Account Technologies Holdings Limited

Registered number: 11802480

Annual Report

For the year ended 31 August 2020

ACCOUNT TECHNOLOGIES HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R Ashton I McKenzie J Burns
Company secretary	J Cameron
Registered number	11802480
Registered office	10 Brick Street Mayfair London W1J 7HQ
Trading Address	Windsor Court, Kingsmead Business Park Frederick Place High Wycombe Buckinghamshire HP11 1JU
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE12 1RT

ACCOUNT TECHNOLOGIES HOLDINGS LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

Introduction

The directors present the strategic report and audited consolidated financial statements for Account Technologies Holdings Limited ("ATHL") together with its subsidiaries ("the Group") for the year ended 31 August 2020.

Principal activity

The Group's principal activity continued to be the provision of running account consumer credit services marketed to customers under the 'SafetyNet Credit' and "Tappily" branding. The Financial Conduct Authority ("FCA") regulates the Group's subsidiary, Indigo Michael Limited ("IML"). The Group develops and maintains its own bespoke software in order to identify and manage risk before approving new loans to customers. Management believes that this provides a competitive advantage in the marketplace.

Business review

The Group delivered revenue growth of 16% in the year with revenue increasing to £94.4m (2019: £81.4m) mainly driven by the increased number of customers. Open Banking has enabled the Group to lend to an increased number of new customers per month, whilst reducing initial default rates and cost per acquisition in line with management expectations. As the business continues to grow the directors believe that the operational infrastructure necessary to support the growth, both directly and indirectly, of the business over the next few years is in place.

In common with other businesses, during 2020 COVID-19 presented an unprecedented challenge as the Group sought to protect its employees and follow government guidance while continuing to support its customers. As such, the Group took measures to mitigate the uncertainty of the economic implications of COVID-19 by temporarily reducing new customer acquisition and introducing new measures to help those affected by COVID-19. The Group has a full suite of support available to be offered to customers who are encountering financial difficulties. This includes forbearance, Breathing Space (whereby customers can cap their repayments at a present level), payment deferrals and COVID-19 payment deferrals as well as SPAs (scheduled payment arrangements). The Group tries to ensure that support is tailored to the individual customer's circumstances and strives to avoid a "one size fits all" approach.

Throughout the pandemic the Group has maintained business continuity thanks to its agile technology focused culture and flexible technical architecture. A remote working approach was quickly implemented on a wider scale which could be sustained as long as needed and remains an option depending on future developments in relation to COVID-19. The Group has therefore been able to continue to provide a high level of service to its customers and maintain critical services.

It is still too early to assess the full impact of COVID-19 on the Group's financial performance. To date a significant impact on overall profitability has not been observed. The Group continues to monitor and assess the impact of COVID-19 and considering the Group's strong cash position, it is well situated to manage challenges that COVID-19 may present.

Future developments

The directors believe that with the FCA's focus on driving improvements in affordability assessments and good customer outcomes, there is a clear opportunity for a responsible consumer-focused lending business using bank transaction data for market-leading affordability assessments.

The directors intend to maintain the policies which have resulted in the Group's growth during the financial year to 31 August 2020. The Group will continue to stay focused on financial stability while developing building sustainable new business for the long term.

Principal risks and uncertainties

The key business risks and uncertainties affecting the business are considered to relate to competition for new customers, reliability of bank payment systems and online banking, the regulatory environment including the impact of COVID-19, continued consumer confidence in making available bank transaction data, the economic environment as it affects UK consumers (including in particular interest rates, cost of living and utilities), access to loans which are used to provide long-term finance to the Group, cyber security, availability of staff for the IML's customer services campus in High Wycombe, competition for developers in the London jobs market and its reliance on key suppliers and service providers. The directors and management of the Group monitor these risks and potential mitigating actions on a regular basis. Further details on how the risks are managed can be found in the Director's report, Principal risks and uncertainties.

United Kingdom withdrawal from the European Union

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. During this period, the trading relationship between the UK and the EU is expected to remain unchanged, however the terms of the future relationship between the UK and the EU from 1 January 2021 onwards are still unknown. At the date of this report it is therefore impossible to assess in detail the opportunities and threats that this future relationship could present. The directors are managing these risks by closely monitoring developments, and are confident that the Company and its subsidiaries will be able to amend and modify its procedures to remain fully compliant with any future rules and regulations, and to maintain its standing and reputation in the marketplace throughout Europe and worldwide.

Key performance indicators

Management tracks several financial and non-financial KPIs to understand the business, development, performance and position of the Group. The following KPIs are those the business has used to gauge the progress.

	2020	2019	Change
Number of customers	631,464	486,051	29.9%
Revenue	£94.4m	£81.4m	15.9%
Net loan book	£48.9m	£42.9m	14.1%
Profit after tax: Revenue ratio	26.2%	12.0%	118.8%
Profit after tax	£24.7m	£9.7m	153.6%

1. "Number of customers" represents customers booked since inception.
2. "Net loan book" represents total outstanding loans less provisions for impairment.

The number of customers rose to 631,464 (2019: 486,051), an increase of 29.9% year on year mainly driven by the introduction of Open Banking. Management's strategy is to maintain its market leading position through continuing to offer transparent and affordable running account consumer credit services. Management will continue to develop and to be disciplined in underwriting while growing the loan book based on a proven track record for the last eight years of underwriting and lending.

The revenue has continued to increase to £94.4m (2019: £81.4m), an increase of 15.9% year-on- year mainly driven by the increased number of customers. Impairment ratios have stayed in line with management's expectations. The Net Loan Book growth was 14.1% to £48.9m (2019: £42.9m). Costs across all key drivers were controlled and operating efficiencies delivered throughout the year. Profit after tax increased as expected by 153.6% to £24.7m (2019: £9.7m) driven by a maturing loan book.

Directors' statement of compliance with duty to promote the success of the Group

The directors of Account Technologies Holdings Limited consider, both individually and together, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company and the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1) (a-e) of the Companies Act 2006) in the decisions taken in the year to 31 August 2020.

Likely consequences of any decisions in the long term

The Board delegates day-to-day management and decision making to its senior management team, while maintaining oversight of the Group's performance and reinforcing a good culture and behaviour by effective corporate governance. It reserves to itself specific matters for approval, including significant new strategic initiatives and major decisions relating to capital raising and allocation. Through regular updates from senior management and measurement against long-term objectives, the Board monitors that management is acting in accordance with its agreed strategy and the long-term interest of key stakeholders.

The interest of the Group's employees

Our employees are fundamental to contributing to the Group's success and the delivery of our business plan. The Group takes the interests of its staff into account when making decisions. To identify their issues, we consult and engage regularly with our employees at all levels.

We have a strong focus on employees' skills and conduct. We have therefore built, and keep improving, our Group-wide training framework to ensure our culture remains positive, employees feel they belong and are developing.

Another key objective is to keep our employees safe. This is even more important in 2020 with the advent of COVID-19. We have put in place extensive measures and control to protect our employees.

The Group will continue to take all necessary measures to create a working environment in which employees feel safe, valued and able to perform.

The need to foster the Group's business relationships

Supplier relations are central to the success of the Group. Our supplier strategy is to ensure that the services and goods we acquire are value for money and the result of transparent, objective, time and cost-effective decision making and risk management. We want to build sustainable, lasting and mutually beneficial relationships with our suppliers.

Customer focus

We try to provide customers with the best service and outcomes possible. We therefore take customer care seriously. In common with other businesses, during 2020, many of our customers have been negatively affected by COVID-19. In line with FCA expectations the company continues to provide all customers adversely impacted by COVID-19 with tailored support based on individual circumstances.

The desirability of the Group maintaining a reputation for high standards of business conduct

The reputation of the Company and Group is fundamental to its long-term success and the directors are committed to supporting this through adhering to laws and regulations, conducting business in a socially and environmentally responsible way, and treating all stakeholders with honesty and integrity.

Directors' statement of compliance with duty to promote the success of the Group (continued)

The impact of the Group's operations on the community and the environment

The Company and Group are conscious of their social and environmental impact. The directors seek opportunities to limit the environmental footprint of its operations wherever this is practically and commercially feasible.

