

REGISTERED NUMBER: 03681755 (England and Wales)

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2014
FOR
1 PM (UK) LIMITED**

WEDNESDAY



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FOR THE YEAR ENDED 31 MAY 2014**

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**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2014**

DIRECTORS:

R O Channon
M L Lewis
H M Walker

SECRETARY:

R O Channon

REGISTERED OFFICE:

15 St James's Parade
Bath
BA1 1UL

REGISTERED NUMBER:

03681755 (England and Wales)

AUDITORS:

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

NOMAD & BROKER:

W H Ireland Limited
4 Colston Avenue
Bristol
BS1 4ST

**CHAIRMAN'S STATEMENTS
FOR THE YEAR ENDED 31 MAY 2014**

I am delighted to begin my first annual report to shareholders as Chairman of the Board by being able to congratulate the Company on another very successful year. This is reflected in the financial results for the year ended 31 May 2014, with revenue growth of 35.6% and an increase in profit before tax of 73.7%. At 31 May 2014, the value of the lease portfolio was £19.93m, an increase of 34.5% over the prior year.

The business has delivered these strong results through a combination of factors including; its unwavering commitment to the SME sector at a time when other sources of finance for SME businesses remain difficult to source, adherence to a rigorous underwriting process, the loyalty of a growing network of over 100 finance brokers and the hard work and dedication of the entire 1pm staff.

In relation to the staff effort, I would like to take this opportunity to congratulate the Company on winning the 2014 Small Cap Company of the Year award and Maria Lewis, Chief Executive Officer, and Helen Walker, Finance Director, for jointly winning Small Cap Executive Director of the Year 2014. In recognition of the performance of the team, I am pleased to announce plans for executive and staff share incentive schemes to be introduced in the current financial year.

The Company operates in an environment where it has to meet the challenges of increasing regulation, stronger competition and innovation in the provision of finance to business. Your Board is confident the Company can continue to succeed in this environment by retaining and continuously improving its focus on providing lease finance and loan products to SMEs. At the same time, these industry challenges in themselves present opportunities for further growth. The Board has therefore set out a strategic and operational plan to develop the business over the next three to four years which includes an appropriate mix of organic growth, new product introductions and consideration of merger and acquisition opportunities as they arise.

The raw material for the business is cash. The Company successfully raised £11.3m in the year ended 31 May 2014 from a number of sources and I would like to thank each provider of funds, whether in the form of equity or debt, for their support for the Company. Our plans for growth will naturally require further funding. I am therefore pleased to report that the Company will announce on the 22nd September 2014 a placing and open offer to raise up to approximately £4.016 million (before expenses) through the issue of up to 6,582,995 new ordinary shares at a price of 61p per share. The proceeds of the placing will be used to part fund the continued expansion of the Company's operations in terms of people, premises and systems as well providing additional funding for the loan book.

Furthermore, given the strength of the financial results delivered and the outlook for the future, the Board has decided that a dividend will be considered for the first time in the current financial year and a progressive dividend policy will be introduced.

Your Board is confident of the Group's prospects and sees a positive outlook for further growth in the current financial year.

**R Ian Smith
Chairman**

17th September 2014

1PM (UK) Limited (1pm, the Company) is a specialist independent provider of finance to the UK SME sector. Founded in 2000 and based in Bath, the Group was admitted to the Alternative Investment Market in August 2006. Over the past 14 years 1pm has grown organically and helped nearly 6,000 customers, providing an invaluable service to the UK SME market by helping to fill the funding gap left by the UK banking industry.

Since 2010 the Company has been transformed. For the year ended 31 May 2010 the Company reported a £0.4m loss and at 31 May 14 it has reported a profit before tax of £1.35m (FY13: £775k). Over the same period the loan book has increased from £14.8m to £20.4m and the Company's market capitalisation has increased from £6.5m to £21m.

Staff numbers have increased to 17 and include 3 apprentices from Bath College. The Company expects to recruit up to an additional 20 staff over the next two years. The Company has a distinctive culture and staff members have a genuine sense of loyalty to the business. A number of benefits are provided including flexible working hours, childcare vouchers, income protection, life insurance, private healthcare and a pension scheme. The Company's staff members always strive to act in a professional manner to colleagues, clients, business partners, shareholders and visitors and offer a prompt and efficient service.

The Company's core business is finance leasing. During September 2013 a new business loan product was introduced and in June 2014 the provision of asset finance through Hire Purchase was also added to our product offerings.

