Registered number: OC356091

UNCLE BUCK FINANCE LLP

AUDITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

INFORMATION

Designated Members

Steven George Murray
Uncle Nova Limited

LLP registered number

OC356091

Registered office

Riverbridge House Anchor Boulevard
Crossways Business Park
Dartford
Kent
England
DA2 6SL

Independent auditors

Wisteria Audit Ltd
Statutory auditor
The Grange Barn
Pikes End
Pinner
Middlesex
HA5 2EX

Bankers

Barclays Plc
Broadgate 2
Leicester
LE87 2BB

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Moorcrofts LLP
Thames House
Dedmere Road
Mere Park
Marlow
SL7 1PB

CONTENTS

MEMBERS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The members present their annual report together with the audited financial statements of Uncle Buck Finance LLP (the "LLP") for the ended 31 March 2019.

Principal activities

The principal activity of the LLP is the provision of short term loans.

Members' capital and interests

Each member's subscription to the capital of the LLP is determined by their share of the profit and is repayable following retirement from the LLP.

Details of changes in members' capital in the year ended 31 March 2019 are set out in the financial statements.

Members are remunerated from the profits of the LLP and are required to make their own provision for pensions and other benefits. Profits are allocated and divided between members after finalisation of the financial statements. Members draw a proportion of their profit shares monthly during the year in which it is made, with the balance of profits being distributed after the year, subject to the cash requirements of the business.

A members' share of a loss for the year is accounted for as negative equity and is included in Other members' interest.

Fair review of the business

Uncle Buck Finance LLP has continued to focus on maintaining a profitable lending approach within a compliant regulatory framework and developing its core lending products to meet customer needs. Fair outcomes for customers are supported by embedding and upholding our Vision, Mission and Core Values statements throughout the business and also by investing in our staff development and training.

In July 2018, the business moved to larger premises with improved office accommodation and staff facilities. This relocation, together with the availability of an increased funding facility has permitted the business to scale up the volume of loan advances made, and the members consider that Uncle Buck Finance LLP has improved its market positioning within the sector.

Recent market withdrawals create opportunities for ourselves, our competitors and new entrants to the sector, we continue to diversify into products which will offer our customers increased flexibility and choice whilst we remain a compliant and responsible lender.

During 2019, Uncle Buck Finance LLP has come under significant FCA scrutiny in respect of (1) its solvency position and ability to meet the FSMA (Financial Services and Markets Act 2000) threshold conditions and (2) its compliance with the affordability rules.

Uncle Buck Finance LLP had a material negative balance sheet value at year end and this has been acknowledged in extensive exchanges with the FCA. Trading has continued throughout this period under FCA scrutiny and the members are seeking a new capital fund raise designed to redress this position by delivering long term equity capital. Uncle Buck Finance LLP has taken advice on the basis of which it is satisfied that the continued trading of the business is sustainable.

Extensive and ongoing communications have taken place with the FCA Supervision Team and as of 27 September 2019 the FCA commenced a formal enforcement investigation pursuant to section 168(5) of the FSMA in respect of specific aspects of the firm's approach to assessing affordability. Uncle Buck Finance LLP does not accept or agree with the substance of the allegations.

As at the date of signing this report, Uncle Buck Finance LLP is continuing to work in conjunction with the FCA Supervision Team to make final changes to meet the regulator's expectations in respect of affordability assessments.

MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

Development and performance of the business

The financial statements are set out on page 8 and shows turnover for the year of £27,126,401 (2018: £8,935,288), with turnover increasing 304% (2018: 91%); and with a gross profit margin of 55% (2018: 48%). The loss before members' remuneration and profit share was £3,371,687 (2018: £2,899,852).

Turnover increased significantly from 2018 as the business grew business volumes by utilising its £57m funding facility and developing organic growth. The total value of loans written during the year was £39,151,385 (2018: £20,898,063). The business reported an increased loss for the year mainly due to increased interest charges on iits funding facility.

