

ULTIMATE FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018

COMPANY NUMBER 04325262



Ultimate Finance Limited

Report and financial statements for the year ended 31 December 2018

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Ultimate Finance Limited

Corporate information

Country of incorporation

United Kingdom

Legal form

Private limited company

Directors at the date of this report

N McMyn

J Levy

Secretary and registered office

N McMyn, First Floor, Equinox North Great Park Road, Bradley Stoke, Bristol BS32 4QL

Company number

04325262

Auditor

RSM UK Audit LLP, Hartwell House, 55 - 61 Victoria Street, Bristol, BS1 6AD

Principal banker

Lloyds Bank Plc, PO Box 112, Canons Way, Bristol, BS99 7LB

Website

www.ultimatefinance.co.uk

Email address

info@ultimatefinance.co.uk

Ultimate Finance Limited

Strategic report for the year ended 31 December 2018

Principal activity and nature of business

Ultimate Finance Limited (the "company") provides invoice finance and other funding products to UK SMEs and assists businesses to manage cash flows. Invoice finance includes invoice discounting and factoring and offers SMEs immediate cash advances against unpaid invoices. While the company services many industries, it also has specific products tailored for the recruitment and construction sectors. All products have performed in line with management expectations during the year and continued investment in these and new products are expected to increase our penetration of the SME market.

KPIs:

The board regularly reviews the following KPIs:

- Revenue
- Profit before tax; and
- Loans and receivables

Revenue for year was £18,134,000 (2017: £15,402,000), an increase of 18% and the company made a profit before tax of £3,810,000 for the current year (2017: profit before tax £1,771,000). Loans and receivables to customers also increased to £120,989,000 (2017: £89,077,000) as a result of increased trading by the company with an associated provision of £4,185,000 (2017: £4,180,000).

Principal risks and uncertainties

A high level summary of the key business risks facing the company and the management actions that currently mitigate them to an acceptable level is provided below:

	Business risk	Mitigating management actions
Credit risk	The risk of financial loss to the company if a client or counterparty fails to meet its contractual obligations, and arises principally from the company's receivables from customers.	The company has strong underwriting processes with constant monitoring of the client's credit situation including review of debtor concentration and validation checks on significant exposures. The company has a well-established policy for credit losses and carries an allowance for impairment that represents its estimate of incurred losses in respect of loans and other receivables.
Liquidity risk	The risk of insolvency arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses. The company funds its business through its arranged back to back funding with third parties but is also dependent upon finance provided by its ultimate parent company in order to provide financing to its clients.	The company seeks to mitigate this risk by continually monitoring its funding requirements and investigating sources of finance which are, or might become, available to the company. The company also has access to additional funding facilities from its group companies
Market risk	The risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.	The company operates a conservative risk appetite in relation to market risk and adherence to market risk appetite is monitored by management team.

Ultimate Finance Limited

Strategic report for the year ended 31 December 2018 (continued)

	Business risk	Mitigating management actions
Operational risk	The activities of the company subject it to operational risks relating to its ability to implement and maintain effective systems to process the high volume of transactions with customers. A significant breakdown of the company's IT systems might adversely impact the company's ability to operate its business effectively.	The company has a business continuity plan which is kept under regular review and is designed to ensure that any breakdown in systems would not cause significant disruption to the business. The company's control and governance environment is continually being reviewed and improved.
Competitor risk	The company faces competition in the markets in which it operates. There is a danger that its planned growth and profitability may be impaired.	The company maintains relationships with its customers, business introducers, and other significant participants in the markets in which it is active. The company has a small market share at present and, in planning its future business, is taking competitive factors into account.
Management	The success of the company is dependent on recruiting and retaining skilled senior management personnel and failure to do so would put the company's ability to successfully carry out its plans at risk.	The company's employment and remuneration policies are designed to mitigate this exposure and ensure that an appropriately skilled workforce is and remains in place.

