



Financial Statements

Annual Report and Financial
Statements for the Year Ended

31st December 2020

**Propel Group
Finance Limited**
08665300

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PROPEL GROUP FINANCE LIMITED

COMPANY INFORMATION

Directors	R J McDougall E H McNeill A Williams M A Tweed M Catton
Registered number	08665300
Registered office	Unit 5 Langstone Business Village Langstone Park Langstone Newport NP18 2LH
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 3 Callaghan Square Cardiff CF10 5BT
Bankers	NatWest High Street Newport NP20 1GG
Solicitors	Addleshaw Goddard LLP Sovereign Street Leeds LS1 4ER

PROPEL GROUP FINANCE LIMITED

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PROPEL GROUP FINANCE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

Principal activity

The principal activity of the company is that of an intermediate holding company. The company is not trading with the only expenses being interest accrued on the loan notes.

Review of the business and future developments**Future developments**

The plan for the future is for the Company to remain an intermediate holding company.

Covid-19

UK SMEs are our strategic priority and we know how seriously those businesses have been impacted by Covid-19. Throughout the pandemic we have been driven by a desire to provide support to our SME customers, allowing them to mitigate impacts and to provide space for them to focus on managing their businesses.

We have and continue to receive incredible support from our funders which has allowed us to offer sustainable solutions into UK SMEs throughout the crisis. The directors are pleased to note that we have not requested nor been offered any form of forbearance from our funders.

Whilst at the time of this report we are not at the end of the pandemic we believe we are in a strong position and remain committed to offering our partners and SME customers the Asset Finance solutions they need to grow and prosper.

Going concern

During the financial year Covid-19 has significantly impacted the global and UK economies, with dislocations resulting in most industry sectors and stress being felt within the SME ecosystem. Throughout Covid-19 the Group has continued in its ordinary course of business, supporting SMEs whilst taking proactive actions to protect its statement of financial position against current and potential future stresses. The financial performance of the Group has been impacted negatively by Covid-19 through 2020. The directors have considered those impacts and actions taken to mitigate and position the Group for future growth. The directors believe that the portfolio performance is strong, and the capital and funding actions taken more than provide for the resources identified within the Group's forecasts.

Forecasting and stress testing analysis has been completed for a number of scenarios, with a number of assumptions used in those scenarios, which are predominantly based on levels of originations and funding mix. The management actions taken to mitigate the likelihood of these scenarios and deep dive portfolio analysis completed have been used to inform these scenarios. Through this work the directors have identified an additional capital requirement within the next 12 months, which through the capital actions taken is fully provided for. Furthermore, the majority shareholder of the Group remains fully supportive of those plans. Our majority shareholder has provided a letter of support confirming continuing support by committing they have no intention of withdrawing or reducing any loan facilities available to Propel for the next 12 months following our signing of these financial statements. On this basis, the directors have prepared the financial statements on a going concern basis.

PROPEL GROUP FINANCE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 18 June 2021 and signed on its behalf.

Mark Catton

M Catton
Director

PROPEL GROUP FINANCE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £3,084,966 (2019 - loss £2,841,800).

No dividends were distributed for the year ending 31 December 2020.

Directors

The directors who served during the year were:

R J McDougall
E H McNeill
A Williams
M A Tweed
M Catton

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROPEL GROUP FINANCE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Qualifying third party indemnity provisions

Director's and Officer's insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the company. A deed was executed in 2020 indemnifying each of the Directors of the company and/or its subsidiaries as a supplement to the Director's and Officer's insurance cover. The indemnities, which constitute a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2002, were in force during the 2020 financial year and remain in force for all current and past Directors of the company.

Matters covered in the strategic report

Where the disclosure requirements of the directors report are of strategic importance they are covered within the strategic report.

Post balance sheet events

Propel MidCo Ltd Incorporation

On 10th May 2021 the Group incorporated a new Financial Service Holding Company, Propel MidCo Ltd (Company Number 13384800). The Company has been created to hold the investments in Propel Finance Plc, Propel Finance No 1 Ltd, Propel Finance No 2 Ltd, Henry Howard Finance Ltd and Henry Howard No 1 Ltd. The Company's immediate parent is Propel Group Finance Ltd and has £1 of unpaid share capital on incorporation.

