DJS (UK) Limited

Registered number: 07952979

Directors' report and financial statements

For the year ended 31 July 2018

DJS (UK) LIMITED

COMPANY INFORMATION

Directors	Mr J J Hek Mr D J Ware Mr S J Woodhams Mr S Dixon
Registered number	07952979
Registered office	28 Avenue Road Parkway House Bournemouth BH2 5SL
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole BH15 1TW

DJS (UK) LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2018

Introduction

The directors present their strategic report for the year ended 31 July 2018.

The company made a profit before tax of £4,436,991 (2017 - £1,082,011). The growth achieved in the year to both Revenue and Profit are because of continued improvement in our IT infrastructure and software, business processes and investment in the right people. Our unique human approach to our customers and industry leading bespoke software enable us to achieve our business objectives each year.

The principal activity of DJS (UK) Limited ('Company') in the year under review was that of providing short-term loans to individuals using an online application process. The company traded under its online instalment and short-term loan products, Piggybank, which offers loans up to £1,500 at a rate equivalent to 0.8% per day.

Business review and future developments

DJS (UK) Limited offers a lending solution to consumers who are unable to turn to traditional means of short-term finance.

The activities of the Company are funded by way of loans from High Net Worth Individuals (HNWI), paying an agreed upon flat interest rate for a minimum term of 365 days and extending at the discretion of both the lender and the Directors.

Since its inception, DJS (UK) Limited (trading as Piggybank) has gone from strength to strength to become one of the fastest growing online, high-cost short-term loan products in the UK. Our unique approach to our customers and our commitment to responsible lending has ensured our growth has not impacted our stability or reputation.

The results of DJS (UK) Limited have been materially impacted by a change in accounting policy regarding the treatment of development costs as well as a better understanding of the information available to us surrounding the potential impairment of loan receivables. Due to a better and more complete understanding of the information available to us at the time, it has become clear that the impact of bad debts on profitability is material and has resulted in an increase in the level of bad debt provision at 31 July 2018, when compared to 31 July 2017, with the increase in provision recognised as a cost in the Statement of Comprehensive Income. Further details around the impact of these changes, which includes a prior year adjustment, can be found in note 22.

In the year ended 31 July 2018, Piggybank issued 126,634 loans (2017 - 99,392) with an initial loan value of £43,365,180 (2017 - £30,971,972). These levels of growth are becoming the norm for Piggybank as we continue to deliver the right outcomes to all our stakeholders.

Piggybank maintains a strong presence on all main social media platforms and uses various marketing channels to ensure levels of traffic to our application page are maintained and improved. This ensures that we are visible and accessible to our consumers when they need us. This approach is justified by looking at the total number of applications made in the year of 505,773 when compared with the number of applications made in the year to 31 July 2017 (446,528).

The Company is currently exploring a number of options to generate further funding which will facilitate a further reach and an ability to grow the customer base and market share. This will result in an increased headcount and further developments to the internally developed software in the hope of achieving further efficiency gains and retaining a competitive edge.

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces which could impact the ability to continue in business are as follows:

Strategic/Business Risk

The reputation of the business and its ability to continue to operate under the current business model could be affected by several internal and external factors.

The current strategy has enabled continued organic growth and the ability to maintain a stable platform from which further growth can be achieved.

The business continues to look at alternative lines of funding to further enhance the existing HNWI funds to enable to us to continue to meet consumer demands for short-term credit. This mitigates the liquidity risk that the Company could find itself in a position where there is insufficient funding in place to service consumer demand for our loan products and continue to exist in business.

Management continue to use a data driven approach to monitor business performance, technological advances, industry best practice and business processes to ensure we take a proactive approach when it comes to leading the way for responsible online based lending.

Regulatory Risk

The business defines regulatory risk as the risk that the business fails to comply with current regulations and/or fails to react to changes in any such legislation.

The business is directly regulated by the Financial Conduct Authority (FCA) as well being subject to other business legislation.

To mitigate this risk, the business ensures senior management are fully trained and aware of the requirements to remain compliant. Furthermore, the business employs a compliance consultant who has many years' experience in dealing directly with the FCA. Communication channels always remain open and transparent and extreme care is taken to ensure we do not fall short of standards required to operate in UK based short-term finance market.

The business also took great steps to adapt its processes to ensure compliance with Global Data Protection Regulation (GDPR) before the deadline came into force on 25 May 2018.

