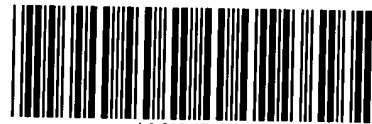


# **Intelligent Lending Limited**

## **Directors' report and financial statements**

For the year ended 31 January 2017  
Registered number 04291279

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## Strategic report

### Business review

The Company's profit after tax for the year was £942,180 (2016: loss of £434,754).

In the first full year since the trade and assets of Think Loans & Mortgages Limited (previously Intelligent Lending Limited) were transferred to the Company, turnover has increased by £9.8m on a like for like basis compared to the prior year (2016: £1.9m increase), whilst operating profit increased by £2.1m (2016: £1.1m increase).

Management review key performance indicators for the Company on a monthly basis.

The total number of Ocean credit cards originated by the Company increased by 131% compared to the previous year.

Mortgages and remortgages increased by 82% in number (2016: 36% decrease) or 69% in brokerage terms (2016: 37% decrease) year on year, whilst secured loan volumes increased by 104% in number (2016: 39% decrease) or 110% in brokerage terms (2016: 20% decrease).

During the year, £3.74m of new unsecured personal loans have also been advanced (2016: £0.9m).

### Non-recurring costs

The non-recurring items in the profit and loss account relate to costs incurred by the business during the year, including: a fine received from the ICO in September 2016, together with associated legal costs, redundancy costs arising from a restructuring of Group support functions and the release of an onerous lease provision from a prior year.

### Future developments

The Company is well placed to maintain its position in the sector over the coming year and continues to invest in its infrastructure, systems and staff alike.

### Principal risks and uncertainties


The principal risks and uncertainties that the Company is exposed to are credit risk arising from the unsecured customer lending product and regulatory risk as the Company is regulated by the Financial Conduct Authority ('FCA').

Credit risk is managed at a Group level by the Credit Risk Committee to whom the Group Risk Committee has delegated the specific credit risk management policies and monitoring responsibilities. The Credit Risk Committee regularly monitors underwriting policies and procedures, losses incurred on the lending product and the level of provisioning required.

A description of how the Company monitors and manages regulatory capital is included within the regulatory capital section of the Directors' report. The Company maintains policies and procedures and provides regular training to staff to ensure that all the relevant regulatory requirements are met.

Management continuously review the key risks facing the business. Demand for the Company's services over the next 12 months will continue to be affected by macroeconomic factors such as the strength of the UK economy and prevailing interest rates, as well as by the attitude and policies of Government, banks, building societies and large financial institutions.

By order of the Board.



**R Swann**  
Secretary

Think Park  
Mosley Road  
Trafford Park  
Manchester  
M17 1FQ

**4 September 2017**

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2017.

### Principal activities

The Company's principal activity is the arrangement of consumer credit and the provision of associated financial services.

### Dividends

A dividend of £775,000 was paid in the year (2016: £200,000). The directors do not recommend payment of a final dividend (2016: £Nil).

### Directors

The directors who held office during the year were as follows:

J Warr  
S Stylianou  
S Kay  
G Dearden

Details of directors' emoluments are set out in note 5 to the accounts.

### Political contributions

The Company made no political contributions in the year (2016: £Nil).

### Going concern

After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Regulatory capital

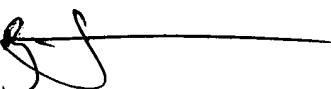
In line with the Company's authorisation from the FCA, there is a regulatory capital requirement, to ensure that the Company maintains adequate capital throughout the year. The directors confirm that the Company has maintained sufficient levels of capital throughout the reporting period to consistently exceed the regulatory requirement. Management review the Company's capital in line with the requirements on a monthly basis.

### Auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board.



**R Swann**  
Secretary

Think Park  
Mosley Road  
Trafford Park  
Manchester  
M17 1FQ

4 September 2017

Registered number: 04291279

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Intelligent Lending Limited**

We have audited the financial statements of Intelligent Lending Limited for the year ended 31 January 2017 set out on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 Statement of directors' responsibilities set out on page 3, 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](http://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 January 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

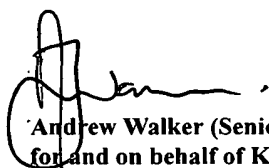
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material mis-statements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

### **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.



**Andrew Walker (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

One St Peter's Square

Manchester

M2 3AE

4 September 2017

**Profit and loss account**  
*for the year ended 31 January 2017*

	<i>Note</i>	<b>Year ended 31 January 2017 £</b>	<b>Year ended 31 January 2016 £</b>
<b>Turnover</b>	<i>1</i>	<b>14,949,996</b>	667,796
Cost of sales		<b>(8,291,108)</b>	(515,563)
Impairment of loans and advances	<i>17</i>	<b>(999,606)</b>	-
<b>Gross profit</b>		<b>5,659,282</b>	152,233
Administrative expenses - Ongoing		<b>(4,422,938)</b>	(660,701)
- Non-recurring	<i>4</i>	<b>(146,968)</b>	4,073
- Total		<b>(4,569,906)</b>	(656,628)
<b>Operating profit/(loss)</b>	<i>3</i>	<b>1,089,376</b>	(504,395)
Provisions for liabilities and charges	<i>14</i>	<b>90,326</b>	(85,234)
<b>Profit/(loss) before taxation</b>		<b>1,179,702</b>	(589,629)
Tax on profit/(loss)	<i>7</i>	<b>(237,522)</b>	154,875
<b>Profit/(loss) after taxation</b>		<b>942,180</b>	(434,754)

All activity has arisen from continuing operations.

The notes on pages 8 to 20 form part of these financial statements.

There were no other components of recognised income or expense in either year and consequently no statement of comprehensive income has been prepared.

**Balance sheet**  
*at 31 January 2017*

	<i>Note</i>	<b>31 January 2017 £</b>	<b>31 January 2016 £</b>
<b>Fixed assets</b>			
Tangible assets	8	128,698	65,946
		<u>128,698</u>	<u>65,946</u>
<b>Current assets</b>			
Debtors	10	934,305	980,544
Loans and advances	11	2,659,716	756,126
Deferred tax	12	42,253	38,281
Cash and cash equivalents		2,170,425	256,732
		<u>5,806,699</u>	<u>2,031,683</u>
<b>Current liabilities</b>			
Creditors	13	(2,466,596)	(772,254)
Loans and advances		(2,917,284)	(821,323)
		<u>(5,383,880)</u>	<u>(1,593,577)</u>
<b>Net current assets</b>		<u>422,819</u>	<u>438,106</u>
<b>Total assets less current liabilities</b>		<u>551,517</u>	<u>504,052</u>
<b>Provisions for liabilities and charges</b>	14	(45,457)	(152,569)
<b>Net assets</b>		<u>506,060</u>	<u>351,483</u>
<b>Capital and reserves</b>			
Called up share capital	15	2	2
Share premium		749,543	749,543
Share based payments reserve	16	-	12,603
Profit and loss account		(243,485)	(410,665)
<b>Total equity shareholders' funds</b>		<u>506,060</u>	<u>351,483</u>

The notes on pages 8 to 20 form part of these financial statements.

The financial statements were approved by the Board of directors on 4 September 2017 and were signed on its behalf by:

  
**S Kay**  
Director

Registered number: 04291279

**Statement of changes in equity**  
*for the year ended 31 January 2017*

	<b>Called up share capital £</b>	<b>Share premium £</b>	<b>Share based payments reserve £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 February 2015	1	-	-	224,089	224,090
Loss for the year	-	-	-	(434,754)	(434,754)
Issue of shares	1	749,543	-	-	749,544
Equity settled share based payments	-	-	(4,201)	-	(4,201)
Share based payments transferred	-	-	16,804	-	16,804
Dividends	-	-	-	(200,000)	(200,000)
<b>Total</b>	<b>1</b>	<b>749,543</b>	<b>12,603</b>	<b>(634,754)</b>	<b>127,393</b>
<b>Balance at 31 January 2016</b>	<b>2</b>	<b>749,543</b>	<b>12,603</b>	<b>(410,665)</b>	<b>351,483</b>