Barclays Partnership

On 28th May 2021 Barclays UK Investments Ltd 'Barclays', CS Capital Partners IV SC 1 L.P. and the Group signed summary terms in relation to Barclays making a minority equity investment in Propel MidCo Ltd. The proposed investment is expected to complete in early course.

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 June 2021 and signed on its behalf.

Mark Catton

M Catton
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED

Opinion

We have audited the financial statements of Propel Group Finance Limited (the 'company') for the year ended 31 December 2020, 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED
(CONTINUED)**

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED (CONTINUED)

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.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE 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.

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.

Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the wider group and company and determined that the most significant are those that relate to the financial reporting framework, being Financial Reporting Standard 102 and the Companies Act 2006, and also the Consumer Credit Acts 1974 and 2006, the particulars of the FCA Handbook and the Financial Services and Markets Act 2000;
- We have in addition identified areas of laws and regulation relating to financial crime, employment, health & safety, data protection that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Compliance and Conduct Risk Director of the wider group and the company;
- We have obtained an understanding and assessed compliance with laws and regulations throughout the engagement through inspection of wider group Board meetings minutes and inspection of legal and regulatory correspondence as appropriate;
- The engagement partner has assessed that the audit team collectively had the appropriate competences and capabilities to identify and recognize non-compliance with laws and regulations. The engagement partner considered the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation, knowledge of the industry in which the group and the parent company operate, and understanding of the legal and regulatory requirements specific to the regulated entity in carrying out this assessment;
- We have assessed the susceptibility of the the group and the parent company financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED
(CONTINUED)**

- In assessing the potential risks of material misstatement, we obtained an understanding of the wider group's and the company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- Audit procedures performed by the engagement team included:
 - o identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - o testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - o identifying and testing related party transactions.

We did not identify any material matters relating to non-compliance with laws and regulations relating to fraud.

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.

Grant Thornton UK LLP

Rhian Owen BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff

18 June 2021

PROPEL GROUP FINANCE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Administrative expenses		(51)	(60)
Operating loss		(51)	(60)
Interest payable and expenses	4	(3,352,179)	(2,574,476)
Loss before tax		(3,352,230)	(2,574,536)
Tax on loss	5	267,264	(267,264)
Loss for the financial year		(3,084,966)	(2,841,800)
Other comprehensive income for the year			
Total comprehensive income for the year		(3,084,966)	(2,841,800)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

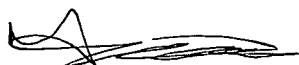
The notes on pages 16 to 25 form part of these financial statements.

PROPEL GROUP FINANCE LIMITED
REGISTERED NUMBER:08665300

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	6	10,822,274	10,822,274
		<u>10,822,274</u>	<u>10,822,274</u>
Current assets			
Debtors: amounts falling due within one year	7	23,352,417	17,991,447
Cash at bank and in hand	8	124	2
		<u>23,352,541</u>	<u>17,991,449</u>
Creditors: amounts falling due within one year	9	(2,001,140)	(267,264)
Net current assets		<u>21,351,401</u>	<u>17,724,185</u>
Total assets less current liabilities		<u>32,173,675</u>	<u>28,546,459</u>
Creditors: amounts falling due after more than one year	10	(42,120,295)	(36,599,477)
Net liabilities		<u>(9,946,620)</u>	<u>(8,053,018)</u>
Capital and reserves			
Called up share capital	12	3,000,201	3,000,201
Capital contribution reserve	13	817,835	-
Profit and loss account	13	(13,764,656)	(11,053,219)
		<u>(9,946,620)</u>	<u>(8,053,018)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 June 2021.



M A Tweed
Director

The notes on pages 16 to 25 form part of these financial statements.