During the year the business changed its accounting policy for valuing financial instruments to IFRS 9. This had a material impact on the value of the bad debt provision. The prior year impact on the 2018 accounts was to increase the bad debt provision by £6,847,270. In accordance with IFRS 9 this was put through reserves in the current year. The members feel that IFRS 9 will more accurately reflect the value of the financial assets and liabilities on the balance sheet, particularly in relation to the loan book. The change in policy will allow benchmarking against industry peers and will be familiar to potential investors in the sector.

The past two years have seen a significant increase in consumer claims in the High Cost Short Term Credit (HCSTC) sector, alleging that loans were issued where they were unaffordable for the borrower and seeking financial redress. Many such claims were brought by Claims Management Companies (CMCs) directly and via the Financial Ombudsman Service (FOS). Regulation of CMCs by the FCA commenced in April 2019 which has had a positive impact on the number of claims from CMCs.

Uncle Buck Finance LLP has met all complaint costs arising as they have fallen due and has no reason to consider this will not continue. For the year ending March 2019 fees paid to FOS were £165,550 (2018: £111,100) and customer compensation paid was £356,819 (2018: £182,436) The management do not consider that the LLP is exposed to unmanageable claims levels that have led to the demise of other businesses in the sector. The LLP's last complaints uphold rate in favour of the customer as reported by the FOS was 33% against an industry average of 68% and complaint levels are low for the size of the business.

We continue to be active in supporting our trade association as they seek to work with relevant bodies to improve processes and resolutions for dealing with clearly vexatious cases. Uncle Buck Finance LLP uses learning from complaints to inform and adapt its processes to enhance customer outcomes.

Position of the business

At the end of the year, the net liabilities totalled £15,855,819 (2018: £4,849,159). The members are confident that with new investment the financial performance will improve and the business will return to profitability. The current investors continue to provide their financial support to the LLP.

Principal risks and uncertainties

Legislation and Regulatory Change – any change in legislation, and in particular relating to those rules imposed by the FCA, may have an impact on the LLP's business practices. The members mitigate this risk by ensuring that they are always compliant and operate an ethical and customer-orientated service with TCF at its core.

Credit Risk – loans are unsecured. The LLP sets standards for Credit Risk Management and actively monitors these, including implementing robust underwriting policies, and ensuring that its products are properly priced in accordance with the price cap and to reflect the demographic which seeks its products.

Risk from Competitors – The LLP operates in a competitive and innovative market with competitor business models and methods continually evolving. The LLP mitigates this through 1) investing significantly in systems; 2) continually testing variants of its business model; and 3) active competitor analysis.

Research and development

MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

The LLP is and will continue to invest in developing its systems and processes to optimally improve customer satisfaction and financial performance.

Going concern

No drawdowns have been made on the existing £57m funding facility since April 2019 for the reasons explained in the funding section of the report. The members are currently in advanced discussions with the current investor to secure a new £25m funding facility. The members anticipate that drawdowns could be made from the new facility as early as January 2020.

In addition, over the past few months the members have been actively seeking a new £20m capital raise through the issue of contingent convertible bonds. At the date of signing this report, this process is ongoing.

Despite making losses in the year and not having access to funding since April 2019, the members are confident that with new investment in Q1 2020 the business can generate significant profits in the future.

The members acknowledge that without new investment the business is likely to reach the point during 2020 when its cashflow is no longer adequate to meet its liabilities as they fall due. However, the members consider the probability of not securing any new investment in the near future as remote. Consequently, the members have reasonable expectation that the LLP will have adequate resources to continue in operational existence for the foreseeable future, given the members' belief that sufficient funding will be achieved. The LLP therefore continues to adopt the going concern basis in preparing its financial statements.

Funding

In August 2018, Uncle Buck Finance LLP agreed an increased £57m funding facility with its current investor. At 31 March 2019 a total of £40,125,040 has been drawn down from the facility. Since April 2019, no further drawdowns have been made on the facility due to FCA regulatory issues being encountered by the investor. The members are currently negotiating a new £25m facility with the investor which would address the issues and concerns raised by the FCA. The management are confident that funding will be successful.

MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

Members' responsibilities statement

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

Company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members 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 LLP and of the profit or loss of the LLP for that period.

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

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

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

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

Auditors

The auditors, Wisteria Audit Ltd, have indicated their willingness to continue in office. The Designated members will propose a motion re-appointing the auditors at a meeting of the members.

