

Fluent Money Limited

Annual Report and Financial Statements

Year Ended

31 March 2021

Company Number 06200496



Fluent Money Limited

Company Information

Directors	S Almond S Aspden P Ford K Hindley M Kilgallon C Meadows S Moore S Strickland-Wright G Taylor T Wheeldon
Company secretary	P Ford
Registered number	06200496
Registered office	102 Rivington House Chorley New Road Horwich Bolton England BL6 5UE
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Fluent Money Limited

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Fluent Money Limited

Strategic Report For the Year Ended 31 March 2021

The Directors present the Strategic Report for the year ended 31 March 2021.

Fair review of the business

Fluent Money Limited's ("the Company") principal activity is the provision of technology led brokerage solutions in the second charge lending market.

The early months of the year to 31 March 2021 were impacted by the effects of the national lockdown announced in March 2020. 2nd mortgage lenders restricted lending in various sectors and tightened criteria in other areas. This understandably had the effect of reducing new business volumes in the first few months of the year. As lockdown restrictions eased and lenders were back to full capacity new business improved quickly and was much less affected by Covid-19 as the business entered the second half of the year. The impact of Covid, although dealt with very well under difficult circumstances, is clear to see when comparing the results of the previous year.

During the year we benefited greatly from the numerous relationships we enjoy with price comparison web sites (PCW's), and these mutually beneficial partnerships were key during the year as many of our peers decided to reduce in size during this unprecedented time. In fact, the business actually increased market share throughout the first half of the year as a direct result of this continued lead-flow from our PCW partners. This increased market share returned close to its pre-pandemic level towards the end of the year as many competitors returned to market, but the firm's position as market leader by a considerable margin was certainly consolidated and improved in FY21.

In the early part of the year the business quickly adapted to remote working, and with board approval, invested in its ability to quickly adapt to large scale change such as was seen when the nation went into lockdown for a second time at the end of 2020. Fluent Money is now capable of near 100% remote working if necessary, and this stands the business in good stead as it continues to grow.

In prior years the business has invested wisely in its remote case tracking capability through the MyFluent website, and its market leading MyFluent smartphone app. During this challenging year our ability to deal with customers remotely through high customer adoption of the app, has proven to be an invaluable asset to both the borrower and Fluent. We have continued to invest in new case tracking initiatives over the past year, and new improvements are planned in the near future to further consolidate our position in the digitally enabled broker space.

During the year, and whilst dealing with the real impact of Covid, the board has continued to develop initiatives and improve physical infrastructure at the company headquarters in Horwich. The Fluent Group now occupies the premises at Rivington House exclusively and has undertaken extensive works during the year in readiness for growth in the coming years. This is an investment in the staff we employ and also a considerable investment in the future of the business.

Research and development

During the year the business continued to invest in enhancements to the Fluency core CRM, and as outlined above, additions and improvements to the MyFluent app, which have ensured Fluent Money continues to be considered a digitally enabled partner of choice for many online partners. The Fluent IT department has continued to grow during the year including additions to the development, support and business intelligence teams. The business intelligence team in particular has been well supported in the year as we continue to expand our marketing function.

Expenditure on research activities is recognised in the income statement as an expense when incurred. Development costs have been capitalised within intangible assets.

Fluent Money Limited

Strategic Report (continued) For the Year Ended 31 March 2021

Principal risks and uncertainties

The principal risks inherent in the Company's business include the following:

Operational Risk

The Company, along with other businesses in the sector, is subject to regulatory change and as a result continues to strengthen the compliance and risk function in line with the growth of the business. The board is aware of the need to manage growth effectively and continues to improve support for the second-tier management function, compliance and IT.

Competitor Risk

During this year we have seen less competitor activity than we would normally see for obvious reasons. The company recognised that as market leader it had to continue to improve and adapt policies and procedures to ensure it maintains this position when trading conditions were expected to return to normal after lockdowns in particular. The Company remains confident that the level of investment in its adviser and case management teams, together with the stated investment in IT systems, will ensure it maintains market share. We remain aware, however, that new and existing competitors will always pose a threat.

To mitigate this "risk" the Company continues to invest in partner support teams, and as outlined earlier, we have taken progressive steps towards ensuring any competitor must first match the minimum digital and service offering we provide.