Market Risk

Market risk is defined as being the risk that consumer needs change to such an extent that our current business model is no longer adequate to service both existing and new customers. These changed could be a need for a different product or that the market itself changes in size, which might impact the ability of the business to continue to achieve desired levels of growth.

The business mitigates this risk by taking a proactive approach to changes in the market as well as ensuring there is adaptable culture in the business to ensure the business can also be as reactive as needs dictate.

The management team continually review internally generated data as well as publicly available information to ensure decisions are made based on quality information and reliable trends.

The Company fosters strong relationships with the existing customer base as well as marketing partners and promotes innovation from within to systems and processes to ensure consumer demand is met and efficiencies are achieved.

Credit Risk

The Company operates in the high-cost short-term lending space and reaches customers using an internet based bespoke platform. The financial performance is reliant on the Company's ability to originate interest bearing loans and to collect on the loan book and minimise the cost of bad debt.

A responsible approach to lending and bespoke underwriting processes ensure that this is prioritised from the outset. Well trained and customer-focussed teams ensure we deliver positive outcomes for our customers and the business all the way through a customer journey.

The loan book is actively monitored for collection performance. Our approach to collections adapts with every year of newly available information and the Company views this exercise as a perpetual cycle of learning and improvement. Care is taken to forecast potential credit losses based on internally generated historical information, market data and internal expertise. This information is then actively used in our approach to underwriting as we remain committed to responsible lending for the benefit of our customers and business continuity.

Key performance indicators

The Company directors recognise the importance of financial and non-financial key performance indicators in measuring the performance of the business and the use of these measurements in adapting as necessary to continue to meet business objectives.

The Company has seen and continues to see growth in all KPI's and listed below are the main KPI's used to measure the Company's performance against business objectives.

	Year to 31 July 2018	Year to 31 July 2017	% Change
Turnover	£19,522,086	£11,595,195	68%
Gross profit	£17,377,515	£10,191,968	71%
Profit before tax	£4,436,991	£1,082,011	310%
Net assets	£6,228,139	£3,459,704	80%
Net loan book	£20,123,997	£12;776,151	58%
Value of loans originated	£43,365,150	£30,971,972	40%
Number of loans originated	126,634	99,392	27%
Bad debt cost as a % of gross loan book	25%	23%	9%

The Company has increased Turnover and Profit during the year ended 31 July 2018 by focussing on delivering the right products to the right customers, creating and using innovative technology and retaining highly talented staff to ensure the customer journey results in the right outcomes for our stakeholders.

Pre-tax profit has increased by 310%, which is a result of increased efficiency and the prior year adjustments to profit for the year ended 31 July 2017. More information on these adjustments can be found in note 22.

The net loan book has increased disproportionately to the increase in value and number of loans originated. This is a result of the increase in value of the average loan due to an increasing share of loans originated being the longer-term installment loans which typically have a higher principal and remain on the loan book for longer periods of time.

While the cost of bad debt as a percentage of the gross loan book has increased, the bad debt cost as a percentage of interest income has decreased to 37% (2017 - 41%) and the business remains more profitable.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2018

This report was approved by the board and signed on its behalf.

Mr D J Ware
Director

Date: 20/12/18

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2018

The Directors present their report and the financial statements for the year ended 31 July 2018.

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements 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;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £3,638,435 (2017 - £931,067).

Dividends of £870,000 (2017 - £1,230,400) have been paid during the year.

Directors

The Directors who served during the year were:

Mr J J Hek
Mr D J Ware
Mr S J Woodhams
Mr S Dixon

Matters covered in the Strategic Report

The mandatory disclosures in relation to the principal risks and uncertainties and the future developments of the Company are considered by the directors to be of strategic importance. These disclosures have therefore been included in the Strategic Report.

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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

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

This report was approved by the board and signed on its behalf.

Mr D J Ware
Director

Date: 20/12/18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DJS (UK) LIMITED

Opinion

We have audited the financial statements of DJS (UK) Limited (the 'Company') for the year ended 31 July 2018 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2018 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.

Basis for opinion

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

Other Matter

Without qualifying our opinion we draw attention to the accounting policies on page 13 of the financial statements and the fact that the comparative information in the accounts was unaudited as the company was entitled to exemption from audit.