The Company regards itself as a responsible lender, follows a strict policy when it comes to treating customers fairly and aims to structure deals to give the client the best possible outcome.

The Company follows strict lending criteria. However as 1pm is an independent lender it has the flexibility of being able to tailor deals to meet the customer's needs. All proposals are underwritten manually and therefore the underwriters can take a commercial decision, as opposed to solely using an automated autoscore system. The maximum lend amount is currently £50,000 per customer.

At a time when many businesses are struggling to raise finance through conventional sources, 1pm's unwavering commitment and focus on supporting the SME sector has allowed the business to grow significantly. The introduction of the new Loan and Hire Purchase products should enable the business to expand further and to reach a more diversified market.

The Board has recently adopted ambitious, but robust and risk-assessed plans aiming for significant growth over the next three to four years, which are intended to result in the combined portfolio reaching approximately £75m.

**CHIEF EXECUTIVE OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2014**

Financial Results

The financial year ended 31st May 2014 saw significant growth and was the fourth consecutive year of increased profit and revenue. Moreover, the Group out-performed market's original expectations for the year.

Total revenue for the year increased 35.6 per cent. to £4.2m (FY13: £3.1m), with profit before tax increasing by 73.7 per cent. to £1.35m (FY13: £0.775m).

The Company's balance sheet has continued to strengthen during the year with net assets as at 31st May 2014 standing at £5.28m (FY13: £3.89m) a 35.9 per cent. increase.

Portfolio performance

The lease portfolio has also grown significantly during the year, increasing by 34.5 per cent. to £19.93m (FY13: £14.82m). However, no single customer accounts for more than 0.31 per cent. of the total portfolio value, with an average capital lend of £8,200. Notwithstanding the current economic climate, defaults are at an all-time low of less than 0.7 per cent. of the portfolio balance and bad debts and provisions as a percentage of the portfolio stand at 6.6 per cent (FY13: 8.97 per cent.). These figures reflect the Group's continued focus on credit management.

As at the 31st May 2014 the loan portfolio stood at just over £0.5m with no arrears or bad debts. The average loan term is 21 months and the average loan amount is £14,400.

Operations and Business Development

New business written during the year amounted to £10.8m (FY13: £7.8m), an increase of 38.5 per cent, with record monthly sales of £1,084,213 produced in January 2014. In the current financial year, the Company has launched a new commercial Hire Purchase product due to strong demand.

The Group's relationship with its network of over 100 finance brokers across the UK continues to be of upmost importance. 1pm regularly reviews its customer service experience in order to provide the best possible service. The systems, policies and procedures are reviewed regularly to ensure 1pm is working as efficiently as possible.

The Company plans to implement a new accounting and billing system during the second quarter of the current financial year with the aim of increasing efficiency, productivity and customer service.

To help deliver the strategic plan, the Group has sourced larger offices in Bath and expects to relocate towards the end of September 2014.

Staff

Six additional members of staff have been recruited during the financial year. The Company plans to increase staff numbers to around 36 over the next one to two years (an increase of 20) in line with its development and growth objectives.

On behalf of the Board and Shareholders, I would like to thank all staff for their continued hard work and commitment to the Group.

**CHIEF EXECUTIVE OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2014**

Finance

I am pleased to report that the Group raised £11.3m of new funding (FY13: 4.14m) during the financial year from a variety of sources including commercial banking institutions and high net worth individuals. This funding is used solely for the purpose of writing new business. The Board will continue to seek additional funding sources in order to continue to support and satisfy the continuing demand from the UK SME market.

Shareholders

In June 2013, following the prior financial year end, the Group raised £1.5m before costs from Henderson Global Investors Ltd ("Henderson") by way of a placing of new Ordinary shares. The Board is very pleased to have an institution such as Henderson supporting the Group.

Outlook

Trading in the current year has commenced satisfactorily and is ahead of the equivalent period last year. In overall terms the current financial year is now expected to be a year of modest growth as the platform for future significant growth is established. The Placing and Open Offer to be announced on 22nd September 2014 will allow investment in additional people, new premises and systems, this investment will impact profits growth in the current financial year and the increased number of shares in issue following the Fundraising will restrict earnings growth in the year. The benefits of the increased investment are expected to impact in the later part of the current financial year and into the following financial year

The Board continues to see significant potential and opportunity over next three to four years to continue to grow the business and take advantage of the widely-publicised lending constraints in the banking sector. This will include introducing new financial products and consideration of mergers and acquisitions. The Board views the future with great optimism and the Company will continue to strive to be the leading independent provider of finance to the SME market.