Technology Risk

As a technology and people-based business the Company is dependent on uninterrupted operation of its IT platform and website. As with all such organisations, these systems are vulnerable to power loss, fire, computer viruses and other events. Loss of these systems would impair the Company's ability to carry on business effectively. IT risks are mitigated through having robust disaster recovery procedures in place including the operation of an independent data centre capable of supporting the primary needs of the business. In addition to this the company now has robust and agile remote working capability which will continue to be strengthened and enhanced in the next financial year to facilitate planned growth. Throughout the year the business has continued with its plans to migrate all business critical infrastructure off site, and further enhance security measures through both internally and externally.

Financial performance indicators

The Company uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial. Key financial performance indicators are:

- Turnover decreased 33% in the year to £18,946k primarily as a result of Covid 19 and the lockdowns throughout the year.
- EBITDA decreased 52% in the year to £1,426k, a decent result given the conditions described above.

Fluent Money Limited

Strategic Report (continued) For the Year Ended 31 March 2021

Outlook

Following a period of uncertainty experienced during the year as a result of Covid-19, the business has, at the time of writing this report, broadly recovered to pre-pandemic levels in terms of EBITDA and many other key performance indicators. The 2nd mortgage market lenders have mostly returned to the terms on offer prior to the pandemic and there are even exciting new entrants to the market and on the Fluent panel. This signals a positive view shared by most within the sector and all lenders are keen to increase market share as the recovery from Covid gathers pace.

The business continues to work closely with lender partners to ensure we offer our customers the very best terms on offer in the market. We are confident the terms on offer are the best the market has available, and this is backed up by an increasingly digital process from enquiry through to completion. This approach ensures the Fluent conversion from lead to completion remains healthy for lead partners which creates a positive and profitable outlook for all concerned.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and the Strategic Report.

Looking forward to 2022 the board is very optimistic about the prospects for growth and has set some exciting targets for the next financial year.

The positive trends we experienced from the last two quarters of FY21 have continued well into 2022 and at the time of writing we are ahead of plan for the new financial year.

The directors are confident that the measures put in place during the year to combat the effect of the pandemic will ensure we continue to cope well as the year progresses. The business continues to lead the sector in terms of business volumes and expects to build on this leadership position.

The directors have reviewed the Company's forecasts and projections, taking into account all possible changes in trading performance and consider that the Company has sufficient resources to meet liabilities as they fall due. The business has maintained healthy cash balances throughout the year, and has managed to post healthy profits well into the first 3 quarters of the FY22 accounting period. Consequently, the directors believe that the business is well placed to manage its business risks successfully and prudently.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

This report was approved by the board on

Dec 23, 2021

and signed on its behalf.


K J Hindley (Dec 23, 2021 18:28 GMT)

K Hindley
Director

Fluent Money Limited

Directors' Report For the Year Ended 31 March 2021

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

Principal activity

The principal activity of the Company is the provision of technology led brokerage solutions in the second charge lending market.

Results and dividends

The profit for the year, after taxation, amounted to £949,004 (2020 - £2,438,284).

No dividends were paid during the year (2020 - £Nil).

Directors

The Directors who served during the year were:

S Almond
S Aspden
P Ford
K Hindley
M Kilgallon
C Meadows
S Moore
S Strickland-Wright
G Taylor
T Wheeldon

Qualifying third party indemnity provisions

The company has provided an indemnity for its directors, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

Matters covered in the Strategic Report

In accordance with section 414C(11) of the Companies Act, certain matters required to be detailed in the Directors' Report are detailed in the Strategic Report where the Directors consider them to be of strategic importance to the Company.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Fluent Money Limited

Directors' Report (continued) For the Year Ended 31 March 2021

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on Dec 23, 2021 and signed on its behalf.

K J Hindley

K J Hindley (Dec 23, 2021 18:28 GMT)

K Hindley
Director

Fluent Money Limited

Directors' Responsibilities Statement For the Year Ended 31 March 2021

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

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

Fluent Money Limited

Independent Auditor's report to the members of Fluent Money Limited

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 31 March 2021 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.

We have audited the financial statements of Fluent Money Limited ("the Company") for the year ended 31 March 2021 which comprise The Statement of Comprehensive Income, The Statement of Financial Position, The Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Fluent Money Limited

Independent Auditor's report to the members of Fluent Money Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report 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.