This report was approved by the members on 8 January 2020 and signed on their behalf by:

S G Murray

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNCLE BUCK FINANCE LLP

Opinion

We have audited the financial statements of Uncle Buck Finance LLP (the 'LLP') for the year ended 31 March 2019, which comprise the Profit or Loss, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 LLP's affairs as at 31 March 2019 and of its result 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, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the LLP is dependent for its working capital on obtaining further funding. The members state they are confident is securing this. Note 2.2 states that the uncertainty surrounding this may cast significant doubt on the LLP's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNCLE BUCK FINANCE LLP (CONTINUED)

Other information

The members are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and 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.

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, as applied to limited liability partnerships, 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement on page 3, the members 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 members 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 members are responsible for assessing the LLP'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 members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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 Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNCLE BUCK FINANCE LLP (CONTINUED)

Use of our report

This report is made solely to the LLP's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Applications of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an Auditors' 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 LLP and the LLP's members for our audit work, for this report, or for the opinions we have formed.

Andrew Millet FCA (Senior Statutory Auditor)

for and on behalf of
Wisteria Audit Ltd

Statutory auditor

The Grange Barn
Pikes End
Pinner
Middlesex
HA5 2EX

8 January 2020

PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	*2018 £*
Turnover	4	**27,126,401**	*8,935,288*
Cost of sales		**(12,096,031)**	*(4,613,643)*
Gross profit		**15,030,370**	*4,321,645*
Administrative expenses		**(12,732,046)**	*(4,526,900)*
Operating profit/(loss)	5	**2,298,324**	*(205,255)*
Interest receivable and similar income		**533**	*199*
Interest payable and expenses	8	**(5,670,544)**	*(2,694,796)*
Loss for the year before members' remuneration and members' contribution		**(3,371,687)**	*(2,899,852)*
Loss for the year before members' remuneration and profit shares		**(3,371,687)**	*(2,899,852)*
Members' contribution to the LLP		**3,371,687**	*2,899,852*
Results for the year available for discretionary division among members		**-**	*-*

The notes on pages 12 to 26 form part of these financial statements.

BALANCE SHEET
AS AT 31 MARCH 2019

	Note	2019 £	*2018* *£*
Fixed assets			
Intangible assets	9	**2,113,975**	*876,450*
Tangible assets	10	**505,099**	*55,561*
		2,619,074	*932,011*
Current assets			
Debtors: amounts falling due within one year	11	**14,224,298**	*14,019,849*
Cash at bank and in hand		**3,077,751**	*1,162,121*
		17,302,049	*15,181,970*
Creditors: amounts falling due within one year	12	**(3,764,564)**	*(1,798,448)*
Net current assets		**13,537,485**	*13,383,522*
Total assets less current liabilities		**16,156,559**	*14,315,533*
Creditors: amounts falling due after more than one year	13	**(32,042,378)**	*(19,164,692)*
Net liabilities		**(15,885,819)**	*(4,849,159)*
Represented by:			
Loans and other debts due to members within one year			
Members' capital classified as a liability		**(16,133,678)**	*(5,097,018)*
Members' other interests			
Members' capital classified as equity		**3**	*3*
Other reserves classified as equity		**247,856**	*247,856*
		247,859	*247,859*
		(15,885,819)	*(4,849,159)*
Total members' interests			
Loans and other debts due to members		**(16,133,678)**	*(5,097,018)*
Members' other interests		**247,859**	*247,859*
		(15,885,819)	*(4,849,159)*

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 8 January 2020.

S G Murray
Designated member

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Members capital (classified as equity)	Other reserves	Total equity
	£	£	£
At 1 April 2017	**3**	**247,856**	**247,859**
At 1 April 2018	**3**	**247,856**	**247,859**
At 31 March 2019	**3**	**247,856**	**247,859**

