

Inventive Finance Limited

Report and Financial Statements

30 June 2013



Directors

E G Erickson
M L Prior
R Underwood
J Weiss

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered office

6th Floor
77 Gracechurch Street
London EC3V 0AS

Registered No 6021856

Directors' report

The directors present their report and financial statements for the year ended 30 June 2013. The comparative period is the 18 months ended 30 June 2012.

Results and dividends

The loss for the year after taxation amounted to £851,368 (18 months ended 30 June 2012 – loss of £376,721). The directors do not recommend a final dividend (18 months ended 30 June 2012 – £nil).

Principal activity and review of the business

The principal activity of the company is the provision of medium-term loans to individuals, this activity commenced in the prior period.

The loss for the period is due to the business continuing to incur start up costs for the new loan business. The company is seeing a controlled growth in revenue and is expected to be profitable in the year ended 30 June 2014.

Future developments

The company considers that awareness for its product will continue to grow for the foreseeable future, and with it, the size of the overall market. The company intends to continue its growth development of this market and increase its overall market share.

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. These financial statements have been prepared on the going concern basis because the ultimate parent undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due for a period of at least one year following the signature date of these financial statements.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

E G Erickson (appointed 25 March 2013)
R Hibberd (resigned 24 April 2013)
M L Prior (appointed 25 April 2013)
R Underwood
J Weiss

Directors' liabilities

The company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of their appointment.

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

On behalf of the Board



M. L. Prior

Director

Date 24/3/14

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Inventive Finance Limited

We have audited the financial statements of Inventive Finance Limited for the year ended 30 June 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Inventive Finance Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Peter Wallace (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date

25 MAR 2014

Profit and loss account

for the year ended 30 June 2013

| | | <i>Year ended 30 June 2013 £</i> | <i>18 months ended 30 June 2012 £</i> |
|--|--------------|--|---|
| | <i>Notes</i> | | |
| Turnover | 2 | 2,270,244 | 75,841 |
| Administrative expenses | | <u>(3,174,262)</u> | <u>(535,114)</u> |
| Operating loss | 3 | (904,018) | (459,273) |
| Interest payable and similar charges | 6 | <u>(214,472)</u> | <u>(47,917)</u> |
| Loss on ordinary activities before taxation | | (1,118,490) | (507,190) |
| Tax | 7 | <u>267,122</u> | <u>130,469</u> |
| Loss for the financial year | 12 | <u>(851,368)</u> | <u>(376,721)</u> |

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 30 June 2013

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £851,368 in the year ended 30 June 2013 (18 months ended 30 June 2012 – loss of £376,721)

Balance sheet

at 30 June 2013

| | Notes | 2013 £ | 2012 £ |
|---|-------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 8 | 293,570 | 293,422 |
| Current assets | | | |
| Debtors | 9 | 3,780,050 | 330,277 |
| Cash at bank and in hand | | 380,502 | 98,520 |
| | | 4,160,552 | 428,797 |
| Creditors: amounts falling due within one year | 10 | (5,883,027) | (1,299,756) |
| Net current liabilities | | (1,722,475) | (870,959) |
| Net liabilities | | (1,428,905) | (577,537) |
| Capital and reserves | | | |
| Called up share capital | 11 | 100 | 100 |
| Profit and loss account | 12 | (1,429,005) | (577,637) |
| Shareholders' deficit | 13 | (1,428,905) | (577,537) |

These financial statements were approved for issue by the Board of Directors and signed on their behalf by


M L Prior
Director

Date 24/3/14

Notes to the financial statements

at 30 June 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

These financial statements have been prepared on the going concern basis because the parent undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due for a period of at least one year following the signature date of these financial statements

Statement of cash flows

The directors have taken advantage of the exemption in FRS 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent undertaking publishes group financial statements

Turnover

Turnover represents interest and fees charged to customers on loans. Interest income is calculated and recognised on a reducing balance basis. Fees are recognised in the month they are charged.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis.