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

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

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

Responsibilities of Directors

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

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

Fluent Money Limited

Independent Auditor's report to the members of Fluent Money Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. There included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the UK Companies Act 2006; the taxation legislation; those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates particularly in relation to determining the year end work in progress and provision for clawback on commission earned from brokering of insurance policies;
- Review of minutes of Board meetings throughout the period;
- Identifying and testing journal entries, in particular review of manual journal entries posted to revenue and cash accounts, journals posted by specific users, journals posted to cost of sales accounts, review of random journals, and journals including specific keywords;
- Testing a sample of revenue recognised on either side of the year end to ensure that the revenue has been recognised in the correct period; and
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Fluent Money Limited

Independent Auditor's report to the members of Fluent Money Limited (continued)

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.

DocuSigned by:
Julien Rye
657B95FCEECEB4FF...

Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
23 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Fluent Money Limited

Statement of Comprehensive Income For the Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	18,945,897	28,455,074
Cost of sales		(12,651,935)	(20,083,687)
Gross profit		6,293,962	8,371,387
Administrative expenses		(6,343,631)	(5,679,419)
Other operating income	5	1,024,570	-
Operating profit	6	974,901	2,691,968
Interest receivable and similar income	9	17,843	17,892
Profit before tax		992,744	2,709,860
Tax on profit	10	(43,740)	(271,576)
Profit for the financial year		949,004	2,438,284

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 14 to 29 form part of these financial statements.

Fluent Money Limited

Registered number:06200496

Statement of Financial Position As at 31 March 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	11		257,674		315,726
Tangible assets	12		767,606		800,883
			<u>1,025,280</u>		<u>1,116,609</u>
Current assets					
Work in progress	13	773,617		866,976	
Debtors: amounts falling due after more than one year	14	514,263		496,420	
Debtors: amounts falling due within one year	14	6,323,783		6,217,838	
Cash at bank and in hand		3,759,092		2,520,485	
		<u>11,370,755</u>		<u>10,101,719</u>	
Creditors: amounts falling due within one year	15	(2,685,280)		(4,108,081)	
Net current assets			<u>8,685,475</u>		<u>5,993,638</u>
Total assets less current liabilities			<u>9,710,755</u>		<u>7,110,247</u>
Creditors: amounts falling due after more than one year	16	(1,625,000)		-	
Provisions for liabilities					
Deferred tax	18	(161,278)		(134,774)	
Net assets			<u><u>7,924,477</u></u>		<u><u>6,975,473</u></u>
Capital and reserves					
Called up share capital	19	100,000		100,000	
Profit and loss account	20	7,824,477		6,875,473	
Total equity			<u><u>7,924,477</u></u>		<u><u>6,975,473</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on Dec 23, 2021


K J Hindley (Dec 23, 2021 18:28 GMT)

K Hindley
Director

The notes on pages 14 to 29 form part of these financial statements.

Fluent Money Limited

Statement of Changes in Equity For the Year Ended 31 March 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2019	100,000	4,437,189	4,537,189
Comprehensive income for the year			
Profit for the year	-	2,438,284	2,438,284
Total comprehensive income for the year	-	2,438,284	2,438,284
At 1 April 2020	100,000	6,875,473	6,975,473
Comprehensive income for the year			
Profit for the year	-	949,004	949,004
Total comprehensive income for the year	-	949,004	949,004
At 31 March 2021	100,000	7,824,477	7,924,477

The notes on pages 14 to 29 form part of these financial statements.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

1. General information

Fluent Money Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The presentational currency of the financial statements is GBP and all the figures are rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 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 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Project Finland Topco Limited as at 31 March 2021 and these financial statements may be obtained from 102 Rivington House, Chorley New Road, Horwich, Bolton, BL6 5UE.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and the Strategic Report.

Looking forward to 2022 the board is very optimistic about the prospects for growth and has set some exciting targets for the next financial year.

The positive trends we experienced from the last two quarters of FY21 have continued well into 2022 and at the time of writing we are ahead of plan for the new financial year.

The directors are confident that the measures put in place during the year to combat the effect of the pandemic will ensure we continue to cope well as the year progresses. The business continues to lead the sector in terms of business volumes and expects to build on this leadership position.

The directors have reviewed the Company's forecasts and projections, taking into account all possible changes in trading performance and consider that the Company has sufficient resources to meet liabilities as they fall due. The business has maintained healthy cash balances throughout the year, and has managed to post healthy profits well into the first 3 quarters of the FY22 accounting period. Consequently, the directors believe that the business is well placed to manage its business risks successfully and prudently.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

2.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business when the Company has fulfilled its obligations and earned its right to consideration. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover comprises commissions and fees earned during the year.