PROPEL GROUP FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	3,000,201	-	(11,053,219)	(8,053,018)
Comprehensive income for the year				
Loss for the year	-	-	(3,084,966)	(3,084,966)
Total comprehensive income for the year	-	-	(3,084,966)	(3,084,966)
Contributions by and distributions to owners				
Transfer between reserves	-	(373,529)	373,529	-
Capital contribution	-	1,191,364	-	1,191,364
Total transactions with owners	-	817,835	373,529	1,191,364
At 31 December 2020	3,000,201	817,835	(13,764,656)	(9,946,620)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	3,000,201	(8,211,419)	(5,211,218)
Comprehensive income for the year			
Loss for the year	-	(2,841,800)	(2,841,800)
Total comprehensive income for the year	-	(2,841,800)	(2,841,800)
At 31 December 2019	3,000,201	(11,053,219)	(8,053,018)

The notes on pages 16 to 25 form part of these financial statements.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

Propel Group Finance Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, NP18 2LH.

Propel Group Finance Limited is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. The financial statements contain information about Propel Group Finance Limited as an individual company undertaking and not about its group.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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.

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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Propel Finance Group Holdings Limited as at 31 December 2020 and these financial statements may be obtained from Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, NP18 2LH.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.3 Going concern**

During the financial year Covid-19 has significantly impacted the global and UK economies, with dislocations resulting in most industry sectors and stress being felt within the SME ecosystem. Throughout Covid-19 the Group has continued in its ordinary course of business, supporting SMEs whilst taking proactive actions to protect its statement of financial position against current and potential future stresses. The financial performance of the Group has been impacted negatively by Covid-19 through 2020. The directors have considered those impacts and actions taken to mitigate and position the Group for future growth. The directors believe that the portfolio performance is strong, and the capital and funding actions taken more than provide for the resources identified within the Group's forecasts.

Forecasting and stress testing analysis has been completed for a number of scenarios, with a number of assumptions used in those scenarios, which are predominantly based on levels of originations and funding mix. The management actions taken to mitigate the likelihood of these scenarios and deep dive portfolio analysis completed have been used to inform these scenarios. Through this work the directors have identified an additional capital requirement within the next 12 months, which through the capital actions taken is fully provided for. Furthermore, the majority shareholder of the Group remains fully supportive of those plans. Our majority shareholder has provided a letter of support confirming continuing support by committing they have no intention of withdrawing or reducing any loan facilities available to Propel for the next 12 months following our signing of these financial statements.

On this basis, the directors have prepared the financial statements on a going concern basis.

2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.5 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.

2.6 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.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.7 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans with related parties and investments in non-puttable ordinary shares.

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 payables or receivables, 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 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.

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, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the statement of financial position 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.

2.8 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.

2.9 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.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.10 Taxation

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.

3. Employees

The company has no employees other than the directors, who did not receive any remuneration in respect of their services on behalf of the company (2019: £Nil).

4. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	<u>3,352,179</u>	<u>2,574,476</u>

Other loan interest payable is solely attributable to loan notes held.

5. Taxation

	2020 £	2019 £
Adjustments in respect of previous periods	(267,264)	267,264
	<u>(267,264)</u>	<u>267,264</u>
Total current tax	<u>(267,264)</u>	<u>267,264</u>

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(3,352,230)</u>	<u>(2,574,536)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(636,923)	(489,162)
Effects of:		
Adjustments in respect of previous period - corporation tax	(267,264)	267,264
Difference in deferred tax rates	(188,730)	79,624
Deferred tax not recognised	823,739	409,538
Adjustments to tax charge in respect of prior periods - deferred tax	1,914	-
Total tax charge for the year	<u><u>(267,264)</u></u>	<u><u>267,264</u></u>

Factors that may affect future tax charges

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. Accordingly, this rate is applicable in the measurement of deferred tax assets and liabilities at 31 December 2020. Deferred tax has been provided at 19% being the rate at which temporary differences are expected to reverse. However, in March 2021, the 2021 Budget included an announcement to increase the standard rate of corporation tax rate from 19% to 25% from 1 April 2023. It is expected this will be substantively enacted during Summer 2021. Since the rate increase was not substantively enacted at the statement of financial position date, deferred tax has been provided at 19%. The maximum impact on deferred tax balances of the rate increase that will be applicable once the change has been substantively enacted, is estimated to be a net £Nil.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	10,822,274
At 31 December 2020	10,822,274
Net book value	
At 31 December 2020	10,822,274
At 31 December 2019	10,822,274

