ULTIMATE FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2017

COMPANY NUMBER 04325262

Ultimate Finance Limited

Report and financial statements for the year ended 31 December 2017

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Ultimate Finance Limited

Corporate information

Country of incorporation

United Kingdom

Legal form

Private limited company

Directors at the date of this report

N McMyn
R Robson

Secretary and registered office

N McMyn, First Floor, Equinox North Great Park Road, Bradley Stoke, Bristol BS32 4QL

Company number

04325262

Auditor

KPMG LLP, 66 Queen Square, Bristol, BS1 4BE

Principal banker

Lloyds Bank Plc, PO Box 112, Canons Way, Bristol, BS99 7LB

Website

www.ultimatefinance.co.uk

Email address

info@ultimatefinance.co.uk

Principal activity and nature of business

Ultimate Finance Limited (the "company") provides invoice finance and other funding products to UK SMEs and assists businesses to manage cash flows. Invoice finance includes invoice discounting and factoring and offers SMEs immediate cash advances against unpaid invoices. While the company services many industries, it also has specific products tailored for the recruitment and construction sectors. All products have performed in line with management expectations during the year and continued investment in these and new products are expected to increase our penetration of the SME market.

KPIs:

The board regularly reviews the following KPIs:

- Revenue
- Profit before tax; and
- Loans and receivables

Revenue for year was £15,402,000 (2016: £13,374,000), an increase of 15% and the company made a profit before tax of £1,771,000 for the current year (2016: loss before tax £825,000). Loans and receivables to customers also increased to £89,077,000 (2016: £64,319,000) as a result of increased trading by the company with an associated provision of £4,180,000 (2016: £3,486,000).

Principal risks and uncertainties

A high level summary of the key business risks facing the company and the management actions that currently mitigate them to an acceptable level is provided below:

	Business risk	Mitigating management actions
Credit risk	The risk of financial loss to the company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the company's receivables from customers.	The company has strong underwriting processes with constant monitoring of the client's credit situation including review of debtor concentration and validation checks on significant exposures. The company has a well-established policy for credit losses and carries an allowance for impairment that represents its estimate of incurred losses in respect of specific loans and other receivables.
Liquidity risk	The risk of insolvency arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses. The company funds its business through its arranged back to back funding with third parties but is also dependent upon finance provided by its ultimate parent company in order to provide financing to its clients.	The company seeks to mitigate this risk by continually monitoring it funding requirements and investigating sources of finance which are, or might become, available to the company. The company also has access to additional funding facilities from its ultimate parent entity and related parties.
Market risk	The risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.	The company operates a conservative risk appetite in relation to market risk and adherence to market risk appetite is monitored by management team.

	Business risk	Mitigating management actions
Operational risk	The activities of the company subject it to operational risks relating to its ability to implement and maintain effective systems to process the high volume of transactions with customers. A significant breakdown of the company's IT systems might adversely impact the company's ability to operate its business effectively.	The company has a business continuity plan which is kept under regular review and is designed to ensure that any breakdown in systems would not cause significant disruption to the business. The company's control and governance environment is continually being reviewed and improved.
Competitor risk	The company faces competition in the markets in which it operates. There is a danger that its planned growth and profitability may be impaired.	The company maintains relationships with its customers, business introducers, and other significant participants in the markets in which it is active. The company has a small market share at present and, in planning its future business, is taking competitive factors into account.
Management	The success of the company is dependent on recruiting and retaining skilled senior management personnel and failure to do so would put the company's ability to successfully carry out its plans at risk.	The company's employment and remuneration policies are designed to mitigate this exposure and ensure that an appropriately skilled workforce is and remains in place.

Outlook

The directors remains confident about the outlook for the business (and its part in the group structure) and its ambition to be a major player in the SME finance arena. This will be achieved by strategic expenditure in the areas of technology, sales, marketing and management, in order to achieve significant future growth.

Going concern

The principal risks and uncertainties affecting the company and the steps taken to mitigate these risks are described above. The company is reliant on the support of its intermediate parent company, Bentley Park (UK) Limited, in order to continue as a going concern. The directors of Bentley Park (UK) Limited have indicated their current intention for this support to continue until the company is able to support itself, and that repayment of balances due to group companies will only be required when funds are available.