Conclusions relating to going concern

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

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

Other information

The 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DJS (UK) LIMITED

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DJS (UK) LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit 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.

SJMills

Stephen Mills (Senior statutory auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor
Merck House
Seldown Lane
Poole
BH15 1TW

Date: 20/12/18

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2018

	Note	2018 £	As restated Unaudited 2017 £
Turnover	4	19,522,086	11,595,195
Cost of sales		(2,144,571)	(1,403,227)
Gross profit		17,377,515	10,191,968
Administrative expenses		(10,138,014)	(7,404,045)
Operating profit	5	7,239,501	2,787,923
Interest receivable and similar income		-	10
Interest payable and expenses	9	(2,802,510)	(1,705,922)
Profit before tax		4,436,991	1,082,011
Tax on profit	10	(798,556)	(150,944)
Profit for the financial year		3,638,435	931,067

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017 - £nil).

The notes on pages 13 to 31 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	Note		2018 £		As restated Unaudited 2017 £
Fixed assets					
Intangible assets	12		4,663,604		3,570,178
Tangible assets	13		247,923		57,803
			4,911,527		3,627,981
Current assets					
Debtors: amounts falling due within one year	14	20,832,698		13,206,940	
Cash at bank and in hand	15	2,303,943		1,825,224	
		23,136,641		15,032,164	
Creditors: amounts falling due within one year	16	(6,000,464)		(3,694,345)	
Net current assets			17,136,177		11,337,819
Total assets less current liabilities			22,047,704		14,965,800
Creditors: amounts falling due after more than one year	17		(15,018,506)		(11,089,872)
Provisions for liabilities					
Deferred tax	19		(801,059)		(416,224)
Net assets			6,228,139		3,459,704
Capital and reserves					
Called up share capital	20		3,000,100		3,000,100
Capital redemption reserve	21		1,000		1,000
Profit and loss account	21		3,227,039		458,604
			6,228,139		3,459,704

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr D J Ware
Director

Date: 20/12/18

The notes on pages 13 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 August 2016 (as previously stated)	3,000,100	1,000	(1,284,844)	1,716,256
Prior year adjustment	-	-	2,042,781	2,042,781
At 1 August 2016 (as restated)	3,000,100	1,000	757,937	3,759,037
Profit for the year	-	-	931,067	931,067
Dividends: Equity capital	-	-	(1,230,400)	(1,230,400)
At 1 August 2017 (as previously stated)	3,000,100	1,000	560,953	3,562,053
Prior year adjustment	-	-	(102,349)	(102,349)
At 1 August 2017 (as previously stated)	3,000,100	1,000	458,604	3,459,704
Profit for the year	-	-	3,638,435	3,638,435
Dividends: Equity capital	-	-	(870,000)	(870,000)
At 31 July 2018	3,000,100	1,000	3,227,039	6,228,139

The notes on pages 13 to 31 form part of these financial statements.

1. General information

DJS (UK) Limited (no. 07952979) is a private company, limited by shares, incorporated in England and Wales. The address of its registered office is 28 Avenue Road, Bournemouth, Dorset, BH2 5SL.

The principal activity of the Company is the granting of credit.

The presentation currency of the financial statements is Pound Sterling.

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 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 financial statements for the year ended 31 July 2017 are unaudited as the Company was previously entitled to exemption from audit.

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).

This information is included in the consolidated financial statements of DJS Holding Limited as at 31 July 2018 and these financial statements may be obtained from Companies House.

2.3 Revenue

Revenue is recognised on an accrued daily interest basis. Interest income and charges from customer loan balances are recognised in the Statement of Comprehensive Income using the effective interest method.

The effective interest method recognises income on an accrued daily interest basis.

Loans are considered past due if a scheduled payment is not paid on its due date. Payments received on past due loans are applied against the loan and accrued interest balance to bring the loan current.

Payments are first applied to charges and accrued interest and then to the loan principal balance.

Revenue is 100% generated in the United Kingdom.

2. Accounting policies (continued)

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 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 the Statement of Comprehensive Income 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. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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. Accounting policies (continued)

2.9 Intangible assets

Intangible assets are initially recognised at cost. 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.

After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is included within administrative expenses in the Statement of Comprehensive Income.

The costs included in the capitalisation of development costs consist of developer and non-developer staff costs and other expenditure incurred as part of the development of the software platform.

