# Indigo Michael Limited

**Registered number: 07721420**

## Annual Report

**For the year ended 31 August 2021**

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | I McKenzie<br>J Cameron<br>R Ashton |
| **Company secretary** | J Cameron |
| **Registered number** | 07721420 |
| **Registered office** | 10 Brick Street<br>Mayfair<br>London<br>W1J 7HQ |
| **Trading Address** | PO Box 1515<br>High Wycombe<br>HP11 9JE |
| **Independent auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>7 More London Riverside<br>London<br>SE12 1RT |

**CONTENTS**

**STRATEGIC REPORT**
**FOR THE YEAR ENDED 31 AUGUST 2021**

## Introduction

The directors present the strategic report and audited financial statements for the year ended 31 August 2021.

## Business review

Revenue in the year was £92.1m (2020: £94.4m) with the reduction mainly driven by COVID-19 effects and the national lockdowns causing an easing of demand for credit products as consumer expenditure reduced with sectors such as leisure and travel effectively shut down or offering reduced services for prolonged periods. Overall, the Company was able to reduce initial default rates and acquisition costs against a backdrop of reduced demand for consumer credit. Now that the economy has substantially reopened and demand for credit has returned the directors believe that the business has the operational infrastructure necessary to support anticipated growth over the coming years. The company has net assets position of £10.4m (2020: £1.3m) at the year end.

In common with other businesses, during 2020 and 2021 COVID-19 presented an unprecedented challenge as the Company sought to protect its employees and follow government guidance while continuing to support its customers. As such, the Company 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 Company has a full suite of support available to customers encountering financial difficulties whether as a result of COVID-19 or otherwise. This includes forbearance, Breathing Space (whereby customers can cap their repayments), payment deferrals and COVID-19 payment deferrals as well as SPAs (scheduled payment arrangements). The Company 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 Company 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. The Company has therefore been able to continue to provide a high level of service to its customers and maintain critical services.

The Company has not observed any significant impact from COVID-19 on its financial performance and as the lockdown restrictions have eased the Company has largely returned to Business As Usual with the benefit of lessons learned and operational improvements implemented during the initial stages of the pandemic.

## 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 Company will continue to stay focused on financial stability while 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, 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, cyber security, ability to recruit and retain key staff and reliance on key suppliers and service providers. The Board and management of the Company monitor these risks and potential mitigating actions on a regular basis.

**Coronavirus and COVID-19**

The COVID-19 pandemic continues to affect the UK and global economies however the recent lifting of social restrictions by the government means the directors anticipate the UK and global economies to return to growth in due course. It is not possible to predict how quickly and to what degree this may happen.

**Financial key performance indicators**

Management tracks several financial Key Performance Indicators ("KPIs") to understand the business, development, performance and position of the Company. The following KPIs is what the business have used to monitor the progress.

**Figures in £m unless otherwise stated**

| | 2021 | 2020 | Change % |
|---|---|---|---|
| Revenue | 92.1m | 94.4m | (2.4%) |
| Net loan book (2) | 48.1m | 48.9m | (1.6%) |
| Profit after tax: Revenue Ratio | 8.0% | 17.4% | (9.8%) |
| Profit after tax | 9.1m | 16.4m | (54.9%) |

(1) Net loan book represents total outstanding loans less provision for impairment.

Management's strategy is to maintain the Company's 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 nine years of underwriting and lending.

Revenue was £92.1m (2020: £94.4m), a reduction of (2.4%) year on year mainly driven by COVID-19 effects and the national lockdowns causing a reduction in demand as customers reduced expenditure. Impairment ratios have stayed in line with management's expectations. The net loan book reduced by (1.6%) to £48.1m (2020: £48.9m). Costs across all key drivers were controlled and operating efficiencies delivered throughout the year. Profit after tax decreased as expected by (54.9%) to 9.1m (2020: £16.4m) driven by a maturing loan book and £7.5m one-off bad debt sale in prior year.

**Directors' statement of compliance with duty to promote the success of the Company**

The directors of Indigo Michael Limited (the "Company") 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 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 2021.

**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 Company'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 Company's employees**

Our behaviour is aligned with the expectations of our people, our customers, investors, communities and society.

Our employees are fundamental to contributing to the Company's success and the delivery of our business plan. The Company takes the interests of its people into account when making decisions. To identify their issues, we conduct and act on regular employee surveys and 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 Company wide training framework to ensure our culture remains positive, employees feel they belong and get ahead.

