

# **Inventive Finance Limited**

## **Annual Report and Financial Statements**

For the year ended 30 June 2015



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COMPANIES HOUSE

**Directors**

S Howard

**Company Secretary**

L Biondi

**Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Four Brindley Place  
Birmingham  
United Kingdom  
B1 2HZ

**Bankers**

The Royal Bank of Scotland  
Corporate Banking  
East Midlands  
PO Box 7895  
6th Floor  
Cumberland Place  
Nottingham NG1 7ZS

**Solicitors**

Eversheds  
1 Royal Standard Place  
Nottingham  
NG1 6FZ

**Registered Office**

6 Bevis Marks  
London  
United Kingdom  
EC3A 7BA

## Directors' report

The directors present their report and financial statements for the year ended 30 June 2015.

### Results and dividends

The profit for the year after taxation amounted to £210,000 (2014 – loss of £1,712,000). The directors do not recommend a final dividend (2014 – £nil).

During the year, the Company issued 4,500,000 ordinary shares of £1 each (2014 – nil) to MEM Capital Limited.

### Going Concern

On 28 February 2015 the trade, assets and liabilities of the Company were transferred at net book value to Instant Cash Loans Limited and the Company ceased trading, leaving an inter-company receivable balance.

As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the parent company at their carrying amounts.

### Directors

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

R Underwood	(resigned 17 July 2014)
J Weiss	(resigned 17 July 2014)
E G Erickson	(resigned 17 July 2014)
M L Prior	(resigned 17 July 2014)
R Singh	(appointed 17 July 2014, resigned 1 May 2015)
J Bray	(appointed 17 July 2014, resigned 10 December 2014)
M J Corcoran	(appointed 17 July 2014, resigned 31 December 2014)
S Howard	(appointed 16 December 2014)
J A Richardson	(appointed 5 January 2015, resigned 26 March 2015)

### 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.

### 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 directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

A resolution to re-appoint Deloitte LLP as auditors will be put to the members at the AGM.

By order of the Board

S Howard

Director

Date 14 April 2016

## Strategic Report

### Principal activity and review of the business

Previously the principal activity of the company was the provision of medium-term loans to individuals.

On 28 February 2015, the Company strengthened its financial position by entering into a deed of waiver with a fellow group company, MEM Consumer Finance Limited, whereby MEM Consumer Finance Limited waived £4,041,000 of debt it was owed by the Company.

Further on 28 February 2015 the trade, assets and liabilities of the Company were transferred at net book value to Instant Cash Loans Limited and the Company ceased trading, leaving an inter-company receivable. The Company doesn't have any financial risks and uncertainties except for the credit risk on account of failure of the group company to fulfil its financial obligation towards the Company arising principally in relation to the transfer of trade, assets and liabilities transaction.

The profit and loss account is set out on page 7 and shows turnover for the year of £3,514,000 (2014 – £7,851,000).

### Key performance indicators

	2015	2014	Variance
Turnover (£'000)	3,514	7,851	(55%)
Operating Profit / (Loss) (£'000)	544	(1,138)	(148%)

Turnover decreased by 55% in 2015 when compared to the prior year as the Company made significant changes to its consumer lending business in 2014 including, limitation on loan rollovers; limitations on the use of continuous payment authority to recover loans; and, changes in marketing and other loan origination practices. The Company has also revised the affordability assessments used in loan originations and this change, and all other changes, has resulted in a significant decline in consumer loans issued within the Company's business and reduced profitability. The changes were in response to the regulatory changes in the industry. Regulatory oversight for the Company's on-line consumer lending activities was assumed by the Financial Conduct Authority ("FCA") effective April 1, 2014.

In addition, turnover decreased as the trade and assets were hived up to Instant Cash Loans Limited on 28 February 2015, meaning the actual trading period during the year ended 30 June 2015 was only 8 months.

Operating loss from the previous year was turned in to an operating profit this year as a result of cost saving exercises undertaken by the directors.

### Future developments

As the trade and assets were transferred to Instant Cash Loans Limited on 28 February 2015, there are no future industry developments to consider that are relevant to the Company.

By order of the Board



S Howard

Director

Date 14 April 2016

## Statement of directors' responsibilities

The directors are responsible for preparing the directors' and strategic reports 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 auditor's report to the members of Inventive Finance Limited**

We have audited the financial statements of Inventive Finance Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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 Director's 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its profit 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.