Outlook

The directors remains confident about the outlook for the business (and its part in the group structure) and its ambition to be a major player in the SME finance arena. This will be achieved by strategic expenditure in the areas of technology, sales, marketing and management, in order to achieve significant future growth.

Brexit

The Board have assessed that Brexit will have little direct impact on the Company. The Company does not have any European clients, nor does it buy or sell to the EU or have European nationals in executive roles. Brexit will, however impact the Company's clients, many of which import and export to Europe. The Company has assessed its portfolio and will continue to review the performance of clients as Brexit develops.

The Board recognises that tougher trading conditions for its clients might have a negative effect on the value of collateral held, which could impact the level of provisions required and the amounts available from external funding sources. Should external funding become limited, the Company may need to revise its growth expectations accordingly. In previous economic downturns, there has been a shift to alternative sources of funding and the Board believes that the Company is well placed to continue to provide its clients with good funding and to support their businesses through this uncertainty.

Going concern

The Company is reliant on the support of its immediate parent, Ultimate Finance Group Ltd, and its intermediate parent undertaking, Bentley Park (UK) Limited, which provide funding to the Company and the rest of the entities in the Group in order to continue as a going concern. The directors of Bentley Park (UK) Limited have indicated that it is their current intention for this support to continue until the Company is able to support itself, and that repayment of balances due to group companies will only be required when funds are available.

After making enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the annual report and financial statements.

Ultimate Finance Limited

Strategic report for the year ended 31 December 2018 (continued)

Approval

This strategic report for the company has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the board of directors and signed on behalf of the board.



Neil McMyn
Director

26 September 2019

Ultimate Finance Limited

Directors' report for the year ended 31 December 2018

The directors of Ultimate Finance Limited present their report together with the audited financial statements for the year ended 31 December 2018. The information required by Schedule 7 of the Companies Act 2006 is disclosed in the strategic report.

Results and dividends

The statement of comprehensive income is set out on page 11 and shows the profit for the year. The directors do not recommend payment of a dividend (2017: £nil).

Principal activities

The company's principal activity is the provision of invoice finance and other financing products to UK SMEs.

The company is a trading subsidiary of Ultimate Finance Group Ltd.

Directors and directors' interest

The directors of the company during the year, and to the date of this report, were:

R Robson (Resigned: 4 April 2019)

N McMyn

J Levy (Appointed: 4 April 2019)

No director had any beneficial interest in the share capital of the company.

Directors' indemnity

The intermediate parent of the Company, Bentley Park (UK) Limited, has purchased insurance to cover the directors, officers and employees of Bentley Park (UK) Limited and its subsidiaries against defence costs and civil damages awarded following an action brought against them in their personal capacity whilst carrying out their professional duties for the group.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all 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.

Auditor

Under section 489 of the Companies Act 2006, a resolution for the appointment of RSM UK Audit LLP as auditors of the company is to be proposed at the forthcoming board of directors meeting of Bentley Park (UK) Limited, the intermediate parent of the company.

Approval

This directors' report for the company has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the board of directors and signed on behalf of the board.



Neil McMyn
Director

26 September 2019

Ultimate Finance Limited

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 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Ultimate Finance Limited

Independent auditor's report to the member of Ultimate Finance Limited for the year ended 31 December 2018

Opinion

We have audited the financial statements of Ultimate Finance Limited (the 'company') for the year ended 31 December 2018 which comprise the Statements of Comprehensive Income, Financial Position and Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Ultimate Finance Limited

Independent auditor's report to the members of Ultimate Finance Limited for the year ended 31 December 2018
(continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

CHARLES FRAY (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

55-61 Victoria Street, Bristol, BS1 6AD

30 September 2019

Ultimate Finance Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	3	18,134	15,402
Cost of sales	4	(6,693)	(5,691)
Gross profit		11,441	9,711
Administrative expenses		(7,631)	(7,940)
Operating profit	5	3,810	1,771
Profit before taxation		3,810	1,771
Taxation	7	450	(180)
Profit for the year and total comprehensive income		4,260	1,591

The total profit for the year and total comprehensive profit is attributable to the owner of the parent company.