The Company will continue to build a high performing and diverse team, whilst taking all necessary measures to create a working environment in which employees feel safe, valued and able to perform.

**The need to foster the Company's business relationships**

Supplier relations are central to the success of our Company. 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 and takes customer care seriously with significant additional resource devoted to quality assurance and driving the best possible customer outcomes

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

The reputation of the Company 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.

**STRATEGIC REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 AUGUST 2021**

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

**The impact of the Company's operations on the community and the environment**

The Company is conscious of both its 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**

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

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

**R Ashton**
Director

Date: 23 December 2021

**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 31 AUGUST 2021**

The directors present their report and the audited financial statements for the year ended 31 August 2021.

**Principal activities**

The Company's principal activities during the year continued to be the provision of running account consumer credit service. The Company is authorised by the Financial Conduct Authority to carry on the business of entering into regulated credit agreements as lender and credit broking. The Company is also authorised by the Financial Conduct Authority as an authorised payment institution to carry out payment initiation services and account information services.

The Company is domiciled in the United Kingdom.

**Results and dividends**

The profit for the year, after taxation, amounted to £9,133,593 (2020: profit of £16,385,387).

No dividends were paid during the year (2020: £nil). The directors do not recommend payment of a final dividend (2020: £nil).

**Directors**

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

I McKenzie
J Cameron
R Ashton

**Statement of directors' responsibilities in respect of the financial statements**

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 101 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 Company will continue in business.

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

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

**Going concern**

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

On the 15th June 2021 the Company, in conjunction with Account Technologies Holdings Limited, refinanced £65,000,000 of debt owed by issuing a £75,000,000 bond on the International Stock Exchange to the bond holder Midtown Madison Management. The Company has drawn £50,000,000 of the new facility as of 31st August 2021. The maturity date for the bond, which is in the form of senior secured floating rate notes, is 15th June 2024.

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

Account Technologies Holdings Limited has provided a letter of support which confirms the outstanding intercompany indebtedness balance of £50,021,131 (2020: £64,480,649) will not be required to be repaid until at least 1st January 2023.

**Future developments**

The directors anticipate the business environment will remain competitive. They believe that the Company is in a good financial position.

**Financial risk management**

The Company continually monitors the financial risk facing the organisation through regular cash flow meetings and the funding requirements to support the growth of the business.

**Qualifying third party indemnity provisions**

The Company has made 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**

The Company has taken the option to exclude any information relating to energy and carbon reporting as it is included in the consolidated accounts of Account Technologies Holdings Limited.

**Disclosure of information to auditors**

Each of the directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Independent auditors**

The auditors, 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.

**R Ashton**
Director

Date: 23 December 2021

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDIGO MICHAEL LIMITED

### Report on the audit of the financial statements

**Opinion**

In our opinion, Indigo Michael Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 Statement of Financial Position as at 31 August 2021; the Statement of Comprehensive Income and the Statement 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 Company 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.

**Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDIGO MICHAEL LIMITED

**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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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 company and its 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 Directors' responsibilities statement, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDIGO MICHAEL LIMITED**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Reading of minutes of meetings of those charged with governance;
- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Performing testing over manual journals based on specific risk parameters to address the risk of fraud through management override of controls;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Challenging assumptions made by management in its significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDIGO MICHAEL LIMITED**

**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 obtained 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy Lawrence (Senior statutory auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

London

23 December 2021

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 AUGUST 2021

| | Note | 2021<br>£ | 2020<br>£ |
|---|---|---|---|
| Interest income | 4 | 92,058,648 | 94,355,165 |
| Interest expense | 10 | (8,750,350) | (10,135,806) |
| **Net interest income** | | 83,308,298 | 84,219,359 |
| Other operating income | 5 | 7,986,992 | 300,077 |
| Operating costs | | (26,136,748) | (21,764,235) |
| Administrative expenses | | (19,498,513) | (16,409,606) |
| **Operating profit before impairment losses** | 6 | 45,660,029 | 46,345,595 |
| Impairment losses on loans and advances to customer | | (34,570,920) | (26,012,940) |
| **Profit before tax** | | 11,089,109 | 20,332,655 |
| Tax on profit | 11 | (1,955,516) | (3,947,268) |
| **Profit for the financial year** | | 9,133,593 | 16,385,387 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | 9,133,593 | 16,385,387 |