Computer equipment and software — 25% straight-line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Loans receivable and provisions for doubtful debts

Loans are stated in the balance sheet at the amount of the principal and interest outstanding less any provision for doubtful debt.

Provisions for doubtful debt on loans are made having regard to specific and general risks. The specific element of the provision relates to those loans that have been reviewed and specifically identified as doubtful. In determining the level of provisions required, management considers numerous factors, including prior bad debt experience of similar products elsewhere in the group.

Tax

The charge or credit for taxation is based on the result for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes.

Notes to the financial statements

at 30 June 2013

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2. Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3. Operating loss

This is stated after charging

| | <i>Year ended 30 June 2013 £</i> | <i>18 months ended 30 June 2012 £</i> |
|--|--|---|
| Auditors' remuneration – audit of the financial statements | – | – |
| Depreciation of owned fixed assets | 117,981 | 49,925 |

In the year ended 30 June 2013 and the period ended 30 June 2012, auditors' remuneration was borne by the ultimate parent undertaking

4. Directors' remuneration

The directors of the company are remunerated by other companies within the DFC Global Corp group. The directors consider that the level of their qualifying services provided to this company is inconsequential in both 2013 and 2012.

Notes to the financial statements

at 30 June 2013

5. Staff costs

| | <i>Year ended 30 June 2013 £</i> | <i>18 months ended 30 June 2012 £</i> |
|-----------------------|--|---|
| Wages and salaries | 418,801 | 218,510 |
| Social security costs | 38,422 | 24,455 |
| Pension | 9,387 | - |
| | <u>466,610</u> | <u>242,965</u> |

Staff are employed by MEM Consumer Finance Limited and the costs are recharged

The average monthly number of employees during the year/period was made up as follows

| | <i>No</i> | <i>No</i> |
|----------------|-----------|-----------|
| Administration | 1 | 2 |
| Operations | 13 | 3 |
| | <u>14</u> | <u>5</u> |

6. Interest payable and similar charges

| | <i>Year ended 30 June 2013 £</i> | <i>18 months ended 30 June 2012 £</i> |
|----------------------------|--|---|
| Intercompany loan interest | <u>214,472</u> | <u>47,917</u> |

There are no formal intercompany loan agreements in place, however interest is charged between group companies at rates of between 7% and 12% per annum

Notes to the financial statements

at 30 June 2013

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

| | <i>Year ended 30 June 2013 £</i> | <i>18 months ended 30 June 2012 £</i> |
|--|--|---|
| Current tax: | | |
| UK corporation tax on the loss for the year/period | (254,755) | (113,669) |
| Adjustments in respect of previous periods | (21,098) | – |
| Total current tax (note 7(b)) | <u>(275,853)</u> | <u>(113,669)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences (note 7(c)) | (10,709) | (16,800) |
| Adjustments in respect of previous periods | 19,440 | – |
| Total deferred tax (note 7(c)) | <u>8,731</u> | <u>(16,800)</u> |
| Tax on loss on ordinary activities | <u>(267,122)</u> | <u>(130,469)</u> |

(b) Factors affecting the current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.75% (18 months ended 30 June 2012 – 26%). The differences are explained below

| | <i>Year ended 30 June 2013 £</i> | <i>18 months ended 30 June 2012 £</i> |
|---|--|---|
| Loss on ordinary activities before tax | <u>(1,118,490)</u> | <u>(507,190)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.75% (18 months ended 30 June 2012 – 26%) | (265,642) | (131,869) |
| Effects of | | |
| Fixed asset timing differences | 10,887 | (2,860) |
| Other timing differences | – | 21,060 |
| Adjustments in respect of previous periods | (21,098) | – |
| Current tax for the year (note 7(a)) | <u>(275,853)</u> | <u>(113,669)</u> |

Notes to the financial statements

at 30 June 2013

7. Tax (continued)

(c) Deferred tax

The deferred taxation asset is as follows

| | 30 June 2013 | 30 June 2012 |
|--------------------------------|-----------------|-----------------|
| | £ | £ |
| Fixed asset timing differences | (8,069) | 2,640 |
| Short term timing differences | – | (19,440) |
| Total deferred tax | <u>(8,069)</u> | <u>(16,800)</u> |