# **Independent auditor's report to the members of Inventive Finance Limited (continued)**

## **Emphasis of matter – Financial Statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

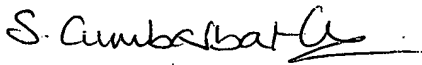
## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

## **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.



Stewart Cumberbatch, FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham  
United Kingdom

Date: 14 April 2016

## Profit and loss account

for the year ended 30 June 2015

	<i>Notes</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
<b>Turnover</b>	2	3,514	7,851
Administrative expenses		(2,970)	(8,989)
<b>Operating Profit/(Loss)</b>	3	544	(1,138)
Interest payable and similar charges	6	(334)	(549)
<b>Profit/(Loss) on ordinary activities before tax</b>		210	(1,687)
Tax	7	-	(25)
<b>Profit/(Loss) for the financial year</b>	12	210	(1,712)

All amounts relate to discontinued operating activities that were hived up to Instant Cash Loans Limited, the parent entity, on 28 February 2015.

The accompanying notes on pages 9 to 14 form an integral part of these financial statements.

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £210,000 in the year ended 30 June 2015 (2014 – loss of £1,712,000). Therefore no separate statement of total recognised gains and losses has been prepared.



## Balance sheet

As at 30 June 2015

	Notes	2015 £000	2014 £000
<b>Tangible fixed assets</b>			
Tangible fixed assets	8	-	290
<b>Current assets</b>			
Debtors	9	5,611	4,277
Cash at bank and in hand		-	1,206
		5,611	5,483
<b>Creditors: amounts falling due within one year</b>	10	-	(8,913)
<b>Net current assets/(liabilities)</b>		5,611	(3,430)
<b>Net assets/(liabilities)</b>		5,611	(3,140)
<b>Capital and reserves</b>			
Called up share capital	11	4,500	-
Profit and loss account	12	1,111	(3,140)
<b>Shareholders' funds</b>	13	5,611	(3,140)

These financial statements on pages 7 to 14 were approved and authorised for issue by the Board of Directors on the date shown below and were signed on its behalf by:

S Howard  
Director

Date



14 April 2016

The accompanying notes on pages 9 to 14 form an integral part of these financial statements.

## Notes to the financial statements

For the year ended 30 June 2015

### 1. Accounting policies

#### **Basis of preparation**

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

On 28 February 2015 the trade, assets and liabilities of the Company were transferred at net book value to Instant Cash Loans Limited and the Company ceased trading, leaving an inter-company receivable balance.

As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the parent company at their carrying amounts.

#### **Cash flow statement**

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement 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 software and web development                      –                      5 years 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 principle outstanding plus accrued interest less provisions for losses.

Provisions for doubtful accounts 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.

#### **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.

## Notes to the financial statements

For the year ended 30 June 2015 (continued)

### 2. Turnover

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

### 3. Operating Profit/(Loss)

This is stated after charging:

	2015 £000	2014 £000
Operating lease rentals	24	35
Staff costs (note 5)	370	775
Depreciation of tangible fixed assets	80	104
Loss on disposal of tangible fixed assets	–	60

The Company's audit fee of £34,210 for the current year payable to Deloitte LLP was paid by Dollar Financial U.K. Limited. The £30,000 fee for preceding year payable to Ernst & Young was paid by Sterling Mid-Holdings Limited. Non-audit fees provided to the Company are £nil for the current year as well as for the previous year.

### 4. Directors' remuneration

The directors of the company are remunerated by other companies within the Sterling Mid-Holdings Limited group. The directors estimate that £nil (2014 - £nil) of their remuneration relates to their qualifying services in Inventive Finance Limited for which no charge has been made.

### 5. Staff costs

	2015 £000	2014 £000
Wages and salaries	320	698
Social security costs	36	71
Other pension costs	14	6
	<u>370</u>	<u>775</u>

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

	2015 No.	2014 No.
Administration	3	7
Operations	5	16
	<u>8</u>	<u>23</u>

### 6. Interest payable and similar charges

	2015 £000	2014 £000
Intercompany loan interest	<u>334</u>	<u>549</u>

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

## Notes to the financial statements

For the year ended 30 June 2015 (continued)

