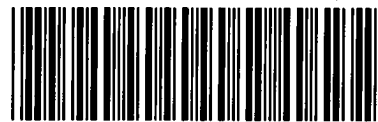


**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017  
FOR  
1PM (UK) LIMITED**

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**1PM (UK) LIMITED**

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FOR THE YEAR ENDED 31 MAY 2017**

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**1PM (UK) LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 MAY 2017**

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**DIRECTORS:**

R I Smith  
J M A Roberts

**SECRETARY:**

T R Case

**REGISTERED OFFICE:**

2nd Floor, St James House  
The Square  
Lower Bristol Road  
Bath  
BA2 3BH

**REGISTERED NUMBER:**

03681755 (England and Wales)

**AUDITORS:**

Moore Stephens  
Chartered Accountants & Statutory Auditor  
30 Gay Street  
Bath  
BA1 2PA

The following report is the 1pm plc's Group's Strategic Report which is also applicable to this company.

### **Goal and Objectives**

The stated goal of the Group's current strategic plan formulated in late 2014 is unchanged and is to achieve a market capitalisation of £100m. The objectives that will enable this goal to be achieved and that shape the strategic plan are:

- building scale through operating a model of distributed separate subsidiary entities
- having a multi-channel and multi-product offering for business lending to SMEs maintaining risk mitigation through funding and broking capability
- being 'digitally capable'
- strictly adhering to underwriting policies and credit control procedures
- being geared appropriately with cost-effective funding facilities

The Board is pleased with the further strategic progress made in the year to 31 May 2017 and reports on each of the above objectives as follows:

### **Distributed model**

The Group now comprises six trading subsidiaries (four as at 31 May 2017 year-end with two acquired post year-end) operating from seven sites in the UK with 152 employees serving circa 16,150 SME businesses. Each of the businesses acquired has a distinct product offering, introducer channel, customer base and industry position and each of the entity management teams has a growth-oriented business plan to execute. As such, the Group's operating model is to enable each entity to pursue its own business plan whilst simultaneously providing efficiency benefits in such matters as funding, IT systems and infrastructure, compliance, marketing, finance and HR integration. Furthermore, management believes that enhanced organic growth can be delivered from cross-selling the Group's products through each of its trading entities.

### **Multi-channel and multi-product**

As well as sourcing business from multiple channels; brokers, vendors, suppliers and introducers, a stated strategic aim is to provide multiple finance products to SMEs. This has been achieved through the acquisition of Intelligent Financing Limited during the year, which provides secured second-charge, bridging and commercial property loans and through the acquisitions post year-end of both Gener8 Finance Limited and Positive Cashflow Finance Limited, which offer invoice discounting and factoring, and now form the Group's Commercial Finance division. As a result, from June 2017, the Group now operates three divisions; Asset Finance, Loans Finance and Commercial Finance.

### **Funding and broking capability**

Maintaining flexibility to both fund lease and loan deals on the Group's own-book and to broke-on to other funders is an essential risk, profit and cash management capability. The Group is well-placed to optimise profitable organic growth as a result of this flexibility and has continued to grow both commission-earning and interest-generating business during the year.

### **Digital capability**

IT improvement is now a clear operational focus and is captured in the Group's "Platform1" project, which covers a broad range of initiatives including improvements in process automation, data capture and management, customer interface and management information reporting as well as the use of "FinTech" capability such as artificial intelligence and pattern recognition applications. The Group has formed a "FinTech committee" including external advisers and "thinking partners" to steer developments in this critical project.

### **Strict adherence to underwriting policies and credit control procedures**

The Group's objective is to be a responsible lender and to follow strict policy guidelines with regard to treating customers fairly and assessing affordability. The Group adheres to strict lending criteria, thereby minimising the risk of defaults, whilst aiming to flexibly meet each individual customer's needs through a personalised underwriting process. Strict adherence to these policies and procedures will continue to be a key part of the governance of the Group's growth aspirations. In current benign credit conditions, the board has taken a conscious decision, despite the potential to realise additional top-line growth, not to relax credit criteria.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MAY 2017**

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**Funding facilities and Managing Capital**

The Group's objective when managing capital is to maintain a strong capital base to support its current operations and planned growth as well maintaining an optimal capital structure to reduce the cost of capital to provide returns for shareholders and benefits for other stakeholders.