After making enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the annual report and financial statements.

Approval

This strategic report for the company has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the board of directors and signed on behalf of the board.

Neil McMyn
Director

30 September 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2017. The information required by Schedule 7 of the Companies Act 2006 is disclosed in the strategic report.

Results and dividends
The statement of comprehensive income is set out on page 10 and shows the loss for the year. The directors do not recommend payment of a dividend (2016: £nil).

Principal activities
The company's principal activity is the provision of invoice finance and other financing products to UK SMEs.

On 3 August 2017, the company changed its name from Ultimate Invoice Finance Limited to Ultimate Finance Limited. On 7 August 2017, the company changed its registered office to First Floor, Equinox North, Great Park Road, Bristol, BS32 4QL.

The company is a trading subsidiary of Ultimate Finance Group Ltd.

Directors and directors' interest
The directors of the company during the year, and to the date of this report, were:

R Robson
N McMyn

No director had any beneficial interest in the share capital of the company.

Directors' indemnity
The company has purchased insurance to cover the directors, officers and employees of Bentley Park UK) Limited and its subsidiaries against defence costs and civil damages awarded following an action brought against them in their personal capacity whilst carrying out their professional duties for the group.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor
Under section 489 of the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming board of directors meeting of the ultimate parent of the company.

Approval
This directors' report for the company has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the board of directors and signed on behalf of the board.

Neil McMyn

Neil McMyn
Director

30 September 2018

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Ultimate Finance Limited for the year ended 31 December 2017

Opinion

We have audited the financial statements of Ultimate Finance Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
30 September 2018

Ultimate Finance Limited

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	3	**15,402**	13,374
Cost of sales	4	**(5,691)**	(6,310)
Gross profit		**9,711**	7,064
Administrative expenses		**(7,940)**	(7,889)
Operating profit/(loss)	5	**1,771**	(825)
Profit/(loss) before taxation		**1,771**	(825)
Taxation	7	**(180)**	(150)
Profit/(loss) for the year and total comprehensive profit/(loss)		**1,591**	(975)

The total profit/(loss) for the year and total comprehensive profit/(loss) is attributable to the owner of the parent company.

All results are derived from continuing operations. The accompanying notes on page 14 to 29 form an integral part of the financial statements.

Ultimate Finance Limited

Statement of financial position for the year ended 31 December 2017

Company number 04325262

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	8	234	582
Intangible assets	9	-	-
Deferred tax asset	15	-	180
		234	762
Current assets			
Loans and other receivables	10	103,313	62,148
Cash and cash equivalents	11	5,645	4,432
		108,958	66,580
Total assets		109,192	67,342
Current liabilities			
Bank borrowings and overdrafts	12	(71,510)	(53,082)
Trade and other payables	13	(41,477)	(19,646)
		(112,987)	(72,728)
Total liabilities		(112,987)	(72,728)
Net liabilities		(3,795)	(5,386)
Equity attributable to owners of the company			
Share capital	16	-	-
Retained deficit		(3,795)	(5,386)
Equity shareholder's deficit		(3,795)	(5,386)

The accompanying notes on page 14 to 29 form an integral part of the financial statements. The financial statements were approved and authorised for issue by the board of directors on 30 September 2018 and were signed on its behalf by:

Neil McMyn
Director

Ultimate Finance Limited

Statement of changes in equity for the year ended 31 December 2017

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2016		-	(4,411)	(4,411)
Total comprehensive loss for the year		-	(975)	(975)
At 31 December 2016		-	(5,386)	(5,386)
Total comprehensive profit for the year		-	1,591	1,591
At 31 December 2017		**-**	**(3,795)**	**(3,795)**