Maria Lewis
Chief Executive Officer

17th September 2014

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2014**

The directors present their report with the financial statements of the company for the year ended 31 May 2014.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

Please refer to the Chief Executive Officer's review. The directors do not have any non-financial key performance indicators to assess the company.

DIVIDENDS

No dividends have been declared.

FUTURE DEVELOPMENTS

Please refer to the Chief Executive Officer's Statement for details of the company's future developments.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2013 to the date of this report.

R O Channon
M L Lewis
H M Walker

M R Johnson stepped down as a director on 10 September 2013.

COMPANY'S POLICY ON PAYMENT OF SUPPLIERS

Suppliers are made aware of payment terms and how disputes are to be settled and payment is made in accordance with those terms. The company does not follow a standard payment practice for the payment of suppliers. At 31 May 2014 the company has an average of 16 days (2013: 19 days) purchases outstanding in trade payables.

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 is given in the Notes to these financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political and £2,431 charitable donations during the year (2013: £250).

PRINCIPAL RISKS AND UNCERTAINTIES

The company's exposure to risk is disclosed in the Financial Instruments Note to these Financial Statements.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2014**

EMPLOYEES

The company has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from the training and the career development programmes in common with all employees.

The company has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

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;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2014**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are required to prepare financial statements in accordance with IFRS's as adopted by the European Union, subject to material departures disclosed and explained in the financial statements.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of 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 or she ought to have taken as a director in order to make himself or herself 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.

This report has been prepared in accordance with section 415 of the Companies Act 2006.

ON BEHALF OF THE BOARD:


.....
M Lewis - Director

Date: 19th September 2014

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

We have audited the financial statements of 1 PM (UK) Limited for the year ended 31 May 2014 on pages thirteen to twenty nine. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 pages nine and ten, 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 group's and the parent 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 Annual Report 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 2014 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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 the information given in the Annual Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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.

D T Slocombe

D T Slocombe ACA (Senior Statutory Auditor)
for and on behalf of Moore Stephens
Chartered Accountants & Statutory Auditor
30 Gay Street
Bath
BA1 2PA

Date:

19th September 2014

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2014**

	Notes	2014 £	2013 £
CONTINUING OPERATIONS			
Revenue	2	4,211,569	3,106,612
Cost of sales		<u>(1,994,239)</u>	<u>(1,651,194)</u>
GROSS PROFIT		2,217,330	1,455,418
Administrative expenses		<u>(844,978)</u>	<u>(663,179)</u>
OPERATING PROFIT		1,372,352	792,239
Finance costs	4	(26,386)	(17,100)
Finance income	4	<u>558</u>	<u>148</u>
PROFIT BEFORE INCOME TAX	5	1,346,524	775,287
Income tax	6	<u>(297,326)</u>	<u>(172,219)</u>
PROFIT FOR THE YEAR		<u>1,049,198</u>	<u>603,068</u>

The notes form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2014

	2014 £	2013 £
PROFIT FOR THE YEAR	1,049,198	603,068
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,049,198</u>	<u>603,068</u>

STATEMENT OF FINANCIAL POSITION
31 MAY 2014

	Notes	2014 £	2013 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	<u>72,873</u>	<u>40,761</u>
		<u>72,873</u>	<u>40,761</u>
CURRENT ASSETS			
Trade and other receivables	8	17,324,246	12,899,718
Cash and cash equivalents	9	<u>2,445</u>	<u>10,694</u>
		<u>17,326,691</u>	<u>12,910,412</u>
TOTAL ASSETS		<u><u>17,399,564</u></u>	<u><u>12,951,173</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	10	264,400	264,400
Retained earnings	11	<u>1,514,155</u>	<u>464,957</u>
TOTAL EQUITY		<u>1,778,555</u>	<u>729,357</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	12	4,404,874	3,112,199
Financial liabilities - borrowings			
Interest bearing loans and borrowings	13	<u>100,000</u>	<u>100,000</u>
		<u>4,504,874</u>	<u>3,212,199</u>
CURRENT LIABILITIES			
Trade and other payables	12	10,035,724	7,941,599
Financial liabilities - borrowings			
Bank overdrafts	13	403,085	520,077
Interest bearing loans and borrowings	13	380,000	400,000
Tax payable		<u>297,326</u>	<u>147,941</u>
		<u>11,116,135</u>	<u>9,009,617</u>
TOTAL LIABILITIES		<u>15,621,009</u>	<u>12,221,816</u>
TOTAL EQUITY AND LIABILITIES		<u><u>17,399,564</u></u>	<u><u>12,951,173</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 19/9/2014 and were signed on its behalf by:



M LEWIS - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2014**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 June 2012	264,400	(138,111)	126,289
Changes in equity		603,068	603,068
Total comprehensive income	-		
Balance at 31 May 2013	<u>264,400</u>	<u>464,957</u>	<u>729,357</u>
Changes in equity			
Total comprehensive income	-	1,049,198	1,049,198
Balance at 31 May 2014	<u>264,400</u>	<u>1,514,155</u>	<u>1,778,555</u>

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2014**

		2014	2013
		£	£
Cash flows from operating activities			
Net cash from operating activities	18	357,900	(809,155)
Interest paid		(26,386)	(17,100)
Tax paid		(147,941)	-
Net cash from operating activities		<u>183,573</u>	<u>(826,255)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(55,388)	(16,962)
Interest received		<u>558</u>	<u>148</u>
Net cash from investing activities		<u>(54,830)</u>	<u>(16,814)</u>
Cash flows from financing activities			
(Repayments) / New loans in year		<u>(20,000)</u>	<u>400,000</u>
Net cash from financing activities		<u>(20,000)</u>	<u>400,000</u>
(Decrease)/increase in cash and cash equivalents		108,743	(443,069)
Cash and cash equivalents at beginning of year	19	<u>(509,383)</u>	<u>(66,314)</u>
Cash and cash equivalents at end of year	19	<u>(400,640)</u>	<u>(509,383)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2014**

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (as adopted by the European Union) and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The directors have concluded that there are no relevant standards or interpretations in issue that are not yet adopted that will have a material impact on the financial statements.

The key judgements made by management in applying the company's accounting policies that have the most significant effect on these financial statements are in relation to the leased assets, specifically valuation and recognition. Management have selected suitable accounting policies for income recognition (see below) and have made specific provisions against bad debts.

Due to the nature of the company 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. The directors are confident that the company will continue to operate as a going concern.

Principal activity and nature of activities

The principal activity in the year under review was that of providing equipment lease rental 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 company's net investment outstanding in respect of the leases.

Document fees and secondary rentals are accounted for when receivable.

Property, plant and equipment

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

Computer equipment - 25% on cost

All property, plant and equipment are shown at cost less subsequent depreciation and impairment.

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 tax is recognised in respect of all temporary differences that have originated but not reversed at the Statement of financial position date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classed as operating leases. Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between charges and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged as a direct cost of sale.

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

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.

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.

Provision for specific debts

Provision is made for contract in arrears after taking into account expected recovery proceeds. All outstanding amounts on contracts passed to collection agents are written off in full, less expected subsequent recovery proceeds.

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.

2. SEGMENTAL REPORTING

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

3. EMPLOYEES AND DIRECTORS

	2014	2013
	£	£
Wages and salaries	473,466	355,196
Social security costs	29,696	22,189
Other pension costs	2,780	2,550
	<u>505,942</u>	<u>379,935</u>

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

3. EMPLOYEES AND DIRECTORS - continued

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

	2014	2013
Management	1	1
Administrative	12	10
	<u>13</u>	<u>11</u>

	2014	2013
	£	£
Directors' remuneration	219,994	163,893
Directors' pension contributions to money purchase schemes	<u>1,050</u>	<u>1,050</u>

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

	2014	2013
Money purchase schemes	<u>1</u>	<u>1</u>

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

	2014	2013
	£	£
M R Johnson	54,480	39,117
M L Lewis	92,375	70,000
H M Walker	73,139	54,776
R O Channon	<u>0</u>	<u>0</u>
	<u>219,994</u>	<u>163,893</u>

4. NET FINANCE COSTS

	2014	2013
	£	£
Finance income:		
Bank account interest	<u>558</u>	<u>148</u>
Finance costs:		
Bank interest	6,760	8,517
Directors loan interest	<u>19,626</u>	<u>8,583</u>
	<u>26,386</u>	<u>17,100</u>
Net finance costs	<u>25,828</u>	<u>16,952</u>

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2014	2013
	£	£
Other operating leases	16,020	16,020
Depreciation - owned assets	23,276	14,822
Auditors' remuneration	8,600	8,300
Management charge	<u>109,319</u>	<u>96,131</u>