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 42 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 AUGUST 2021

| | Note | | 2021<br>£ | | 2020<br>£ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 12 | | 711,948 | | 818,452 |
| Tangible assets | 13 | | 1,278,268 | | 1,476,756 |
| Debtors: amounts falling due after more than one year | 14 | | 431,815 | | 888,918 |
| | | | 2,422,031 | | 3,184,126 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 14 | 50,628,710 | | 59,414,539 | |
| Cash at bank and in hand | 15 | 17,916,699 | | 18,603,985 | |
| | | 68,545,409 | | 78,018,524 | |
| Creditors: amounts falling due within one year | 16 | (10,041,237) | | (14,728,894) | |
| **Net current assets** | | | 58,504,172 | | 63,289,630 |
| **Total assets less current liabilities** | | | 60,926,203 | | 66,473,756 |
| Creditors: amounts falling due after more than one year | 17 | | (50,530,947) | | (65,212,093) |
| **Net assets** | | | 10,395,256 | | 1,261,663 |
| **Capital and reserves** | | | | | |
| Called up share capital | 21 | | 250,900 | | 250,900 |
| Profit and loss account | 22 | | 10,144,356 | | 1,010,763 |
| **Total equity** | | | 10,395,256 | | 1,261,663 |

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

**R Ashton**
Director

Date: 23 December 2021

The notes on pages 15 to 42 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 AUGUST 2021

| | Called up share capital | Other reserves | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **At 1 September 2019** | 900 | 497,197 | (15,871,821) | (15,373,724) |
| **Comprehensive income for the year** | | | | |
| Profit for the year | - | - | 16,385,387 | 16,385,387 |
| **Other comprehensive income for the year** | - | - | - | - |
| **Total comprehensive income for the year** | - | - | 16,385,387 | 16,385,387 |
| Shares issued during the year | 250,000 | - | - | 250,000 |
| Reserve transfer | - | (497,197) | 497,197 | - |
| **Total transactions with owners** | 250,000 | (497,197) | 497,197 | 250,000 |
| **At 31 August 2020 and 1 September 2020** | 250,900 | - | 1,010,763 | 1,261,663 |
| **Comprehensive income for the year** | | | | |
| Profit for the year | - | - | 9,133,593 | 9,133,593 |
| **Other comprehensive income for the year** | - | - | - | - |
| **Total comprehensive income for the year** | - | - | 9,133,593 | 9,133,593 |
| **Total transactions with owners** | - | - | - | - |
| **At 31 August 2021** | 250,900 | - | 10,144,356 | 10,395,256 |

The notes on pages 15 to 42 form part of these financial statements.

## 1. General information

Indigo Michael 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 Company's principal activities during the year were the provision of running account consumer credit services. The Company is authorised by the Financial Conduct Authority to carry on the business of entering into regulated credit agreements as a lender and credit broker. The Company is also authorised by the Financial Conduct Authority as an authorised payment institution to carry out payment initiation services and account information services.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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.

The following principal accounting policies have been applied:

## 2. Accounting policies (continued)

### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- paragraph 118(e) of IAS 38 Intangible Assets;

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the Group financial statements of Loudwater Ventures Limited. The Group financial statements of Loudwater Ventures Limited are available to the public and can be obtained as set out in note 27.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the Company as an individual entity and not about its Group.

## 2. Accounting policies (continued)

### 2.3 Going concern

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

On the 15th June 2021 the Company, in conjunction with Account Technologies Holdings Limited, refinanced £65,000,000 of debt owed by issuing a £75,000,000 bond on the International Stock Exchange to the bond holder Midtown Madison Management. The Company has drawn £50,000,000 of the new facility as of 31st August 2021. The maturity date for the bond, which is in the form of senior secured floating rate notes, is 15th June 2024.

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

Account Technologies Holdings Limited has provided a letter of support which confirms the outstanding intercompany indebtedness balance of £50,021,131 (2020: £64,480,649) will not be required to be repaid until at least 1st January 2023.

### 2.4 Impact of new international reporting standards, amendments and interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 August 2021 that have a material impact on the Company's financial statements.

### 2.5 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentation 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 except when deferred in other comprehensive income as qualifying cash flow hedges.

## 2. Accounting policies (continued)

### 2.6 Leases

**The Company as a lessee**

The Company 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 Company'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 Company 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 Statement of Comprehensive Income 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.

### 2.7 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 (2020: 40 days) for SafetyNet Credit and the first 75 days (2020: 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 Company 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 Company does not adjust any of the transaction prices for the time value of money.