Ultimate Finance Limited

Statement of cash flows for the year ended 31 December 2017

	Note		2017 £'000		2016 £'000
Cash flows from operating activities					
Profit/(loss) before tax			1,771		(825)
Adjustments for:					
Depreciation of property, plant and equipment	8	434		368	
Amortisation of intangible assets	9	-		22	
Provision for impairment of loans and other receivables	10	794		2,433	
Finance expense in cost of sales	4	1,566		1,171	
			2,794		3,994
			4,565		3,169
(Increase)/decrease in loans and other receivables		(24,587)		13,364	
Movement in intercompany balances		3,137		-	
Increase/(decrease) in trade and other payables		1,322		(19,441)	
			(20,128)		(6,077)
Net cash used in operating activities			(15,563)		(2,908)
Cash flows from investing activities					
Acquisition of property, plant and equipment	8	(86)		(58)	
Acquisition of intangible assets	9	-		-	
Net cash used in investing activities			(86)		(58)
Cash flows from financing activities					
Increase in back to back funding		18,428		5,709	
Finance expense on back to back funding	4	(1,566)		(1,171)	
Net cash provided by financing activities			16,862		4,538
Net movement in cash and cash equivalents			1,213		1,572
Cash and cash equivalents at 1 January			4,432		2,860
Cash and cash equivalents at 31 December	11		5,645		4,432

1 Accounting policies

Basis of preparation and statement of compliance

Ultimate Finance Limited (the "company") is a company incorporated in the UK.

The company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("adopted IFRSs"), and its interpretations adopted by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") or their predecessors, which had been approved by the European Commission at 31 December 2016.

The financial statements are prepared on the historical cost basis and are presented in Pounds Sterling, the company's functional and presentational currency.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about such judgments and estimates are discussed in note 2.

Adoption of new and revised reporting standards

Standards not yet adopted

At the date of authorisation of these financial statements the following International Financial Reporting Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 9 – 'Financial Instruments';
- IFRS 15 – 'Revenue from Contracts with Customers'; and
- IFRS 16 – 'Leases'.

The adoption of IFRS 9 will require changes in the classification and measurement and impairment of the company's receivables and borrowings, and related recognition of income on impaired loans. This Standard will come into force with effect from the company's financial statements on 1 January 2018. Management has not yet completed the assessment of the impact of adopting IFRS 9 on the financial statements.

IFRS 15 will replace the standards currently governing the recognition of that part of the company's income which does not derive directly from financial assets. Management has not yet completed the assessment of the impact of adopting IFRS 15 on the financial statements.

IFRS 16 will replace current standard IAS 17, providing the guidance of bringing most leases on-balance sheet for lessees under a single account model. The company has some short term and some minor property leases. It is not anticipated that the implantation of this standard will have a significant impact on the company's results.

Other standards and interpretations in issue but not effective do not address matters relevant to the company's accounting and reporting. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

1 Accounting policies *(continued)*

Going concern

The company is reliant on the support of its intermediate parent, Bentley Park (UK) Limited, which provides funding to the company and the rest of the entities in the Group in order to continue as a going concern. The directors of Bentley Park (UK) Limited have indicated their current intention for this support to continue until the company is able to support itself, and that repayment of balances due to group companies will only be required when funds are available.

Revenue recognition

Revenue comprises fees for the provision of invoice financing and other financing services, net of value added tax, and is recognised as explained below.

The determination of whether certain fees and costs form part of the Effective Interest Rate ("EIR") is a critical judgement. Management assesses the nature of fees charged and incurred, the nature of services provided or received, and the extent to which these relate closely to the issue of a financial instrument. To the extent that costs or income do relate closely to the issue of a financial instrument, they are included within the EIR calculation.

Interest income

Interest income is recognised in the statement of comprehensive income for all financial assets measured at amortised cost using the EIR method. The EIR method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the EIR, the company estimates cash flows considering all contractual terms of the financial instruments, but does not include an expectation for future credit losses. Interest income is calculated and applied to clients' accounts on a daily basis.

Service fee and other fee income

Ancillary to the provision of loans and finance to its customers, the company provides various services for which it charges a fee. Income for these services is recognised as the service is provided.

Expenses

Commissions

Commissions are recognised as part of the effective interest rate calculation. Where commissions is not directly linked to specific financial.instrument, is recognised in the statement of comprehensive income over the period to which it relate.