To meet these objectives the Group has adopted a policy of sourcing different funding instruments appropriate to each of the financial products it provides:

- In respect of Asset Finance, the Group is continuing to increase its block discount facilities and to pursue complementary credit instruments that will reduce the overall cost of borrowing.
- In respect of Loans, the Group utilises block discount facilities and, during the year, established a Secured Loan Note facility, comprising loans from high net-worth individuals.
- In respect of Commercial Finance, the Group utilises 'back-to-back' bank facilities for lending against client receivables.

In each case security is provided to each lender in the form of an assignment of the underlying lease, loan or invoice receivables.

In order to successfully manage the increased funding lines and capital requirements the Group is implementing a centralised Treasury function. This aims to ensure adequate cash is readily available to fuel expected growth, gearing ratios associated with its funding are met and the cost of capital of the Group continues to reduce. This approach has ensured all funding covenants have been met and are expected to continue to be met and that the Group's aggregate funding facilities provide sufficient headroom to ensure the Group is well-placed to deliver further organic growth.

The Group is not subject to any external regulatory capital requirements and only provides funds to UK SMEs. As such it does not operate in, nor have significant exposure to, currencies other than sterling.

**Key Performance Indicators**

The Board and senior management regularly review and monitor key metrics in assessing the performance of the Group. Some of these key metrics to help gauge the Group's meaningful progress are detailed below.

- Revenue - increased 35% to £16.9m (prior year £12.6m)
- Profit Before Tax and Exceptional Items - increased 17% to £4.3m (PY £3.7m)
- Earnings Per Share - increased 4% to 6.09p (PY 5.87p)
- New Business Origination - increased 67% to £83.0m (PY £49.7m)
- Number of 'live' accounts in own-book portfolio - increased 10% to 10,450 (PY 9,500)
- Funding interest rate - reduced to a range from 4.5% to 8.8% (PY 4.8% to 12%).

The following indicators relate to 1pm (UK) Limited, they were not reported in the Group Strategic Report.

- Revenue – increased 9% to £8.7m (prior year £8.0m)
- Profit Before Tax and Exceptional Items – level at £2.0m (PY £2.0m)

**Principal Risks and Uncertainties**

Principal Risks are a risk or a combination of risks that, given the Group's current position, could seriously affect the performance, future prospects or reputation of the Group. These risks could potentially materially threaten the business model, performance, solvency or liquidity, or prevent the delivery of the strategic objectives. The Board has overall responsibility for ensuring that risk is appropriately managed across the Group and, through the Risk Committee, has established the Group's appetite to risk and approved its structure, methodologies, policies, and management roles and responsibilities.

As well as regular external reviews and audits from the Group's statutory auditors and the quarterly audits from its various funding partners, the Group has numerous internal checks and balances. Initial responsibility rests with the business divisions and functions with line managers responsible for identifying and managing risks arising in their business areas. This is augmented by the Group's central and independent compliance and finance functions with responsibility for reporting to the Board. The Group has a Chief Risk Officer who reviews all significant Group credit exposures.

The key risks identified and which the Board has reasonable expectation are appropriately mitigated are:

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MAY 2017**

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- Credit Risk - the risk of default, potential write off, disruption to cashflow and increased recovery costs on a debt that is not repaid individually or if there is a wider market deterioration. This is mitigated by the Group adopting prescribed lending policies and adhering to strict credit and underwriting criteria specifically tailored to each business area. The Group also has the capacity to 'broke-on' business rather than write it on its own book. As such, any market deterioration impact can be reduced by broking on prospective deals.
- Funding Risk - the risk of the Group not being able to meet its current and future financial obligations over time, specifically that funding is not available to meet the Group's growth targets. The Group has funding facilities, across Block discounting, the Secured Loan Note programme and Back-to-Back invoice finance facilities, in excess of £120m with ample headroom to meet the growth targets for the foreseeable future. The Board is also actively engaged in securing additional facilities to enable it exploit any further business opportunities in the future.
- Acquisition Risk - the risk that the Group's acquisition programme does not deliver value, overstretches resource beyond its capacity or has failed to identify problems within the acquired businesses. The Group has paid appropriate consideration for its acquired businesses with post synergy price to earnings multiples expected to be circa six times. It has also spent considerable time and effort, and will continue to do so, to bolster its central resources and infrastructure to assist in integrating and generating synergies from the acquisitions. Finally, the Group has conducted thorough and detailed internal and external due diligence on all acquisitions, ensured appropriate warranties, indemnities and lock-in periods are included in the purchase agreements and has purchased well established businesses with successful and respected management teams.
- Regulatory Risk - the risk of legal or regulatory action resulting in fines, penalties and sanctions that could arise from the Group's failure to identify and adhere to regulatory requirements in the UK. In addition, there is the risk that new or enhanced regulations could adversely impact the Group. The Group has a well established and independent compliance department with appropriate resources and access to external advisors. The department looks both internally at the Group ensuring its practices are appropriate and externally at future developments to ensure the Group is prepared to adopt any changes in regulation as and when they arise.

**Summary**

The Board remains confident that it is maintaining its commitment to provide a range of finance solutions to support the UK SME sector, whilst also pursuing growth plans to deliver increased shareholder value.

**ON BEHALF OF THE BOARD:**



J M A Roberts - Director

23 October 2017

## **1PM (UK) LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2017**

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The directors present their report with the financial statements of the company for the year ended 31 May 2017.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of providing financial services to UK businesses.

#### **DIVIDENDS**

Subject to shareholder approval at the Group's Annual General Meeting on 9 October 2017, the Board is recommending the payment of a dividend of £335,205.

#### **EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

#### **DIRECTORS**

R I Smith has held office during the whole of the period from 1 June 2016 to the date of this report.

Other changes in directors holding office are as follows:

H M Walker - resigned 18 May 2017

J M A Roberts - appointed 2 May 2017

#### **FINANCIAL INSTRUMENTS**

The company's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the company's operations. As a matter of policy the company does not trade in financial instruments, nor does it enter into any derivative transactions. Further details on financial instruments are given in Note 22 to these financial statements.

#### **REVIEW OF BUSINESS**

The Directors are satisfied with the performance for the period and position which are presented in the following pages.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MAY 2017**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 the financial statements may differ from legislation in other jurisdictions.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Moore Stephens, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
.....  
J M A Roberts - Director

23 October 2017



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF IPM (UK) LIMITED**

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We have audited the financial statements of IPM (UK) Limited for the year ended 31 May 2017 on pages nine to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment, we have not identified any material misstatements in the Strategic Report or the Report of the Directors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
1PM (UK) LIMITED**

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**Matters on which we are required to report by exception**

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

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



Mark Powell (Senior Statutory Auditor)  
for and on behalf of Moore Stephens  
Chartered Accountants & Statutory Auditor  
30 Gay Street  
Bath  
BA1 2PA

Date: 31 October 2017

**1PM (UK) LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MAY 2017**

	Notes	2017 £	2016 £
<b>TURNOVER</b>		<b>8,651,958</b>	<b>8,004,132</b>
Cost of sales		<u>3,820,497</u>	<u>3,564,736</u>
<b>GROSS PROFIT</b>		<b>4,831,461</b>	<b>4,439,396</b>
Administrative expenses		<u>2,765,204</u>	<u>2,365,861</u>
<b>OPERATING PROFIT</b>		<b>2,066,257</b>	<b>2,073,535</b>
Interest payable and similar expenses	6	<u>75,898</u>	<u>66,600</u>
<b>PROFIT BEFORE TAXATION</b>	7	<b>1,990,359</b>	<b>2,006,935</b>
Tax on profit	8	<u>414,023</u>	<u>430,774</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,576,336</b>	<b>1,576,161</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>1,576,336</b></u>	<u><b>1,576,161</b></u>

The notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION**  
**31 MAY 2017**

	Notes	2017 £	2016 £
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible assets	10	49,602	-
Tangible assets	11	<u>119,372</u>	<u>227,170</u>
		168,974	227,170
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	12	11,125,381	14,179,174
Debtors: amounts falling due after more than one year	12	27,645,849	20,840,984
Cash at bank		<u>697,276</u>	<u>4,088</u>
		39,468,506	35,024,246
		<u>39,637,480</u>	<u>35,251,416</u>
<b>CAPITAL, RESERVES AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	264,400	264,400
Retained earnings	14	<u>5,540,604</u>	<u>3,964,268</u>
<b>SHAREHOLDERS' FUNDS</b>		5,805,004	4,228,668
<b>PROVISIONS FOR LIABILITIES</b>	15	17,884	53,774
<b>CREDITORS</b>			
Amounts falling due within one year	16	18,963,131	20,134,393
Amounts falling due after more than one year	17	<u>14,851,461</u>	<u>10,834,581</u>
		33,814,592	30,968,974
		<u>39,637,480</u>	<u>35,251,416</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 October 2017 and were signed on its behalf by:

  
.....  
J M A Roberts - Director

**1PM (UK) LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2017**

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	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 June 2015</b>	264,400	2,784,769	3,049,169
<b>Changes in equity</b>			
Dividends	-	(396,662)	(396,662)
Total comprehensive income	<u>-</u>	<u>1,576,161</u>	<u>1,576,161</u>
<b>Balance at 31 May 2016</b>	<u>264,400</u>	<u>3,964,268</u>	<u>4,228,668</u>
<b>Changes in equity</b>			
Total comprehensive income	<u>-</u>	<u>1,576,336</u>	<u>1,576,336</u>
<b>Balance at 31 May 2017</b>	<u><u>264,400</u></u>	<u><u>5,540,604</u></u>	<u><u>5,805,004</u></u>

The notes form part of these financial statements

**1. STATUTORY INFORMATION**

1PM (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The functional currency is British pounds. These are stand alone financial statements.

Due to the nature of the company's trading the directors do not have any concerns over the key assumptions concerning the future and do not consider there to be any key sources of estimation uncertainty. There are net current liabilities of £7m as at the balance sheet date, of which £5m is payable to Group companies. This is deemed to be a timing issue, the company is cash generative, and has ample headroom in its funding facilities. As such, the directors are confident that the company will continue to operate as a going concern.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

**Principal activity and nature of activities**

The principal activity in the year under review was that of providing equipment lease rental and loan finance to UK businesses.

**Revenue recognition and leased assets**

Assets leased to customers on finance leases are recognised in the Statement of Financial Position at the amount of the company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases. Loans are recognised when cash is advanced to borrowers. Loans are carried at their unpaid principal balances. Loan interest is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the loans. Document fees and secondary rentals are accounted for when receivable.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

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**2. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- in accordance with the property
Motor vehicles	- 25% on cost
Equipment	- 25% on cost

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the Statement of Financial Position date.

Deferred income tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of goodwill; deferred income tax is not accounted for it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

**Employee benefit costs**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**2. ACCOUNTING POLICIES - continued**

**Funding payables and cost of sales**

Finance received from funding providers is classified as payables in the Statement of Financial Position. Payments to the funding providers contain a capital element which reduces the payable and an interest charge is debited to the cost of sales using the sum of digits method. Due to the relatively short term of the funding payables the directors are satisfied that this method of apportioning interest is not materially different to the effective interest method.

**Impairment of financial assets**

Assets carried at amortised cost. The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets and impaired losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

**Intangible assets**

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life, which are considered to be finite.

Computer software - 25% on cost

**3. SEGMENTAL REPORTING**

The company has one business segment to which all revenue, expenditure, assets and liabilities relate.