The notes on pages 12 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	*2018* *£*
Cash flows from operating activities		
Profit for the financial year	**2,298,324**	*(205,255)*
Adjustments for:		
Amortisation of intangible assets	**1,740,502**	*468,609*
Depreciation of tangible assets	**127,069**	*57,461*
Loss on disposal of tangible assets	**9,262**	*4,661*
Interest paid	**(5,670,544)**	*(2,694,796)*
Interest received	**533**	*199*
Decrease/(increase) in debtors	**2,184,861**	*(4,651,395)*
(Decrease)/increase in creditors	**(311,461)**	*20,369*
IFRS 9 Adjustment in relation to prior year	**(6,848,270)**	*-*
Net cash generated from operating activities before transactions with members	**(6,469,724)**	*(7,000,147)*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(2,978,027)**	*(1,206,112)*
Purchase of tangible fixed assets	**(585,868)**	*(21,498)*
Net cash from investing activities	**(3,563,895)**	*(1,227,610)*
Cash flows from financing activities		
New secured loans	**20,499,000**	*13,263,076*
Repayment of loans	**(3,671,250)**	*(426,997)*
Members' capital repaid	**(72,014)**	*(139,930)*
Drawings paid to members	**(744,687)**	*(369,382)*
Finance fees on secured loans	**(4,061,800)**	*(3,166,900)*
Net cash used in financing activities	**11,949,249**	*9,159,867*
Net increase in cash and cash equivalents	**1,915,630**	*932,110*
Cash and cash equivalents at beginning of year	**1,162,121**	*230,011*
Cash and cash equivalents at the end of year	**3,077,751**	*1,162,121*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**3,077,751**	*1,162,121*
	3,077,751	*1,162,121*

The notes on pages 12 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. General information

The legal form of the entity is Limited Liability Partnership ("LLP"), its country of incorporation is England. The principal place of business and registered office is Riverbridge House Anchor Boulevard, Crossways Business Park, Dartford, Kent, England, DA2 6SL.

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 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the LLP's accounting policies (see note 3). The LLP has taken the option to disapply Sections 11 and 12 of FRS 102 and replace them with IFRS 9 and IAS 39 (revised).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The members have reasonable expectation that the LLP will have adequate resources to continue in operational existence for beyond the forthcoming twelve months. The members are currently negotiating and securing additional funding and the members are dependent upon this being successful. This funding round has not been finalised, however, the members are confident that the funding outcome will be positive. In the event that the members are not successful in securing the funding round then it is possible that the LLP will cease to trade. Further details are given in the members' report on page 3.

2.3 Interest payable

Interest payable represents interest charged on an accruals basis calculated using the effective interest method. The interest relates to interest on loans to the LLP. The loans are used to fund the operation of the LLP as well as to fund customer loans.

2.4 Revenue

Revenue represents interest and fees charged on customer loans. Interest is recognised on an accrued daily basis over the term of the loan and fees are recognised as they fall due.

2.5 Operating leases: the LLP as lessee

Rentals paid under operating leases are charged to the Profit or Loss on a straight line basis over the lease term.

2.6 Finance costs

Finance costs are charged to the Profit or Loss 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

The LLP contributes into a defined contribution personal pension plan for its employees. Once the contributions have been paid the LLP has no further payment obligations.

The contributions are recognised as an expense in the Profit or Loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet.

2.8 Share based payments

Share based payments are recognised as an expense in the profit or loss account with a corresponding credit to Other reserves.

2.9 Taxation

The taxation payable on the LLP's profits is the personal liability of the members, although the payment of such liabilities is administered by the LLP on behalf of its members. Consequently, neither partnership taxation nor related deferred taxation is accounted for in these financial statements. Sums set aside in respect of members' tax obligations are included in the balance sheet within loans and other debts due to members, or are set against amounts due from members, as appropriate.

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Website costs are capitalised in line with IAS 38 *Intangible Assets* meaning costs are capitalised only when they comprise application and infrastructure development costs, design costs and content costs.

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.

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

The estimated useful lives range as follows:

Customer leads	-	1	year
Website development	-	2	years
Software development	-	2	years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.11 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.

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	-	25%
Fixtures and fittings	-	25%
Computer equipment	-	25%

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

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

2.12 Debtors

Trade debtors are amounts due from customers relating to the issue of loans in the year. Trade debtors at the year end represent the loan principal due as well as interest and fees that have accrued from the loans in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the LLP will not be able to collect all amounts due according to the original terms of the receivables.

