

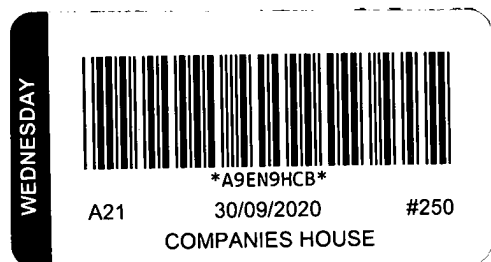
ULTIMATE FINANCE GROUP LIMITED

Report and Consolidated Financial Statements

for the year ended

31 December 2019

Company Number: 04350565



Ultimate Finance Group Limited

Report and financial statements for the year ended 31 December 2019

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Ultimate Finance Group Limited

Corporate information

Country of incorporation

United Kingdom

Legal form

Private limited company

Directors at the date of this report

J Levy
N McMyn

Secretary and registered office

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

Company number

04350565

Auditor

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

Principal banking group

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

Website

www.ultimatefinance.co.uk

Email address

info@ultimatefinance.co.uk

Ultimate Finance Group Limited

Strategic report

For the year ended 31 December 2019

Nature of business and review of performance

Ultimate Finance Group Limited ("Ultimate Finance" or the "Company") and together with its subsidiaries, the ("Group") is a specialist asset-based lender, providing a wide range of flexible solutions to support the ambitions of UK businesses. Backed by Tavistock, an international private investment organisation, the Group's vision is to be the funding partner of choice.

Established in 2001 and with a long-standing track record of delivery and growth, the Group combines the strengths of major banks (solution breadth and depth, expertise, track record, funding firepower) with the strengths of specialist, independent lenders (flexible, nimble, tech enabled, clear market proposition).

Ultimate Finance has a national coverage with a regional footprint through our strategically placed offices, allowing the Group to support introducers, partners and clients on a local basis with local sales, underwriting and relationship teams.

Funding is tailored to best suit the clients' needs, with the focus on finding the right solution rather than selling by product. Ultimate Finance has an enviable portfolio of products and services that enable creativity in solving the funding requirements of all types of businesses, and in many different stages of their business' evolution from one or a combination of the following core products:

Invoice Finance

Invoice Finance offers immediate cash advances against approved unpaid invoices. This product is suitable for businesses that have money tied up in unpaid invoices. Ultimate Finance Limited offers invoice discounting where the client continues to manage its credit control and sales ledger and factoring, where Ultimate Finance takes responsibility for the client's credit control and collection. The Group also has variants of Invoice Financing tailored specifically for the Construction and Recruitment industries.

Asset Finance

Asset Finance helps businesses spread the cost of buying assets such as equipment, machinery, or vehicles, through hire purchase or finance leases, typically over a two to five-year period.

Bridging Finance

Bridging Finance is a funding solution whereby funds advanced are secured against property with repayment through either the sale of the property or exit to another form of funding, typically a longer-term mortgage. Terms can range from 6 months to 18 months and interest can be either serviced or rolled over the loan period.

In 2019, the Group stopped issuing unsecured loans.

KPIs:

The Board regularly reviews the following KPIs:

- Revenue
- Profit before tax
- Loans and receivables

Group revenue for the year to 31 December 2019 was £34,976,000 (2018: £31,930,000) and the Group made a loss before tax of £4,049,000 for the current year (2018: £4,231,000). While revenue has increased and administration costs fallen, cost of sales has increased in part due to a significant bad debt charge, and as a result, the result for the year has only improved marginally. Loans and receivables to clients increased to £256,395,000 (2018: £219,314,000) as a result of increased trading by the Group.

The increases in both Loans and other receivables and Trade and other payables are due to increased loans to clients and the associated increase in funding drawn by the Group from Lloyds Bank, RBS and British Business Investments, as well as increased loans received during the year from the Company's parent company, Bentley Park (UK) Limited, and subsequently lent by the Company to its subsidiary undertakings.

Ultimate Finance Group Limited

Strategic report (continued)

For the year ended 31 December 2019

Principal risks and uncertainties

A high level summary of the key business risks facing the Group 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 Group if a client or counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from clients.	The Group has strong underwriting processes and constantly monitors its clients' credit situation including review of debtor concentration and validation checks on significant exposures. The Group has a clear policy for evaluating 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 to insolvency arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses. The Group funds its business through its debt funding with third parties but is also dependent upon finance provided by its parent company in order to provide financing to its clients.	The Group seeks to mitigate this risk by investigating alternative sources of finance which are, or might become, available to the Group and by keeping its funding and working capital position under review. The Group has headroom in its debt facilities and also has access to funding from its parent company and related parties.
Market risk	The risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group'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 Group operates a conservative risk appetite in relation to market risk and adherence to market risk appetite is monitored by the management team.
Operational risk	The activities of the Group subject it to operational risks relating to its ability to implement and maintain effective systems to process the high volume of transactions with clients. A significant breakdown of the IT systems of the Group might adversely impact the ability of the Group to operate its business effectively.	The Group 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 Group's control and governance environment is continually being reviewed and improved.
Interest rate risk	The Group has a funding facility for its invoice finance products. Increases in interest rates could impact the profitability of the Group.	Changes in interest rates in the Lloyds Bank/RBS/British Business Investments facility are passed on to clients.
Competitor risk	The Group faces competition in the markets in which it operates. There is a danger that its planned growth and profitability may be impaired.	The Group mitigates this risk for its current operation by maintaining relationships with its clients, business introducers, and other significant participants in the markets in which it is active. The Group has a small market share at present and, in planning its future business, is taking competitive factors into account.
Management	The success of the Group is dependent on recruiting and retaining skilled senior management personnel and failure to do so would put the Group's ability to successfully carry out its plans at risk.	The Group's employment policies are designed to mitigate this exposure and ensure that an appropriately skilled workforce is and remains in place.