**4. EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	1,254,359	1,033,519
Social security costs	87,087	149,792
Other pension costs	80,127	47,363
	<u>1,421,573</u>	<u>1,230,674</u>



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**4. EMPLOYEES AND DIRECTORS - continued**

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

	2017	2016
Management	2	2
Operational	<u>43</u>	<u>31</u>
	<u>45</u>	<u>33</u>

	2017 £	2016 £
Directors' remuneration	306,030	397,265
Directors' pension contributions to money purchase schemes	<u>64,867</u>	<u>43,460</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

One director exercised share options during the year (2016 - no directors).

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments etc.	175,000	168,707
Pension contributions to money purchase schemes	<u>40,000</u>	<u>40,000</u>

The directors' aggregate emoluments in respect of qualifying services were:

	2017 £	2016 £
R I Smith	215,000	208,706
J Roberts	10,000	-
H M Walker	145,897	151,209
M L Lewis	-	80,810
	<u>370,897</u>	<u>440,725</u>

The key management personnel are the Directors.

**5. EXCEPTIONAL ITEMS**

	2017 £	2016 £
Exceptional items	<u>-</u>	<u>(187,930)</u>

The exceptional item relates to compensation for loss of office (M L Lewis).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Bank interest	17,475	17,547
Bank loan interest	<u>58,423</u>	<u>49,053</u>
	<u>75,898</u>	<u>66,600</u>

**7. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	125,497	112,202
Computer software amortisation	9,565	-
Auditors' remuneration	27,500	10,404
Management charge	<u>451,194</u>	<u>300,430</u>

The auditors' remuneration includes £7,500 for the statutory audit and £20,000 for non-audit due-diligence services.

**8. TAXATION****Analysis of tax expense**

	2017	2016
	£	£
Current tax:		
Tax	449,912	416,544
Deferred tax	<u>(35,889)</u>	<u>14,230</u>
Total tax expense in statement of comprehensive income	<u>414,023</u>	<u>430,774</u>

**Factors affecting the tax expense**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit before income tax	<u>1,990,359</u>	<u>2,006,935</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.800% (2016 - 20%)	394,091	401,387
Effects of:		
Permanent timing differences	<u>19,932</u>	<u>29,387</u>
Tax expense	<u>414,023</u>	<u>430,774</u>

Corporation tax is calculated at 20.8% (2016: 21.5%) of the estimated assessable profit for the year.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**9. DIVIDENDS**

	2017 £	2016 £
Ordinary shares of £1 each		
Final	<u>-</u>	<u>396,662</u>

Dividends are payable to 1pm Plc.

**10. INTANGIBLE FIXED ASSETS**

	Computer software £
<b>COST</b>	
Additions	<u>59,167</u>
At 31 May 2017	<u>59,167</u>
<b>AMORTISATION</b>	
Amortisation for year	<u>9,565</u>
At 31 May 2017	<u>9,565</u>
<b>NET BOOK VALUE</b>	
At 31 May 2017	<u>49,602</u>

**11. TANGIBLE FIXED ASSETS**

	Improvements to property £	Motor vehicles £	Equipment £	Totals £
<b>COST</b>				
At 1 June 2016	185,245	11,113	335,965	532,323
Additions	4,356	-	18,669	23,025
Disposals	<u>-</u>	<u>(11,113)</u>	<u>-</u>	<u>(11,113)</u>
At 31 May 2017	<u>189,601</u>	<u>-</u>	<u>354,634</u>	<u>544,235</u>
<b>DEPRECIATION</b>				
At 1 June 2016	108,362	5,324	191,467	305,153
Charge for year	71,953	463	53,081	125,497
Eliminated on disposal	<u>-</u>	<u>(5,787)</u>	<u>-</u>	<u>(5,787)</u>
At 31 May 2017	<u>180,315</u>	<u>-</u>	<u>244,548</u>	<u>424,863</u>
<b>NET BOOK VALUE</b>				
At 31 May 2017	<u>9,286</u>	<u>-</u>	<u>110,086</u>	<u>119,372</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**11. TANGIBLE FIXED ASSETS - continued**

