REGISTERED NUMBER: 03681755 (England and Wales)

Strategic Report, Report of the Directors and

Audited Financial Statements for the Year Ended 31 May 2019

for

1pm (UK) Ltd

Contents of the Financial Statements for the Year Ended 31 May 2019

1pm (UK) Ltd

Company Information
for the Year Ended 31 May 2019

DIRECTORS:	J M A Roberts R I Smith
SECRETARY:	J Bodey
REGISTERED OFFICE:	2nd Floor, St James House The Square Lower Bristol Road Bath BA2 3BH
REGISTERED NUMBER:	03681755 (England and Wales)
AUDITORS:	Moore Chartered Accountants & Statutory Auditor 30 Gay Street Bath BA1 2PA

Report of the Directors
for the Year Ended 31 May 2019

The directors present their report with the financial statements of the company for the year ended 31 May 2019.

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

DIVIDENDS
During the period, the company paid dividends in the sum of £805,617 to 1pm PLC (2018: £419,015).

FUTURE DEVELOPMENTS
1pm (UK) Limited is part of the Asset Finance division of the 1pm plc group ("the Group").

The Group intends to maintain its strategy of being a multi-product provider, operating a funding and broking model, with its own balance sheet funding focused on UK SMEs and serving a wide range of business sectors. Its risk policy will be to continue with a cautious approach to advancing credit and to maintain conservative impairment provisions.

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
The directors shown below have held office during the whole of the period from 1 June 2018 to the date of this report.

J M A Roberts
R I Smith

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.

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.

Report of the Directors
for the Year Ended 31 May 2019

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

ON BEHALF OF THE BOARD:

....
J M A Roberts - Director

Date: ......29/11/19...............

Statement of Directors' Responsibilities for the Year Ended 31 May 2019

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 and Article 4 of the IAS Regulation. 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 Independent Auditors to the Members of
1pm (UK) Ltd

Opinion
We have audited the financial statements of 1pm (UK) Ltd (the 'company') for the year ended 31 May 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page nine, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 a Report of the Auditors 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 Report of the Auditors.

Report of the Independent Auditors to the Members of
1pm (UK) Ltd

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

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

Date: 29/11/2019

Statement of Comprehensive Income for the Year Ended 31 May 2019

	Notes	31.5.19 £	31.5.18 £
TURNOVER	3	8,013,435	8,670,882
Cost of sales		3,651,121	4,007,277
GROSS PROFIT		4,362,314	4,663,605
Administrative expenses		2,341,083	2,876,525
OPERATING PROFIT		2,021,231	1,787,080
Interest payable and similar expenses	6	24,000	31,085
PROFIT BEFORE TAXATION	7	1,997,231	1,755,995
Tax on profit	8	396,743	172,906
PROFIT FOR THE FINANCIAL YEAR		1,600,488	1,583,089
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,600,488	1,583,089

The notes form part of these financial statements

1pm (UK) Ltd (Registered number: 03681755)

Statement of Financial Position
31 May 2019

	Notes	31.5.19 £	31.5.19 £	Restated 31.5.18 £	Restated 31.5.18 £
ASSETS					
FIXED ASSETS					
Intangible assets	10		72,874		73,515
Tangible assets	11		32,732		71,615
			105,606		145,130
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	16,521,853		20,382,974	
Debtors: amounts falling due after more than one year	12	21,320,834		21,503,034	
Cash at bank and in hand		169,318		609	
			38,012,005		41,886,617
			38,117,611		42,031,747
CAPITAL, RESERVES AND LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	13	264,400		264,400	
Retained earnings	14	7,581,034		6,786,163	
SHAREHOLDERS' FUNDS			7,845,434		7,050,563
PROVISIONS FOR LIABILITIES	15		6,556		9,190
CREDITORS					
Amounts falling due within one year	16	19,660,415		21,898,552	
Amounts falling due after more than one year	17	10,605,206		13,073,442	
			30,265,621		34,971,994
			38,117,611		42,031,747

The financial statements were approved and authorised for issue by the Board of Directors on ....29/11/19........ and were signed on its behalf by:

....