Ultimate Finance Group Limited

Strategic report (continued)
For the year ended 31 December 2019

Transformation under Tavistock ownership

Tavistock purchased the Group in 2015 with a loan book worth £74m, and with investment in all areas of the business including technology, people and processes, we closed 2019 with a loan book worth £256m.

This growth is on the back of continued focus on strengthening relationships with introducers across the UK and another year of strong development of the Group's asset-based lending portfolio.

Highlights include:

- The average size of Invoice Finance deals more than doubling with facilities of up to £5m
- Asset Finance hitting a new annual high, with the loan book exceeding £55m
- The Bridging Finance loan book growing close to £40m, an exceptional year-on-year increase of 23.5 per cent.

The Group's mission

Ultimate Finance's vision is to become the funding partner of choice for businesses and introducers in the UK, having lent over £10bn to date.

The Group is committed to helping address the funding gap for SME businesses caused by traditional lenders moving out of this market.

The Group provides flexible funding solutions necessary to help business realise their potential, through unlocking working capital, funding the purchase of assets and easing cashflow challenges by providing a financial cushion to draw upon when it is needed.

Technology is used where it can improve the ease, speed and quality of the Group's service, for example, to speed up the application process, improve visibility of funding decision progress and make operating processes smarter for all.

The Group's values help differentiate Ultimate Finance from its competitors

The core values shape Ultimate Finance, developing a company culture that promotes collaboration and transparency

- **Decency** – Doing the right thing by clients and introducers alike. Not about ticking boxes but looking at the bigger picture and finding the right solution.
- **Brilliance** – Going the extra mile – empowering people so they have the authority and ability to make decisions and deliver the best possible service.
- **Enterprise** – All about evolution and innovation. Modernising the Group's approach when and where necessary. Harnessing data and technology to improve speed, efficiency and overall experience.

This approach has ensured that Ultimate Finance is the funding partner of choice for more and more businesses delivering the outstanding Trustpilot score of 4.9 out of 5, and a Net Promoter Score of 66 against the financial services sector average of 34.

Outlook

The Board remains confident about the outlook for the business and its ambition to be a major player in the UK SME funding market. This will be achieved by obtaining additional funding and reinvesting profits generated by the business into strategic development in the areas of technology and sales, marketing, in order to achieve significant future growth.

Ultimate Finance Group Limited

Strategic report (continued)
For the year ended 31 December 2019

COVID-19

COVID-19 has significantly impacted many businesses across the UK and the world and many of the Group's SME clients have experienced a severe drop in revenue. Client support teams have been working closely with clients to help them through a difficult period, including, where necessary, temporarily amending payment terms and providing additional flexibility within facilities. This has had a knock-on effect on the Group's business and financial performance with a significant drop in the size of the loan book and income. However, the Group has good support from its shareholder and is carrying higher cash balances than usual to ensure it can continue to fund clients throughout this episode. The principle bankers, Lloyds, RBS, British Business Investments and HSBC have also been supportive by acknowledging assistance the Group has granted to clients and continue to fund these amended receivables.

The British Business Bank has granted the Group accreditation to offer loans under the Coronavirus Business Interruption Loan Scheme ("CBILS") for Invoice Finance, Term Loans, Asset Finance and Bridging Finance. This allows the Group to offer CBILS, which are an important element of government support through COVID-19, and management expects many businesses to apply for this funding over the coming months, which in turn will help support the loan book and revenue.

In previous economic downturns, there has been a shift to alternative sources of funding and the Board believes that the Group is well placed to continue to provide its clients with funding and to support their businesses through this uncertainty.

Brexit

The Board has assessed that Brexit will have little direct impact on the Group. The Group does not have any clients outside of the UK, nor does it buy or sell to the EU or have European nationals in executive roles. Brexit will, however impact the Group's clients, some of which import and export to Europe. The Group 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 Group may need to revise its growth expectations accordingly.

Going concern

The principal risks and uncertainties affecting the Group and the steps taken to mitigate these risks are described above. The Group is reliant on the support of its parent, Bentley Park (UK) Limited and Lakeland Cove Limited, an entity controlled by the ultimate controlling shareholder, which provide funding to the company and Group, in order to continue as a going concern. The directors of Bentley Park (UK) Limited have indicated it is their current intention that this support will continue until the Group 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 and Group 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 Group Limited

Strategic report (continued)
For the year ended 31 December 2019

Approval

This strategic report for the Group 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 by



Neil McMyn
Director
18 September 2020

Ultimate Finance Group Limited

Directors' report

For the year ended 31 December 2019

The directors present their Group consolidated and Company audited financial statements for the year ended 31 December 2019.