Need to act fairly between members of the Company and Group

The Board's intention is to behave responsibly toward shareholders and treat them equally so they can benefit from the successful delivery of our plan. This is in line with the Group's policies which are applicable to all directors and staff of the Group.

This report was approved by the board and signed on its behalf.

Robert ashton
Robert ashton (Dec 22, 2020 10:53 GMT)

R Ashton
Director

Date: 22 December 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 August 2020.

Principal activity

The principal activity of the Company in the period under review was a holding company. The Group's principal activity during the year continued to be the provision of running account consumer credit service, as well as software development.

Results and dividends

The Group's profit for the year, after taxation, amounted to £24,715,327 (2019: £9,745,173).

The directors do not recommend the payment of a final dividend, interim dividends of £8,200,000 (2019: £2,500,000) having been paid during the year.

For the prior year, the Company's results are presented for the period from incorporation on 1 February 2019 to 31 August 2019 and the Group's results are presented for the year to 31 August 2019. See 2.1 and 2.2 for details on basis of preparation.

Directors

The directors who served during the year and to the date of this report were:

R Ashton
I McKenzie
J Burns (appointed 5 November 2020)

Going concern

The financial statements have been prepared on the going concern basis, which assumes the Company and the Group will continue to be able to meet their liabilities as they fall due for the foreseeable future.

The Group has a £65,000,000 bond listed on the International Stock Exchange with the bondholder Midtown Madison Management. The maturity date for the bond, which is in the form of senior secured floating rate notes is 3rd April 2022.

The Group is considering several potential options to refinance the current borrowings before they fall due. Cash flow forecasts also indicates that a large part of the borrowings can be repaid with free cash flows before the expiry date if needed.

The Group has not observed any significant impact of COVID-19 on overall profitability and based on data available to date this is expected to remain the case. However, the full impact of COVID-19 on the business is yet to be determined and may impact the Company's future financial performance. Considering the Group's strong cash position, the Directors believe the Group to be well situated to manage challenges that COVID-19 may present.

The Board of directors has produced detailed short-term and long-term cash flow forecasts which indicate that the Group can meet its liabilities as they fall due and comply with covenants and therefore continue as a going concern for a period in excess of 12 months from the date of approval of these financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Directors' confirmations

Each of the directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

Principal risks and uncertainties

The principal risks specific to the business have been outlined below together with an explanation of how the Group manages and mitigates them. Some of these risks are specific to the Group and others are more generally applicable to the consumer lending industry.

Liquidity and cash flows
The risk of failure to properly manage liquidity could lead to the Group requiring more expensive funding, reducing profitability, or even being unable to meet its obligations as they fall due. The Group mitigates this by scenario modelling, stress testing and producing detailed long-term and short-term cash flow forecasts.

The Group's principal borrowings are its loan notes which are not due for redemption until 2022.

The UK economic environment
There is a risk that a downturn in the UK economic performance will affect customer incomes and their ability to meet their financial obligations, including their loan repayments. The Group models its customer affordability calculations according to detailed analysis of their incomes and spending patterns to mitigate the risk that they will be unable to service their debt commitments.

Ability to recruit and retain key staff
There is a risk that the Group will not be able to recruit and retain key staff at its two offices. This includes the recruitment of software developers based in its London office and customer service professionals at its High Wycombe offices. Management attempts to mitigate these risks through careful benchmarking of salaries and benefits, the promotion of a positive corporate culture, and staff development.

Regulatory environment
The Group has an open and transparent relationship with the FCA and FOS. The Group works extensively together with its legal and regulatory advisers analysing Financial Ombudsman Service (FOS) Adjudicator and Ombudsman decisions in order to align its processes and methodologies to their current approach. As the thinking of the FCA and FOS and, in particular, FOS decisions about the consumer credit market evolve over time the Group strives to change its approach accordingly. The Group foresees FCA and FOS expectations of consumer credit providers continuing to develop in this way for the foreseeable future. This regulatory backdrop inevitably creates some uncertainty as to what exact standards are required of market participants at any particular point.

Cyber security
The Group considers cybersecurity a matter of extreme importance. This includes protecting its customers physical and electronic information from all threats, both external and internal throughout the organisation. The Group partners with a leading cyber and information security consulting firm to incorporate security into their information technology infrastructure, which delivers extensive experience and knowledge in security with regards to latest technologies, industry trends, relevant legislation, leading international standards and best practices.

Competition in the marketplace
As one of the few lenders in its space to utilise bank transaction data for its underwriting decisions, the Group has no direct competitors in the market. The trading products of SafetyNet Credit (SNC) and Tappily are not overdrafts, payday loans or credit cards but take the best features of all of them to create flexible affordable running account credit products. When sourcing customers for SNC and Tappily, these products are presented as an alternative to High Cost Short Term Credit products.

Coronavirus and COVID-19

Following two consecutive quarters of economic contraction during the first half of 2020 the United Kingdom entered a state of recession. This is attributed to COVID-19 and associated mitigating measures. Those mitigating measures include certain restrictions on usual activities which may impact the Group in the future. COVID-19 presents a challenge across every risk type and has a wide range of potential impacts. The directors are actively analysing possible consequences of and responses to these risks. Their principal objectives are to protect the health and safety of personnel in the performance of their duties, ensure the continuity of operations, and to fully cooperate with public authorities on all matters within their scope.

Financial instruments

The Group does not generally use financial instruments actively as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with unsecured consumer lending and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk. Historically its subsidiaries had used a foreign currency call option to manage the currency fluctuation risk on repayment of part of the foreign currency-denominated loans which had been used to provide long-term finance to the Group. During the prior year the Group ceased use of such an option.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year and as at the date of signing these financial statements, for the benefit of the directors.

Greenhouse gas emissions, energy consumption and energy efficiency action

	2020 £
Energy consumption used to calculate emissions (kWh)	
Gas consumption	281,025
Purchased electricity	265 651
Scope 1 emissions in metric tonnes CO2e	
Gas consumption	57.26
Scope 2 emissions in metric tonnes CO2e	
Purchased electricity	61.93
Total gross emissions in metric tonnes CO2e	119.19
Intensity ratio Tonnes CO2e per £m turnover	1.26

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per total £m sales revenue during the year to 31 August 2020.

Measures taken to improve energy efficiency

The business did not undertake any energy efficiency activities during the year. However, the Group is mindful of its environmental obligations and will examine opportunities to reduce energy consumption and therefore carbon emissions in the year ahead.

Comparative figures

As this is our first energy and carbon report, no comparatives figures have been provided.

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report. These matters relate to future developments and details of engagement with suppliers, customers and others.

Post balance sheet events

In September 2020, a subsidiary undertaking, Indigo Michael Limited, completed a debt sale of £4,858,426, this is considered to be a non-adjusting post balance sheet event since the consideration received equals the carrying amount of the debt sold.

On 5th November 2020 ACM AT HOLDCO VII LLC acquired 30% of the shareholding in the Company from the ultimate parent company Loudwater Ventures Limited. There is no financial impact on the financial statements of Company.

Since the year end, dividends totaling £4,400,000 have been paid to the Company's shareholders.