All results are derived from continuing operations. The accompanying notes on page 14 to 25 form an integral part of the financial statements.

Ultimate Finance Limited

Statement of financial position for the year ended 31 December 2018

Company number 04325262

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	8	82	234
Intangible assets	9	-	-
		<u>82</u>	<u>234</u>
Current assets			
Debtors due within one year	10	145,934	103,313
Cash at bank and in hand		<u>10,980</u>	<u>5,645</u>
		156,914	108,958
Current liabilities			
Creditors: amounts falling due within one year	11	(156,531)	(112,987)
Net current assets/(liabilities)		<u>383</u>	<u>(4,029)</u>
Net assets/(liabilities)		<u>465</u>	<u>(3,795)</u>
Equity attributable to owners of the company			
Share capital	15	-	-
Retained earnings/(deficit)		<u>465</u>	<u>(3,795)</u>
Total equity		<u>465</u>	<u>(3,795)</u>

The accompanying notes on page 14 to 25 form an integral part of the financial statements. The financial statements were approved and authorised for issue by the board of directors on 26 September 2019 and were signed on its behalf by:



Neil McMyn
Director

Ultimate Finance Limited

Statement of changes in equity for the year ended 31 December 2018

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 31 December 2016		-	(5,386)	(5,386)
Total comprehensive income for the year		-	1,591	1,591
At 31 December 2017		-	(3,795)	(3,795)
Total comprehensive income for the year		-	4,260	4,260
At 31 December 2018		-	465	465

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

General Information

Ultimate Finance Limited (the "company") is a private limited company limited by shares and is registered and incorporated in England.

The address of the company's registered office and principal place of business is provided on page 3. The company's principal activities are stated in the Directors' Report.

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 including the provisions of the Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008.

The financial statements are prepared and presented in Pounds Sterling, the company's functional and presentational currency and rounded to the nearest whole £1,000.

Change in accounting policy

In previous years, the company prepared financial statements under International Financial Reporting Standards (IFRSs). As stated above, the accounts are now being prepared under FRS 102. The directors have reviewed the company's accounting policies under IFRS and FRS 102 and have concluded that no changes to prior year comparatives are required as a result of this change.

FRS 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The financial statements of the company are consolidated in the financial statements of Bentley Park (UK) Limited. These accounts are available from Companies House.

Going concern

The company is reliant on the support of its intermediate parent, Bentley Park (UK) Limited, which provides funding to the company and the rest of the entities in the Group in order to continue as a going concern. The directors of Bentley Park (UK) Limited have indicated that it is their current intention for this support to continue until the company is able to support itself, and that repayment of balances due to group companies will only be required when funds are available.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue comprises fees for the provision of invoice financing and other financing services, net of value added tax, and is recognised as explained below.

Interest income

Interest income is recognised in the statement of comprehensive income for all financial assets measured at amortised cost using approximations to the EIR method. The EIR method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset. For Loan products where there are regular capital repayments, the sum of digits method is used as an approximation to EIR. For products that have repayments at contracted maturity, the straight-line method of interest allocation is used as an approximation to EIR. Invoice discounting and factoring products have interest applied to outstanding amounts on a daily basis. Management consider these methods to be appropriate approximations to the EIR method.

Service fee and other fee income

Ancillary to the provision of loans and finance to its customers, the company provides various services for which it charges a fee. Income for these services is recognised as the service is provided.

Expenses

Commissions

Commissions are recognised as part of the effective interest rate calculation. Where commissions are not directly linked to specific financial instrument, they are recognised in the statement of comprehensive income over the period to which it relate.

Operating lease payments

Leases are categorised as operating leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset. All leased assets held by the company are categorised as operating leases.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense over the term of the lease.