Costs relating to non-developer staff were included in the capitalised costs as a result of their involvement in development of the various software elements. A percentage of overall time for each relevant member of staff was included in the capitalisation. Management used internal knowledge of the works completed in the period and staff involvement in these (including user testing) alongside various project documentation and bug sheets to conclude on an appropriate percentage of staff costs to include for these individual staff members.

A proportion of the costs relating to the cloud hosted server environment used to build and test in has been included alongside a proportion of costs relating to credit file information for profiling, scorecard building and user testing. In these situations management uses historical experience, data sets and internal expert judgement when deciding on an appropriate proportion of these costs to include.

At each reporting date the Company assesses whether there is any indication of impairment of intangible assets. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The estimated useful lives range as follows:

Trademarks	-	3	years straight-line
Software	-	10	years straight-line

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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:

Leasehold improvements	- Life of the lease
Office equipment	- 5 years

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 the Statement of Comprehensive Income.

2.11 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.

2.12 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.

2.13 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.

2.14 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Change in accounting policy

Internal software development costs were previously recognised in administrative expenses in the Statement of Comprehensive Income. In the current year the directors have determined that the capitalisation of such costs would better reflect the future intentions of the business and as a result that the financial statements would be more reliable and relevant. The effects of this change in accounting policy have been detailed in note 22.

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

The Company's significant accounting policies are stated in Note 2. Not all of these significant policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies management considers critical because of their complexity, judgement and estimation involved in their application and their impact on these financial statements. Judgements and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

These judgements involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgements or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

i) Provision for doubtful debts

The impairment of the loan portfolio is a key area of estimation uncertainty inherent in the financial statements and the financial performance of the business is therefore impacted by the ability of the Company to ascertain and forecast long-term credit losses across the range of loans it originates. The Company remains a relatively young business and has been undergoing rapid growth. As the business grows the Company continues to develop its operational processes and its strategies to identify and mitigate credit risk, and is rapidly generating data, information and experience to enable it to more objectively consider the impairment of the loan book.

Further, where there are indications that a customer is experiencing difficulty in repaying their loan, the Company will always work responsibly and patiently with its customers to assess whether an affordable payment plan can be achieved.

Each year the Company makes its best endeavours to establish the degree to which the loan book is impaired. Given the above, the Company has, on the basis of observable data that provides evidence that there is no longer an expectation of recovery of the loan, adopted a policy to provide against the loan. This observable data is that the customer is or has fallen into arrears as a result of financial difficulty, has therefore been unable to make contributions towards repaying their loan for a period of at least 130 days.

Based on our improved understanding of the observable data that was available at the time, a prior year adjustment has been made in relation to the level of bad debt provision as at 31 July 2017. More detail on this adjustment can be found in Note 22.

ii) Useful life of intangible assets

There is a degree of estimation uncertainty and management judgement when arriving at an estimate for the useful life for the internally developed software platform.

Management believe that there is no finite life on this software as it undergoes frequent updates and improvements and will continue to be used to generate revenues for the company for as long as is required.

Based on management's belief that it is not possible to determine a reliable estimate of the useful life of this asset, a term of 10 years has been adopted, in line with guidance from Section 18 of FRS 102.

4. Turnover

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

	2018 £	2017 £
Interest receivable	18,855,765	11,307,697
Lead generation	184,842	-
Arrears and other charges receivable	481,479	287,498
	19,522,086	11,595,195

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £	Unaudited 2017 £
Other operating lease rentals	119,355	43,454

6. Auditor's remuneration

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

7. Employees

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

	2018 £	Unaudited 2017 £
Wages and salaries	1,650,096	1,353,515
Social security costs	173,477	133,888
Cost of defined contribution scheme	10,564	1,460
	1,834,137	1,488,863

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

	2018 No.	Unaudited 2017 No.
Admin & Sales	53	37
Directors	4	4
	57	41

8. Directors' remuneration

	2018 £	Unaudited 2017 £
Directors' emoluments	306,186	304,765

The highest paid Directors both received remuneration of £102,360 (2017 - £101,807).