Results and dividend

The consolidated statement of comprehensive income is set out on page 14 and shows the loss for the year. No dividend is proposed (2018: £nil).

Directors and directors' interests

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

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 Company has 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 Group'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 Group's auditor is aware of that information.

Auditor

Under section 485 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 immediate parent of the Company.

Approval

This directors' report for the Group 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 by



Neil McMyn
Director

18 September 2020

Ultimate Finance Group Limited

Statement of directors' responsibilities in respect to the strategic report, the directors' report and the financial statements

For the year ended 31 December 2019

The directors are responsible for preparing the strategic report and 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 Group and the Company and of the profit or loss of the Group for that year.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ultimate Finance Group Limited

Independent auditor's report to the member of Ultimate Finance Group Limited For the year ended 31 December 2019

Opinion

We have audited the financial statements of Ultimate Finance Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows 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 Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and Parent 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 Group's or the Parent 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.

Ultimate Finance Group Limited

Independent auditor's report to the member of Ultimate Finance Group Limited (continued) For the year ended 31 December 2019

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 10, 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 Group's and the Parent 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 Group or the Parent 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.

Ultimate Finance Group Limited

Independent auditor's report to the member of Ultimate Finance Group Limited (continued)
For the year ended 31 December 2019

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
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

29 September 2020

Ultimate Finance Group Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	4	34,976	31,930
Cost of sales	5	(21,799)	(15,714)
Gross profit		13,177	16,216
Administrative expenses		(17,235)	(20,462)
Operating loss	6	(4,058)	(4,246)
Finance income	8	9	15
Loss before taxation		(4,049)	(4,231)
Taxation	9	(385)	991
Loss for the year and total comprehensive loss.		(4,434)	(3,240)

The total loss for the year and total comprehensive loss is attributable to the parent.

All results are derived from continuing operations. The accompanying notes on pages 18 to 39 form an integral part of the financial statements.

Ultimate Finance Group Limited

Consolidated and company statement of financial position as at 31 December 2019

	Note	Group		Company	
		2019 £000	2018 £000 (as restated)	2019 £000	2018 £000
Fixed assets					
Investment in subsidiaries	10	-	-	7,070	7,070
Goodwill and other intangibles	11	656	681	656	681
Property, plant and equipment	12	461	726	400	601
		1,117	1,407	8,126	8,352
Current assets					
Debtors due within one year	13	205,156	177,230	96,041	115,192
Debtors due after more than one year	13	37,374	32,466	-	-
Deferred tax assets	18	655	1,037	-	-
Cash and cash equivalents		26,663	36,521	3,071	6,127
		269,848	247,254	99,112	121,319
Creditors: amounts falling due within one year	15	241,059	232,248	117,258	130,072
Net current assets/(liabilities)		28,789	15,006	(18,146)	(8,753)
Creditors: amounts falling due after more than one year	15	24,113	6,186	-	-
Net assets/(liabilities)		5,793	10,227	(10,020)	(401)
Equity attributable to owners of the parent					
Share capital	19	24,266	24,266	24,266	24,266
Share premium		6,450	6,450	6,450	6,450
Retained earnings		(24,923)	(20,489)	(40,736)	(31,117)
Total equity		5,793	10,227	(10,020)	(401)

The Company's loss for the year and total comprehensive loss for the year were £9,619,000 (2018: £12,329,000).

The accompanying notes on pages 18 to 39 form an integral part of the financial statements. These financial statements were approved by the board of directors on 18 September 2020 and were signed on its behalf by:



Neil McMyn
Director

Ultimate Finance Group Limited

Consolidated statement of cash flows For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000 (as restated)
Cash flows from operating activities			
Loss after tax		(4,434)	(3,240)
Adjustments for:			
Depreciation of property, plant and equipment	12	336	447
Amortisation of intangible assets	11	266	476
Provisions for impairment of loans and other receivables		7,786	5,004
Interest expense		9,180	6,126
Interest income		(9)	(15)
Taxation		385	(1,004)
Gain on sale of fixed assets		(23)	(49)
Operating cash flows before movements in working capital		13,487	7,745
Increase in loans and other receivables	13	(40,620)	(65,551)
(Decrease)/increase in trade and other payables	15	(2,894)	39
Net cash used in operating activities		(30,067)	(57,767)
Cash flows from investing activities			
Acquisition of intangible assets	11	(241)	(558)
Acquisition of property, plant & equipment	12	(77)	(195)
Proceeds on disposal of property, plant & equipment	12	29	81
Net cash used in investing activities		(289)	(672)
Cash flows from financing activities			
Interest received	8	9	15
Interest paid	5	(4,060)	(2,389)
Increase in bank borrowings	15	44,509	30,370
(Decrease)/increase in loans from parent company		(20,000)	55,000
Net cash provided by financing activities		20,458	82,996
Net movement in cash and cash equivalents		(9,858)	24,557
Cash and cash equivalents at the start of the year		36,521	11,964
Cash and cash equivalents at the end of the year		26,663	36,521

Ultimate Finance Group Limited

Consolidated and Company statement of changes in equity for the year ended 31 December 2019

Group statement of changes in equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2018	24,266	6,450	(17,249)	13,467
Total comprehensive loss for the year	-	-	(3,240)	(3,240)
At 31 December 2018	24,266	6,450	(20,489)	10,227
Total comprehensive loss for the year	-	-	(4,434)	(4,434)
At 31 December 2019	24,266	6,450	(24,923)	5,793

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2018	24,266	6,450	(18,788)	11,928
Total comprehensive loss for the year	-	-	(12,329)	(12,329)
At 31 December 2018	24,266	6,450	(31,117)	(401)
Total comprehensive loss for the year	-	-	(9,619)	(9,619)
At 31 December 2019	24,266	6,450	(40,736)	(10,020)

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 Accounting policies

General information

Ultimate Finance Group Limited (the "Company") and together with its subsidiaries, (the "Group") is a 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 Group and the Company's principal activities are stated in the Strategic 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 presented in Pounds Sterling, the Company's functional and presentational currency, and rounded to the nearest £1,000.