J M A Roberts - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 May 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 June 2017	264,400	5,540,604	5,805,004
Changes in equity			
Dividends	-	(419,015)	(419,015)
Total comprehensive income	-	1,583,089	1,583,089
Balance as at 31 May 2018	264,400	6,704,678	6,969,078
IFRS 9 adoption (see Note 23)	-	81,485	81,485
Restated Balance at 31 May 2018	**264,400**	**6,786,163**	**7,050,563**
Changes in equity			
Dividends	-	(805,617)	(805,617)
Total comprehensive income	-	1,600,488	1,600,488
Balance at 31 May 2019	**264,400**	**7,581,034**	**7,845,434**

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

1pm (UK) Ltd 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 standalone 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 £3.1m as at the balance sheet date, of which £7.1m 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 paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- 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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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
Fixtures & Fittings	- 25% on cost
Computer Equipment	- 25% on cost

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

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

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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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.

continued...

2. ACCOUNTING POLICIES - continued

Impairment of financial assets

For periods before the year ended 31 May 2019, the company applied the impairment requirements of IAS 37.

Under the requirements of IAS 37, financial assets are 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. 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.

These annual results are the first to be reported under the new IFRS 9 'Financial Instruments' accounting standard which has replaced the previous IAS 37 'Financial Instruments: Recognition and measurement'. Under IFRS 9, which the company adopted from 1 June 2018, the credit loss provision is measured and recognised in accordance with the expected credit loss ("ECL") model. This has resulted in an opening balance restatement, as well as a different charge to comprehensive income for 2018 than would have occurred under IAS 37.

The IFRS 9 impairment model introduces a three-stage approach:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (that is, expected losses arising from the risk of default in the next 12 months) are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but are not credit impaired. For these assets, lifetime ECLs (that is, expected losses arising from the risk of default over the life of the financial instrument) are recognised.
- Stage 3 consists of financial assets that are credit impaired, which is when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. For these assets, lifetime ECLs are also recognised.

The introduction of IFRS 9 has not significantly impacted the company's accounting as it does not have any complex financial instruments or material credit risks. The company uses its historical experience, external indicators and forward-looking information to calculate expected credit losses. For detail on the impact of IFRS 9 refer to Note 23.

3. TURNOVER

Segmental reporting

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

continued...

4. EMPLOYEES AND DIRECTORS

	31.5.19	31.5.18
	£	£
Wages and salaries	660,152	1,089,741
Social security costs	64,365	114,376
Other pension costs	16,312	20,550
	740,829	1,224,667

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

	31.5.19	31.5.18
Management	-	4
Operational	25	32
	25	36

Directors are now paid out of the parent company - 1pm PLC.

5. EXCEPTIONAL ITEMS

Exceptional items relate to restructuring costs and compensation for loss of office of £13,426 (2018: £80,346).

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.5.19	31.5.18
	£	£
Bank interest	-	1,639
Bank loan interest	24,000	29,446
	24,000	31,085

continued...

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	31.5.19	31.5.18
	£	£
Depreciation - owned assets	39,865	61,245
Computer software amortisation	27,118	19,527
Auditors' remuneration	9,600	11,775
Management charge	931,087	747,899

8. TAXATION

Analysis of tax expense

	31.5.19	31.5.18
	£	£
Current tax:		
Tax	399,377	181,600
Deferred tax	(2,634)	(8,694)
Total tax expense in statement of comprehensive income	396,743	172,906

Factors affecting the tax expense

The tax assessed for the year is higher (2018 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	31.5.19	31.5.18
	£	£
Profit before income tax	1,997,231	1,755,995
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	379,474	333,639
Effects of:		
Permanent timing differences	17,269	(160,733)
Tax expense	396,743	172,906

Corporation tax is calculated at 19.9% (2018: 9.8%) of the estimated assessable profit for the year.

9. DIVIDENDS

	31.5.19	31.5.18
	£	£
Ordinary shares of £1 each		
Final	805,617	419,015

Dividends are payable to 1pm Plc.

continued...

10. INTANGIBLE FIXED ASSETS

	Computer software £
COST	
At 1 June 2018	102,607
Additions	26,477
At 31 May 2019	129,084
AMORTISATION	
At 1 June 2018	29,092
Amortisation for year	27,118
At 31 May 2019	56,210
NET BOOK VALUE	
At 31 May 2019	**72,874**
At 31 May 2018	73,515

11. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Equipment £	Totals £
COST				
At 1 June 2018	180,506	39,471	337,747	557,724
Additions	-	-	982	982
At 31 May 2019	180,506	39,471	338,729	558,706
DEPRECIATION				
At 1 June 2018	177,810	31,849	276,450	486,109
Charge for year	1,508	3,701	34,656	39,865
At 31 May 2019	179,318	35,550	311,106	525,974
NET BOOK VALUE				
At 31 May 2019	1,188	3,921	27,623	32,732

continued...