Auditor

The auditor, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Robert ashton
Robert ashton (Dec 22, 2020 10:53 GMT)

R Ashton
Director

Date: 22 December 2020

Independent auditors' report to the members of Account Technologies Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Account Technologies Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 August 2020 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company statements of financial position as at 31 August 2020; the consolidated statement of comprehensive income, the consolidated and company company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview of our audit

- Overall group materiality: £1,541,000, based on 5% of profit before tax.
- Overall company materiality: £686,000, based on 1% of total assets.
- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of the subsidiaries within the group and other qualitative factors (including history of misstatement through fraud or error).
- All subsidiaries were considered significant and have had their financial information audited in full.
- The area of focus which was of most significance in the audit of the financial statements was the determination of the allowance for expected credit losses in respect of trade receivables - loans. The matter relates to the group and there were no significant areas of focus solely relating to the company. We also consider the impact of the outbreak of COVID-19 on the business and the financial statements. (group and company)
- All work was performed by the group audit team at the group's head office where the centralised finance function is based.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Allowance for expected credit losses on trade receivables – loans (group) The allowance for expected credit losses ('ECL') for trade receivables – loans is an area where a high level of judgement is applied in assessing recoverability of the trade receivables - loans. Under IFRS 9 management is required to determine the ECL that may occur over either a 12-month period (stage 1) or the remaining life of the loan (stage 2 and 3). The categorisation of a loan is based on whether there has been a significant increase in credit risk. It is also necessary to assess forward looking macroeconomic factors and their respective impacts on the size of allowance required. Historical payment patterns for customers within the loan portfolio are generated using data extracted from the group's loan administration system. This data is grouped together based on similar characteristics and used to estimate a likely recoverable amount at each stage and to calculate the ECL accordingly. We consider the appropriateness of the model methodologies and the following judgements used in the determination of the modelled ECL for the loan portfolio to be the key areas of judgement: • the level and timing of loans defaulting (probability of default); • the expected losses due to customers defaulting on loan (loss given default); and • the impact of forward-looking macroeconomic factors on the ECL, including COVID-19.	We assessed whether the policies and procedures developed by management were appropriate and in line with the requirements of IFRS 9 - Financial Instruments for calculating the allowance for ECL using industry knowledge. This also involved discussions with management about specific estimates made within the calculation, appropriateness of model methodologies used and monitoring of model performance as well as assessing the design effectiveness of controls implemented by management over the calculation of the allowance for ECL. We independently tested the accuracy of the underlying data, such as payment history, used to calculate the allowance for ECL on trade receivables – loans. Using historical data we independently recalculated the rates used by management to determine the probability of default. We have assessed and challenged managements' loss given default assumptions as at 31 August 2020 corroborating the assumptions used to the consideration received from the debt sale that occurred after the year end. We performed a recalculation of the allowance for ECL recognised for the year ended 31 August 2020. We considered the potential future impact of macroeconomic conditions on the allowance for ECL. This involved obtaining evidence to support the key assumptions such as the impact of gross domestic product (GDP) and interest rates on the performance of the portfolio. We have also specifically considered the probability of default rates during the period impacted by COVID-19 to date which have not significantly deteriorated. We read and assessed the disclosures made in the financial statements in line with the requirements of the relevant accounting standards. Based on the procedures performed and evidence obtained, we found management's assumptions and calculated allowance for ECL on trade receivables – loans to be reasonable.
Impact of the outbreak of COVID-19 on business and the financial statements (group and company) COVID-19 has had and continues to have a significant impact in the UK, causing widespread disruption to financial markets and businesses at large. As a result of the pandemic there are significant judgements and assumptions that impact financial reporting that management have considered. The areas of our audit most impacted by COVID-19 include. Going Concern: The company and group financial statements are prepared on the going concern basis of accounting. We focused on the	We have assessed the directors' conclusion of the impact of COVID-19 on the financial statements by performing the following audit procedures: Going Concern Evaluated and challenged management's assessment of the impact of COVID-19 on their financial plans, liquidity and operating arrangements; Substantiated the nature and existence of the group's financial resources and liquidity financing facilities; and

appropriateness of using a going concern basis of accounting given the uncertainty about the long-term economic outlook and potential impact on the business model as a result of the economic and social impacts of COVID-19. The ability of the company and group to continue as going concerns is dependent on the resilience of the business model and maintenance of sufficient liquidity.	Evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of COVID-19 on the going concern of the company and group. Refer to the separate section on our conclusions relating to going concern.
Allowance for expected credit losses on trade receivables – loans (group) Refer to the separate Allowance for expected credit losses on trade receivables – loans Key Audit Matter.	Allowance for expected credit losses on trade receivables – loans (Group) Refer to the separate Allowance for expected credit losses on trade receivables – loans Key Audit Matter.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group operates entirely within the United Kingdom, with a centralised finance function supporting all statutory entities. The entities comprising the group include Indigo Michael Limited which issues the advances to customers and Account Technologies Software Limited which owns the group's intellectual property.

Both of the entities were considered to be significant components and we have completed full scope audits of their financial information. All work has been performed locally by the group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£1,541,000 (2019: £812,000).	£686,000 (2019: £650,000).
How we determined it	5% of profit before tax (2019: 1% of total revenue)	1% of total assets (2019: 1% of total assets)
Rationale for benchmark applied	We have changed the benchmark used to determine materiality from total revenues in the prior year to profit before tax in the current year. Given the group's growth and profitability in recent years, we consider the benchmark based on profit before tax to be the most appropriate, giving consideration to the key users of the group's financial statements.	We consider a benchmark of total assets is most appropriate as the company's primary purpose is to act as a holding company with investments in the group's subsidiaries, not to generate operating profits and therefore a profit-based measure is less relevant.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £370,000 and £1,386,900. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the directors that we would report to them misstatements identified during our audit above £154,100 (group audit) (2019: £81,200) and £68,600 (company audit) (2019: £65,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Timothy Lawrence

Timothy Lawrence (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £	Restated 2019 £
Interest income	4	94,399,165	81,705,278
Interest expense	10	(9,053,842)	(8,978,314)
Gross profit		85,345,323	72,726,964
Other operating income	5	338,163	-
Operating costs		(9,730,254)	(8,856,719)
Administrative expenses		(19,118,549)	(19,255,403)
Operating profit before impairment losses	6	56,834,683	44,614,842
Impairment losses on loans and advances to customer	16	(26,012,940)	(32,380,324)
Profit before taxation		30,821,743	12,234,518
Tax on profit	11	(6,106,416)	(2,489,345)
Profit for the financial year		24,715,327	9,745,173
Other comprehensive income		-	-
Total comprehensive income for the year		24,715,327	9,745,173
Profit for the year attributable to:			
Owners of the parent Company		24,715,327	9,745,173
		24,715,327	9,745,173

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 25 to 61 form part of these financial statements.

ACCOUNT TECHNOLOGIES HOLDINGS LIMITED
REGISTERED NUMBER: 11802480

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020

	Note		2020 £		2019 £
Fixed assets					
Intangible assets	13		1,191,920		1,051,800
Tangible assets	14		4,287,845		617,967
Debtors: amounts falling due after more than one year	16		797,431		3,917,260
			6,277,196		5,587,027
Current assets					
Debtors: amounts falling due within one year	16	60,142,671		49,791,529	
Cash at bank and in hand	17	18,636,585		5,683,126	
		78,779,256		55,474,655	
Creditors: amounts falling due within one year	18	(10,767,939)		(6,101,051)	
Net current assets			68,011,317		49,373,604
Total assets less current liabilities			74,288,513		54,960,631
Creditors: amounts falling due after more than one year	19		(67,200,531)		(64,387,976)
Net assets/(liabilities)			7,087,982		(9,427,345)
Capital and reserves					
Called up share capital	26		1		1
Shares to be issued	27		-		-
Group reconstruction reserve	27		1,799		1,799
Other reserves	27		-		497,197
Profit and loss account	27		7,086,182		(9,926,342)
Total equity			7,087,982		(9,427,345)

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Robert ashton
Robert ashton (Dec 22, 2020 10:53 GMT)

R Ashton

Director

Date: 22 December 2020

The notes on pages 25 to 61 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020

	Note		2020 £		2019 £
Fixed assets					
Investments	15		250,001		1
			250,001		1
Current assets					
Debtors: amounts falling due after more than one year	16	68,380,469		64,152,344	
		68,380,469		64,152,344	
Total assets less current liabilities			68,630,470		64,152,345
Creditors: amounts falling due after more than one year	19		(64,480,502)		(64,152,344)
Net assets			4,149,968		1
Capital and reserves					
Called up share capital	26		1		1
Profit and loss account	27		4,149,967		-
Total equity			4,149,968		1