9. Interest payable and similar expenses

	2018 £	Unaudited 2017 £
Other loan interest payable	2,802,510	1,705,922

10. Taxation

	2018 £	Unaudited As restated 2017 £
Corporation tax		
Current tax on profits for the year	413,721	-
Deferred tax		
Origination and reversal of timing differences	384,835	192,757
Changes to tax rates	-	(41,813)
Total deferred tax	384,835	150,944
Taxation on profit on ordinary activities	798,556	150,944

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.67%). The differences are explained below:

	2018 £	Unaudited As restated 2017 £
Profit on ordinary activities before tax	4,436,991	1,082,011
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.67%)	843,028	212,832
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,837	3,208
Capital allowances for year in excess of depreciation	(46,736)	(49,662)
Other timing differences leading to a decrease in taxation	(1,573)	(15,434)
Total tax charge for the year	798,556	150,944

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

	2018 £	Unaudited 2017 £
Dividends paid	870,000	1,230,400

12. Intangible assets

	Software £	Trademarks £	Total £
Cost			
At 1 August 2017 (as previously stated)	-	15,563	15,563
Prior Year Adjustment	3,568,674	-	3,568,674
At 1 August 2017 (as restated)	3,568,674	15,563	3,584,237
Additions	1,173,974	-	1,173,974
At 31 July 2018	4,742,648	15,563	4,758,211
Amortisation			
At 1 August 2017	-	14,059	14,059
Charge for the year	79,044	1,504	80,548
At 31 July 2018	79,044	15,563	94,607
Net book value			
At 31 July 2018	4,663,604	-	4,663,604
At 31 July 2017 (unaudited)	3,568,674	1,504	3,570,178

The software intangible asset relates to the capitalisation expenditure incurred in the development of the software platform used by the business. These costs have been capitalised retrospectively following a change in accounting policy.

The net book value of intangible assets provided as security for the loans in note 17 is £4,663,604 (2017 - £3,568,674).

13. Tangible fixed assets

	Leasehold improvements £	Office equipment £	Total £
Cost or valuation			
At 1 August 2017	39,561	83,259	122,820
Additions	189,642	44,331	233,973
Disposals	(39,561)	(14,369)	(53,930)
At 31 July 2018	189,642	113,221	302,863
Depreciation			
At 1 August 2017	39,561	25,456	65,017
Charge for the year on owned assets	9,728	32,709	42,437
Disposals	(39,561)	(12,953)	(52,514)
At 31 July 2018	9,728	45,212	54,940
Net book value			
At 31 July 2018	179,914	68,009	247,923
At 31 July 2017 (unaudited)	-	57,803	57,803

The net book value of tangible fixed assets provided as security for the loans in note 17 is £247,923 (2017 - £57,803).

14. Debtors

	2018 £	Unaudited As restated 2017 £
Trade debtors	20,123,997	12,776,151
Amounts owed by group undertakings	-	785
Other debtors	491,252	321,754
Prepayments and accrued income	217,449	108,250
	20,832,698	13,206,940

14. Debtors (continued)

Trade debtors of £20,123,997 (2017 - £12,776,151) have been provided as security for the loans in note 16 and note 17.

Other debtors of £708,701 (2017 - £430,789) have been provided as security for the loans in note 17.

15. Cash and cash equivalents

	2018 £	Unaudited 2017 £
Cash at bank and in hand	2,303,943	1,825,224

Cash and cash equivalents of £2,303,943 (2017 - £1,825,224) have been provided as security for the loans in note 17.

16. Creditors: Amounts falling due within one year

	2018 £	Unaudited As restated 2017 £
Trade creditors	167,556	176,957
Amounts owed to group undertakings	85,040	74,794
Other taxation and social security	75,719	147,198
Other creditors	5,363,757	3,049,818
Accruals and deferred income	308,392	245,578
	6,000,464	3,694,345

Secured creditors

Included within other creditors are loans of £4,389,618 (2017 - £2,185,213) secured by fixed charges over trade debtors.

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

	2018 £	Unaudited 2017 £
Other creditors	15,018,506	11,089,872

Secured creditors

Included within other creditors are loans of £13,283,838 (2017 - £9,364,735) secured by fixed charges over trade debtors, as well as loans of £1,734,668 (2017 - £1,725,137) secured by floating charges over the all of the Company's assets.

18. Financial instruments

	2018 £	Unaudited As restated 2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,303,943	1,825,224
Financial assets that are debt instruments measured at amortised cost	20,223,997	12,777,785
	22,527,940	14,603,009
Financial liabilities		
Financial liabilities measured at amortised cost	(20,943,251)	(14,637,019)

Financial assets measured at fair value through profit or loss include cash at bank and in hand.