2.5 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.6 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Software development	-	20 - 25% straight line
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2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	-	25%
Fixtures and fittings	-	25%
Office equipment	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each year end date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each year end date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.12 Work in progress

Work in progress relates to the attributable costs for work completed to date for services provided to lenders in processing loan applications where the outcome and completion of the loan can be foreseen with reasonable certainty.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

2.15 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The items in the financial statements where these judgements and estimates have been made include:

- Valuation of work in progress ("WIP")
At the year end date, the Company had a number of leads which they have purchased and upon which they have performed varying degrees of work. The Directors have estimated the value of WIP to be the costs attributable to the work done to date on services provided to lenders in processing loan applications where the outcome and completion of the loan can be foreseen with reasonable certainty.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Commissions and fees	<u>18,945,897</u>	<u>28,455,074</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £	2020 £
Government grants receivable	<u>1,024,570</u>	<u>-</u>

Government grants receivable relate to amounts received under the Coronavirus Job Retention Scheme.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	324,403	220,919
Amortisation of intangible assets	127,088	92,005
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,500	8,170
Other fees payable to the Company's auditor	75,570	-
Operating lease rentals	295,723	217,386
Defined contribution pension cost	246,491	259,667
	<u>2,481,675</u>	<u>2,008,052</u>

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	7,250,459	7,762,431
Social security costs	718,752	840,596
Cost of defined contribution scheme	246,491	259,667
	<u>8,215,702</u>	<u>8,862,694</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2021 No.	2020 No.
Staff	240	230
Directors	7	7
	<u>247</u>	<u>237</u>

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	1,245,479	882,427
Company contributions to defined contribution pension schemes	84,750	70,540
	<u>1,330,229</u>	<u>952,967</u>

During the year retirement benefits were accruing to 10 Directors (2020 - 10) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £149,847 (2020 - £132,070).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £14,900 (2020 - £14,200).

9. Interest receivable

	2021 £	2020 £
Interest receivable on intercompany loan	<u>17,843</u>	<u>17,892</u>

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	108,240	199,301
Adjustments in respect of previous periods	(91,004)	171
Total current tax	<u>17,236</u>	<u>199,472</u>
Deferred tax		
Origination and reversal of timing differences	(18,668)	57,508
Adjustments in respect of previous periods	45,172	6,463
Effect of tax rate change on opening balance	-	8,133
Total deferred tax	<u>26,504</u>	<u>72,104</u>
Taxation on profit	<u>43,740</u>	<u>271,576</u>

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax	992,744	2,709,860
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	188,621	514,873
Effects of:		
Expenses not deductible for tax purposes	(7,322)	10,384
Fixed asset differences	17,951	7,094
Adjustments to tax charge in respect of prior periods	(91,004)	171
Adjustments to tax charge in respect of prior periods - deferred tax	45,172	6,463
Remeasurement of deferred tax for changes in tax rates	-	8,133
Group relief	(109,678)	(275,542)
Total tax charge for the year	43,740	271,576

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced in the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at the year end has been calculated based on the rate as at the year end date.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

11. Intangible assets

	Development expenditure £
Cost	
At 1 April 2020	513,853
Additions - internal	69,036
	<hr/>
At 31 March 2021	582,889
	<hr/>
Amortisation	
At 1 April 2020	198,127
Charge for the year	127,088
	<hr/>
At 31 March 2021	325,215
	<hr/>
Net book value	
At 31 March 2021	257,674
	<hr/> <hr/>
At 31 March 2020	315,726
	<hr/> <hr/>

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

12. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 April 2020	12,750	383,503	1,218,514	1,614,767
Additions	-	109,826	181,300	291,126
At 31 March 2021	12,750	493,329	1,399,814	1,905,893
Depreciation				
At 1 April 2020	4,516	192,976	616,392	813,884
Charge for the year	3,187	92,816	228,400	324,403
At 31 March 2021	7,703	285,792	844,792	1,138,287
Net book value				
At 31 March 2021	5,047	207,537	555,022	767,606
At 31 March 2020	8,234	190,527	602,122	800,883

13. Work in progress

	2021 £	2020 £
Work in progress	773,617	866,976

Work in progress impaired in line with Company policy amounted to £Nil (2020 - £Nil).