2.13 Provisions

Offset and within Trade debtors is a bad debt provision. Customer loans are stated at the balance sheet date at the amount of the principal, interest and fees outstanding with any provisions for doubtful debts.

Provisions for doubtful debts on customer loans are made having regard to associated risks. In determining the level of provisions required, management considers numerous factors, including prior bad debt experience.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.15 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.

2.16 Members' remuneration and division of profits or losses

The LLP agreement provides that fixed amounts, determined for each member each year, be paid to members, irrespective of the profits of the LLP. These amounts are also included within members' remuneration charged to the profit or loss account.

A members' share of profit for the year is accounted for as an allocation of profits. Unallocated profits are included within 'other reserves'.

A members' share of a loss for the year is accounted for as negative equity and is included in Other members' interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.17 Financial instruments

The LLP adopted IFR 9 for the purpose of accounting for financial instruments in this financial year.

IFRS 9 has been applied to the prior year, and its impact has been adjusted in the accounts of the LLP on the first day of this current year, with the profit or loss impact going directly to Other members' interest.

The LLP 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.

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 Profit or Loss.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

The LLP applies the IFRS 9 approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Impairment of financial assets
IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses (ECL) based on unbiased forward-looking information.

The LLP applies the ECL impairment model when determining the provisions to be applied to amounts receivable from customers. This comprises three stages: (1) on initial recognition; (2) if credit risk increases significantly relative to initial recognition; (3) when a financial asset is considered credit-impaired. Provisions are therefore calculated based on an unbiased probability-weighted outcome which take into account historic performance and considers the outlook for macro-economic conditions.

2.18 Change in accounting policy

On 1 April 2018, the LLP implemented IFRS 9 *Financial Instruments*. In accordance with the transition provisions in IFRS 9 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 April 2018. Comparatives for the 2018 financial year have not been restated. See note 20 below for further details on the impact of the change in accounting policy.

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

In the application of the LLP's accounting policies, which are set out in note 2, the members are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may vary from these estimates.

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

Critical judgements in applying the LLP's accounting policies

Significant increase of credit risk
As part of the ECL impairment calculations, an asset moves from stage 1 to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the LLP takes into account qualitative and quantitative reasonable and supportive forward looking information. Refer to note 2 for more details.

Models and assumptions used
The LLP uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Impairment losses on loans and advances to customers
The LLP reviews its loan portfolios to assess impairment on a regular basis. The following are key estimations that the members have used in the process of applying the LLP's recognition of expected credit losses policy:

• Incorporation of forward looking data: when measuring ECL the LLP uses reasonable and supportive forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

• Probability of default (PD): PD constitutes a key input measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

• Loss Given Default (LGD): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

4. Turnover

The whole of the turnover is attributable to the principal activity of the LLP and arises solely within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5. Operating profit

The operating profit / (loss) is stated after charging:

	2019	2018
	£	£
Other operating lease rentals	166,673	56,302
Bad debts written off	2,759,442	240,452
Charitable donations	176	501
Depreciation and amortisation of owned assets	1,867,571	526,071
Bad debt provision charge	12,096,031	4,613,643

In 2019 the LLP adopted IFRS9 (see notes 2 and 3). In applying this accounting standard the 2018 bad debt provision charge would have been £11,461,913. Instead, the additional charge of £6,848,270 has been put through members interest as at 1 April 2018 making the total charge £12,096,031.

6. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the LLP's auditor for the audit of the LLP's annual financial statements	26,400	23,192

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

7. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	**3,334,524**	*1,701,234*
Social security costs	**288,749**	*154,962*
Cost of defined contribution scheme	**74,138**	*29,239*
	3,697,411	*1,885,435*

The average monthly number of persons (including members with contracts of employment) employed during the year was as follows:

	2019 No.	2018 No.
Administration	**80**	*37*
Management	**30**	*15*
	110	*52*

Remuneration for key management personnel, including members, in the year was £1,009,097. The average number of members during the year was 2 (2018: 2).

8. Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	**4,074,233**	*2,050,195*
Finance leases and hire purchase contracts	**-**	*397*
Other interest payable	**1,596,311**	*644,204*
	5,670,544	*2,694,796*

Interest payable relates to interest on loans. Such loans are used to fund the development of the LLP, its operations, and customer loans.