Financial assets measured at amortised cost comprise trade and other debtors, excluding taxation and prepayments.

Financial liabilities measured at amortised cost comprise trade and other creditors, excluding taxation and social security payable.

18. Financial instruments (continued)

Significance of Financial Instruments

The Company holds financial assets by way of trade debtors, being short-term loans issued to customers. This is the primary activity of the Company and anything that impacts the value of these debtors and/or the ability to collect on the loan book would have a significant impact on the financial performance and the financial position of the Company.

The net value of trade debtors (as a result of short-term loans) on the Statement of Financial Position for the year ended 31 July 2018 was £20,123,997 (2017 - £12,776,151). The Company's maximum exposure to credit risk is equal to the value of the net loan book.

The Company holds financial liabilities by way of loans from High Net Worth Individuals (HNWI's) on a 365-day rolling basis secured against the loan book. These amounts are held at initial loan value plus any accrued interest under the effective interest method. These loans are used to fund the primary activity of the Company and are repayable on demand under the condition of 365 days' notice. The ability to generate funds under this model has been paramount to the successful growth of the Company and remains a risk to the business. To reduce the reliance on HNWI's and to fund further growth, the business is exploring the option of an institutional revolving credit facility.

The total liability under HNWI funding as at the year ended 31 July 2018 was £19,408,124 (2017 - £13,275,085).

Risks identified by management in relation to the above financial instruments have been disclosed on pages 2 and 3 of the Strategic Report.

Impairment

Financial assets are measured at amortised cost at the end of each reporting period.

At the end of each period, an impairment test is carried out to assess the recoverability of trade debtors (loan receivables). Evidence of impairment is triggered by default or delinquency in interest and/or principal repayments.

Once the delinquent account has been 130 days delinquent, the outstanding customer balance is provided for, less any expected recoverable amounts. Impairment (bad debt) costs are incurred in the Statement of Comprehensive Income with a provision for bad debt held on the Statement of Financial Position.

A bad debt cost of £7,046,986 (2017 - £4,632,487) was recognised in administrative costs in the year.

<u>Reconciliation of Bad Debt Provision Account</u>

	£
Balance as at 31 July 2017:	4,061,051
Prior year adjustment:	3,214,325
Amounts added to the provision in the year:	6,385,344
Amounts written off in the year:	(5,805,865)
Balance as at 31 July 2018:	**7,854,855**

The remaining outstanding balance of loans that reach 200 days delinquent may be sold to a third party and written off from the loan book balance. Any amounts received in relation to the debt sales are included as a reduction in the cost of bad debts within administrative costs within the Statement of Comprehensive Income.

18. Financial instruments (continued)

From a senstivity perspective, if bad debt costs as a percentage of the gross loan book was to increase from 25% to 30%, this would result in a reduction in net profit of £1,346,670.

There are cases where an asset is considered past due, but no impairment has been recognised. This is due to the interpretation that there is currently no objective evidence that these assets are not wholly recoverable. The nature of high-cost short-term credit means assets becoming past due is not uncommon and under normal circumstances, the majority of these assets will subsequently be recovered and where not recovered, these assets will be accounted for in accordance with our bad debt provisioning policy and will be provided for at a future date. The total value of loans considered past due at 31 July 2018, but not considered to be impaired was £4,054,651 (2017 - £3,393,340).

Capital

The Company's objectives in relation to capital is to maintain sufficient levels of capital to continue in operation as well fund future growth in loan origination.

To do this the Company monitors items such as cash flow daily using historical cash flows to generate cash flow projections into the future. These reports are updated each working day and circulated to Management and Directors to ensure business operations are planned and adjusted according to cash requirements and availability at any given time.

The business continues to seek additional funding under its existing model of loans from High Net Worth Individuals (HNWI's) as well as exploring the option for further institutional funding arrangements to further solidify the capital position of the Company and enable the business growth objectives to be achieved.

The Company further monitors the ratio between the value of the net loan book against its creditors to ensure the business is well positioned to service its debt when it falls due.

Currently, there are no externally imposed capital requirements.