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

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the exposure to variable returns of its subsidiaries and it has the ability to affect those returns through power over its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated.

Consolidation of a subsidiary is required from the time when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the date the Company gains control.

In accordance with Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented for the Company.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Where the consideration transferred, together with the non-controlling interest, exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill.

Going Concern

The Group is reporting a loss after tax of £4.4 million in 2019 and £3.2 million in 2018. These accumulated losses have caused the Group's retained losses to increase to £24.9million at 31 December 2019 from £20.5 million at 31 December 2018. Net assets reduced from £10.2 million to £5.8 million. The directors have considered the financial position of the Group and its forecasted cash flows from its five-year forecasts and have concluded that the Group has adequate funding in place to allow it to continue its business and growth plans, including both shareholder support and external facilities. The directors are confident that back-to-back funding will continue to be available and are actively seeking additional sources of funding to allow them to pursue their growth aspirations.

The Group is reliant on the support of its parent, Bentley Park (UK) Limited, and Lakeland Cove Limited, an entity controlled by the ultimate controlling shareholder, which provide funding to the company and Group in order to continue as a going concern. The directors of Bentley Park (UK) Limited have indicated it is their current intention that this support will continue until the Group is able to support itself, and that repayment of balances due to group companies will only be required when funds are available.

The directors are confident that existing external funding facilities will continue to be available and are actively seeking additional sources of funding to allow them to pursue their growth aspirations.

COVID-19 has significantly impacted many businesses across the UK and many of the Group's SME clients have experienced a severe drop in revenue. This has had a knock-on effect on the Group's business and financial performance with a drop in the size of the loan book and reduced income. However, Ultimate Finance has good support from its shareholder and has sufficient liquidity through cash at bank and availability on bank facilities to ensure that it can continue to fund clients throughout this episode. The Group's principal bankers, Lloyds, RBS, British Business Investments and HSBC have also been supportive by acknowledging assistance the Group has granted to clients and continuing to fund these amended receivables.

After reviewing the Group's forecasts and projections and the support of the Company's shareholders and the financial institutions providing external financing facilities to the Group, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and have concluded that it will be able to meet its liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements. For these purposes, the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these consolidated financial statements.

Value added tax

The company is the controlling party for a group registration for VAT.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue comprises fees for the provision of invoice, asset and trade financing services and the provision of loans net of Value Added Tax is recognised as explained below.

The determination of whether certain fees and costs form part of the Effective Interest Rate ("EIR") is a critical judgement. Management assesses the nature of fees charged and incurred, the nature of services provided or received and the extent to which these relate closely to the issue of a financial instrument. To the extent that costs or income do relate closely to the issue of a financial instrument, they are included within the EIR calculation.

Finance lease and hire purchase income

Hire purchase and finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of these leases using the sum of digits method as an approximation for EIR.

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 and other fee income

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

Expenditure

Commissions

Where commissions are not directly linked to a financial instrument, it is recognised in the statement of comprehensive income over the period to which it relates. For products that have regular repayments, broker fees are recognised using the sum of digits method. Broker fees are spread on a straight-line basis for products that are repaid at maturity.

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 Group are categorised as operating leases.

Payments made under operating leases are recognised in the income statement 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.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Expenditure (continued)

Borrowing costs

Borrowing costs in relation to the syndicated back-to-back financing facility with Lloyds Bank, RBS and British Business Investments are shown within cost of sales. The facility is used to finance loans provided to certain Group clients and is backed by the underlying debts of the clients. Interest on loan from the Company's parent is also included in cost of sales.

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.

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. The Company's policy is not to receive reimbursements for any losses it surrenders to subsidiary companies.

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.

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. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Investments

Investments in subsidiaries are carried at cost less provisions for permanent impairment.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Goodwill

Goodwill is stated at cost less amortisation and any accumulated impairment losses. Amortisation of goodwill arising in previous years is on a five-year straight-line basis being the directors' best estimate of the period over which they will get value for the acquisition.

Goodwill is allocated on initial recognition to each of the Group's cash generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill. Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Intangible assets

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over the useful economic lives. The amortisation expense is included within the other administrative expenses line in the consolidated statement of comprehensive income.

Intangible assets are recognised on business combination if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Internally developed intangible assets

Internally developed intangible assets represent software and other product development costs which are stated at cost less accumulated amortisation and impairment losses.