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with IFRSs as adopted by the European Union. The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and the related notes that form a part of these approved financial statements. The parent company profit for the year ended 31 August 2020 is £12,349,967 (period ended 2019: £2,500,000).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Robert ashton
Robert ashton (Dec 22, 2020 10:53 GMT)

R Ashton
Director

Date: 22 December 2020

The notes on pages 25 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020

	Called up share capital	Other reserves	Group reconstruction reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 September 2019	1	497,197	1,799	(9,926,342)	(9,427,345)
Comprehensive income for the year					
Profit for the year	-	-	-	24,715,327	24,715,327
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	24,715,327	24,715,327
Dividends: Equity capital	-	-	-	(8,200,000)	(8,200,000)
Transfer to/from profit and loss account	-	(497,197)	-	497,197	-
Total transactions with owners	-	(497,197)	-	(7,702,803)	(8,200,000)
At 31 August 2020	1	-	1,799	7,086,182	7,087,982

The notes on pages 25 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2019

	Called up share capital	Shares to be issued	Other reserves	Group reconstruction reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 September 2018	1	1	497,197	1,799	(17,171,515)	(16,672,517)
Comprehensive income for the year						
Profit for the year	-	-	-	-	9,745,173	9,745,173
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	9,745,173	9,745,173
Dividends: Equity capital	-	-	-	-	(2,500,000)	(2,500,000)
Shares issued during the year	-	(1)	-	-	-	(1)
Total transactions with owners	-	(1)	-	-	(2,500,000)	(2,500,001)
At 31 August 2019	1	-	497,197	1,799	(9,926,342)	(9,427,345)

The notes on pages 25 to 61 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At incorporation, 1 February 2019	1	-	1
Comprehensive income for the 7 month period			
Profit for the 7 month period	-	2,500,000	2,500,000
Other comprehensive income for the 7 month period	-	-	-
Total comprehensive income for the 7 month period	-	2,500,000	2,500,000
Contributions by and distributions to owners			
Dividends: Equity capital	-	(2,500,000)	(2,500,000)
Total transactions with owners	-	(2,500,000)	(2,500,000)
At 1 September 2019	1	-	1
Comprehensive income for the year			
Profit for the year	-	12,349,967	12,349,967
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	12,349,967	12,349,967
Contributions by and distributions to owners			
Dividends: Equity capital	-	(8,200,000)	(8,200,000)
Total transactions with owners	-	(8,200,000)	(8,200,000)
At 31 August 2020	1	4,149,967	4,149,968

The notes on pages 25 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit before income tax	30,821,743	12,234,518
Adjustments for:		
Amortisation of intangible assets	583,129	413,762
Depreciation of tangible assets	952,068	182,622
Loss on disposal of tangible assets	-	3,713
Interest paid	9,053,842	8,978,314
Interest received	(1,074)	(280,215)
(Increase) in debtors	(10,351,142)	(12,228,969)
Write off of balance owed by related party	-	2,128,487
Increase in creditors	660,167	128,942
Corporation tax (paid)	(345,506)	(1,866,630)
Foreign exchange (gains) on borrowing	-	(138,223)
Net cash generated from operating activities	31,373,227	9,556,321
Cash flows from investing activities		
Purchase of intangible fixed assets	(723,249)	(767,961)
Purchase of tangible fixed assets	(512,175)	(290,425)
Sale of tangible fixed assets	75,594	19,500
Additions to right-of-use assets	(4,185,365)	-
Net cash from investing activities	(5,345,195)	(1,038,886)
Cash flows from financing activities		
Repayment of related party loan	-	(58,617,195)
Proceeds from issue of loan notes	-	64,025,000
Increase in lease liabilities	3,850,070	-
Dividends paid	(8,200,000)	(2,500,000)
Interest paid	(8,305,268)	(8,850,970)
Interest on lease liabilities	(420,449)	-
Interest received	1,074	-
Net cash used in financing activities	(13,074,573)	(5,943,165)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

	2020 £	2019 £
Net increase in cash and cash equivalents	12,953,459	2,574,270
Cash and cash equivalents at beginning of year	5,683,126	3,108,856
Cash and cash equivalents at the end of year	18,636,585	5,683,126
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	18,636,585	5,683,126
	18,636,585	5,683,126

The notes on pages 25 to 61 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020

	2020 £	2019 £
Net cash generated from operating activities	-	-
Cash flows from financing activities		
Payment of dividend to company shareholder	(8,200,000)	(2,500,000)
Proceeds from issue of loan notes	-	64,025,000
Loan to subsidiary undertaking	(3,900,000)	(64,025,000)
Investment in subsidiary undertaking	(250,000)	-
Net cash used in financing activities	(12,350,000)	(2,500,000)
Cash flows from investing activities		
Receipt of dividend from subsidiary	12,350,000	2,500,000
Net cash from investing activities	12,350,000	2,500,000
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at the end of year	-	-

1. General information

Account Technologies Holdings Limited is a private company, limited by shares and incorporated in England and Wales.

The registered office of the Company is 10 Brick Street, Mayfair, London, W1J 7HQ. The principal place of business of the Company is Windsor Court, Kingsmead Business Park, Frederick Place, High Wycombe, Buckinghamshire, HP11 1JU.

The principal activity of the Company in the period under review was a holding company. The Group's principal activity during the year continued to be the provision of running account consumer credit services, as well as software development.

The financial statements have been presented in Pounds Sterling as this is currency of the primary economic environment in which the Company operates and is rounded to the nearest pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The Group and Company's financial statements have been prepared under the historical cost convention.

The current year separate financial statements of the Company cover the year ended 31 August 2020, whereas the prior period separate financial statements of the Company cover the seven month period from incorporation to 31 August 2019.

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with IFRSs as adopted by the European Union. The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and the related notes that form a part of these approved financial statements. The parent company profit for the year ended 31 August 2020 is £12,349,967 (period ended 2019: £2,500,000).

2.2 Reclassification of comparatives

The Group changed the presentation format of the statement of comprehensive income to align with industry practice for financial institutions. Certain balances in the 2019 Statement of Comprehensive Income have been reclassified to conform with the 2020 presentation. These reclassifications do not impact the Statement of Comprehensive Income or equity for the year ended 31 August 2019.

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements of the Group include the results of the Company and its subsidiary undertakings. Subsidiaries are all companies over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from involvement with the entity and has an ability to affect those returns through its power to direct the activities of the subsidiary undertaking. Generally subsidiaries are fully consolidated from the date upon which control is transferred to the Group using the acquisition method of accounting.

However, in accordance with International Financial Reporting Standards as adopted by the EU, the acquisition of the Company's subsidiaries in 2019 has been treated as a capital re-organisation. This requires the Company to prepare its consolidated accounts for the Group as if the Company had owned the pre-existing business of its subsidiaries throughout the current and prior reporting periods of the Group. This is because there has been no substantive economic change in the wider group of companies as a result of the acquisition of the subsidiaries. Accordingly, although the Company was incorporated in February 2019, the Group's prior year consolidated results are presented as if it had always owned the subsidiaries.

Capital re-organisations do not require a fair value assessment of the subsidiary assets acquired or the consideration paid. No goodwill is created on acquisitions accounted for as a capital re-organisation.

The Company has also taken advantage of Group reconstruction relief available under section 611 of the Companies Act 2006 not to account for any premium on the issue of shares to acquire its subsidiaries. Any difference between the subsidiaries' share capital acquired and the share capital issued by the Company to acquire it is placed in a group reconstruction reserve.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group and Company's financial statements are disclosed later in note 3.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on the going concern basis, which assumes the Company and the Group will continue to be able to meet their liabilities as they fall due for the foreseeable future.

The Group has a £65,000,000 bond listed on the International Stock Exchange with the bondholder Midtown Madison Management. The maturity date for the bond, which is in the form of senior secured floating rate notes is 3rd April 2022.

The Group is considering several potential options to refinance the current borrowings before they fall due. Cash flow forecasts also indicates that a large part of the borrowings can be repaid with free cash flows before the expiry date if needed.