	<b>Called up share capital £</b>	<b>Share premium £</b>	<b>Share based payments reserve £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 February 2016	2	749,543	12,603	(410,665)	351,483
Profit for the year	-	-	-	942,180	942,180
Equity settled share based payments	-	-	(12,603)	-	(12,603)
Dividends	-	-	-	(775,000)	(775,000)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(12,603)</b>	<b>167,180</b>	<b>154,577</b>
<b>Balance at 31 January 2017</b>	<b>2</b>	<b>749,543</b>	<b>-</b>	<b>(243,485)</b>	<b>506,060</b>

The notes on pages 8 to 20 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Intelligent Lending Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentational currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Milan Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Milan Topco Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are filed with the accounts of the intermediate Group company Milan Swapco Limited and are available to the public from Companies House, Crown Way, Cardiff. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Milan Topco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosure:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting values of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The financial statements have been prepared under the historical cost accounting rules.

#### *Related parties*

As the Company is a wholly owned subsidiary of Milan Topco Limited, the Company has taken advantage of the exemption contained in Section 33 of FRS 102 and not disclosed transactions or balances with other wholly owned entities which form part of the Group.

#### *Going concern*

After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basic financial instruments*

Basic financial instruments comprise of loans and advances, debtors, cash and cash equivalents, interest bearing borrowings and creditors.

##### *Loans and advances*

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the effective interest rate method.

The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses. Loans and advances comprise unsecured loans made to customers.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand are disclosed separately within trade and other creditors.

##### *Interest bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

#### *Other financial instruments*

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. The gain or loss on remeasurement is recognised immediately in the profit and loss account.

#### *Fixed assets and depreciation*

##### *Recognition and measurement*

Fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in the profit and loss account.

##### *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful life of each part of property, plant and equipment as follows:

Computer equipment	-	4 years
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Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment*

##### *Financial assets*

A financial asset not carried at fair value through the profit and loss account is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

#### *Employee benefits*

##### *Share based payment transactions*

Think Money Group Limited operates an equity settled share option scheme that allows certain Group employees to acquire shares in the ultimate holding company, Milan Topco Limited. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### *Provisions for liabilities and charges*

A provision is recognised on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

A regulatory provision is made by the Company in respect of its requirement to review historic sales of payment protection insurance and compensate customers who have been mis-sold a policy.

An onerous lease provision is made in respect of the costs associated with leased properties for costs due to be incurred between the date the property is vacated and the lease expiry date.

#### *Turnover*

Turnover represents fees and commissions receivable from the arrangement of secured and unsecured consumer credit and interest earned on unsecured loans and advances to customers. Fees and commission receivable from the arrangement of consumer credit are recognised on confirmation of a completed transaction. Interest earned on unsecured loans and advances is calculated and recognised using the effective interest method, which allocates interest over the expected life of the assets. All turnover is stated net of VAT and consists of services provided in the United Kingdom.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### *Non-recurring costs*

Non-recurring items are material and excluded from management's assessment of profit because, by their nature, they could distort the Company's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day to day basis. These items are disclosed separately on the face of the profit and loss account and are explained in more detail in note 4.

Subsequent revisions of estimates of items initially recognised as non-recurring provisions are recorded as non-recurring expenses in the year that the revision is made.

### 2 Estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates that are considered to be the most important to the portrayal of the Company's financial condition are those relating to loan loss provisions. An increase of 5% to the estimated loss rates would increase the provision by £77,000.

The critical judgements that are considered to be the most important in the preparation of the financial statements are those around the risks and rewards of the unsecured lending product, whereby management has performed an assessment of the risks and rewards of the relevant contracts and has assumed that all risks and rewards fall to this Company.

## Notes (continued)

### 3 Operating profit / (loss)

	Year ended 31 January 2017 £	Year ended 31 January 2016 £
Operating profit / (loss) is stated after charging:		
<i>Auditor's remuneration:</i>		
Audit of these financial statements	7,650	7,458
Taxation	4,205	2,128
Depreciation	53,120	28,284
Loss on disposal of fixed assets	-	17,763

### 4 Non-recurring items

Non-recurring items incurred in the year were as follows:

	Year ended 31 January 2017 £	Year ended 31 January 2016 £
Regulatory costs	120,691	2,276
Redundancy costs	26,690	-
Onerous lease	(413)	(6,349)
	<u>146,968</u>	<u>(4,073)</u>

Regulatory costs relate to a fine received in September 2016 from the ICO for a breach of the Privacy and Electronic Communications Regulations together with associated legal costs.