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Propel Finance Plc	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%
Propel Finance No 1 Limited	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%
Propel Finance No 2 Limited	Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, Gwent, United Kingdom, NP18 2LH	Ordinary	100%
Propel Finance No 3 Limited	Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, Gwent, United Kingdom, NP18 2LH	Ordinary	100%
Henry Howard Finance Limited	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%
Henry Howard Finance No1 Limited	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%
Henry Howard Group Holdings Limited	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	23,352,417	17,991,447
	<u>23,352,417</u>	<u>17,991,447</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	124	2
	<u>124</u>	<u>2</u>

9. Creditors: Amounts falling due within one year

	2020 £	2019 £
Amounts owed to group undertakings	2,000,999	-
Corporation tax	-	267,264
Other creditors	141	-
	<u>2,001,140</u>	<u>267,264</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

PROPEL GROUP FINANCE LIMITED

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

	2020 £	2019 £
Other creditors	29,693,871	27,151,704
Accrued interest	12,426,424	9,447,773
	<u>42,120,295</u>	<u>36,599,477</u>

At the statement of financial position date the other creditors balance comprise of deep discounted bonds £20,260,060 (2019: £19,972,060) and zero coupon notes £9,433,811 (2019: £7,179,644). The deep discounted bonds have a redemption date of 15 November 2022 and accrue interest at 10% up to redemption.

The zero coupon notes have a redemption date of 15 November 2022.

11. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>23,352,541</u>	<u>17,991,449</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(44,121,435)</u>	<u>(36,599,477)</u>

Financial assets measured at amortised cost comprise cash and cash equivalents and amounts owed from group undertakings.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings, other creditors and accrued interest.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
3,000,201 (2019 - 3,000,201) Ordinary shares of £1 each	3,000,201	3,000,201

Each share is entitled to one vote in any circumstance, shareholders are entitled pari passu to a dividend payment or other distribution, each share is entitled pari passu to participate in a distribution from the winding up of the company. The ordinary shares are not redeemable.

13. Reserves

Capital contribution

Represents the difference on issuance between the nominal value of zero coupon loan notes issued by the owners in comparison to their present value discounted at a market rate of interest.

The rate of discount used is 10% which is deemed an appropriate rate from review of comparable instruments.

In line with common practice a reserve transfer is made each financial year from this reserve to the profit and loss account akin to the amount of discount unwound as an interest expense.

Profit and loss account

Includes all current and prior period retained profits and losses.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. Related party transactions

The company has taken advantage of the exemption permitted by Financial Reporting Standard 102 section 31 not to disclose transactions or balances with entities which form part of the Propel Finance Group Holdings Limited group.

CS Capital Partners IV, LP

As at the year end the company owed £19,880,000 in deep discounted bonds and £9,970,000 in zero coupon loan notes to CS Capital Partners IV, LP. The carrying values as at the year end were £19,880,000 for the Deep discounted bonds and £9,152,166 in Zero coupon loan notes out of the total outstanding balances disclosed in note 10. Total interest charged in the year amounted to £3,310,959 and the total accrued interest as at 31 December 2020 was £12,347,586. During the year £Nil deep discounted bonds were issued and £3,000,000 zero coupon loan notes.

Director Loan Notes

On 10 January 2020 the company were issued a nominal £288,000 in Deep discounted bonds and £72,000 in Zero coupon loan notes from two serving Directors.

The carrying values as at the year end were £288,000 for the Deep discounted bonds and £72,000 in Zero coupon loan notes out of the total outstanding balances disclosed in note 10.

Total interest charged the year amounted to £29,423 and the total accrued interest as at 31 December 2020 was £29,423.

15. Controlling party

The company is a 100% wholly owned subsidiary of Propel Finance Group Holdings Limited, whose consolidated accounts are available to the public and may be obtained from Unit 5 Langstone Business Village, Langstone, Newport, NP18 2LH. The ultimate controlling related party is CS Capital Partners IV, LP.



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Propel Finance Group includes Propel Finance PLC and Propel Finance No.1 Limited. Propel Finance Plc is registered in Wales, Company no 04015132. Propel Finance No. 1 Limited is registered in Wales, Company no. 10003271. Registered offices are at Unit 5, Langstone Business Village, Langstone Park, Newport, NP18 2LH, vat no. 252089996. Propel Finance Plc and Propel Finance No. 1 Limited are authorised and regulated by the Financial Conduct Authority.