Movements on the deferred taxation asset are as follows

| | £ |
|--|----------------|
| At 1 July 2012 | (16,800) |
| Charged to the profit and loss account (note 7(a)) | 8,731 |
| At 30 June 2013 | <u>(8,069)</u> |

(d) Factors affecting the future tax charges

In a series of announcements since 2010, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 20% falling by 2% in 2012, 1% in 2013, 2% in 2014 and a further 1% in 2015. The first 1% reduction to 25% for 2012 was substantively enacted in July 2011 and the second 1% reduction to 24% for 2012 was substantively enacted on 26 March 2012.

In accordance with accounting standards this 2% reduction has been reflected in the Company's financial statements for the period ended 30 June 2012. Further proposed changes will only be reflected once the reductions are substantively enacted.

8. Tangible fixed assets

| | Computer software £ |
|--------------------------|---------------------------|
| Cost | |
| At 1 July 2012 | 343,347 |
| Additions | 118,129 |
| At 30 June 2013 | <u>461,476</u> |
| Depreciation | |
| At 1 July 2012 | 49,925 |
| Provided during the year | 117,981 |
| At 30 June 2013 | <u>167,906</u> |
| Net book value | |
| At 30 June 2013 | <u>293,570</u> |
| At 1 July 2012 | <u>293,422</u> |

Notes to the financial statements

at 30 June 2013

9. Debtors

| | 2013 £ | 2012 £ |
|--------------------------------|------------------|----------------|
| Medium-term loans receivable | 3,376,084 | 193,770 |
| Group relief recoverable | 395,560 | 119,707 |
| Prepayments | 337 | - |
| Deferred tax asset (note 7(c)) | 8,069 | 16,800 |
| | <u>3,780,050</u> | <u>330,277</u> |

All amounts shown fall due for repayment within one year

10. Creditors: amounts falling due within one year

| | 2013 £ | 2012 £ |
|---------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | 5,814,701 | 1,286,851 |
| Other taxes and social security costs | 68,264 | - |
| Accruals and deferred income | 62 | 12,905 |
| | <u>5,883,027</u> | <u>1,299,756</u> |

11. Issued share capital

| | 2013 | | 2012 | |
|---|-----------|------------|-----------|------------|
| <i>Allotted, called up and fully paid</i> | <i>No</i> | <i>£</i> | <i>No</i> | <i>£</i> |
| Ordinary shares of £1 each | 100 | <u>100</u> | 100 | <u>100</u> |

12. Movements on reserves

| | <i>Profit and loss account £</i> |
|-------------------|--|
| At 1 July 2012 | (577,637) |
| Loss for the year | <u>(851,368)</u> |
| At 30 June 2013 | <u>(1,429,005)</u> |

Notes to the financial statements

at 30 June 2013

13. Reconciliation of shareholders' deficit

| | 2013 | 2012 |
|-------------------------------|--------------------|------------------|
| | £ | £ |
| Opening shareholders' deficit | (577,537) | (200,816) |
| Loss for the year/period | (851,368) | (376,721) |
| Closing shareholders' deficit | <u>(1,428,905)</u> | <u>(577,537)</u> |

14. Related party transactions

The company has taken advantage of the exemption under FRS 8 "Related party disclosures" from disclosing transactions with wholly owned fellow group entities. There were no other related party transactions requiring disclosure under FRS 8.

15. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MEM Capital Limited, a company incorporated in England and Wales.

The directors regard DFC Global Corp, a company incorporated in the USA, as the ultimate parent undertaking and the ultimate controlling party.

DFC Global Corp is the smallest and largest group of undertakings for which group financial statements are drawn up which include Inventive Finance Limited. Copies of the group financial statements are available from its registered office DFC Global Corp, 1436 Lancaster Ave Berwyn, PA 19312.