Current estimates of useful economic lives of intangible assets are as follows:

Product and software development	five years after product launch
Client relationships	two years

Impairment of fixed assets

Fixed assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

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:

Motor vehicles	-	four years
Computers	-	three years
Fixtures and fittings	-	two – five years

Cash and cash equivalents

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

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 clients' 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 Group assesses on an ongoing basis whether there is objective evidence that an individual loan asset is impaired. If any such indication exists, the asset's 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 sales.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Impairment of loans and receivables (continued)

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 and liabilities

The Group 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.

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

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 instruments are classified as liabilities and equity instruments 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 Group 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.

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.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (*continued*)

Securitisation

The Group securitises some of its financial assets via the sale of these assets to a special purpose vehicle ("SPV"), which part funds the acquisition by drawing down on a banking facility. All financial assets continue to be held on the Group's Statement of Financial Position. The Group transfers leases and hire purchase agreements with its clients to the SPV, Midland Court Receivables Finance Limited ("MCRF"), but retains substantially all the risk and rewards of ownership. The Group benefits from the additional capital and to the extent that income generated by the transferred assets exceeds the administration costs of the SPV, the interest cost in the SPV and the cost of any credit losses. The risks retained include credit risk and late payment risk.

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 Critical accounting judgements and key sources of estimation uncertainty

In these consolidated financial statements management has made judgements, estimates and assumptions, in accordance with FRS 102, that affect the applications of the Group's accounting policies and the reported amounts of assets and liabilities as at the date of reporting the financial statements and the reported amounts of revenues and expenditure during the year. Actual results may differ from these estimates.

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 financial statements is included in the following notes:

Note 4 – revenue recognition, determine the appropriate basis by which to record income

Note 13 – provisioning against receivables, determining the appropriate level of provision required

Assumptions and estimation 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 2019 is included in the following notes:

Note 13 - 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 Group 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.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

3 Correction of prior period misstatement

In late December 2018, Ultimate Asset Finance ("UAF") entered into a securitised funding arrangement with HSBC Bank Plc, under which UAF sells finance lease and hire purchase receivables to a new special purpose entity, Midland Court Receivables Finance Limited.

In the financial statements for the year ended 31 December 2018 management concluded that whilst UAF retained some residual rights to the contractual cash flows relating to these receivables, these did not represent substantially all of the risks and rewards of ownership and, as a result, UAF derecognised finance lease and hire purchase receivables of £13,933,000 and included the difference between that balance and the initial cash consideration of £10,795,000 as another debtor, reflecting further consideration due.

During the current year, management have reviewed the allocation of the cash flows relating to the receivables sold to MCRF and concluded that UAF does retain substantially all of the risks and rewards relating to these receivables. As a result, they have now concluded that UAF should not derecognise the finance lease and hire purchase receivables sold to MCRF, that the consideration received should be recognised as a financial liability and that UAF should recognise any income relating to these receivables and any expense incurred relating to the financial liability.

The impact on the statement of comprehensive income for the year ended 31 December 2018 was trivial and has not been adjusted for. The adjustments to the statement of financial position at 31 December 2018 are as follows:

- Recognition of additional finance lease and hire purchase receivables (£13,933,000)
- Derecognition of the other debtor (£3,138,000)
- Recognition of a financial liability (£10,795,000)

Extract from the restated statement of financial position:

	As previously reported £'000	At 31 December 2018	
		Adjustment £'000	As restated £'000
Debtors			
Loans receivable within one year	170,886	5,715	176,701
Loans receivable over one year	24,248	8,218	32,466
Total loans receivable	195,134	13,933	209,067
Other debtors	3,138	(3,138)	-
Creditors: amounts falling due within one year			
Borrowings	(91,517)	(4,609)	(96,126)
Creditors: amounts falling due within one year			
Borrowings	-	(6,186)	(6,186)

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

4 Revenue

	2019 £'000	2018 £'000
Revenue arises from:		
Hire purchase income	4,960	3,698
Finance lease income	1,302	1,138
Service fee income	10,977	10,118
Interest income	10,832	9,588
Other fee income	6,904	7,388
	34,976	31,930

5 Cost of sales

	2019 £'000	2018 £'000
Finance costs - bank interest	4,060	2,388
Finance costs - group interest	5,120	3,738
Cost of sales - other	12,619	9,588
	21,799	15,714

"Finance costs" include interest payable on the syndicated back-to-back financing facility with Lloyds Bank, RBS and British Business Investments and group interest charged from Bentley Park (UK) Limited, the Company's immediate parent.

"Cost of sales – other" relates to brokers commission, external fees recharged to clients, bad debt costs and internal commissions incurred.

6 Operating loss

	2019 £'000	2018 £'000
This has been arrived at after charging/(crediting):		
Amortisation of intangible assets (note 11)	266	476
Property rental expense	539	617
Vehicle rental expense	252	309
Profit on disposal of fixed assets	(23)	(49)
Exchange loss	12	10

Audit fees are borne by the company's immediate parent, Bentley Park (UK) Limited of which £12,000 (2018: £12,000) relate to the audit of these consolidated financial statements and £86,000 (2018: £86,000) to the audit of the financial statements of the Company's subsidiaries.