### 7. Tax

#### (a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2015 £000	2014 £000
<b>Current tax:</b>		
UK corporation tax on the loss for the year	-	-
Adjustments in respect of previous years	-	(2)
Total current tax	-	(2)
<b>Deferred tax:</b>		
Current year	-	9
Adjustments in respect of previous years	-	18
Total deferred tax	-	27
Tax on loss on ordinary activities	-	25

#### (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 20.75% (2014 – 22.50%). The differences are explained below:

	2015 £000	2014 £000
Profit/(Loss) on ordinary activities before tax	210	(1,687)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014 – 22.50%)	44	(379)
<b>Effects of:</b>		
Fixed asset timing differences	17	16
Utilisation of losses brought forward	(130)	-
Losses surrendered for no payment	69	-
Losses carried forward	-	363
Adjustments in respect of previous years	-	(2)
Current tax for the year	-	(2)

Deferred tax assets have been stated at the corporation tax rate of 20% (2014: 20%), being the rate enacted at the balance sheet date at which deferred tax is expected to unwind. In March 2015, the government announced that the main rate of corporation tax would fall to 19% from 1 April 2017 and 18% from April 2020. In March 2016, the government announced that the rate would actually fall to 17% from April 2020. However, on the basis that none of these rates were substantively enacted at the balance sheet date, they have not been taken into account in the tax numbers.

## Notes to the financial statements

For the year ended 30 June 2015 (continued)

### 7. Tax (continued)

(c) Deferred tax

Unprovided deferred tax asset:

	2015 £000	2014 £000
Decelerated capital allowances	–	26
Other short term timing differences	177	323
Total	<u>177</u>	<u>349</u>

Unprovided deferred tax asset transferred out to Instant Cash Loans Limited:

	£000
Decelerated capital allowances	56
Other short term timing differences	70
Total	<u>126</u>

### 8. Tangible fixed assets

	Computer software £000
Cost:	
At 1 July 2014	492
Additions	44
Transfer to Instant Cash Loans Limited (Note 1)	(536)
At 30 June 2015	<u>–</u>
Depreciation:	
At 1 July 2014	202
Provided during the year	80
Transfer to Instant Cash Loans Limited (Note 1)	(282)
At 30 June 2015	<u>–</u>
Net book value:	
At 30 June 2015	<u>–</u>
At 1 July 2014	<u>290</u>

## Notes to the financial statements

For the year ended 30 June 2015 (continued)

### 9. Debtors

	2015 £000	2014 £000
Group relief recoverable	-	396
Medium-term loans receivable	-	3,881
Amounts due from group undertakings	5,611	-
	<u>5,611</u>	<u>4,277</u>

All amounts shown fall due for repayment within one year.

### 10. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Amounts owed to group undertakings	-	8,763
Other taxes and social security costs	-	50
Accruals and deferred income	-	100
	<u>-</u>	<u>8,913</u>

### 11. Called up share capital

	2015		2014	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	4,500,100	<u>4,500,100</u>	100	<u>100</u>

### 12. Movements on reserves

	<i>Profit and loss account £000</i>
At 1 July 2014	(3,140)
Capital contribution (note 13)	4,041
Profit for the year	<u>210</u>
At 30 June 2015	<u>1,111</u>

## Notes to the financial statements

For the year ended 30 June 2015 (continued)

### 13. Reconciliation of shareholders' funds

	2015 £000	2014 £000
Opening shareholders' funds	(3,140)	(1,428)
Profit / (Loss) for the year	210	(1,712)
Shares issued in the year	4,500	-
Capital Contribution**	4,041	-
Closing shareholders' funds	<u>5,611</u>	<u>(3,140)</u>

\*\* On 28 February 2015, the Company strengthened its financial position by entering into a deed of waiver with a fellow group company, MEM Consumer Finance Limited, whereby MEM Consumer Finance Limited waived £4,041,000 of debt it was owed by the Company

### 14. Related party transactions

The Company is a wholly owned subsidiary of Sterling Mid-Holdings Limited, the group financial statements of which are publicly available.

Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with 100% members or investees of the Sterling Mid-Holdings Limited group.

### 15. Ultimate parent undertaking and controlling party

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

The largest and smallest group for which financial statements are drawn up which incorporate the results of the Company is that headed by Sterling Mid-Holdings Limited., a company incorporated in Jersey.

The Company's ultimate parent undertaking and controlling party is Lone Star Fund VIII (Bermuda), L.P. a Bermuda partnership and affiliate of the private equity fund, Lone Star Funds, a firm incorporated in the United States of America.