## 2. Accounting policies (continued)

### 2.8 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'.

### 2.9 Interest expense

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.10 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

## 2. Accounting policies (continued)

### 2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

### 2.12 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 of 3 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. Accounting policies (continued)

### 2.13 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. Amortisation has been charged on a straight-line basis over their estimated useful lives of 3 years to the profit and loss account within cost of sales. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

### 2.14 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.

The estimated useful lives range as follows:

| | |
|---|---|
| Land and buildings | - over the life of the lease |
| Leasehold improvements | - 10 years |
| Motor vehicles | - 5 years |
| Plant and office equipment | - 3 and 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.

## 2. Accounting policies (continued)

### 2.15 Impairment of Tangible and Intangible Assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.17 Capital management

The Company views its primary source of capital funds as amounts owed by the parent company Account Technologies Holdings Limited. This provides the Company's principal source of ongoing working capital to allow it to provide credit services to its customers. The Company'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 Company operates within any constraints imposed by the amount of capital available for it. The Company 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. Accounting policies (continued)

### 2.18 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.

### 2.19 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. Accounting policies (continued)

### 2.20 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**Debt instruments at amortised cost**

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

**Financial liabilities**

**At amortised cost**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

## 2. Accounting policies (continued)

### 2.20 Financial instruments (continued)

**Derecognition**

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and the transfer qualifies for derecognition. A transferred financial asset qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the financial asset or if the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control.

### 2.21 Provision for Expected Credit Risk on Trade Receivables

The Company makes use of specific metrics to measure and control credit risk, as follows.

*Expected credit losses ('ECL')*

The Company 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 15.

*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 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 Company 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 IFRS9 that a credit risk has significantly increased if contractual payments are more than 30 days overdue.

## 2. Accounting policies (continued)

### 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 balance sheet asset is amortised to the income statement over the exercise period of the warrant. In the event that a warrant is cancelled the corresponding part of the Warrant Reserve is transferred to the profit and loss reserve element of 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 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 Company 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.

*(ii) 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 judgmental assumptions in determining the estimates. The key judgements made by the directors' in applying the ECL impairment methodology are probably weights and the impact of macroeconomic factors. The Company is exposed to changes in customer payments pattern. A 5% increase or reduction in the Stage 1 PD would result in a £274,997 or (£274,997) impact on the ECL. A 5% increase or reduction in LGD rates would result in a £95,163 or (£95,163) impact on the ECL.

## 4. Interest income

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

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Credit services | 92,058,648 | 94,354,091 |
| Interest income on director's loans (see note 24) | - | 1,074 |
| | 92,058,648 | 94,355,165 |

All interest income arose within the United Kingdom.

## 5. Other operating income

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Other operating income | 7,975,346 | - |
| Government grants receivable | 11,646 | 300,077 |
| | 7,986,992 | 300,077 |

Other operating income of £7,975,346 (2020: £nil) relates to monthly debt sale completions during the year.

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

## 6. Operating profit

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

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Exchange differences | 852 | (240) |
| Depreciation of owned tangible fixed assets | 291,065 | 204,233 |
| Depreciation of right-of-use assets | 188,386 | 188,386 |
| Profit on disposal of property, plant and equipment | (1,996) | (3,176) |
| Amortisation of intangible assets | 439,842 | 301,985 |
| Debtor-financing amortisation | - | 33,147 |
| Defined contribution pension cost | 117,170 | 109,119 |
| Government grants | (11,646) | (300,077) |

## 7. Auditors' remuneration

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | 85,060 | 75,600 |

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent Company.

## 8. Employees

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

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 6,671,076 | 6,099,869 |
| Social security costs | 701,060 | 543,168 |
| Cost of defined contribution scheme | 117,495 | 109,119 |
| | 7,489,631 | 6,752,156 |

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

| | 2021 | 2020 |
|---|---|---|
| | No. | No. |
| Customer services | 97 | 115 |
| Back office | 72 | 60 |
| IT development | 4 | 4 |
| | 173 | 179 |

## 9. Directors' remuneration

| | 2021 £ | 2020 £ |
|---|---|---|
| Aggregate remuneration | 629,491 | 608,339 |
| Cost of defined contribution scheme | 7,327 | 7,854 |
| | 636,818 | 616,193 |

During the year retirement benefits were accruing to 2 directors (2020: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £398,512 (2020: £368,648).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £923 (2020: £1,625).