Operating lease payments

Leases are categorised as operating leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset. All leased assets held by the company are categorised as operating leases.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense over the term of the lease.

Borrowing costs

Borrowing costs in relation to the back-to-back financing facility with Lloyds Commercial Finance Ltd and British Business Bank are shown within cost of sales. The facility is used to finance loans provided to certain clients and is backed by the underlying debts of the clients.

Interest on other loans and borrowings is charged using the effective interest rate method. Interest expense in this context includes initial transactions costs as well as any interest or coupon payable while the liability is outstanding.

1 Accounting policies *(continued)*

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Vehicles	-	four years
Computers	-	three years
Equipment and fittings	-	two – five years

Intangible assets

Intangible assets represent software and associated development costs which are stated at cost less accumulated depreciation and impairment losses.

Cash and cash equivalents

Cash balances and demand deposits are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

1 Accounting policies *(continued)*

Financial assets and financial liabilities

Management determine the classification of the company's financial assets at initial recognition into one of the following categories – loans and other receivables, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss. The company has not held any held-to-maturity, available for sale financial assets or financial assets at fair value through profit or loss at any point during the year.

The company initially recognises advances to clients and related parties on the date that they are originated. These balances are included in loans and other receivables and are initially recognised at fair value including directly attributable costs, and subsequently measured at amortised cost less impairment losses.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The company initially recognises borrowings from banks and related parties at fair value, and are subsequently measured at amortised cost, using the effective interest method. These balances are included in borrowings and trade and other payables.

Impairment of loans and receivables
The recognition of impairment is a critical accounting judgement. Determining whether or not a financial instrument is impaired at the balance sheet date is complex and requires management judgement, as an instrument may be impaired without obvious indication, such as arrears. As well as using experience of prior periods and detailed knowledge of the customers' performance, management is also able to assess the behaviour of financial instruments since the balance sheet date to determine which financial instruments may be impaired as at the balance sheet date. In respect of loans and receivables, the company assesses on an ongoing basis whether there is objective evidence that an individual loan asset is impaired. If any such indication exists, the assets' recoverable amount is estimated. Where its value is known, this will take into account the value of any collateral held. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income in cost of sale.

Impairment losses are reversed through the statement of comprehensive income if there is a change in the estimates used to determine the recoverable amount.

Derecognition
The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The company derecognises a financial liability when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2 Key risks and sources of estimation uncertainty

Critical accounting estimates and judgements

In the preparation of financial statements, the company is required to make estimates and assumptions, in accordance with IFRS, that affect the amounts reported as assets and liabilities as at the date of reporting the financial statements and the reported amounts of revenues and expenditure during the year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the company financial statements is included in the following notes:

Note 1 – revenue recognition, determine the period over which the revenue is recognised
Note 1 – provisioning against receivables, determining the appropriate level of provision required

Assumptions and estimations uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2017 is included in the following notes:

Note 10 - provisioning against receivables, determining the appropriate level of provision required. Major exposures and levels of default together with other credit issues are reviewed regularly. The company has strict policies and procedures in place to monitor this risk. An impairment provision is made where objective evidence exists to doubt recoverability of amounts advanced to clients. Future expected cashflows and the valuation of relevant securities are assessed.

Note 13 – determine the value of accruals for purchases committed but invoices not received. Management estimate the value of accruals for such purchases by referring to the Company's purchase order system.

3 Revenue

Revenue arises from:	**2017**	2016
	£'000	£'000
Loans		
Interest income	**3,003**	2,746
Service and other fee income		
Service fee income	**7,454**	6,344
Other fee income	**4,945**	4,284
	15,402	13,374

4 Cost of sales

	2017	2016
	£'000	£'000
Cost of sales - finance costs	**1,566**	1,171
Cost of sales - other	**4,125**	5,139
	5,691	6,310

Cost of sales includes interest payable on the back-to-back financing facilities, external legal fees, bad debt costs and commissions incurred.