The Group has not observed any significant impact of COVID-19 on overall profitability and based on data available to date this is expected to remain the case. However, the full impact of COVID-19 on the business is yet to be determined and may impact the Company's future financial performance. Considering the Group's strong cash position, the Directors believe the Group to be well situated to manage challenges that COVID-19 may present.

The Board of directors has produced detailed short-term and long-term cash flow forecasts which indicate that the Group can meet its liabilities as they fall due and comply with covenants and therefore continue as a going concern for a period in excess of 12 months from the date of approval of these financial statements.

2. Accounting policies (continued)

2.5 Impact of new international reporting standards, amendments and interpretations

The Group has adopted IFRS 16 Leases retrospectively from 1 September 2019 but has not restated comparatives for the year ended 31 August 2019, as permitted under the specific provisions in the standard. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 September 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 11.9%.

The Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. For contracts entered into before 1 September 2019 the Group relied on its assessment made applying IAS 17 and IFRIC 4.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has applied the option to measure the right-of-use asset equal to the lease liability on 1 September 2019 for all leases, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 August 2019. Therefore, there are no adjustments recognised in the opening balance sheet on 1 September 2019.

The following table sets out a reconciliation from the operating lease commitments disclosed in the 2019 financial statements to the lease liability recognised at 1 September 2019:

	2020
	£
Operating lease commitments disclosed as at 31 August 2019	1,963,600
Deduct effect of VAT amount disclosed as an operating lease commitment	327,265
	1,636,335
Discounted using the incremental borrowing rate at 1 September 2019	1,257,114
Lease liability recognised as at 1 September 2019	1,257,114
Comprising:	
Current lease liabilities	327,267
Non-current lease liabilities	929,847
	1,257,114

2. Accounting policies (continued)

2.5 Standards, amendments and interpretations in issue but not yet adopted

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group/Company's financial statements.

	EU effective date: Accounting periods beginning on or after
IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment): Definition of Material	1 January 2020
IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* (Amendments): Interest Rate Benchmark Reform	1 January 2020
Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3 *Business Combinations* (Amendment): Definition of a Business	1 January 2020
IFRS 16 *Leases* (Amendment): Covid-19-related Rent Concessions	†**
IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2022†
IAS 16 *Property, Plant and Equipment* (Amendment): Proceeds before Intended Use	†**
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	†**
IFRS 3 *Business Combinations* (Amendment): Reference to the Conceptual Framework	†**
Annual Improvements to IFRSs (2018 – 2020 cycle)	†**
IFRS 17 *Insurance Contracts*	†**

Standards, amendments and interpretations cannot, in general, be adopted in the EU until they have been EU-endorsed.

† Pending endorsement.
** Expected endorsement date not yet announced.

2. Accounting policies (continued)

2.6 Interest income

Credit services

Interest income represents the value of interest charged to customers on advances made. Interest income is calculated and recognised on a daily basis as interest accrues under the terms of loan agreements entered into by customers. Interest is charged for the first 40 days (2019: 40 days) for SafetyNet Credit and the first 75 days (2019: 75 days) for Tappily of an advance being made, after which no further interest accrues.

Other interest income

Other interest income is recognised in profit or loss using the effective interest method.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.7 Operating leases (pre IFRS 16)

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2.9 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to income are presented separately in the statement of comprehensive income within 'other operating income'.

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss except where a charge attributable to an item of income and expense recognised as other comprehensive income or an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)

2.12 Intangible assets

Software development costs represent internally and externally capitalised time that was spent specifically on software development in respect of bespoke software and infrastructure enhancements and is capitalised at cost. Such assets are capitalised where there is a clearly defined project, the related expenditure is identifiable and where it relates to projects which are technically viable and commercially feasible. Software development costs are reviewed annually to check for impairment or where there are changes in events or circumstances that indicate the carrying value may not be recoverable.

Amortisation has been charged on a straight-line basis in order to write off the assets over their estimated useful lives, currently three years from the date of expenditure and is charged to cost of sales.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land, buildings and leasehold improvements	- Land and buildings are depreciated over the life of the lease. Leasehold improvements are depreciated over 10 years
Fixtures, fittings and office equipment	- between 3 to 10 years

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

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

No depreciation is charged on improvements to leasehold property until they are in use. The carrying values of property, plant and equipment are reviewed for impairment in years if events or changes in circumstances indicate the carrying value may not be recoverable.

2. Accounting policies (continued)

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

A subsidiary is an entity over which the company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The company generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half the voting power, or controls the composition of the board of the directors.

2. Accounting policies (continued)

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For classification and measurement refer to the "New standards and interpretations effective in the reporting period" accounting policy disclosure.

Trade receivables
Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit risk losses.

Provision for expected credit risk on trade receivables
The Group makes use of specific metrics to measure and control credit risk, as follows.

Expected credit losses ("ECLs")
The Group assesses expected credit risk on trade receivables (principally loan advances) based on various criteria. The key criteria for identifying increased risk is where borrowers have failed to make repayments in line with agreed terms, using a series of stages as described below. The company also monitors macroeconomic factors that it considers may influence risk and analyses risk based on the brand under which the loan is advanced. Further details on forward looking information can be found in note 16.

Stages 1, 2 and 3
Loans which have indications of an increased. credit risk since origination are analysed using criteria to assess the expected credit loss of those loans. This assessment is performed by grouping loans into a series of stages with similar characteristics such as the number of missed payments. Stage 1 is where there has been no significant increase in credit risk since initial recognition. Stage 2 is where one repayment has been missed. Stage 3 is where two or more repayments have been missed or the loan is over 90 days overdue.

Measuring ECL
The allowance for ECLs is calculated using three components: a probability of default (PD), the exposure at default (EAD) and LGD. The ECL is calculated by multiplying the PD, EAD and LGD.

PD is calculated by applying appropriate experienced historic percentage loss rates incurred to each of the stages detailed above, respectively, based on historical data, assumptions and expectations of future economic conditions.

EAD represents the expected balance, including both principal and interest, exposure at default.

LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the loan balance due and that which is expected to be received.

The Group classifies all exposures over 30 or 90 days in at least stage 2 or stage 3 respectively. It does not rebut the backstop presumption in IFRS 9 that a credit risk has significantly increased if contractual payments are more than 30 days overdue.

2. Accounting policies (continued)

Loans and other receivables

Loans and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.16 Borrowings

Borrowings are stated at their carrying amounts which is deemed to be not materially different from fair value since the interest payable on borrowings is close to current market rates. Any difference between the proceeds and the redemption amount (e.g. discount on issue) is recognised in the profit and loss over the period of the borrowing using the effective interest method. Borrowing costs are expensed in the period in which they are incurred. Borrowings are derecognised in the statement of financial position when the obligations in the contract are discharged, cancelled or expired.

2.17 Leases

The Group as a lessee

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all leases. The lease liability is measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The right of use asset is measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. The right-of-use asset is depreciated on a straight-line basis over the life of the lease whilst a finance cost is charged on the outstanding lease liability over the life of the lease.

The Group has adopted the option not to recognise right-of-use assets and liabilities for short-term property leases that have a remaining lease term of less than twelve months and low-value asset leases. The costs for those leases are expensed to the Income Statement on a straight-line basis over the lease term.

The Group determines the incremental borrowing rate by using a build-up approach, starting with the risk-free rate, adjusted for credit risk and security.

In calculating the incremental borrowing rate ("IBR"), used to calculate the finance charge on a right-of use asset, several components were considered, these being: risk-free rate, lease specific adjustments, inflation, country risk premium and financing spread. The resulting incremental borrowing rate of 11.9% is the cost of money to the company if it were to borrow funds to satisfy the lease obligation.