11. TANGIBLE FIXED ASSETS – continued

	Improvements to property £	Fixtures and fittings £	Equipment £	Totals £
COST OR VALUATION				
At 1 June 2017	189,601	36,906	317,728	544,235
Additions	-	2,565	10,923	13,488
Reclassification	(9,095)	-	9,095	-
At 31 May 2018	180,506	39,471	337,746	557,723
DEPRECIATION				
At 1 June 2017	180,315	37,700	206,848	424,863
Charge for year	1,055	1,707	58,483	61,245
Reclassification	(3,560)	(7,558)	11,118	-
At 31 May 2018	177,810	31,849	276,449	486,108
NET BOOK VALUE				
At 31 May 2018	2,696	7,622	61,297	71,615

12. DEBTORS

	31.5.19 £	31.5.18 £
Amounts falling due within one year:		
Trade receivables	10,439,937	13,866,967
Amounts owed by group undertakings	4,024,195	4,309,943
Other receivables	1,772,933	1,905,973
Tax	-	43,716
VAT	119,979	83,190
Prepayments and accrued income	164,809	173,185
	16,521,853	20,382,974
Amounts falling due after more than one year:		
Trade receivables	21,320,834	21,503,034
Aggregate amounts	37,842,687	41,886,008

continued...

12. **DEBTORS - continued**

Trade receivables wholly represent finance lease and loan receivables.

	31.05.19	31.05.18
	£	£
Gross receivables from finance leases and loans	40,115,868	45,432,246
Unearned future finance income on finance leases and loans	(8,355,097)	(10,062,245)
Net investment in finance leases and loans	31,760,771	35,370,001

The cost of assets acquired for the purpose of leasing under finance leases was £12,004,000 (2018: £12,123,000).

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 £607,551 (2018: £526,784).

Movement in the allowance for doubtful debts

		Restated
	2019	**2018**
	£'000	**£'000**
Opening balance	757	940
Increase/(decrease) in provision	(91)	(102)
Balance as at 31 May	**666**	**838**
Adoption of IFRS 9	-	(81)
Total	**666**	**757**

The allowance for doubtful debts in 2018 has been restated from £838k to £757k representing a one-off IFRS 9 adjustment of £(81)k (see Note 23).

continued...

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.5.19 £	31.5.18 £
264,400	Ordinary	£1	264,400	264,400

Each share carries the entitlement to one vote.

As at 31 May 2019 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.

15. PROVISIONS FOR LIABILITIES

	31.5.19 £	31.5.18 £
Deferred tax	6,556	9,190

	Deferred tax £
Balance at 1 June 2018	9,190
Credit to Statement of Comprehensive Income during year	(2,634)
Balance at 31 May 2019	6,556

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.5.19 £	31.5.18 £
Bank loans and overdrafts (see note 18)	-	7,895
Other loans (see note 18)	619,479	638,603
Trade payables	11,665,329	14,380,296
Amounts owed to group undertakings	7,073,414	6,608,319
Tax	30,661	-
Social security and other taxes	20,246	50,213
Other payables	215,344	213,226
Accrued expenses	35,942	-
	19,660,415	21,898,552

continued...

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

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 4.6% 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**

	31.5.19	31.5.18
	£	£
Trade payables	10,605,206	13,073,442

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

18. **FINANCIAL LIABILITIES - BORROWINGS**

	31.5.19	31.5.18
	£	£
Current:		
Bank overdrafts	-	7,895
Other loans	619,479	638,603
	619,479	646,498

Terms and debt repayment schedule

	1 year or less
	£
Other loans	619,479

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.

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20. TRANSACTIONS WITH DIRECTORS

Included in Other Loans is a loan of £600,000 from UK Private Healthcare which is repayable with 3 months' notice.

21. EVENTS AFTER THE REPORTING PERIOD

Dividends
During the period, the company paid dividends in the sum of £805,617 to 1pm PLC (2018: £419,015).

For the year ending 31 May 2019, the Group paid a maiden interim dividend of £245,269. Subject to shareholder approval at the Group's Annual General Meeting on 6 November 2019, the Board is recommending the payment of a final dividend of £498,318. Taken together, the interim and this recommended final dividend would equate to total dividends in relation to the year ending 31 May 2019 of £743,587.

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 £250,000 (2018: £250,000).

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.