Borrowing costs

Borrowing costs in relation to the back-to-back financing facility with Lloyds Commercial Finance Ltd, RBS and British Business Investments are shown within cost of sales. The facility is used to finance loans provided to certain clients and is backed by the underlying debts of the clients.

Interest on other loans and borrowings is charged using the effective interest rate method. Interest expense in this context includes initial transactions costs as well as any interest or coupon payable while the liability is outstanding.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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. It is the group policy that no payment is made for any tax losses received from other group companies.

Deferred tax is provided using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting 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 asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Vehicles	-	four years
Computers	-	three years
Equipment and fittings	-	two – five years

Intangible assets

Intangible assets represent software and associated development costs which are stated at cost less accumulated depreciation and impairment losses. Amortisation is charged on a straight-line basis over three years.

Cash at bank and in hand

Cash balances and demand deposits are included as a component of cash and bank and in hand for the purpose only of the statement of cash flows.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial assets

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Impairment of loans and receivables

The recognition of impairment is a critical accounting judgement. Determining whether or not a financial instrument is impaired at the balance sheet date is complex and requires management judgement, as an instrument may be impaired without obvious indication, such as arrears. As well as using experience of prior periods and detailed knowledge of the customers' performance, management is also able to assess the behaviour of financial instruments since the balance sheet date to determine which financial instruments may be impaired as at the balance sheet date. In respect of loans and receivables, the company assesses on an ongoing basis whether there is objective evidence that an individual loan asset is impaired. If any such indication exists, the assets' recoverable amount is estimated. Where its value is known, this will take into account the value of any collateral held. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income in cost of sale.

Impairment losses are reversed through the statement of comprehensive income if there is a change in the estimates used to determine the recoverable amount.

Derecognition of financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Own shares

The fair value of consideration given for shares repurchased by the Company is deducted from equity.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial liabilities and equity (continued)

Trade creditors, group and other

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar expenses.

Derecognition of financial liabilities

The Company derecognises a financial liability when, and only when, the obligation specified in the contract is discharged, cancelled or expires.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2 Key risks and sources of estimation uncertainty

Critical accounting estimates and judgements

In the preparation of financial statements, the company is required to make estimates and assumptions, in accordance with FRS 102, that affect the amounts reported as assets and liabilities as at the date of reporting the financial statements and the reported amounts of revenues and expenditure during the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the company financial statements is included in the following notes:

Note 3 – revenue recognition, determine the period over which the revenue is recognised

Note 10 – provisioning against receivables, determining the appropriate level of provision required

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

2 Key risks and sources of estimation uncertainty (continued)

Assumptions and estimations uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2018 is included in the following notes:

Note 10 - provisioning against receivables, determining the appropriate level of provision required. Major exposures and levels of default together with other credit issues are reviewed regularly. The company has strict policies and procedures in place to monitor this risk. An impairment provision is made where objective evidence exists to doubt recoverability of amounts advanced to clients. Future expected cashflows and the valuation of relevant securities are assessed.

3 Revenue

Revenue arises from:	2018	2017
	£'000	£'000
Interest income	4,027	3,003
Service fee income	8,619	7,454
Other fee income	5,488	4,945
	18,134	15,402

4 Cost of sales

	2018	2017
	£'000	£'000
Cost of sales - finance costs	2,311	1,566
Cost of sales - other	4,382	4,125
	6,693	5,691

Finance costs represent interest payable on the back-to-back financing facilities and other costs include external legal fees, bad debt costs and commissions incurred.

5 Operating profit

	2018	2017
	£'000	£'000
This has been arrived at after charging:		
Deprecation of property, plant and equipment (note 8)	128	434
Operating lease expense:		
- Property	155	242
- Vehicles	192	174

Audit fees are borne by the company's intermediate parent, Bentley Park (UK) Ltd of which £26,000 (2017: £26,000) relate to the audit of these financial statements.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

6 Staff costs

	2018 £'000	2017 £'000
<i>Staff costs (including directors) comprise:</i>		
Wages and salaries	4,240	4,061
Social security costs	493	500
Other pension costs	309	355
	<u>5,042</u>	<u>4,916</u>

The average number of people employed by the company (including directors) during the year was 85 (2017: 103).