The Group incurred £20,000 in relation to advisory services (2018: £8,000) provided by associates of the external auditor.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

7 Staff costs

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Staff costs (including directors) comprise:				
Wages and salaries	8,742	10,489	2,826	2,995
Social security costs	1,129	1,196	344	370
Other pension costs	649	772	219	252
	10,520	12,457	3,389	3,617

The average number of people employed by the Group (including directors) during the year was 187 (2018: 217). The average number of persons employed by the Company (including directors) during the year was 57 (2018: 61).

Directors' remuneration

The directors did not receive any remuneration for their services to the Company. The directors are also directors of the immediate parent company, Bentley Park (UK) Limited, and their remuneration is disclosed in the accounts for that company. Recharges from Bentley Park (UK) Limited to the Company of £1,296,000 (2018: £1,246,000) were made in the year which included £460,000 of directors' remuneration (2018: £565,000).

Key management remuneration

	2019	2018
	£'000	£'000
Wages and salaries	1,100	1,381
Other pension costs	102	108
	1,202	1,489

8 Finance income

	2019	2018
	£'000	£'000
<i>Finance income</i>		
Bank interest income	9	15

Borrowing costs in relation to the back-to-back facility (note 16) and on intra-group loans are not included here but are included within cost of sales.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

9 Taxation

	2019 £'000	2018 £'000
Tax charge/(credit)	<u>385</u>	<u>(991)</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:

	2019 £'000	2018 £'000
Loss before taxation	<u>(4,049)</u>	<u>(4,231)</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(769)	(804)
Expenses not deductible for tax purposes	133	229
Previously unrecognised deferred tax asset	-	(1,004)
Decelerated capital allowances	382	-
Adjustment in respect of the previous year	3	13
Group relief received not paid for	-	(708)
Losses carried forward not recognised	636	1,283
Total tax charge/(credit)	<u>385</u>	<u>(991)</u>

The effective tax rate of the Company is 19% (2018: 19%). 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.

The Group has tax losses carried forward of £15,379,000 (2018: £12,032,000) and has not recognised a deferred tax asset of £2,922,000 (2018: £2,045,000) due to the uncertainty of the timing of its recovery. As detailed further in note 18, the Group has recognised a deferred tax asset in relation to decelerated capital allowance in its subsidiaries.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10 Investment in subsidiaries – Company

£'000

Cost at 31 December 2018 and 31 December 2019

7,070

The undertakings in which the Company's interest at the year-end is more than 20 % are as follows:

Name of company	Place of incorporation
Ultimate Finance Limited	England
Ultimate Trade Finance Limited **	England
Ultimate Asset Finance Limited	England
Ultimate Business Finance Limited**	England
Ashley Finance Limited	England
Ultimate Bridging Finance Limited	England
Ultimate Construction Finance Limited*	England

* In December 2018, resolutions were passed to put the Company into a member's voluntary liquidation. At the time of signing these accounts, the Company has yet to be dissolved.

** These companies have taken their entitlement to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 31 December 2019.

All investments are 100% owned and held at their historical cost less any impairment. All Group companies have their registered office at First Floor, Equinox North, Great Park Road, Bradley Stoke, Bristol BS32 4QL. This is the principal place of business for all the companies above apart from Ultimate Bridging Finance Limited which is at 6th Floor, York House, York Street, Manchester, M2 3BB.

11 Goodwill and other intangible assets

Group

	Goodwill £'000	Client relationships £'000	Capitalised Development £'000	Software Development £'000	Total £'000
Cost					
Balance at 1 Jan 2019	5,339	682	931	922	7,874
Additions	-	-	-	241	241
Disposals	-	-	-	(42)	(42)
Balance at 31 Dec 2019	5,339	682	931	1,121	8,073
Accumulated amortisation					
Balance at 1 Jan 2019	5,339	682	931	241	7,193
Amortisation charge for the year	-	-	-	266	266
Disposals	-	-	-	(42)	(42)
Balance at 31 Dec 2019	5,339	682	931	465	7,417
Net book value					
Balance at 31 Dec 2019	-	-	-	656	656
Balance at 31 Dec 2018	-	-	-	681	681

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

11 Goodwill and other intangible assets (continued)

Intangible assets – Company		Software Development £'000
Cost		
Balance at 1 January 2019		922
Additions		241
Disposals		(42)
Balance at 31 December 2019		1,121
Accumulated amortisation		
Balance at 1 January 2019		241
Amortisation charge for the year		266
Disposals		(42)
Balance at 31 December 2019		465
Net book value		
Balance at 31 December 2019		656
Balance at 31 December 2018		681

12 Property, plant and equipment

Group	Computers £'000	Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
Balance at 1 January 2019	500	1,052	68	1,620
Additions	30	47	-	77
Disposals	(44)	(1)	(24)	(69)
Balance at 31 December 2019	486	1,098	44	1,628
Accumulated depreciation				
Balance at 1 January 2019	342	488	64	894
Depreciation charge for the year	105	227	4	336
Disposals	(39)	-	(24)	(63)
Balance at 31 December 2019	408	715	44	1,167
Net book value				
At 31 December 2019	78	383	-	461
At 31 December 2018	158	564	4	726

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

12 Property, plant and equipment (continued)

Company	Computers	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 2019	353	668	1,021
Additions	30	47	77
Disposals	(17)	-	(17)
Balance at 31 December 2019	366	715	1,081
Accumulated depreciation			
Balance at 1 January 2019	206	214	420
Depreciation charge for the year	96	178	274
Disposals	(13)	-	(13)
Balance at 31 December 2019	289	392	681
Net book value			
At 31 December 2019	77	323	400
At 31 December 2018	147	454	601