2. Accounting policies (continued)

2.18 Capital management

The Group views its primary source of capital funds as the loan notes that have been issued by the Company, as described in note 20. This provides the Group's principal source of ongoing working capital to allow it to provide credit services to its customers. The Group's policy on capital is to ensure that it uses its capital as efficiently as possible to provide consumer credit funds while adhering to the operational cash requirements of the business. It monitors and forecasts utilisation of the available facility to ensure that the capital available to the business is sufficient for its requirements and that the Group operates within any constraints imposed by the amount of capital available for it. The Group is continually developing its internal financial reporting structure used to monitor, analyse and report on its overall financial performance and the quality and performance of its consumer credit book.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.22 Warrants

Warrants issued to the providers of funding and refinancing advice are recognised under shareholders' equity at their fair value as calculated using Black Scholes and other available market information. The corresponding asset in the statement of financial position is amortised to the income statement over the excise period of the warrant. In the event that a warrant is cancelled the corresponding part of the Warrant Reserve is transferred to the retained earnings within shareholders equity.

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

In the process of applying the Company's accounting policies the Directors are required to make estimates and judgements that may affect the financial statements. The Directors believe that the estimates and judgements applied in the financial statements are reasonable.

Estimates and judgements are evaluated on a regular basis and are based on historical experience (where applicable) and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the company's accounting policies

The critical judgements that the Directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

(i) Recognition of capitalised development costs

The capitalisation of software development costs involves the estimation of future economic benefits deriving from the software and judgement over the economic useful life of the software. The extent to which labour costs are capitalised within intangible assets is based on an assessment of the work being carried out by developers employed by the Group and an assessment of the recoverable amount of those costs.

3.2 Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. These estimates, by definition, will rarely equal the related actual results. The Directors believe that the following estimates and assumptions are significant in preparing the financial statements:

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Expected credit loss ('ECL')

The application of the expected credit loss ("ECL") impairment methodology for calculating the credit impairment allowance is highly responsive to change from period to period. The methodology requires the directors to make a number of assumptions in determining the estimates. The key judgements made by the directors in applying the ECL impairment methodology are the probability weights and the impact of macroeconomic factors. A 5% increase or reduction in the Stage 1 bad rate would result in a £119,355 or (£119,355) impact on the ECL. A 5% increase or reduction in LGD rates would result in a £116,542 or (£116,542) impact on the ECL.

4. Interest income

An analysis of interest income by class of business is as follows:

	Group 2020 £	Restated Group 2019 £
Credit services	94,398,091	81,425,064
Interest income on director's loans (see note 29)	1,074	1,410
Interest income on other related party loan (see note 30)	-	278,805
	94,399,165	81,705,279

All interest income arose within the United Kingdom.

5. Other operating income

	Group 2020 £	Group 2019 £
Government grants receivable	338,163	-

Government grants receivable relates to the Coronavirus Job Retention Scheme (CJRS).

6. Operating profit

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

	Group 2020 £	Group 2019 £
Amortisation of intangible fixed assets	583,212	413,762
Depreciation of property, plant and equipment	236,226	182,622
Depreciation of right-of-use assets	715,842	-
Exchange differences	(855)	(9,794)
Cost of Risk (impairment allowance)	26,012,941	32,380,427
Operating lease rentals	-	810,594
Provision against amounts due from related party (see note 30)	-	2,128,487

7. Auditor's remuneration

	Group 2020 £	Group 2019 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	97,700	93,000
Fees payable to the Group's auditor in respect of:		
Other services relating to taxation	-	43,150

Non-audit services have ceased since the listing of debt on The International Stock Exchange ("TISE").

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	7,098,455	5,676,358
Social security costs	660,284	607,162
Cost of defined contribution scheme	134,688	67,949
	7,893,427	6,351,469

Included above is staff costs (including directors) of £387,049 (2019: £255,319) which has been capitalised within intangible assets as it relates to research and development expenditure.

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

	2020 £	2019 £
IT development	26	19
Back office	60	47
Customer services	115	101
	201	167

The parent company employed no staff during either year and incurred no staff costs.

9. Directors' emoluments

	Group 2020 £	Group 2019 £
Aggregate directors' emoluments	608,339	1,117,262
Pension scheme contributions	7,854	7,229
	616,193	1,124,491

Included above is £73,020 (2019: £66,902) which has been capitalised within intangible assets.

During the period retirement benefits were accruing to two directors (2019: two directors) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £368,648 (2019: £825,336).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,625 (2019: £nil).

10. Interest expense

	Group 2020 £	Group 2019 £
Related party loans (note 25)	-	5,649,498
Loan notes (note 25)	8,284,986	3,187,500
Lease liabilities (note 21)	420,449	-
Amortisation of discount on issue of loan notes (note 25)	328,125	127,344
Other finance costs	20,282	13,972
	9,053,842	8,978,314

11. Taxation

	Group 2020 £	Group 2019 £
Corporation tax		
Current tax on profits for the year	3,097,249	2,167,303
Adjustments in respect of previous periods	(110,662)	(201,620)
Total current tax	2,986,587	1,965,683
Deferred tax		
Origination and reversal of timing differences	2,784,528	523,662
Adjustments in respect of prior periods	335,301	-
Total deferred tax	3,119,829	523,662
Taxation on profit on ordinary activities	6,106,416	2,489,345

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Group 2020 £	Group 2019 £
Profit on ordinary activities before tax	30,821,743	12,234,517
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	5,856,131	2,324,558
Effects of:		
Expenses not deductible for tax purposes	15,832	1,380,227
Capital allowances for year in excess of depreciation	833	(40,078)
Unutilised tax losses carried forward	-	(197,144)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(225,742)
Under/(over) provision in prior year	-	(201,620)
Change in unrecognised tax losses	-	(550,856)
Adjustment in respect of prior periods (current & inter-co)	(110,662)	-
Adjustments in respect of prior periods (deferred tax)	335,301	-
Remeasurement of deferred tax for changes in tax rates	8,981	-
Total tax charge for the year	6,106,416	2,489,345

There are gross tax losses plus other unrelieved expenditure totalling a maximum of approximately £1m (2019: £19m) which the subsidiaries in the Group (primarily Indigo Michael Limited) have potentially available to carry forward and utilise against future trading profits, subject to UK tax regulations in respect of the utilisation of these losses. The Group is generating profits against which these losses may be utilised and hence a deferred tax asset has been recognised in respect of these losses in 2019 and 2020.

Factors that may affect future tax charges

There are no significant changes to the UK tax rate anticipated in the foreseeable future.

12. Dividends

	Group 2020 £	Group 2019 £
Ordinary		
Interim dividend paid of £82,000 per share (2019: £25,000)	8,200,000	2,500,000
	8,200,000	2,500,000

13. Intangible assets

Group

	Internally generated software £
Cost	
At 1 September 2018	2,012,593
Additions	767,961
At 1 September 2019	2,780,554
Additions	723,249
At 31 August 2020	3,503,803
Amortisation	
At 1 September 2018	1,314,992
Charge for the year	413,762
At 1 September 2019	1,728,754
Charge for the year	583,212
At 31 August 2020	2,311,966
Net book value	
At 31 August 2020	1,191,837
At 31 August 2019	1,051,800

The Company holds no intangible assets.

Amortisation is charged to cost of providing services in the statement of comprehensive income.

14. Tangible fixed assets

Group

	Land and buildings £	Land, buildings and leasehold improvements £	Fixtures, fittings and office equipment £	Total £
Cost				
At 1 September 2018	-	306,363	603,409	909,772
Additions	-	-	290,425	290,425
Disposals	-	-	(45,000)	(45,000)
At 1 September 2019	-	306,363	848,834	1,155,197
Additions	4,185,365	11,501	500,672	4,697,538
Disposals	-	-	(88,185)	(88,185)
At 31 August 2020	4,185,365	317,864	1,261,321	5,764,550
Depreciation				
At 1 September 2018	-	61,901	314,494	376,395
Charge for the year	-	30,635	151,987	182,622
On disposals	-	-	(21,787)	(21,787)
At 1 September 2019	-	92,536	444,694	537,230
Charge for the year	715,842	30,813	205,413	952,068
Disposals	-	-	(12,591)	(12,591)
At 31 August 2020	715,842	123,349	637,516	1,476,707
Net book value				
At 31 August 2020	3,469,523	194,515	623,805	4,287,843
At 31 August 2019	-	213,827	404,140	617,967

15. Tangible fixed assets (continued)

The Company holds no tangible fixed assets.