19. Deferred taxation

	2018 £	Unaudited As restated 2017 £
At beginning of year	416,224	265,280
Charged to profit or loss	384,835	150,944
At end of year	801,059	416,224

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2018 £	Unaudited As restated 2017 £
Accelerated capital allowances	801,059	616,488
Tax losses carried forward	-	(200,264)
	801,059	416,224

20. Share capital

	2018 £	Unaudited 2017 £
Allotted, called up and fully paid		
3,000,100 (2017 - 3,000,100) Ordinary shares of £1.00 each	3,000,100	3,000,100

21. Reserves

Capital redemption reserve

The capital redemption reserve represents the amount required to maintain the nominal share capital on redemption of shares.

Profit and loss account

The profit and loss account represents cumulative profits and losses, less dividends paid.

22. Prior year adjustment

The following adjustments were made to comparative figures in these financial statements:

Provision for bad debts

Management have identified an error in the provision for bad debts in the prior year, which omitted relevant information which was available at the time the provision was determined.

The correction of this error has resulted in a decrease of £3,214,325 in the recoverable balances of trade debtors as at 31 July 2017, as well as a decrease in profit of the same amount for the year then ended.

Change in accounting policy

Following a change in the accounting policy in respect of development costs, profit and loss reserves as at 1 August 2016 have increased by £2,773,046 and the software intangible asset has increased by the same amount.

Further development costs of £795,628 were capitalised for the year ended 31 July 2017, resulting in a further increase in profit and loss reserves as at 1 August 2017.

The net effect of this correction is an increase of £3,568,674 in intangible assets and an increase of the same amount in profit and loss reserves, as at 1 August 2017.

Employee Benefit Trust

Management identified an investment of £474,800 in an Employee Benefit Trust which had crystalised in the 2015 financial year. The comparative figures have been adjusted to reflect the correction of this balance, which has resulted in a decrease of £474,800 in current asset investments and a corresponding decrease in the profit and loss reserve as at 1 August 2016.

Reclassification of expenditure

Management have identified errors in the classification of expenditure within the Statement of Comprehensive Income, which have been corrected in these financial statements, including comparative figures, in order to accurately reflect the nature of these costs.

This correction to the Statement of Comprehensive Income for the year ended 31 July 2017 has resulted in an increase in revenue of £180,940, increases in cost of sales and interest expenditure of £383,408 and £30,002, respectively, and a decrease of £232,471 in administrative expenses. There has been no change to the profit for that period following this correction.

Tax effect of adjustments

The above adjustments resulted in an increase of £255,467 to the deferred tax liability as at 1 August 2016, as well as a corresponding decrease of the same amount in profit and loss reserves as at that date.

The adjustments further resulted in an increase of £406,411 to the deferred tax liability for the year ended 31 July 2017, as well as a decrease of £424,513 in the corporation tax liability as at that date. The net effect of this was an increase of £18,102 in the profit and loss reserves as at 31 July 2017.

23. Pension commitments

The Company operates a defined contribution pension schemes on behalf of its employees. The assets of these schemes are held separately from those of the company in independently administered funds. The total pension charge for the period amounted to £10,564 (2017 - £1,460). At the year end, contributions of £3,231 were outstanding (2017 - £888).

24. Commitments under operating leases

At 31 July 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	Unaudited 2017 £
Not later than 1 year	133,940	16,250
Later than 1 year and not later than 5 years	437,812	-
	571,752	16,250

25. Related party transactions

The Company is exempt from the requirements of FRS102 Section 33 to disclose transactions with wholly owned members of the Group headed by DJS Holdings Limited, for which consolidated accounts are available from Companies House.

Shareholders of the parent company received interest of £427,319 (2017 - £350,655) during the year ended 31 July 2018. £3,696,556 (2017 - £3,673,429) was owing to the shareholders of the parent company at the year-end.

Included in the above are Directors of the Company who received interest of £155,759 (2017 - £147,623) during the year ended 31 July 2018. There was a net amount of £1,318,288 (2017 - £1,443,863) owing to the Directors from the Company at the year-end.

26. Controlling party

The immediate parent company throughout the year was DJS Holding Limited by virtue of its 100% shareholding.

The largest and smallest group of undertakings, for which group accounts for the year ended 31 July 2018 have been drawn up, is that headed by DJS Holding Limited. Copies of the group accounts can be obtained from the registered office, 28 Avenue Road, Bournemouth, Dorset, BH2 5SL.