	Improvements to property £	Motor vehicles £	Equipment £	Totals £
<b>COST</b>				
At 1 June 2015	184,606	11,113	236,446	432,165
Additions	<u>639</u>	<u>-</u>	<u>99,519</u>	<u>100,158</u>
At 31 May 2016	<u>185,245</u>	<u>11,113</u>	<u>335,965</u>	<u>532,323</u>
<b>DEPRECIATION</b>				
At 1 June 2015	37,412	2,546	152,993	192,951
Charge for year	<u>70,950</u>	<u>2,778</u>	<u>38,474</u>	<u>112,202</u>
At 31 May 2016	<u>108,362</u>	<u>5,324</u>	<u>191,467</u>	<u>305,153</u>
<b>NET BOOK VALUE</b>				
At 31 May 2016	<u>76,883</u>	<u>5,789</u>	<u>144,498</u>	<u>227,170</u>

**12. DEBTORS**

	2017 £	2016 £
Amounts falling due within one year:		
Trade receivables	7,784,784	11,981,860
Amounts owed by group undertakings	1,196,450	-
Other receivables	1,990,735	2,023,549
VAT	38,382	-
Prepayments and accrued income	<u>115,030</u>	<u>173,765</u>
	<u>11,125,381</u>	<u>14,179,174</u>
Amounts falling due after more than one year:		
Trade receivables	<u>27,645,849</u>	<u>20,840,984</u>
Aggregate amounts	<u>38,771,230</u>	<u>35,020,158</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2017**

**12. DEBTORS - continued**

Trade receivables wholly represent finance lease and loan receivables.

	2017	2016
	£	£
Gross receivables from finance leases and loans:		
No later than 1 year	13,540,747	17,636,825
Later than 1 year and no later than 5 years	31,759,485	25,274,446
Later than 5 years	-	-
Unearned future finance income on finance leases and loans	<u>(9,869,600)</u>	<u>(10,088,427)</u>
Net investment in finance leases and loans	<u><u>35,430,633</u></u>	<u><u>32,822,845</u></u>

The net investment in finance leases and loans are receivable as follows:

No later than 1 year	7,784,784	11,981,860
Later than 1 year and no later than 5 years	27,645,849	20,840,984
Later than 5 years	<u>-</u>	<u>-</u>
Total	<u><u>35,430,633</u></u>	<u><u>32,822,845</u></u>

The cost of assets acquired for the purpose of leasing under finance leases was £11,324,375 (2016: £13,610,810).

Included within Trade receivables are the following receivables that are past due but not impaired as they are considered recoverable:

	2017	2016
	£	£
Less than 3 months old	112,068	121,570
More than 3 months old	216,715	148,547

All amounts are secured on the asset to which they relate. No other assets are past due or impaired.

Included within Cost of Sales are impairment losses in the sum of £298,606 (2016: £386,610).

**13. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£	£
264,400	Ordinary	£1	<u><u>264,400</u></u>	<u><u>264,400</u></u>

Each share carries the entitlement to one vote.

As at 31 May 2017 the company had 264,400 authorised, allotted, issued and fully paid Ordinary £1 shares, amounting to £264,400 share capital.

**14. RESERVES**

The movements in share capital and reserves are shown in the Statement of Changes in Equity.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**15. PROVISIONS FOR LIABILITIES**

	2017 £	2016 £
Deferred tax	<u>17,884</u>	<u>53,774</u>
		<b>Deferred tax</b>
		<b>£</b>
Balance at 1 June 2016		53,774
Credit to Statement of Comprehensive Income during year		<u>(35,890)</u>
Balance at 31 May 2017		<u>17,884</u>

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Bank loans and overdrafts (see note 18)	-	519,293
Other loans (see note 18)	949,199	729,244
Trade payables	12,120,797	10,795,966
Amounts owed to group undertakings	4,944,633	6,853,033
Tax	299,924	341,556
Social security and other taxes	67,824	58,191
VAT	-	64,605
Other payables	<u>580,754</u>	<u>772,505</u>
	<u>18,963,131</u>	<u>20,134,393</u>

Trade payables wholly represent funding payables, which are secured on the value of the finance leases.