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	Group 2020 £
Tangible fixed assets owned	918,320
Right-of-use tangible fixed assets	3,469,523
	4,387,843

Information about right-of-use assets is summarised below:

	Group 2020 £
Depreciation charge for the year ended	
Buildings	715,842

	Group 2020 £
Additions to right-of-use assets	
Buildings	3,469,523

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 September 2019	1
Additions	250,000
At 31 August 2020	250,001
Net book value	
At 31 August 2020	250,001
At 31 August 2019	1

Additions during the year relate to an increase in the Company's investment in Indigo Michael Limited.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Indigo Michael Limited	10 Brick Street, London, England, W1J 7HQ	Finance lender	Ordinary and Ordinary B	100%
Accounts Technologies Software Limited	10 Brick Street, London, England, W1J 7HQ	Software developer	Ordinary	100%

The aggregate of the share capital and reserves as at 31 August 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit £
Indigo Michael Limited	1,261,663	16,385,387
Accounts Technologies Software Limited	1,926,345	8,329,973

16. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due after more than one year				
Amounts owed by group undertakings	-	-	68,380,469	64,152,344
Other debtors	252,922	252,922	-	-
Deferred tax asset (note 23)	544,509	3,664,338	-	-
	797,431	3,917,260	68,380,469	64,152,344

Other debtors after more than one year relates to a landlord rent deposit, refundable no later than 2024.

	Group 2020 £	Group 2019 £
Due within one year		
Trade debtors - loans	59,112,786	49,166,687
Amounts owed by related parties	-	24,694
Other debtors	551,468	296,727
Prepayments and accrued income	441,392	303,421
Grants receivable	37,025	-
	60,142,671	49,791,529

The financial assets carried at amortised cost approximate fair value.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

	Expected loss rate 2020	Gross receivable 2020	Allowance for expected credit losses 2020	Net receivable 2020
Trade receivables - loans aging analysis				
Stage 1 (0-30)	6.30%	52,999,548	3,348,078	49,651,470
Stage 2 (31-60)	63.88%	3,514,712	2,245,155	1,269,557
Stage 3 (61-90)	93.19%	120,235,818	112,044,059	8,191,759
	-	176,750,078	117,637,292	59,112,786

16. Debtors (continued)

	Expected loss rate 2019	Gross receivable 2019	Allowance for expected credit losses 2019	Net receivable 2019
Trade receivables - loans aging analysis				
Stage 1 (0-30)	6.8%	49,819,421	3,398,211	46,421,210
Stage 2 (31-60)	68.6%	4,901,557	3,363,909	1,537,648
Stage 3 (61-90)	98.7%	92,653,540	91,445,711	1,207,829
	-	147,374,518	98,207,831	49,166,687

The main factors considered by the Group when assessing expected credit losses are as follows:

Credit losses are measured on a collective basis, grouped together based on similar characteristics, primarily a) the brand under which loans are advanced and b) the number of monthly repayments missed. The evaluation includes an assessment of elements of loans which have been approved but were as yet undrawn at the date of the statement of financial position. The expected loss rates are based on the Group's historic loss rates incurred over the six months prior to the balance sheet date. Management have investigated the impact of macroeconomic changes and the impact on its customers since the Group started underwriting loans. The Group views the key macroeconomic factors affecting its customers as inflation, general interest rates, GDP growth and unemployment rates. Investigations have not revealed any clear causal correlation between these macroeconomic factors and the bad debt rate incurred by the Group during this period. Accordingly, the Group has no evidence of any material impact arising from changes in these macroeconomic factors in the near future.

Movements in the provision for expected credit losses for trade receivables during the year are as follows:

	2020 £	2019 £
At 1 September	98,207,831	69,945,812
Increase in provision during the year	26,012,941	32,380,427
Receivables written off during the year	(6,583,481)	(4,118,408)
At 31 August	117,637,291	98,207,831

Movements in provisions for expected credit losses from related parties are detailed in note 30.

17. Cash and cash equivalents

	Group 2020 £	Group 2019 £
Cash at bank and in hand	18,636,585	5,683,126

Included in Cash at Bank and in hand is £14m which is held in a reserve account. While this cash is not restricted Midtown Madison Management has sole signing rights to the facility.

18. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £
Trade creditors	1,367,621	1,163,929
Amounts owed to group undertakings	-	89,300
Corporation tax	4,622,134	1,981,053
Other taxation and social security	300,494	216,293
Lease liabilities	1,130,008	-
Other creditors	431,791	475,591
Accruals and deferred income	2,915,891	2,174,885
	10,767,939	6,101,051

The directors consider that the carrying amount of the trade and other payables approximates fair value.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Loan notes	64,480,469	64,152,344	64,480,469	64,152,344
Lease liabilities	2,720,062	-	-	-
Amounts owed to group undertakings	-	-	33	-
Other creditors	-	235,632	-	-
	67,200,531	64,387,976	64,480,502	64,152,344

The directors consider that the carrying amount of the trade and other payables approximates fair value.

Other creditors falling due after more than one year relates to a rent accrual that spreads the benefit of lease incentives received. The Company had no trade and other payables falling due after more than one year.

20. Loan notes

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due 1-2 years				
Loan notes - at redemption value	65,000,000	65,000,000	65,000,000	65,000,000
Loan notes - unamortised discount on issue	(519,531)	(847,656)	(519,531)	(847,656)
	64,480,469	64,152,344	64,480,469	64,152,344

During the prior year, the company issued £65 million of sterling-denominated loan notes. The loan notes mature 36 months after issue and interest is payable quarterly at a rate of 11.75% over LIBOR. The loan notes were issued at a discount on issue and the discount is being amortised over the period of the loan. The loan notes are secured against the Group's assets.

Loudwater Ventures Limited, the Company's parent (formerly Account Technologies Limited), and its subsidiaries Indigo Michael Limited and Account Technologies Software Limited (formerly Broadway Financial Technology Limited) had each entered into a debenture creating fixed and floating charges over all their assets, property, business, undertaking and uncalled share capital as continuing security in favour of Indigo Funding Luxembourg S.A.R.L. as security for the obligations of the Obligors under the Facility Agreement entered into with Indigo Funding Luxembourg S.A.R.L. dated 31 December 2014. Under the Facility Agreement each company cross-guaranteed the obligations of each other Obligor under the Facility Agreement. During the year the Facility was repaid using the proceeds from the loan notes above and the security released. On issue of the above loan notes during the year, similar security was provided by the Company together with its parent and subsidiary undertakings in favour of the loan note holders.

21. Leases

Group as a lessee

The Group leases various offices, typically for fixed periods of 5 – 10 years.

Lease liabilities are due as follows:

	Group 2020 £
Not later than one year	1,130,008
Between one year and five years	2,720,062
	3,850,070

The following amounts in respect of leases, where the Group is a lessee, have been recognised in profit or loss:

	Group 2020 £
Interest expense on lease liabilities	420,449

The total cash outflow for leases in 2020 was £1,050,284.

The Company does not hold any leases (2019: £nil).

From 1 September 2019, the Group has recognised the right-of-use assets for these leases along with the lease liability and they are included on balance sheet, see notes 2.5 and 15 for information.

At 31 August 2020 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £
Not later than 1 year	1,130,008
Later than 1 year and not later than 5 years	2,720,062
	3,850,070

22. Financial instruments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Financial assets				
Cash and cash equivalents	18,636,585	5,683,126	-	-
Financial assets measured at amortised cost	**59,954,200**	49,741,030	68,380,469	64,152,344
	78,590,785	55,424,156	68,380,469	64,152,344
Financial liabilities				
Financial liabilities measured at amortised cost	**75,052,579**	68,314,142	68,380,502	64,152,344

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, amounts owed by related parties and other debtors.

Financial liabilities measured at amortised cost comprise trade payables, corporation tax, other taxation and social security, other creditors, amounts owed to group undertakings, loan notes and lease liabilities.