5 Operating profit/(loss)

	2017	2016
	£'000	£'000
This has been arrived at after charging:		
Staff costs (note 6)	**4,916**	4,686
Deprecation of property, plant and equipment (note 8)	**434**	368
Amortisation (note 9)	**-**	22
Audit of these financial statements	**26**	24
Taxation compliance services	**-**	5
Operating lease expense:		
- Vehicles	**174**	106

Audit fees for the year were paid by Ultimate Finance Group Limited, the company's immediate parent.

6 Staff costs

	2017	2016
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	**4,061**	3,941
Social security costs	**500**	475
Other pension costs	**355**	270
	4,916	4,686

The average number of people employed by the company (including directors) during the year was 103 (2016: 91). The directors consider the company to have no key management personnel.

Directors' remuneration

The directors did not receive any remuneration for their services to the company. The directors are also directors of the intermediate parent company, Bentley Park (UK) Ltd, and their remuneration is disclosed in the accounts for that company.

7 Tax expense

	2017	2016
	£'000	£'000
Deferred tax expense		
Origination and reversal of temporary differences (note 15)	**180**	150
Adjustment in respect of the previous year	**-**	-
Total tax expense	**180**	150

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

7 Tax expense (continued)

	2017 £'000	2016 £'000
Profit/(loss) before tax	**1,771**	(825)
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	**341**	(165)
Expenses not deductible for tax purposes	**85**	104
Accelerated capital allowances	**180**	150
Effect on losses brought forward	**(426)**	606
Group relief claimed without payment		(533)
Other short term differences	-	(12)
Total tax expense	**180**	150

8 Property, plant and equipment

	Computers £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 January 2016	596	847	625	2,068
Additions	43	15	-	58
Balance at 31 December 2016	639	862	625	2,126
Balance at 1 January 2017	639	862	625	2,126
Additions	2	92	-	94
Disposals	-	(204)	(228)	(432)
Balance at 31 December 2017	**641**	**750**	**397**	**1,788**
Accumulated depreciation				
Balance at 1 January 2016	425	450	301	1,176
Depreciation charge for the year	109	129	130	368
Balance at 31 December 2016	534	579	431	1,544
Balance at 1 January 2017	534	579	431	1,544
Depreciation charge for the year	69	244	121	434
Disposals	-	(204)	(220)	(424)
Balance at 31 December 2017	603	619	332	1,554
Net book value				
At 1 January 2016	171	397	324	892
At 31 December 2016	105	283	194	582
At 31 December 2017	**38**	**131**	**65**	**234**

9 Intangible assets

	Capitalised Development costs £'000	Total £'000
Cost		
Balance at 1 January 2015, 31 December 2016 and 2017	157	157
Accumulated amortisation		
Balance at 1 January 2016	135	135
Amortisation charge for the year	22	22
Balance at 31 December 2016	**157**	**157**
Balance at 1 January 2017 and 31 December 2017	**157**	**157**
Net book value		
Balance at 1 January 2016	22	22
Balance at 31 December 2016	-	-
Balance at 31 December 2017	-	-

10 Loans and other receivables

	2017 £'000	2016 £'000
Loans and receivables	**84,897**	60,833
Deferred income	**(232)**	(178)
Prepayments	**339**	556
Inter-group debtors	**18,309**	937
	103,313	62,148

The table below summarises the company's exposure to credit risk:

	2017 £'000	2016 £'000
Outstanding client balances	**89,077**	64,319
Provision for impairment	**(4,180)**	(3,486)
	84,897	60,833

Collateral

In addition to the value of the underlying assigned sales ledger balances, the company will wherever possible obtain additional security before offering invoice finance facilities to a client. These include personal guarantees from major shareholders and/or directors, charges over personal and other business property, cross guarantees from associated companies, and unlimited warranties in the case of frauds. The company is only able to take possession of this security following an event of default. These additional forms of security are impractical to fair value, as valuations of the guarantees or warranties are not capable of being accurately determined at any point during the agreement.