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

14. Debtors

	2021 £	2020 £
Due after more than one year		
Amounts owed by group undertakings	514,263	496,420
	<u>514,263</u>	<u>496,420</u>
	2021 £	2020 £
Due within one year		
Trade debtors	375,247	475,524
Amounts owed by group undertakings	5,614,614	5,096,744
Other debtors	3,904	3,100
Prepayments and accrued income	330,018	642,470
	<u>6,323,783</u>	<u>6,217,838</u>

Amounts owed by group undertakings in more than one year is in relation to a loan owed by Fluent Mortgages Holdings Limited. This is repayable in 2023, with an interest rate of 4%.

Amounts owed by group undertakings in less than one year are interest free and due on demand.

15. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	375,000	-
Trade creditors	945,241	1,533,385
Amounts owed to group undertakings	40,000	640,000
Corporation tax	36,584	199,301
Other taxation and social security	298,790	263,522
Other creditors	154,064	70,614
Accruals and deferred income	835,601	1,401,259
	<u>2,685,280</u>	<u>4,108,081</u>

Amounts owed to group undertakings are interest free and due on demand.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Bank loans	<u>1,625,000</u>	<u>-</u>

The bank loan has a maturity date of 12 June 2025. The interest rate implicit in the loan is 2.09% over Base rate starting June 2021. Interest will accrue daily and be paid quarterly on the penultimate working day of June, September, December and March. The bank Loan is to be repaid in 48 equal monthly instalment of £41,667.

The bank loan is secured on the assets of the entities within the group.

17. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	375,000	-
	<u>375,000</u>	<u>-</u>
Amounts falling due 1-2 years		
Bank loans	500,000	-
Amounts falling due 2-5 years		
Bank loans	1,125,000	-
	<u>1,625,000</u>	<u>-</u>
	<u>2,000,000</u>	<u>-</u>

18. Deferred taxation

	2021 £	2020 £
At beginning of year	134,774	62,670
Charged to profit or loss	26,504	72,104
At end of year	<u>161,278</u>	<u>134,774</u>

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

18. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	165,773	139,153
Short term timing differences	(4,495)	(4,379)
	<u>161,278</u>	<u>134,774</u>

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100,000 (2020 - 100,000) Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>

The £1 ordinary shares have full voting rights as regards dividends, distributions and the issue of share capital. They do not confer any rights of redemption.

20. Reserves

The Company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Contingent liabilities

The Company has given a cross guarantee in respect of loan notes provided to Project Finland Bidco Limited. At 31 March 2021, an amount of £21,414,332 (2020 - £20,525,998) was outstanding in respect of this facility. The maturity date of the loan notes is 28 February 2023.

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £246,491 (2020 - £259,667). Contributions totalling £49,185 (2020 - £46,094) were payable to the fund at the reporting date and are included in creditors.

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

23. Commitments under operating leases

At 31 March 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Within one year	346,386	298,307
Between two to five years	1,110,204	550,885
	<u>1,456,590</u>	<u>849,192</u>

24. Directors' transactions

The total brought forward Director loan balances were £Nil.

During the year, the Directors repaid £Nil (2020 - £780) to the Company during the year.

At the year end date, the total Director loan balances were £Nil.

25. Related party transactions

The Company has taken advantage of the exemption under FRS 102 Section 33 (paragraph 33.1 A) from disclosing intra group transactions on the basis that any subsidiary which is a party to the transaction is wholly-owned by such a member.

Fluent Mortgages Limited - related party through common ownership

During the year, the Company made purchases of £85,349 (2020 - £106,655). The Company also received income of £72,288 (2020 - £147,425). At the year end, there was a debtor balance of £1,209,311 (2020 - £626,131).

Fluent Mortgages Holdings Limited - related party through common ownership

During the year, the Company received interest of £17,843 (2020 - £17,892). At the year end, there was a debtor balance of £584,994 (2020 - £567,151).

Fluent Lifetime Limited - related party through common ownership

During the year, the Company received income of £12,403 (2020 - £3,465) and made purchases of £8,442 (2020 - £Nil). At the year end, there was a debtor balance of £1,084,159 (2020 - £1,129,585).

Fluent Money Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

26. Controlling party

The immediate parent company is The Fluent Money Group Limited which is incorporated in England and Wales and registered at 102 Rivington House, Chorley New Road, Horwich, Bolton, England, BL6 5UE.

The ultimate parent company, Project Finland Topco Limited, has no individual controlling party, and is incorporated in England and Wales.

The parent undertaking of the smallest and largest group for which consolidated accounts are prepared is Project Finland Topco Limited. Consolidated accounts are available from its registered office, 102 Rivington House, Chorley New Road, Horwich, Bolton, England, BL6 5UE.