9. Intangible assets

	Software and website costs £	Customer leads £	Total £
Cost			
At 1 April 2018	962,545	1,053,350	2,015,895
Additions	867,273	2,110,754	2,978,027
At 31 March 2019	1,829,818	3,164,104	4,993,922
Amortisation			
At 1 April 2018	807,027	332,418	1,139,445
Charge for the year	111,632	1,628,870	1,740,502
At 31 March 2019	918,659	1,961,288	2,879,947
Net book value			
At 31 March 2019	911,159	1,202,816	2,113,975
At 31 March 2018	*155,518*	*720,932*	*876,450*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

10. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and computer equipment £	Total £
Cost or valuation			
At 1 April 2018	11,349	222,568	233,917
Additions	281,128	304,740	585,868
Disposals	(11,349)	(65,482)	(76,831)
At 31 March 2019	281,128	461,826	742,954
Depreciation			
At 1 April 2018	11,349	167,007	178,356
Charge for the year on owned assets	49,622	77,447	127,069
Disposals	(11,349)	(56,221)	(67,570)
At 31 March 2019	49,622	188,233	237,855
Net book value			
At 31 March 2019	231,506	273,593	505,099
At 31 March 2018	-	*55,561*	*55,561*

11. Debtors

	2019 £	*2018 £*
Trade debtors	13,035,730	*12,861,329*
Other debtors	312,252	*127,792*
Prepayments and accrued income	876,316	*1,030,728*
	14,224,298	*14,019,849*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

12. Creditors: Amounts falling due within one year

	2019	*2018*
	£	*£*
Other loans (see note 13)	**2,277,574**	*831,000*
Trade creditors	**251,892**	*469,512*
Other taxation and social security	**103,130**	*54,140*
Other creditors	**39,834**	*46,673*
Accruals and deferred income	**1,092,134**	*397,123*
	3,764,564	*1,798,448*

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

	2019	*2018*
	£	*£*
Other loans	**32,042,378**	*19,164,692*
	32,042,378	*19,164,692*

Other loans of £32,042,378 and £2,277,574 from short term creditors total £34,319,952 (2018: £19,164,692) are secured by a fixed and floating charge over the assets of the company. The debenture and security was last updated on 13 August 2018.

Other loans are made up of individual drawdowns on a larger loan facility. Each drawdown is repayable within three years and bears interest for this period of time. There is also a 20% up front arrangement fee. Each drawdown can be repaid early by the LLP but any remaining interest would need to be paid up to the initial three year repayment date. The lender can request repayment with a month's notice but would sacrifice any remaining interest. The members consider these loans to be loans falling due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

14. Share based payments

Share based payments are recognised as an expense in the profit or loss account with a corresponding credit to Other reserves.

In 2016 an option was granted to Smart Box Capital Ltd, a Cayman Island company, who assisted the LLP with its initial funding. The option was granted in lieu of an interest reduction and in lieu of an arrangement fee.

The main option terms are:
- Exercise price of £3 in total
- 30% of the members' interest
- All the vesting conditions had been met at 31 March 2019

The members believe that the benefit the LLP received from the initial funding has now expired and as such no further charge is accrued relating to this transaction (2018: nil).

The option holder, whilst an option holder, has no rights to vote and no rights to equity.

	2019	*2018*
	£	*£*
	-	-

15. Reconciliation of members' interests

	Equity Members' other interests			Other members interest	Total members' interests
	Members' capital (classified as equity) £	Other reserves £	Total £	£	Total £
Members' interests after loss for the year	3	247,856	247,859	(1,687,854)	(1,439,995)
Other division of losses	-	-	-	(2,899,852)	(2,899,852)
Members' capital repaid	-	-	-	(139,930)	(139,930)
Drawings paid to members	-	-	-	(369,382)	(369,382)
Amounts due to members				(5,097,018)	
Balance at 31 March 2018	3	247,856	247,859	(11,945,288)	(11,697,429)
Members' interests after loss for the year	3	247,856	247,859	(11,945,288)	(11,697,429)
Other division of losses	-	-	-	(3,371,687)	(3,371,687)
Repayment of capital	-	-	-	(72,017)	(72,017)
Drawings	-	-	-	(744,686)	(744,686)
Amounts due to members				(16,133,678)	
Balance at 31 March 2019	3	247,856	247,859	(16,133,678)	(15,885,819)

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests.