Redundancy costs relate to settlement payments made to staff following a restructuring of the Group support function in January 2017.

Onerous lease costs relate to the release of Group onerous lease amounts provided at the end of the prior year.

### 5 Remuneration of directors

	Year ended 31 January 2017 £	Year ended 31 January 2016 £
Directors' emoluments	<u>132,069</u>	<u>84,599</u>

The aggregate of emoluments, including benefits in kind was paid to one director in the year, with pension costs of £2,620 (2016: £1,680) also paid on their behalf. The other directors who served during the year, and in the previous year, are paid by another Group subsidiary, Think Money Group Limited, and therefore there are no directors' emoluments to be disclosed for them in this Company's financial statements.

## Notes (continued)

### 6 Staff numbers and costs

The average monthly number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Sales	31	12
Administration	13	6
	<u>44</u>	<u>18</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 January 2017 £	Year ended 31 January 2016 £
Wages and salaries	1,426,852	457,867
Social security costs	137,189	48,900
Pension contributions	14,322	4,546
Share based payments	(12,603)	(4,201)
	<u>1,565,760</u>	<u>507,112</u>

### 7 Taxation

(a) Analysis of tax charge/(credit) in year at 20.00% (2016: 20.16%)

	Year ended 31 January 2017 £	Year ended 31 January 2016 £
<i>Current tax</i>		
Adjustment in respect of prior years	(4,052)	(8,232)
Group relief payable / (receivable)	245,546	(116,668)
Total current tax	<u>241,494</u>	<u>(124,900)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	3,090	(18,964)
Adjustment in respect of prior years	(9,729)	(13,158)
Effect of change in tax rate	2,667	2,147
Total deferred tax	<u>(3,972)</u>	<u>(29,975)</u>
Tax on profit/(loss)	<u>237,522</u>	<u>(154,875)</u>

## Notes (continued)

### 7 Taxation (continued)

(b) Factors affecting effective tax charge/(credit) in year

The total tax charge/(credit) for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 20.00% (2016: 20.16%). The differences are explained below:

	£	£
Profit/(loss) before taxation	1,179,702	(589,629)
Tax on profit/(loss) at standard rate of 20.00% (2016: 20.16%)	235,940	(118,879)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	24,172	(270)
Adjustment in respect of prior years	(4,052)	(8,232)
Accelerated capital allowances	-	(454)
Adjustment for non-taxable income	(10,930)	(2,793)
Adjustment to deferred tax in respect of prior years	(9,729)	(13,158)
Other timing differences	2,121	(13,236)
Adjustment to tax rate on deferred tax balances	-	2,147
<b>Total tax charge/(credit) for the year</b>	<b>237,522</b>	<b>(154,875)</b>

In the prior year, the Company surrendered its losses to other Group subsidiaries.

### 8 Tangible assets

	Computer equipment £	Total £
<i>Cost</i>		
At beginning of year	234,897	234,897
Additions	115,872	115,872
<b>At end of year</b>	<b>350,769</b>	<b>350,769</b>
<i>Depreciation</i>		
At beginning of year	168,951	168,951
Charge for year	53,120	53,120
<b>At end of year</b>	<b>222,071</b>	<b>222,071</b>
<i>Net book value</i>		
<b>At 31 January 2017</b>	<b>128,698</b>	<b>128,698</b>
At 31 January 2016	65,946	65,946

The Company held no assets under hire purchase or finance lease agreements at the year end (2016: £Nil).