Directors' remuneration

The directors did not receive any remuneration for their services to the company. The directors are also directors of the intermediate parent company, Bentley Park (UK) Ltd, and their remuneration is disclosed in the accounts for that company.

7 Taxation

	2018 £'000	2017 £'000
<i>Deferred tax (credit)/expense</i>		
Origination and reversal of temporary differences (note 14)	(450)	180
Adjustment in respect of the previous year	-	-
Total tax expense	<u>(450)</u>	<u>180</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2018 £'000	2017 £'000
Profit before tax	<u>3,810</u>	<u>1,771</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	724	341
Expenses not deductible for tax purposes	26	85
Accelerated capital allowances	-	180
Group relief claimed and not paid for	(750)	(426)
Previously unrecognised deferred tax asset	(450)	-
Total tax (credit)/expense	<u>(450)</u>	<u>180</u>

The effective tax rate of the company is 19% (2017: 19.25%). Legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020 was included in the Budget 2016. The effect of these changes is not expected to have a material impact on the company's tax position.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

8 Property, plant and equipment

	Computers £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 January 2018	641	750	397	1,788
Disposals	(543)	(470)	(376)	(1,389)
Balance at 31 December 2018	98	280	21	399
Accumulated depreciation				
Balance at 1 January 2018	603	619	332	1,554
Depreciation charge for the year	35	40	53	128
Disposals	(543)	(456)	(366)	(1,365)
Balance at 31 December 2018	95	203	19	317
At 31 December 2018	3	77	2	82
At 31 December 2017	38	131	65	234

9 Intangible assets

	Capitalised Development costs £'000	Total £'000
Cost		
Balance at 31 December 2017 and 2018	<u>157</u>	<u>157</u>
Accumulated amortisation		
Balance at 31 December 2017 and 31 December 2018	<u>157</u>	<u>157</u>
Net book value		
Balance at 31 December 2017 and 2018	<u>-</u>	<u>-</u>

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

10 Debtors due within one year

	2018 £'000	2017 £'000
Loans and receivables	116,804	84,897
Deferred income	(407)	(232)
Prepayments	363	339
Inter-group debtors	28,724	18,309
Deferred tax asset	450	-
	<u>145,484</u>	<u>103,313</u>

The table below summarises the company's exposure to credit risk and impairment loss:

	2018 £'000	2017 £'000
Outstanding client balances	120,989	89,077
Provision for impairment	(4,185)	(4,180)
	<u>116,804</u>	<u>84,897</u>

Collateral

In addition to the value of the underlying assigned sales ledger balances, the company will wherever possible obtain additional security before offering invoice finance facilities to a client. These include personal guarantees from major shareholders and/or directors, charges over personal and other business property, cross guarantees from associated companies, and unlimited warranties in the case of frauds. The company is only able to take possession of this security following an event of default. These additional forms of security are impractical to fair value, as valuations of the guarantees or warranties are not capable of being accurately determined at any point during the agreement.

11 Creditors: amounts due within one year

	2018 £'000	2017 £'000
Bank borrowings and overdrafts (note 12)	88,524	71,510
Trade payables	38	6,482
Accruals	1,532	2,025
Other payables	7,958	823
Inter-group borrowings	58,479	32,147
	<u>156,531</u>	<u>112,987</u>

There are no trade or other payables denominated in currencies other than pound sterling.

The company's liabilities include trade and other payables and borrowing under its bank facility.