6. INCOME TAX**Analysis of tax expense**

	2014	2013
	£	£
Current tax:		
Tax	297,326	147,941
Deferred tax	-	24,278
Total tax expense in income statement	<u>297,326</u>	<u>172,219</u>

Factors affecting the tax expense

The tax assessed for the year is lower (2013 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2014	2013
	£	£
Profit on ordinary activities before income tax	<u>1,346,524</u>	<u>775,287</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.67% (2013 - 23.65%)	305,257	183,355
Effects of:		
Capital allowances in excess of depreciation	(7,931)	(1,092)
Utilisation of tax losses	-	(10,044)
Tax expense	<u>297,326</u>	<u>172,219</u>

Corporation tax is calculated at 22.67% (2013: 23.65%) of the estimated assessable profit for the year.

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

7. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £
COST	
At 1 June 2013	192,553
Additions	55,388
Disposals	<u>(37,345)</u>
At 31 May 2014	<u>210,596</u>
DEPRECIATION	
At 1 June 2013	151,792
Charge for year	23,276
Disposals	<u>(37,345)</u>
At 31 May 2014	<u>137,723</u>
NET BOOK VALUE	
At 31 May 2014	<u>72,873</u>
	Computer equipment
COST	
At 1 June 2012	175,591
Additions	<u>16,962</u>
At 31 May 2013	<u>192,553</u>
DEPRECIATION	
At 1 June 2012	136,970
Charge for year	<u>14,822</u>
At 31 May 2013	<u>151,792</u>
NET BOOK VALUE	
At 31 May 2012	<u>40,761</u>

Equipment held under finance leases and hire purchase contracts, included in the relevant heading in the above table are:

	2014 £	2013 £
Cost at 1 June 2013 and 31 May 2014	<u>10,142</u>	<u>10,142</u>
Depreciation at 1 June	10,142	10,142
Charge	<u>-</u>	<u>-</u>
At 31 May	10,142	10,142

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

8. TRADE AND OTHER RECEIVABLES

	2014 £	2013 £
Current:		
Trade receivables	16,150,425	12,028,972
Other receivables	1,053,402	738,832
VAT	57,206	76,818
Prepayments and accrued income	63,213	55,096
	<u>17,324,246</u>	<u>12,899,718</u>

Trade receivables wholly represent finance lease receivables.

	2014 £	2013 £
Gross receivables from finance leases:		
No later than 1 year	8,612,866	6,355,861
Later than 1 year and no later than 5 years	12,718,900	9,483,463
Later than 5 years	0	0
Unearned future finance income on finance leases	<u>(5,181,341)</u>	<u>(3,810,352)</u>
Net investment in finance leases	<u>16,150,425</u>	<u>12,028,972</u>

The net investment in finance leases are receivable as follows:

	2014 £	2013 £
No later than 1 year	5,694,087	4,207,752
Later than 1 year and no later than 5 years	10,456,338	7,821,220
Later than 5 years	<u>0</u>	<u>0</u>
Total	<u>16,150,426</u>	<u>12,028,972</u>

The cost of assets acquired for the purpose of letting under finance leases were £10,278,134 (2013: £7,799,457). Included within Trade receivables are the following receivables that are past due but not impaired as they are considered recoverable:

	2014 £	2013 £
Less than 3 months old	31,426	33,113
More than 3 months old	96,787	98,362

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 £263,692 (2013: £206,577).

9. CASH AND CASH EQUIVALENTS

	2014 £	2013 £
Bank accounts	<u>2,445</u>	<u>10,694</u>

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2014 £	2013 £
264,400	Ordinary	£1	<u>264,400</u>	<u>264,400</u>

Each share carries the entitlement to one vote.

As at 31 May 2014 the company had 264,400 allotted, issued and fully paid Ordinary £1 shares, amounting to £264,400 share capital.

11. RESERVES

	Retained earnings £
At 1 June 2013	464,957
Profit for the year	<u>1,049,198</u>
At 31 May 2014	<u>1,514,155</u>

12. TRADE AND OTHER PAYABLES

	2014 £	2013 £
Current:		
Trade payables	4,606,116	3,928,394
Amounts owed to group undertakings	5,229,205	3,832,272
Social security and other taxes	7,229	5,832
Other payables	<u>193,174</u>	<u>175,101</u>
	<u>10,035,724</u>	<u>7,941,599</u>
Non-current:		
Trade payables	<u>4,404,874</u>	<u>3,112,199</u>
Aggregate amounts	<u>14,440,598</u>	<u>11,053,798</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 24 to 48 months and interest rates from 6.09% to 11%.