13 Debtors

	Group 2019 £'000	Group 2018 £'000 (as restated)	Company 2019 £'000	Company 2018 £'000
Loans receivable	241,683	209,067	-	-
Deferred revenue	(2,098)	(1,727)	-	-
Prepayments	2,713	2,356	400	300
Amounts owed by Group undertakings	-	-	95,308	114,892
Other debtors	232	-	333	-
	242,530	209,696	96,041	115,192

	Group 2019 £'000	Group 2018 £'000 (as restated)	Company 2019 £'000	Company 2018 £'000
Analysed as:				
Debtors due within one year	205,156	177,230	96,041	115,192
Debtors due after one year	37,374	32,466	-	-
	242,530	209,696	96,041	115,192

As described in note 1, the Company has securitised some financial assets and continues to recognise them on the Statement of Financial Position. At 31 December 2019, £63,264,000 of assets had been sold to the SPV of which £18,471,000 had been repaid, leaving a balance outstanding of £44,793,000 (2018: £13,933,000 had been sold to the SPV and nothing had been repaid leaving a balance outstanding of £13,933,000).

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

13 Debtors (continued)

The table below summarises the Group's exposure to credit risk:

	2019 £'000	2018 £'000 (as restated)
Outstanding client balances	256,395	219,314
Allowances for losses	(14,712)	(10,247)
	241,683	209,067

Collateral

In addition to the value of the underlying assets being financed (whether assigned sales ledger balances, plant and machinery or property), the Group 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 Group 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.

The directors consider that the carrying value of loans and other receivables held at the current and prior year is not materially different from its fair value.

14 Finance lease debtors

Ultimate Asset Finance Limited provides equipment finance lease rentals to its clients.

The client contracts are classified as finance lease receivables as the rental period amounts to the estimated useful economic life of the assets concerned. Ultimate Asset Finance Limited often has the right to purchase the assets outright from the finance provider, where there is one, at the end of the minimum lease term by paying a nominal amount. This right is also provided to its clients.

Finance lease receivables are included within debtors. Future lease receipts are due as follows:

	Future minimum lease payments £'000	Unearned finance income £'000	Present value £'000
At 31 December 2019			
Not later than one year	25,174	(5,669)	19,505
Later than one year and not later than five years	38,885	(5,210)	33,675
Later than five years	2,608	(112)	2,496
	66,667	(10,991)	55,676
	Future minimum Lease payments £'000	Unearned finance income £'000	Present value £'000
At 31 December 2018 (as restated)			
Not later than one year	21,238	(4,752)	16,486
Later than one year and not later than five years	34,134	(4,454)	29,680
Later than five years	60	(3)	57
	55,432	(9,209)	46,223

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Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

14 Finance lease debtors (continued)

The unearned finance income at 31 December 2019 was £10,991,000 (2018: £9,209,000). There was £nil , unguaranteed residual value accruing at the year end (2018: £nil).

15 Creditors

	Group 2019 £'000	Group 2018 £'000 (as restated)	Company 2019 £'000	Company 2018 £'000
Bank borrowings and overdrafts	146,821	102,312	-	-
Trade creditors	289	288	203	200
Other payables	5,953	7,082	19	193
Accruals	3,530	3,923	328	1,383
Other tax and social security	883	1,288	-	-
Amounts owed to parent undertaking	107,587	123,362	116,708	128,296
Other creditors	105	179	-	-
	265,172	238,434	117,358	130,072
Analysed as	Group 2019 £'000	Group 2018 £'000 (as restated)	Company 2019 £'000	Company 2018 £'000
Creditors: amounts due within one year	241,059	232,248	117,258	130,072
Creditors: amounts due after one year	24,113	6,186	-	-
	265,172	238,434	117,258	130,072

There are no trade or other creditors denominated in currencies other than pound sterling. The Company's liabilities include trade and other payables and borrowing under its bank facility.

16 Bank borrowings

	2019 £'000	2018 £'000 (as restated)
Bank borrowings	146,821	102,312

The Group 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. Within the bank borrowings at a Group level, £109,413,000 at 31 December 2019 (2018: £91,517,000) relates to this facility, leaving headroom of £15,587,000 at 31 December 2019 (2018: £33,483,000).

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

16 Bank borrowings (continued)

As described in note 3, UAF and the Group decided to record MCRF's financial liability with HSBC in its Statement of Financial Position and all the associated costs in the Statement of Comprehensive Income. The HSBC facility matures in December 2021. The Group is currently confident that it will be able to extend or refinance the facility prior to that date. However, if that is not possible the debt will amortise from payments received from the receivables. The amount outstanding at 31 December 2019 was £33,362,000 (2018: £10,795,000).

In June 2019, UAF signed a £5m block discounting facility with Aldermore Bank Plc. The facility will be reviewed annually from December 2019. The amount outstanding at 31 December 2019 was £4,045,000.

17 Employee benefits

Pension

The Group operates a defined contribution pension scheme. The pension cost charge for the year includes contributions payable by the Group to the scheme and amounted to £584,000 (2018: £772,000). Contributions amounting to £88,000 were unpaid at the year end and are included in trade and other payables (2018: £161,000).