10 Loans and other receivables (continued)

Movement of the company provisions for impairment of loans receivable are as follows:

Allowances for losses	2017 £'000	2016 £'000
Balance brought forward	3,486	1,249
Utilised provision in the year	(751)	(196)
Provision for the year	1,445	2,433
Balance carried forward	4,180	3,486

The ageing of these receivables is as follows:

	2017 Total £'000	2017 Impairment £'000	2017 Net £'000	2016 Total £'000	2016 Impairment £'000	2016 Net £'000
Neither past due nor impaired	84,545	(257)	84,288	59,928	(154)	59,774
Past due but not impaired	372	-	372	749	-	749
Individually impaired loans	4,160	(3,923)	237	3,642	(3,332)	310
	89,077	(4,180)	84,897	64,319	(3,486)	60,833

The carrying value of all financial assets and liabilities held at the current and prior year is not materially different from the fair value of the financial instruments.

11 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	5,645	4,432

Cash denominated in currencies other than sterling comprise:

	2017 £'000	2016 £'000
EUR	889	1,031
USD	884	3,358
AUD	27	11
Other	-	-
	1,800	4,400

12 Bank Borrowings and overdrafts

	2017 £'000	2016 £'000
Bank borrowings and overdrafts	**71,510**	53,082

As stated in note 1, the company has a syndicated back-to-back financing facility with Lloyds Bank and British Business Bank. The facility, which operates on a rolling six month notice period, allows the company to draw down up to 75% of the notified value of approved invoices of its core invoice finance clients and 60% of its construction industry clients. Amounts can be drawn down, repaid and redrawn throughout the life of the facility on the condition that the above, and other, criteria are met. In September 2017 the facility limit was increased from £75 million to £85 million. The bank borrowings of £72 million at 31 December 2017 relate to this facility, leaving headroom of £13 million at 31 December 2017. In July 2018, RBS Invoice Finance joined the syndicate and the overall facility limit was increased to £125 million.

Interest rate sensitivity analysis
The company's interest rate risk relates to the base rate element of the above back-to-back facility. If the bank's base rate were to change +/- 0.5%, reported profits and closing equity would decrease / increase by +/- £285,000. The sensitivity rate of 0.5% represents the directors' assessment of a reasonably possible change, based on historic volatility and current economic circumstances.

13 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**6,482**	5,413
Other payables and accrued expenses	**2,848**	2,595
Inter-group borrowings	**32,147**	11,638
	41,477	19,646

There are no trade or other payables denominated in currencies other than pound sterling.

The company's liabilities include trade and other payables and borrowing under its bank facility.

The maturity profile of the company's financial liabilities is shown below:

	Within one month £'000	Less than a year £'000
2017		
Trade payables	**52**	**6,430**
Other payables and accrued expenses	**2,848**	**-**
Inter-group borrowings	**-**	**32,147**
Bank borrowings	**-**	**72,493**
	2,900	**111,070**
2016		
Trade payables	224	5,189
Other payables and accrued expenses	2,595	-
Inter-group borrowings	-	11,638
Bank borrowings	-	53,082
	2,819	69,909

14 Employee benefits

Pension

The company operates a defined contribution pension scheme. The pension cost charge for the year includes contributions payable by the company to the scheme and amounted to £355,000 (2015: £270,000). Contributions amounting to £80,000 were unpaid at the year end and are included in trade and other payables (2015: £60,000).

15 Deferred tax

Recognised deferred tax asset

Deferred tax asset is attributable to the following and is shown as a non-current asset on the statement of financial position:

Charge in respect of deferred tax during year

	2017	2016
	£'000	£'000
Accelerated capital allowances	**(180)**	(150)
Adjustment in respect of the previous year	**-**	-
	(180)	(150)

Movement on the deferred tax asset during the year

	2017	2016
	£'000	£'000
At the beginning of the year	**180**	330
Decrease in deferred tax asset	**(180)**	(150)
At the end of the year	**-**	180

Deferred tax assets have been recognised in respect of all such accelerated capital allowances and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

16 Share capital

	Issued and fully paid			
	2017	**2017**	2016	2016
	Number	**£**	Number	£
Ordinary shares of £1 each	**2**	**2**	2	2

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. The authorised share capital of the company is £1,000.