Memebrs' capital (classed as equity) is the capital paid by members at subscription.

Other reserves represents the accumulated reserve charge relating to the option granted to River Bloom Ltd (see note 14).

Other members' interest represents the accumulated losses of the LLP, loans from members, and drawings to members.

16. Pension commitments

The entity contributes into a defined contribution personal pension plan. The pension cost charge represents contributions payable by the entity to the fund and amounted to £74,138 (2018: £29,239). Contributions totalling £12,537 (2018: £nil) were payable to the fund at the balance sheet date and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

17. Commitments under operating leases

At 31 March 2019 the LLP had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	*2018 £*
Not later than 1 year	**186,000**	*124,000*
Later than 1 year and not later than 5 years	**558,000**	*744,000*
	744,000	*868,000*

18. Related party transactions

The members confirm that all related party transactions are transacted at an arms length basis. However due to their significance the members want to disclose these fully.

The below transactions relate to loans that form part of Other Loans, within Creditors falling due within one year:

At 31 March 2019 there is an amount of £nil (2018: £136,000) owed to W G Murray, grandfather of Steve Murray, a member of the LLP. Interest is paid at 10% per annum and the loan can be called in at any time. Interest paid in the year was £9,625 (2018: £15,000).

At 31 March 2019 there is an amount of £nil (2018: £50,000) owed to C Harley, sister of Steve Murray, a member of the LLP. Interest is paid at 10% per annum and the loan can be called in at any time. Interest paid in the year was £2,896 (2018: £5,000).

At 31 March 2019 there is an amount of £nil (2018: £425,000) owed to G Deeble, brother-in-law of Steve Murray, a member of the LLP. Interest is paid at 10% per annum and the loan can be called in at any time. Interest paid in the year was £26,602 (2018: £46,000).

The below transaction relates to a loan that forms part of Other Loans, within Creditors falling due after more than one year:

At 31 March 2019 there is an amount of £40,125,040,466,290) due to River Bloom Ltd. River Bloom Ltd is associated to Smart Box Capital Ltd, an option holder. Interest is paid at varying rates, that average 13.5% per annum. Interest paid in the year is £4,026,847 (2018: £1,955,500). Smart Box Capital have an option to acquire 30% of the LLP (see note 14).

19. Funding facility

On the 13 August 2018 the LLP secured an increased funding facility with River Bloom Ltd, a Cyprus company, for a total facility of £57m. The facility will be used to increase the volume of loans the business can issue to customers and to assist with other working capital requirements. The facility has a floating term with repayments of each individual drawdown not due until at least three years after the date of drawdown was made. During the financial year the facility operated as prescribed. After the year end the FCA have raised concerns with regards the nature of this funding, which has effectively suspended the LLP's ability to drawdown further funds.

In addition, the members are pursuing alternative forms of funding, and they are confident in securing a facility to enable the LLP to progress its business plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

20. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* on the LLP's financial statements.

20(a) Impact on the financial statements
The LLP has adopted the measure principles of IFRS 9 without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are recognised in the opening balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below in note 19(b).

	31 Mar 2018 As originally presented £	IFRS 9 £	01 April 2018 Restated £
Balance sheet (extract)			
Trade debtors	12,861,329	(6,848,270)	6,013,059
Total assets	**12,861,329**	**(6,848,270)**	**6,013,059**
Other members' interest classified as a liability	(4,849,159)	(6,848,270)	(11,697,429)
Total members' interests	**(4,849,159)**	**(6,848,270)**	**(11,697,429)**

20(b) IFRS 9 *Financial Instruments*
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The LLP was required to revise its impairment methodology under IFRS 9. The LLP applies the IFRS 9 approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. This resulted in an increase of the loss allowance on 1 April 2018 by £6,848,270 for trade debtors.

21. Controlling party

The ultimate controlling party is the member, Steven Murray.