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.

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

13. FINANCIAL LIABILITIES - BORROWINGS

	2014 £	2013 £
Current:		
Bank overdrafts	403,085	520,077
Other loans	<u>380,000</u>	<u>400,000</u>
	<u>783,085</u>	<u>920,077</u>
Non-current:		
Other loans - 1-2 years	<u>100,000</u>	<u>100,000</u>

Terms and debt repayment schedule

	1 year or less £	1-2 years £	Totals £
Bank overdrafts	403,085	-	403,085
Other loans	<u>380,000</u>	<u>100,000</u>	<u>480,000</u>
	<u>783,085</u>	<u>100,000</u>	<u>883,085</u>

The following analysis shows the contractual undiscounted cash flows (which differ from the discounted cash flow totals shown in Current and Non-current payables above):

	2014 £	2013 £
Trade payables:		
On demand or within one year	5,090,280	4,351,996
More than one year but less than two years	3,147,492	2,581,187
More than two years but less than five years	<u>1,501,120</u>	<u>693,934</u>
	<u>9,738,892</u>	<u>7,627,117</u>

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2014 £	2013 £
Within one year	61,250	85,500
Between one and five years	<u>21,875</u>	<u>91,875</u>
	<u>83,125</u>	<u>177,375</u>

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

15. DEFERRED TAX

(Asset)/Liability:

	2014 £	2013 £
Balance at 1 June	-	(24,278)
Trading losses utilised	-	24,278
Balance at 31 May	-	-

There are no deductible temporary difference, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.

The deferred tax included within the statement of financial position is as follows:

	2014 £	2013 £
Fixed asset timing differences	-	-
Unused trading losses	-	-
Included in non-current assets	-	-

16. ULTIMATE PARENT COMPANY

The company's immediate and ultimate parent company is 1 PM Plc. The consolidated group financial statements can be obtained from 15 St James's Parade, Bath, BA1 1UL.

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

17. TRANSACTIONS WITH DIRECTORS

Mr M R Johnson (ex-Director) gave personal guarantees to: Hitachi Capital Limited of £0 (2013: £467,672), and Close Asset Finance Limited of £0 (2013: £750,000). When M Johnson stepped down in September 2013 he received £41,774 in termination benefit and the above guarantees were released.

During the year the following transactions occurred:

	2014	2013
	£	£
M R Johnson (ex-Director) - services rendered	54,258	38,084
M R Johnson (ex-Director) - expenses reimbursed	222	1,034
H Walker (Director) - services rendered	73,139	54,776

At the year end, included within liabilities are balances due to:

	2014	2013
	£	£
M R Johnson (Director)	-	-
H Walker (Director)	20,090	5,875

H Walker and J Bower (H Walker's partner) each loaned the company £50,000, on which interest each in the sum of £4,250 (2013: £2,479) and £4,250 (2013: £2,125) respectively accrued in the year.

H Walker is a director of Equality Care Ltd who took out a lease with 1pm (UK) Ltd, on which interest of £751 (2013: £0) accrued in the year, at the year-end £7,120 (2013: £0) is outstanding and included in trade receivables.

Continued.....

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014

18. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO NET CASH FROM OPERATIONS

	2014	2013
	£	£
Profit before income tax	1,346,524	775,287
Depreciation charges	23,276	14,822
Finance costs	26,386	17,100
Finance income	(558)	(148)
	<u>1,395,628</u>	<u>807,061</u>
Increase in trade and other receivables	(4,424,528)	(2,787,838)
Increase in trade and other payables	<u>3,386,800</u>	<u>1,171,622</u>
Net cash from operating activities	<u>357,900</u>	<u>(809,155)</u>

19. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of the statement of financial position amounts:

Year ended 31 May 2014

	31.05.14	01.06.13
	£	£
Cash and cash equivalents	2,445	10,694
Bank overdrafts	<u>(403,085)</u>	<u>(520,077)</u>
	<u>(400,640)</u>	<u>(509,383)</u>

Year ended 31 May 2013

	31.05.13	01.06.12
	£	£
Bank overdrafts	<u>(520,077)</u>	<u>(66,314)</u>

Continued.....

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2014**

20. 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 company 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 bankers of £500,000 (2013: £500,000).

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 capital 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 efforts 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. In recent years the company has reduced the average lease value as this reduces the company's exposure to significant, 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 enables the correct balance of access to working capital and a competitive rate of interest is achieved.