**Notes (continued)**

**9 Dividends**

	Year ended 31 January 2017 £	Year ended 31 January 2016 £
<i>Equity dividends:</i>		
Ordinary dividends paid	<u>775,000</u>	<u>200,000</u>

**10 Debtors**

	31 January 2017 £	31 January 2016 £
Trade debtors	749,778	614,389
Amounts due from Group undertakings	-	201,190
Prepayments and accrued income	184,527	40,065
Group relief due from Group undertakings	-	124,900
	<u>934,305</u>	<u>980,544</u>

Amounts due from Group undertakings are repayable on demand.

**11 Loans and advances**

	31 January 2017 £	31 January 2016 £
Gross loans and advances	3,165,230	857,562
Less: allowance for impairment losses	(505,514)	(101,436)
<b>Total</b>	<u>2,659,716</u>	<u>756,126</u>
Amounts expected to be repaid within 12 months of the reporting date	1,110,925	252,042
Amounts expected to be repaid more than 12 months from the reporting date	<u>1,548,791</u>	<u>504,084</u>

**12 Deferred tax**

	31 January 2017 £	31 January 2016 £
Opening balance	(38,281)	(8,306)
Movement in the year (see note 7)	(3,972)	(29,975)
Closing balance	<u>(42,253)</u>	<u>(38,281)</u>

## Notes (continued)

### 12 Deferred tax (continued)

Please note that from 1 April 2015, the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2018) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. Any deferred tax at 31 January 2017 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

There is no deferred taxation unprovided for in these financial statements.

The net deferred taxation position in 2017 and 2016 gives rise to a deferred taxation asset.

The elements of deferred taxation are as follows:

	Amount provided 31 January 2017 £	Amount provided 31 January 2016 £
Accelerated capital allowances	(41,441)	(38,100)
Other timing differences	(812)	(181)
	<u>(42,253)</u>	<u>(38,281)</u>

### 13 Creditors

	31 January 2017 £	31 January 2016 £
Trade creditors	1,545,610	384,486
Other taxation and social security	103,637	47,456
Group relief payable to Group undertakings	241,494	-
Accruals and deferred income	545,469	340,171
Other creditors	-	141
Amounts owed to Group undertakings	30,386	-
	<u>2,466,596</u>	<u>772,254</u>

Amounts due to Group undertakings are repayable on demand.

### 14 Provisions for liabilities and charges

	Regulatory £	Onerous lease provision £	Total £
At 1 February 2016	150,474	2,095	152,569
Amount booked to provisions for liabilities and charges	(90,326)	-	(90,326)
Amount utilised against the provision	(16,786)	-	(16,786)
At 31 January 2017	<u>43,362</u>	<u>2,095</u>	<u>45,457</u>

## Notes (continued)

### 14 Provisions for liabilities and charges (continued)

The Company has considered the requirement to review its historic sales of payment protection insurance. The balance of the provision is expected to cover the costs of compensating any remaining affected customers over the course of the next financial year.

The costs associated with leased properties for the period between the date the property is vacated and the lease expiry date are provided in full.

### 15 Share capital

	31 January 2017 £	31 January 2016 £
<b>Allotted, called up and fully paid</b>		
2 ordinary shares of £1 each	2	2

### 16 Share based payments

Think Money Group Limited has established an employee share option scheme that allows key employees of the Group to acquire shares in the ultimate holding company, Milan Topco Limited, in the event that the business is sold.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. It is measured at grant date and spread over the period which is expected to pass before employees become unconditionally entitled to the shares.

The value is arrived at using an option pricing model taking into account the terms and conditions upon which the options were granted. No options have yet vested.

The terms and conditions of options granted are as follows:

Grant Date	Employees	Granted By	Accounting Method	Number of Options	Vesting Conditions	Expiry Date
9 December 2009	Key Staff	Think Money Group Limited	Equity	2,000	Sale or listing of the business	7 December 2019

The number and weighted average exercise price of share options is as follows:

	Exercise Price		Number of Options	
	2017 £	2016 £	2017 No.	2016 No.
Brought forward	1	-	1,500	-
Lapsed in year	(1)	(1)	(1,500)	(500)
Transferred in year	-	1	-	2,000
Outstanding at year end	-	1	-	1,500

No options were exercised during the year.