The Trade payables figure is made up of numerous funding blocks that are repaid by monthly instalments. The length of the repayment term at inception varies from 12 to 48 months and interest rates from 4.5% to 7.0%.

The company's banking facilities are secured by a mortgage debenture, dated 7 December 2007 incorporating a fixed and floating charge over all current and future assets of the company.

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017 £	2016 £
Other loans (see note 18)	250,000	399,000
Trade payables	<u>14,601,461</u>	<u>10,435,581</u>
	<u>14,851,461</u>	<u>10,834,581</u>

Trade payables are secured over the leased assets to which it relates.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

**18. FINANCIAL LIABILITIES - BORROWINGS**

	2017 £	2016 £
Current:		
Bank overdrafts	-	519,293
Other loans	<u>949,199</u>	<u>729,244</u>
	<u>949,199</u>	<u>1,248,537</u>
Non-current:		
Other loans - 1-2 years	<u>250,000</u>	<u>399,000</u>

Terms and debt repayment schedule

	1 year or less £	1-2 years £	Totals £
Other loans	<u>949,199</u>	<u>250,000</u>	<u>1,199,199</u>

The company's banking facilities are secured by a mortgage debenture, dated 7 December 2007 incorporating a fixed and floating charge over all current and future assets of the Company.

**19. ULTIMATE PARENT COMPANY**

The company's immediate and ultimate parent company is 1pm plc. The consolidated group financial statements can be obtained from 2nd Floor, St James House, The Square, Lower Bristol Road, Bath, BA2 3BH.

**20. TRANSACTIONS WITH DIRECTORS**

Included in other loans are loans from H Walker, a director who resigned during the financial year, and J Bower (H Walker's partner). J Bower loaned the company £150,000 in the year resulting in a total of £50,000 and £200,000 outstanding respectively at year end. Interest of £3,520 (2016: £4,250) and £6,937 (2016: £4,250) respectively was accrued in the year.

**21. EVENTS AFTER THE REPORTING PERIOD****(a) Dividends**

Subject to shareholder approval at the Group's Annual General Meeting on 9 October 2017, the Board is recommending the payment of a dividend of £335,205.

**22. FINANCIAL INSTRUMENTS**

The company's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the company's operations. As a matter of policy the company does not trade in financial instruments, nor does it enter into any derivative transactions.

The operations of the group have principally been financed to date through the funds raised on the placing of shares on the Alternative Investment Market and block funding payables. The company has an overdraft facility in place with the company's bank of £1,000,000 (2016: £1,000,000).

The company's main objectives for the management of capital are; to ensure there is sufficient cash available to be able to provide finance to customers, and to be able to pay debts as they fall due. The forms of debt managed by the company are the block funding and bank overdraft facilities. The company is not subject to any externally imposed capital requirements from these finance providers.

Working capital requirements are constantly monitored including the interest rates from the key providers of block funding finance.

The main risks to the company, and the policies adopted by the directors to minimise the effects on the group are as follows:

**Credit Risk** - The directors believe that credit risk is limited due to debts being spread over a large number of receivables. No individual receivable poses a significant risk. Individual receivables and company debt collection procedures are continually assessed.

**Interest rate and liquidity risk** - All of the company's cash balances and short term deposits are held in such a way that the correct balance of access to working capital and a competitive rate of interest is achieved. If market interest rates had been higher/lower with all other variables held constant, post-tax profits would not be materially affected.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MAY 2017**

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**23. OPERATING LEASE ARRANGEMENTS****The company as lessee**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Lease payments under operating leases recognised as an expense in the year	<u><b>70,829</b></u>	<u><b>70,829</b></u>

At the year end the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Within 1 year	<b>70,829</b>	70,829
In the second to fifth years inclusive	<b>141,658</b>	212,487
After 5 years	<u>-</u>	<u>-</u>
	<u><b>212,487</b></u>	<u><b>283,316</b></u>

Operating lease payments represent rentals payable by the company for office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an offer to extend thereafter at the prevailing market rate.