17 Leases

Operating leases

The group leases all of its properties. The terms vary between properties, although each have periodic rent reviews and have break clauses. Other operating leases relate to leased cars as well as leasing payments in relation to software systems. The current commitments will expire in 2025 at the latest.

At 31 December 2017, the company had outstanding future commitments under non-cancellable operating leases which fall due as follows:

	Land & buildings 2017 £'000	**Other 2017 £'000**	Land & buildings 2016 £'000	Other 2016 £'000
Not later than one year	**130**	-	226	330
Later than one year and not later than 5 years	**156**	-	757	148
More than five years	-	-	213	-
	286	-	1,196	478

18 Related party transactions

The company entered into related party transactions as described below.

Trading transactions

Amounts outstanding at the statement of financial position date relate primarily to the movement of cash and cash equivalents.

	Management charges receivable / (payable)		**Balances outstanding**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
The parent				
Ultimate Finance Group Ltd	-	(17)	**(27,932)**	(11,389)
Companies within the Group				
Bentley Park (UK) Limited	-	-	**3,033**	937
Ashley Finance Limited	-	-	**576**	-
Ultimate Bridging Finance Limited	-	-	**2,498**	-
Ultimate Asset Finance Limited			**11,494**	-
Ultimate Trade Finance Limited	-	-	**(3,968)**	-
Ultimate Construction Finance Limited	-	6	**(247)**	(249)
Ultimate Business Finance Limited	**3**	-	**708**	-

The above balances are repayable on demand, unsecured and expected to be settled in cash. The fair value is considered to approximate to the carrying value.

Ultimate Finance Group Limited is the parent company and other entities are related parties under common control.

Disclosure of the remuneration paid to key management is included in note 6.

19 Capital commitments

There were no capital commitments at the end of the financial year (2016: £Nil).

20 Financial risk management

The company provides invoice financing products to its clients and funds these activities by means of intercompany and external borrowings. Lending tends to be bespoke for individual clients and transactions. The company's principal risk is thus credit risk, and this is managed via an appropriate credit review process and the margins charged.

Credit risk
Credit risk arises from all exposures to clients on the company's financing activities. The company's board establishes underwriting limits, reviews concentrations and establishes procedures on credit decisions. Transactions that exceed the company's own limits are then passed to a parent company for a decision. Major exposures and levels of default together with other credit issues are reviewed regularly. The company has strict policies and procedures in place to monitor this risk. An impairment provision is made where objective evidence exists to doubt recoverability of amounts advanced to clients.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial assets. The company manages market risk and its components on a transaction-by-transaction basis.

Interest rate and foreign exchange risks
There are no loans and other receivables denominated in currencies other than Pounds Sterling. The company does not have significant exposure to currency risk or interest rate risk as fluctuations in these are passed onto the company's client base.

The following table summarises the company's its minimal exposure to interest rate risk. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity date:

2017

	Floating rate	**Fixed rate**	**Non-interest bearing**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Assets				
Loans	-	84,665	-	84,665
Trade and other receivables	-	-	339	339
Inter-group debtors	-	-	18,309	18,309
Cash and cash equivalents	-	-	5,645	5,645
Liabilities				
Borrowings	-	71,510	-	71,510
Trade and other payables	-	-	9,330	9,330
Inter-group borrowings	-	-	32,147	32,147

2016

	Floating rate	Fixed rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Assets				
Loans	-	60,655	-	60,655
Trade and other receivables	-	-	556	556
Intra-group debtors	-	-	937	937
Cash and cash equivalents	-	-	4,432	4,432

20 *Financial risk management* *(continued)*

2016

	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Liabilities				
Borrowings	53,082	-	-	53,082
Trade and other payables	-	-	8,008	8,008
Intra-group borrowings	-	-	11,638	11,638

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's principal liquidity risk is in respect of the requirement to maintain sufficient levels of borrowing to fund the leasing and lending portfolio over the period that the leases remain outstanding. The company borrows from fellow subsidiaries and the company's directors maintain a regular review and contact with these fellow subsidiaries to ensure sufficient funds remain available. The maturity profile of financial liabilities is discussed in note 15.