23. Deferred taxation

Group

	2020 £	2019 £
At beginning of year	3,664,338	4,188,000
Charged to profit or loss	(3,119,829)	(523,662)
At end of year	544,509	3,664,338

The deferred tax asset is made up as follows:

	Group 2020 £	Group 2019 £
Accelerated capital allowances	(216,151)	-
Short term temporary differences	6,380	-
Disallowed tax-interest expense	628,782	2,439,590
Tax credit and loss carry forward	125,498	1,224,748
	544,509	3,664,338

The deferred tax asset at 31 August 2020 is anticipated to be recoverable after more than one year.

There was no material unrecognised deferred tax at 31 August 2020 (2019: £nil).

24. Warrants

Atlanticus Warrants

Warrants over 105,254 ordinary shares of £0.001 in Loudwater Ventures Limited (previously known as Account Technologies Limited) were issued in favour of Atlanticus Holding Corporation in December 2014.

This warrant was issued as consideration for Atlanticus having provided an offer to refinance the previous AnaCap £10m facility and enable repayment in full of that facility. As part of the commercial terms agreed with Atlanticus at the time, it was agreed that Atlanticus would be given warrants over 105,254 shares, representing 5% of the issued ordinary shares in Loudwater Ventures Limited pre-dilution by the issue of shares and warrants to Indigo Funding Cayman Limited.

The warrant can be exercised at any time during the "Exercise Period" or conditionally upon the occurrence of an Exit. The Exercise Period means the period from the date 60 months after 31 December 2014 until the date 61 months after 31 December 2014.

The warrant is exercisable at the Subscription Price of £0.001 per Share (i.e. at nominal value).

As Indigo Michael Limited was the principal beneficiary of this agreement the charge for the accounting for these warrants is reflected in these financial statements under the principals of IFRS 2 'Share Based Payments'.

The warrants were exercised in January 2020.

25. Changes in financing liabilities

	Loan notes £	Indigo Funding loan £	Total £
Financing liabilities at 1 September 2018	-	58,755,418	58,755,418
Amounts advanced to the Group	64,025,000	-	64,025,000
Interest charged on borrowings	3,187,500	5,649,498	8,836,998
Amortisation of discount on issue	127,344	-	127,344
Foreign exchange movements	-	(138,224)	(138,224)
Interest paid by the Group	(3,187,500)	(5,649,498)	(8,836,998)
Amounts repaid by the Group	-	(58,617,194)	(58,617,194)
Financing liabilities at 31 August 2019	64,152,344	-	64,152,344
Amounts advanced to the Group	3,900,000	-	3,900,000
Interest charged on borrowings	8,284,986	-	8,284,986
Amortisation of discount on issue	328,125	-	328,125
Foreign exchange movements	-	-	-
Amounts advanced to the Group	(8,284,986)	-	(8,284,986)
Amounts repaid by the Group	-	-	-
Financing liabilities at 31 August 2020	68,380,469	-	68,380,469

26. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100 (2019: 100) Ordinary shares of £0.01 each	1	1

During the prior year the Company issued two ordinary share of £0.01 at par on incorporation and 98 ordinary shares of £0.01 to acquire the share capital of its subsidiaries.

27. Reserves

Shares to be issued

"Shares to be issued" represents the share capital of the Company, not issued until the current year, to acquire its subsidiary undertakings.

Other reserve

The other reserve arose as a result of a share based payment transaction in which the company's parent issued warrants in return for a liquidity facility from which the Company was the beneficiary. As the asset recognised as a result of this capital contribution has been fully expensed, the reserve is now released and has therefore been transferred to P&L reserves in the current period.

Group reconstruction reserve

On 16 April 2019 the Company issued a further 98 ordinary £0.01 shares as consideration for the acquisition of all of the issued share capital of its sister companies, Indigo Michael Limited and Account Technologies Software Limited, as part of a Group re-organisation. These two companies became wholly owned subsidiaries on that date. In accordance with International Financial Reporting Standards, the acquisition of the Company's subsidiaries has been treated as a capital re-organisation.

Profit and loss account

This reserve comprises the cumulative profits and losses of the Group and Company.

28. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £134,688 (2019: £67,949) . Contributions totalling £33,578 (2019: £22,016) were payable to the fund at the reporting date and are included in creditors.

29. Transactions with directors and key management

During the year the Company entered into the following transactions with directors and key management:

Mr I. McKenzie

At the balance sheet date the Group owed £nil (2019: £6,106) to the director. Interest payable amounted to £nil (2019: £nil) calculated at 6% per annum.

Mr J. Cameron

During the year the Group forgave and wrote off an amount of £30,158 (2019: nil) in respect of a loan to Mr J. Cameron, a director of a subsidiary undertaking. At the balance sheet date the Group was owed £nil (2019: £24,694). J. Cameron made £nil loan repayments in the year (2019: £nil). There was an offset of amounts payable of £nil (2019: £4,389). Interest receivable amounted to £1,074 (2019: £1,410) calculated at 6% per annum.

Also, at the balance sheet date the Group owed £nil (2019: £4,391) to J. Cameron. Interest payable amounted to £nil (2019: £nil).

30. Related party transactions

Indigo Funding Luxembourg S.A.R.L

A minority shareholder in the Company's ultimate parent undertaking

	2020 £	2019 £
Amount owed to the related party at start of year	-	58,755,418
Loans received from/(repaid to) the related party	-	(58,617,194)
Interest paid to the related party	-	(5,649,498)
Foreign exchange movements in the year	-	(138,224)
Interest due to the related party loan at 7%	-	5,649,498
Amount owed to the related party at the year end	-	-

On 31 December 2014, the Group entered into a loan agreement with Indigo Funding Luxembourg S.A.R.L. for the sum of £35,000,000 (subsequently increased) in order to repay then existing loan finance, fund growth of the business through additional customer loans and to provide working capital for the Company. That new loan agreement was split into two separate facilities, Facility A (in sterling) and Facility B (in US dollars).

In April 2019 these facilities were repaid in full using proceeds from the issue of new loan notes by Account Technologies Holdings Limited.

The Company is claiming exemption from disclosing intra-group transactions by virtue of being parent of a Group with 100% subsidiaries, and that it produces consolidated financial statements.

30. Related party transactions (continued)

Accountscore Limited

	2020 £	2019 £
Interest, expenses recharged and amounts lent to the related party	592,504	2,128,487
Amount owed (from) the related party at the year end	(227,289)	-
Amount of loan forgiven in year, net of provision brought forward	-	(2,128,487)

During the prior year the Group forgave all amounts owed by Accountscore Limited at that time totalling £6,449,512.

Accountscore Limited is a company under common control.

Remuneration of key management personnel

The key management personnel are considered to be the directors of the Company and each of its subsidiaries on the basis that they are primarily responsible for directing the activities of the Group.

The remuneration of key management personnel is set out below in aggregate.

	2020 £	2019 £
Short-term employee benefits	787,744	1,318,270
Post-employment benefits	7,854	9,229
	795,598	1,327,499

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

31. Post balance sheet events

In September 2020, a subsidiary undertaking a subsidiary undertaking, Indigo Michael Limited, completed a debt sale of £4,858,426, this is considered to be a non-adjusting post balance sheet event since the consideration received equals the carrying amount of the debt sold.

On 5th November 2020 ACM AT HOLDCO VII LLC acquired 30% of the shareholding in the company from the ultimate parent company Loudwater Ventures Limited. There is no financial impact on the financial statements of Company.

Since the year end, dividends totaling £4,400,000 have been paid to the Company's shareholders.

32. Controlling party

The immediate and ultimate parent undertaking is Loudwater Ventures Limited (formerly Account Technologies Limited). The parent undertaking of the smallest and largest Group, which includes the Company and for which Group accounts are prepared, is Loudwater Ventures Limited, a company incorporated in the United Kingdom. Copies of the Group financial statements of Loudwater Ventures Limited are available from 10 Brick Street, Mayfair, London, W1J 7HQ. The company's immediate controlling party is Loudwater Ventures Limited.

The ultimate controlling party is I. McKenzie by the virtue of his majority shareholding in Loudwater Ventures Limited.