The company is subject to a cross guarantee for the bank debt held within Ultimate Finance Group Limited, the company's immediate parent.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

12 Bank Borrowings and overdrafts

	2018 £'000	2017 £'000
Bank borrowings and overdrafts	88,524	71,510

As stated in note 1, the company has a syndicated back-to-back financing facility with Lloyds Bank, RBS and British Business Investments. The facilities, which operate with six months' notice, allow the company to draw down, repay and redraw funds throughout the life of the facility on the condition that various criteria are met. The bank borrowings at a Group level of £92 million at 31 December 2018 relate to this facility, leaving headroom of £33 million at 31 December 2018.

13 Employee benefits

Pension

The company operates a defined contribution pension scheme. The pension cost charge for the year includes contributions payable by the company to the scheme and amounted to £309,000 (2017: £355,000). Contributions amounting to £161,000 were unpaid at the year end and are included in trade and other payables (2017: £80,000).

14 Deferred tax

Recognised deferred tax asset

Deferred tax asset is attributable to the following and is shown as a non-current asset on the statement of financial position:

(Credit)/charge in respect of deferred tax during year

	2018 £'000	2017 £'000
Accelerated capital allowances	-	(180)
Recognition of deferred tax asset in respect of losses	(450)	-
	<u>(450)</u>	<u>(180)</u>

Movement on the deferred tax asset during the year

	2018 £'000	2017 £'000
At the beginning of the year	-	180
Increase/(Decrease) in deferred tax asset	450	(180)
At the end of the year	<u>450</u>	<u>-</u>

Deferred tax assets have been recognised in respect of all such decelerated capital allowances and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

15 Share capital

	2018 Number	Issued and fully paid 2018 £	2017 Number	2017 £
Ordinary shares of £1 each	2	2	2	2

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. The authorised share capital of the company is £1,000.

16 Leases

Operating leases

The group leases all of its properties. The terms vary between properties, although each have periodic rent reviews and have break clauses. The current commitments will expire in 2020 at the latest.

At 31 December 2018, the company had outstanding future commitments under non-cancellable operating leases which fall due as follows:

	Land & buildings 2018 £'000	Other 2018 £'000	Land & buildings 2017 £'000	Other 2017 £'000
Not later than one year	104	-	130	-
Later than one year and not later than 5 years	50	-	156	-
More than five years	-	-	-	-
	154	-	286	-

17 Related party transactions

The company has taken advantage of the exemption in FRS 102 in not disclosing transactions and balances with wholly owned group companies.

18 Contingent liabilities

The company is jointly and severally liable for the VAT of the group of which it is a member. At the year end the group liability was £771,000 (2017: £160,000). These amounts were settled as part of the normal quarterly VAT returns after each year end.

19 Capital commitments

There were no capital commitments at the end of the financial year (2017: £Nil).

20 Financial commitments, guarantees and indemnity

The company has a facility with Lloyds Bank, RBS and British Business Investments for a £125 million back-to-back financing facility. The facility continues to operate on six months' notice. The facility is used to finance loans provided to clients and is backed by the underlying debts of the clients.

The facility is secured against an all assets debenture given by the company and a deed of guarantee and indemnity has been given by Ultimate Finance Group Limited.

Ultimate Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

21 Ultimate parent company and ultimate controlling party

The company's immediate parent undertaking is Ultimate Finance Group Ltd, a company incorporated in England and Wales.

The smallest group in which the results of the parent and subsidiary company are consolidated is that headed by Ultimate Finance Group Ltd. The largest group in which the results of the parent and subsidiary company are consolidated is that headed by the company's intermediate parent undertaking, Bentley Park (UK) Limited, a company incorporated in England and Wales. The consolidated financial statements of these companies are available to the public and may be obtained from the company's office, First Floor, Equinox North, Great Park Road, Bradley Stoke, Bristol, BS32 4QL.

The directors consider the family interests of Mr Joe Lewis to have ultimate control by virtue of their indirect beneficial ownership of the issued share capital of Bentley Park Limited, which is incorporated in the Bahamas and is the parent company of Bentley Park (UK) Limited.

22 Post balance sheet events

There have been no post balance sheet events.