Fair value of financial instruments

The following tables present the fair value of the company's all financial assets and liabilities:

	2017		2016	
	Carry value £'000	**Fair value £'000**	Carry value £'000	Fair value £'000
Financial assets				
Loans	**84,665**	**84,665**	60,655	60,655
Trade and other receivables	**339**	**339**	556	556
Intra-group debtors	**18,309**	**18,309**	937	937
Cash and cash equivalents	**5,645**	**5,645**	4,432	4,432
Financial liabilities				
Borrowings	**71,510**	**72,493**	53,082	53,028
Trade and other payables	**9,330**	**9,330**	8,008	8,008
Intra-group borrowing	**32,147**	**32,147**	11,638	11,638

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as it is the best evidence of the fair value of a financial Instrument. Market prices are not, however, available for certain financial assets and liabilities that may be held or issued by the company. At the moment there is no financial instrument where no active market exists but if in future the company had financial instrument, where no active market price or rate available, fair values would be estimated using present value or other valuation techniques, using inputs based on market conditions existing at the financial year end date.

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximates to their fair value. The directors consider that the carrying amount of loans and receivables and borrowings due within one year approximates to their fair value due, due to the short term nature of their repayments or payable on demand.

The company measures fair values into a fair value hierarchy based on the following valuation technique used to determine fair value:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

20 Financial risk management *(continued)*

Level 2

Valuation techniques based on observable prices, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorised within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs.

Level 3

Valuation techniques using significant unobservable inputs. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The tables below analyse financial instruments measured at fair value into the above fair value hierarchy.

2017

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Loans	-	**84,665**	-	**84,665**
Trade and other receivables	-	-	**339**	**339**
Intra-group debtors	-	-	**18,309**	**18,309**
Cash and cash equivalents	-	**5,645**	-	**5,645**
Financial liabilities				
Borrowings	-	**72,493**	-	**72,493**
Trade and other payables	-	-	**9,330**	**9,330**
Intra-group borrowings	-	-	**32,147**	**32,147**

2016

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Loans	-	60,655	-	60,655
Trade and other receivables	-	-	556	556
Intra-group debtors	-	-	937	937
Cash and cash equivalents	-	4,432	-	4,432
Financial liabilities				
Borrowings	-	53,082	-	53,082
Trade and other payables	-	-	8,008	8,008
Intra-group borrowings	-	-	11,638	11,638

21 Guarantee and indemnity

The company has a facility with Lloyds Bank and British Business Bank for a £85 million back-to-back financing facility. In July 2018, the facility was augmented by an additional £40m by RBS Invoice Finance. The facility continues to operate on six months' notice. The facility is used to finance loans provided to clients and is backed by the underlying debts of the clients.

The facility is secured against an all assets debenture given by the company and a deed of guarantee and indemnity has been given by Ultimate Finance Group Limited.

22 Ultimate parent company and ultimate controlling party

The company's immediate parent undertaking is Ultimate Finance Group Ltd, a company incorporated in England and Wales.

The smallest group in which the results of the parent and subsidiary company are consolidated is that headed by Ultimate Finance Group Ltd. The largest group in which the results of the parent and subsidiary company are consolidated is that headed by the company's intermediate parent undertaking, Bentley Park (UK) Limited, a company incorporated in England and Wales. The consolidated financial statements of these companies are available to the public and may be obtained from the company's office, First Floor, Equinox North, Great Park Road, Bradley Stoke, Bristol, BS32 4QL.

The directors consider the family interests of Mr Joe Lewis to have ultimate control by virtue of their indirect beneficial ownership of the issued share capital of Bentley Park Limited, which is incorporated in the Bahamas and is the parent of Bentley Park (UK) Limited.

23 Post balance sheet events

In July 2018, RBS Invoice Finance joined the back-to-back financing facility syndicate, increasing the group limit to £125 million.

In 2018, the directors reviewed the group structure and decided to operate all of the group's invoice finance business in the Company. As a result, no new invoice finance activity will be booked in Ashley Finance Limited, a fellow group company, but instead will be booked in the Company.