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22. FINANCIAL INSTRUMENTS - continued

Categories of financial instruments

	2019 £'000	2018 £'000
Financial assets		
Cash and bank balances	**169**	115
Net trade receivables	**31,761**	35,370
Financial liabilities		
Net trade payables and borrowings	**22,890**	28,100

Liquidity and interest risk table	**Within 1 year £'000**	**More than 1 year but less than 2 years £'000**	**More than 2 years but less than 5 years £'000**	**Total £'000**	**Net carrying value £' 000**
2019					
Gross trade payables	11,665	8,392	3,361	**23,418**	22,271
Borrowings	638	-	-	**638**	619
2018					
Gross trade payables	14,380	14,167	-	**28,547**	27,453
Borrowings	666	-	-	**666**	647

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23. CREDIT RISK PROVISION

Under IFRS 9, impairment provisions are now recognised on the inception of any lending based on the probability of expected default and the typical loss arising on defaults, in effect the recognition of impairment on client receivables through an expected loss model. This differs from the previous treatment under IAS 37 which followed an incurred loss model with specific provisions only being reflected when there was 'objective evidence of impairment'.

The adoption of the new standard has meant that results for the financial year ended 31 May 2018 have been restated to enable a like-for-like prior year comparison.

As at 31 May 2018, the company reported bad debt impairment provisions of £838k. The IFRS 9 restatement reduces the provision held on the balance sheet as at 31 May 2018 by £81k to £757k.

Restated provision for bad debt	**£'000**
Opening bad debt provision at 31 May 2018	838
IFRS 9 opening balance restatement	(81)
Restated bad debt provision as at 31 May 2018	**757**
Movement in provision	(91)
Bad debt provision as at 31 May 2019	**666**

The company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, especially incorporating the following indicators; internal credit ratings, external credit ratings, actual or expected significant changes in the borrower's circumstances or their related business, financial and economic conditions. In addition to this, macroeconomic forecasts such as changes in interest rates, GDP and inflation, Brexit forecasts and the Financial Leasing Association forecasts are incorporated as part of the internal rating model.

The provision for Stage 1, the performing category, is based on the ECLs associated with the probability of default on the agreement in the next 12 months, unless there has been a significant increase in credit risk of the lease or loan since origination. The company assumes there has been a significant increase in credit risk if outstanding amounts on the agreement exceed 30 days, in line with the presumption in IFRS 9.

The company defines a default as an agreement which has payments owing greater than 90 days - all agreements in this category fall into Stage 2, whereby a lifetime ECL is recognised.

A non-performing agreement is an agreement which is credit impaired and has been passed over to the company's legal department. These agreements typically have a trigger event which has detrimentally affected future cash flows. For these assets, a lifetime ECL is recognised.

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Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where an asset has been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, they are recognised in profit or loss.

The initial stage of the ECL calculation is performed by looking at the probability of default ("PD") multiplied by the Loss Given Default ("LGD"). The PD and LGD are calculated by looking at historical default and write off data. The company grouped the data into "buckets" that are most reflective of the company's credit risk areas, namely; soft assets, hard assets, loans and invoice finance. These were then further analysed by industry so as to isolate and measure any industry specific risks.

A summary of the assumptions underpinning the company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses
Underperforming	Losses for which there is an increase in credit risk. An increase in credit risk is where outstanding amounts on the agreement exceed 30 days.	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 90 days overdue, and significant increase in credit risk.	Lifetime expected losses

The company allocates into each stage using an internal risk rating and assesses credit losses on a collective basis.

At 31 May 2019	ECL rate	Basis for recognition of ECL provision	Credit loss provision £'000
Performing	1%	12-month ECL	185
Underperforming	5%	Lifetime ECL	66
Non-performing	13%	Lifetime ECL	415
Total			**666**

At 31 May 2018	ECL rate	Basis for recognition of ECL provision	Credit loss provision £'000
Performing	1%	12-month ECL	404
Underperforming	6%	Lifetime ECL	79
Non-performing	12%	Lifetime ECL	274
Total			**757**

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The percentages applied above are based on the company's historical performance as well as the internal and forward-looking information detailed above. The company's assets are characterised by multiple, small deals which are secured by assets, personal guarantees and debentures. Historically the company's internal credit and legal departments recover approximately 67% to 75% of all non-performing agreements, therefore accurately reflecting the ECLs above.

24. OPERATING LEASE ARRANGEMENTS

The company as lessee

	31.05.19 £	31.05.18 £
Lease payments under operating leases recognised as an expense in the year	90,820	90,820

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

	31.05.19 £	31.05.18 £
Within 1 year	90,820	90,820
In the second to fifth years inclusive	50,161	140,981
After 5 years	-	-
	140,981	231,801

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.