The credit recognised for the year arising from equity settled share based payments is £12,603 (2016: £4,201). There is a potential deferred tax liability of £Nil (2016: £840) arising from the share based payment expense in the year.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the services received is measured using a Black-Scholes model. Measurement inputs and assumptions are as follows:

## Notes (continued)

### 16 Share based payments (continued)

December 2009 Issue	31 January 2017	31 January 2016
Exercise price	-	£1
Expected volatility	-	50%
Risk free interest rate	-	2%
Expected option life to exercise	-	4 Years
Fair value per option	-	£8.40

The expected life of the options is based on the Directors' review of market conditions and their expectations regarding a future sale of the business. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not be the case. The expected volatility used in calculations is the average of historical volatilities for a range of similar companies where data is available. As the Company is a private company and its shares are not quoted on any recognised Stock Exchange, no reference price exists for the share price at the date of exercise of the options.

During the year, the employee share option scheme provided by Think Money Group Limited was removed. Option holders were required to surrender their right to share options, which duly lapsed upon renunciation, in exchange for shares in the ultimate parent company, Milan Topco Limited.

At the year end, no options attributable to the share option scheme remained in force.

### 17 Financial instruments

#### Accounting classifications and fair value

All of the Company's financial assets and liabilities classified as loans and receivables or other financial liabilities are measured at amortised cost. There are no financial instruments held in the Company's accounts which are held at fair value.

#### Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk; and
- liquidity risk.

The business does not suffer significant exposure to market risk, and therefore credit risk and liquidity risk are considered to be most relevant to the Company.

#### Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Group has a Risk Committee in place, which is responsible for developing and monitoring the Group's risk management policies and ensuring that its strategy, principles, policies and resources are aligned to the Group's risk appetite. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect the Group's activities. Through its training and competency standards and procedures, the Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Group Internal Audit.

#### Credit risk

The Group Risk Committee delegates its specific credit risk management policies and monitoring to the Credit Risk Committee. The Credit Risk Committee reports regularly to the Risk Committee and the Board of directors on its activities.

## Notes (continued)

### 17 Financial instruments (continued)

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. This risk arises from the Company's unsecured lending activities as a result of defaulting loan contracts, and is the most significant risk faced by the Company.

Credit risks associated with lending are managed through the use of detailed lending policies which outline the approach to lending, underwriting criteria and product terms.

#### Loans and advances

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base.

The Company establishes a provision for loan losses that represents its estimate of incurred losses in respect of loans and advances. At the end of the year, £82,749 of gross loans and advances were past due and impaired (2016: £10,985).

The movement in the provision for impairment in respect of loans and advances during the year was as follows:

	<b>Loans and advances £'000</b>
Balance at 1 February 2015	-
Impairment loss recognised	101,436
Amounts written off	-
<b>Balance at 31 January 2016</b>	<b>101,436</b>
Impairment loss recognised	999,606
Amounts transferred to other Group subsidiaries	(595,528)
<b>Balance at 31 January 2017</b>	<b>505,514</b>

#### Cash and cash equivalents

The Company's cash and cash equivalents are held with bank and financial institution counter parties, which are rated A+ to BBB+ based on Fitch ratings.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. It arises from the Company's management of working capital and the finance charges and principal repayments on debt instruments.

The Group monitors its risk to a shortage of funds through regular cash management and forecasting.

#### Regulatory capital

In line with the Company's authorisation from the FCA, there is a regulatory capital requirement, to ensure that the Company maintains adequate capital throughout the year. The directors confirm that the Company has maintained sufficient levels of capital throughout the reporting period to consistently exceed the regulatory requirement. Management review the Company's capital in line with the requirements on a monthly basis.

**Notes (*continued*)**

**18 Ultimate parent company**

The Company is a subsidiary undertaking of Think Money Holdings Limited, a company incorporated and registered at Think Park, Mosley Road, Trafford Park, Manchester, M17 1FQ.

The entire issued share capital of this company is indirectly owned by Milan Topco Limited, a company incorporated and registered in Jersey. The consolidated Group accounts of Milan Topco Limited are filed with the accounts of the intermediate Group company Milan Swapco Limited and are available to the public from Companies House, Crown Way, Cardiff.

61.1% of the issued share capital of Milan Topco Limited is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited.