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Notes to the financial statements

Accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cashflows, on the basis that it is a qualifying entity and its ultimate parent undertaking, Norfolk Capital Limited, includes the Company's cashflows in its own consolidated financial statements. The Company has also taken advantage of exemptions from disclosing key management personnel compensation in total.

3.4 Revenue recognition

Interest income
Interest income is recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant accounting period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset to the net carrying amount of the financial asset.

3.5 Employee benefits

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

(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) Defined contribution pension plans
The Company operates a defined contribution plan for its employees, through the Norfolk Capital group scheme, which is administered by Norfolk Capital Management Services Limited, a sister company in the Norfolk Capital group. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

3.6 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Notes to the financial statements

Accounting policies (continued)

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except that unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.7 Tangible assets

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.

Depreciation and residual values

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

• Furniture and fixtures	4 years
• Leasehold improvements	over the lease term
• Motor vehicles	4 years
• Computer software	4 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

Notes to the financial statements

Accounting policies (continued)

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in administrative expenses.

3.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3.9 Cost of sales

Cost of sales comprises cost of loan issue (bill of sale and sign dox costs), marketing costs, commissions payable and impairment charges in respect of customer loans.

3.10 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Contingencies

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

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

Notes to the financial statements

3.11 Financial Instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including 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.

Loans to customers are subject to a variety of interest arrangements, including fixed or variable interest rates. The directors consider that the loans to customers meet the definition of "basic" under FRS 102 and they have been accounted for as such.

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, where applicable. The impairment loss is recognised in profit or loss.

A monthly review of the Company's loan book is undertaken on a line by line basis to determine whether or not a balance is impaired. The provision methodology assesses all customer accounts which are at least three months in arrears and compares the outstanding balance to any equity in the security provided, taking account of the most realistic return at resale. A specific bad debt provision is made for these balances. A further provision is then applied to the remainder of the book using historic "flow through" data.

If there is a 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 profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares, 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.

Notes to the financial statements

Accounting policies (continued)

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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires or when the terms of an existing financial liability are 'substantially modified'.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an 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.

3.12 Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

3.13 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

4 Critical accounting estimates and estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 3.7 for the useful economic lives for each class of assets.

(ii) Impairment of loans to customers

The Company makes an estimate of the likely losses on loans to customers and provides for this loss. The provision represents management's best estimate of all losses incurred at the balance sheet date. The estimates are based on the likelihood of a customer defaulting and the subsequent loss on default. See note 11 for the net carrying amount of the loan debtors.

Notes to the financial statements

5. Turnover

Turnover represents interest and fees on loan advances received and receivable in the United Kingdom.

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2016 £'000	2015 £'000
Impairment of customer loans	**583**	1,280
Depreciation of tangible assets	**56**	87
(Profit)/loss on disposal of fixed assets	**(34)**	3
Operating lease rentals – land and buildings	**189**	305
Services provided by the Company's auditors:		
Fees payable for the audit	**9**	14
Fees payable for other services – tax compliance	**2**	6

7. Employees and directors

Staff costs, including director's remuneration, were as follows:

	2016 £'000	2015 £'000
Wages and salaries	**1,576**	2,089
Social security costs	**151**	223
Other pension costs	**38**	55
	1,765	2,367

The monthly average number of employees of the Company (including Directors) during the year was as follows:

	2016 Number	2015 Number
By activity:		
Sales and administration	**43**	62

Directors' emoluments were as follows:

	2016 £'000	2015 £'000
Emoluments	**113**	112
Company pension contributions to money purchase schemes	**7**	10
Compensation for loss of office	**87**	-
	207	122

One director is employed by the Company; the others are employed by the Norfolk Capital Group's management services company, Norfolk Capital Management Services Limited, in respect of whom £70k of emoluments (2015: £nil) are payable for their services to the Company. One director (2015: one) received contributions to a defined contribution pension scheme.

Notes to the financial statements

8. Income tax

a) Tax (credit)/expense included in statement of income

	2016 £'000	2015 £'000
Current tax:		
Group relief payable	-	48
Group relief receivable	(233)	-
Total current tax	(233)	48
Deferred tax:		
Origination and reversal of timing differences	18	(20)
Change in tax rate	4	11
Total deferred tax	22	(9)
Tax on profit on ordinary activities	(211)	39

b) Reconciliation of tax (credit)/charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2015: higher than) the rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
(Loss)/profit on ordinary activities before taxation	(1,077)	138
(Loss)/profit on ordinary activities by rate of tax in the UK	(215)	28
Change in tax rate	4	11
	(211)	39

c) Tax rate changes

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. This change was substantively enacted on 6 September 2016 and deferred tax has therefore been provided for at 17% in these financial statements.

9. Dividends

	2016 £'000	2015 £'000
Interim cash dividend paid: £4,500 (2015: £nil) per £1 share	4,500	-

Notes to the financial statements

10. Tangible fixed assets

	Furniture and fixtures £'000	Leasehold improvements £'000	Motor vehicles £'000	Computer software £'000	Total £'000
Cost					
At 1 January 2016	156	27	199	52	434
Additions	14	-	-	14	28
Disposals	-	-	(199)	-	(199)
At 31 December 2016	**170**	**27**	**-**	**66**	**263**
Accumulated depreciation					
At 1 January 2016	117	24	118	52	311
Charge for the year	26	3	26	1	56
Disposals	-	-	(144)	-	(144)
At 31 December 2016	**143**	**27**	**-**	**53**	**223**
Net book amount					
At 31 December 2016	**27**	**-**	**-**	**13**	**40**
At 31 December 2015	39	3	81	-	123

11. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Customer loans	**2,104**	3,640
Amounts owed by group undertakings – group relief	**233**	-
Amounts owed by parent undertaking	**-**	250
Other debtors	**8**	35
Deferred tax	**73**	95
Prepayments and accrued income	**197**	67
	2,615	4,087
Amounts falling due after more than one year:		
Customer loans	**1,082**	1,611
Total debtors	**3,697**	5,698

Amounts owed by the parent undertaking and group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements

11. Debtors (continued)

Deferred tax

The movement in the deferred taxation asset during the year is as follows:

	2016 £'000	2015 £'000
Asset brought forward	95	86
(Charged)/credited to the profit and loss account (note 8a)	(22)	9
Asset carried forward	73	95

The above deferred tax assets relates to fixed assets timing differences.

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings – group relief	-	48
Other creditors	86	61
Accruals and deferred income	92	381
	178	490

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements

13. Financial instruments

a) Summary

The Company has the following financial instruments:

	Note	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Loans to customers	11	**3,186**	5,251
- Amount owed by parent undertaking	11	**-**	250
- Other debtors	11	**8**	35
		3,194	5,536
Financial liabilities measured at amortised cost:			
- Amount owed to group undertakings – group relief	12	**-**	(48)
- Other creditors	12	**(86)**	(61)
		(86)	(109)

b) Allowance account for customer loan impairments

Loans to customers is represented by the gross loans to customers, offset by an impairment provision. A monthly review of the Company's guarantor loan book is undertaken on a line by line basis to determine whether or not a balance is impaired. The provision methodology assesses the book using historic "flow through" rates, less recovery rates based on collection activity for accounts with arrears greater than six months.

The movement on the impairment provision during the year is analysed as:

	2016 £'000	2015 £'000
Opening balance at 1 January	**357**	818
Impairment losses recognised	**620**	1,331
Reversals of impairment losses	**(37)**	(51)
Amounts written off	**(391)**	(1,741)
Closing balance at 31 December	**549**	357

Notes to the financial statements

13. Financial instruments (continued)

c) Risks arising from financial instruments

i) Interest rate risk

The Company offers fixed rates products and does not have any borrowings and so is not subject to any interest rate risks.

ii) Credit risk

The Company has an exposure to credit risk in respect of cash, loans and receivables, which is the risk that the bank/customer as appropriate will be unable to pay the amounts in full as they fall due. Provisions are made to provide for losses that have been incurred or are foreseen at the balance sheet date in respect of loans advanced prior to the balance sheet date. Management carefully manage the Company's exposure to credit risk, through its lending processes across the credit lifecycle and through carefully managing the pricing, and customer quality.

The Company secures its loans via a bill of sale against the customer's vehicle. The vehicle's valuation is ascertained at the time of underwriting using published second hand car valuations. The Company's policy is that loans to new customers should not exceed 75% of the value of the vehicle. The Company also ensured that loans are affordable, suitable to the customer and that the customer is credit worthy. The credit worthiness is assessed manually through the review of past credit performance supplied by credit reference agency.

The credit risk in respect of cash is limited because the counterparties are banks with high credit ratings assigned by international ratings agencies.

The Company funds its operations through retained earnings. The Company's objectives are to ensure that it has sufficient funds at all times to meet its liabilities as they fall due.

As at 31 December 2016, all of the customer loans that were past due had been impaired. The gross customer loans and impairment provision is analysed as:

	2016	2015
	£'000	£'000
Loans to customers (gross)	**3,735**	5,608
Impairment provision	**(549)**	(357)
Loans to customers (net)	**3,186**	5,251

Of the gross loan book of £3,735,000 (2015: £5,608,000), loans totalling £1,203,000 (2015: £1,004,000) were more than 30 days in arrears.

iii) Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company actively monitors its cash flows and expected liabilities and ensures that it has the resources to meet its liabilities as they fall due at all times. A revolving credit facility from the bank ensures that demand from customers is met.

Notes to the financial statements

14. Called up share capital

	2016 £'000	2015 £'000
1,000 allotted, called up and fully paid ordinary shares of £1 each	1	1

15. Reserves

Profit and loss account

The profit and loss reserve includes all current and prior year retained profits and losses.

16. Operating lease commitments

The Company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Payments value:		
Within one year	25	97
Between one and five years	2	36
	27	133

17. Controlling parties

The immediate and ultimate parent undertaking is Norfolk Capital Limited, which is registered in the United Kingdom. The smallest and largest group for which consolidated financial statements are prepared is Norfolk Capital Limited. Copies of the Norfolk Capital Limited consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Norfolk Capital Limited and its subsidiary companies are controlled by A C Turner, who is both a director of all Group companies and also the majority shareholder of Norfolk Capital Limited.