18 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018 - 17%).

Recognised deferred tax assets

Deferred tax assets are attributable to the following and are shown as a current asset on the statement of financial position:

(Charge)/credit in respect of deferred tax during the year

	2019 £'000	2018 £'000
(Decelerated)/accelerated capital allowances	(382)	1,004
	(382)	1,004

Movement on the deferred tax asset during the year

	2019 £'000	2018 £'000
At the beginning of the year	1,037	33
(Charge)/Credit	(382)	1,004
At the end of the year	655	1,037

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 Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

19 Share capital

Issued and fully paid	2019 Number	2019 £'000	2018 Number	2018 £'000
Ordinary shares of £0.05 each	485,324,700	24,266	485,324,700	24,266

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.

20 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. Other operating leases relate to leased cars as well as leasing payments in relation to software systems. The current commitments will expire in 2022 at the latest.

At the statement of financial position date, the Group had outstanding future commitments under non-cancellable operating leases which fall due as follows:

	Land & buildings 2019 £'000	Other 2019 £'000	Land & buildings 2018 £'000	Other 2018 £'000
Not later than one year	383	140	435	294
Later than one year and not later than 5 years	481	58	1,025	217
	864	198	1,460	511

21 Related party transactions

Transactions and balances between the Company and its subsidiaries, which are related parties under common control, have been eliminated on consolidation.

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

Disclosure of the remuneration paid to key management is included in note 7.

22 Guarantee and indemnity

The Group has syndicated back-to-back facilities with Lloyds Bank, RBS and British Business Investments for £125 million. The facilities are used to finance loans provided to clients and are backed by the underlying debts of the clients.

The facilities are secured against an all assets debenture given by Ultimate Finance Limited and Ashley Finance Limited.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

23 Financial risk management

The Group provides a range of financing products to its clients and funds these activities by means of intercompany and external borrowings. Lending tends to be bespoke for individual clients and transactions. The Group's principal risk is thus credit risk, and this is managed via an appropriate credit review process and the margins charged.

Credit risk

Credit risk arises from all exposures to clients on the Group's financing activities. The Group's boards establish underwriting limits, review concentrations and establish procedures on credit decisions.

Major exposures and levels of default together with other credit issues are reviewed regularly. The Group 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial investments. The Group manages market risk and its components on a transaction-by-transaction basis.

Interest rate and foreign exchange risks

The Group does not have significant exposure to currency risk or interest rate risk as fluctuations in these are passed onto the Group's client base.

The following table summarises the Group's minimal exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity date:

2019	Floating rate	Fixed rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Assets				
Loans Receivables	138,984	44,925	-	183,909
Finance Lease Receivables	-	55,676	-	55,676
Trade and Other Receivables	-	-	2,945	2,945
Cash and Equivalents	-	-	26,663	26,663
Liabilities				
Borrowings	146,821	-	-	146,821
Inter-group borrowings	-	107,587	-	107,587
Trade and Other Payables	-	-	10,761	10,761

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

23 Financial risk management (continued)

2018	Floating rate	Fixed rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Assets				
Loans receivables	121,571	39,546	-	161,117
Finance lease receivables	-	46,223	-	46,223
Trade and other receivables	-	-	2,356	2,356
Cash and Equivalents	-	-	36,521	36,521
Liabilities				
Borrowings	102,312	-	-	102,312
Inter-group borrowings	-	123,362	-	123,362
Trade and other payables	-	-	12,760	12,760

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's principal liquidity risk is in respect of the requirement to maintain sufficient levels of borrowing to fund the financed portfolio over the period that the loans remain outstanding. The Group borrows from related parties and 3rd party financing institutions and the Group's directors maintain a regular review and contact with these fellow subsidiaries to ensure sufficient funds remain available. The maturity profile of financial liabilities is discussed in note 15.

The carrying amount of the Group's financial instruments categorised in accordance with FRS 102 were:

	2019 £'000	2018 £'000 (as restated)
Financial assets – debt instruments measured at amortised cost	242,530	209,696
Financial liabilities – measured at amortised cost	264,289	237,146

24 Ultimate parent company and ultimate controlling party

The Company is a trading subsidiary of Bentley Park (UK) Limited, a company incorporated in England and Wales.

The largest group in which the results of the parent and subsidiary company are consolidated is that headed by the Company's parent undertaking, Bentley Park (UK) Limited, a company incorporated in England and Wales. The consolidated financial statements of this company 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 of Bentley Park (UK) Limited.

Ultimate Finance Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

25 Post balance sheet events

As stated in the strategic report, the outbreak of COVID-19 has reduced the loan book and revenue. However, being an existing Delivery Partner of British Business Bank has helped fast track accreditation for offering loans under the Coronavirus Business Interruption Loan Scheme ("CBILS"). The Group is currently accredited for Invoice Finance and Term Loans, Asset Finance and Bridging Finance under CBILS, which are important elements of the government's support through COVID-19, and management expects many businesses to apply for this funding over the coming months, which in turn will help support the loan book and revenue.

In 2020, a further £12,697,000 of receivables have been sold under the securitisation funding agreement with HSBC.

In August 2020, the Group obtained a funding facility of £20,000,000 from OakNorth to support the growth of its Bridging Finance business.