## 10. Interest expense

| | 2021 £ | 2020 £ |
|---|---|---|
| Other loan interest payable | 53,965 | 20,282 |
| Interest payable to Group undertakings | 8,590,926 | 9,986,480 |
| Interest on lease liabilities | 105,459 | 129,044 |
| | 8,750,350 | 10,135,806 |

## 11. Tax on profit

| | 2021 £ | 2020 £ |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 1,487,792 | 1,108,094 |
| Adjustments in respect of previous periods | 10,621 | (189,168) |
| | 1,498,413 | 918,926 |
| **Total current tax** | 1,498,413 | 918,926 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 564,785 | 2,769,376 |
| Adjustments in respect of prior periods | (107,682) | 258,966 |
| **Total deferred tax** | 457,103 | 3,028,342 |
| **Taxation on profit** | 1,955,516 | 3,947,268 |

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19 %). The differences are explained below:

| | 2021 £ | 2020 £ |
|---|---|---|
| Profit before tax | 11,089,110 | 20,332,655 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%) | 2,106,931 | 3,863,204 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | 2,951 | 13,439 |
| Fixed asset differences | (14,370) | 833 |
| Group relief claimed | - | (6) |
| Adjustments to tax charge in respect of prior periods | 10,621 | (189,168) |
| Adjustments to tax charge in respect of previous periods - deferred tax | (107,682) | 258,966 |
| Remeasurement of deferred tax for changes in tax rates | (42,935) | - |
| **Total tax charge for the year** | 1,955,516 | 3,947,268 |

## 11. Tax on profit (continued)

### Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

## 12. Intangible assets

| | Software development £ |
|---|---|
| **Cost** | |
| At 1 September 2020 | 1,280,456 |
| Additions - internal | 329,788 |
| At 31 August 2021 | 1,610,244 |
| **Accumulated amortisation** | |
| At 1 September 2020 | 462,004 |
| Charge for the year | 436,292 |
| At 31 August 2021 | 898,296 |
| **Net book value** | |
| At 31 August 2021 | 711,948 |
| **At 31 August 2020** | 818,452 |

## 13. Tangible assets

| | Right of use asset | Leasehold improvements | Motor vehicles | Plant and office equipment | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 September 2020 | 962,574 | 317,864 | - | 1,044,170 | 2,324,608 |
| Additions | - | 11,485 | 47,499 | 221,979 | 280,963 |
| At 31 August 2021 | 962,574 | 329,349 | 47,499 | 1,266,149 | 2,605,571 |
| **Accumulated depreciation** | | | | | |
| At 1 September 2020 | 188,386 | 123,349 | - | 536,117 | 847,852 |
| Charge for the year | 188,386 | 32,306 | 9,051 | 249,708 | 479,451 |
| At 31 August 2021 | 376,772 | 155,655 | 9,051 | 785,825 | 1,327,303 |
| **Net book value** | | | | | |
| At 31 August 2021 | 585,802 | 173,694 | 38,448 | 480,324 | 1,278,268 |
| **At 31 August 2020** | 774,188 | 194,515 | - | 508,053 | 1,476,756 |

## 13. Tangible assets (continued)

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

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Tangible fixed assets owned | 692,466 | 732,568 |
| Right-of-use tangible fixed assets | 585,802 | 744,188 |
| | 1,278,268 | 1,476,756 |

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

**Net book value**

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Land and buildings | 585,802 | 744,188 |
| | 585,802 | 744,188 |

**Depreciation charge for the year ended**

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Land and buildings | 188,386 | 188,386 |

**Additions to right-of-use assets**

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Land and buildings | - | 744,188 |

## 14. Debtors

| | 2021 £ | 2020 £ |
|---|---|---|
| **Due after more than one year** | | |
| Other debtors | 252,922 | 252,922 |
| Deferred tax asset | 178,893 | 635,996 |
| | 431,815 | 888,918 |
| **Due within one year** | | |
| Trade debtors | 50,041,077 | 59,112,786 |
| Amounts owed by group undertakings | 34,440 | 33 |
| Other debtors | 18,920 | 23,218 |
| Prepayments and accrued income | 534,273 | 243,709 |
| Grants receivable | - | 34,793 |
| | 51,060,525 | 60,303,457 |

Trade debtors disclosed above are measured at amortised cost.

| | Expected loss rate 2021 | Gross receivable 2021 | Allowance for expected credit losses 2021 | Net receivable 2021 |
|---|---|---|---|---|
| **Trade receivables - loans aging analysis** | | | | |
| Stage 1 (0-30) | 4.32% | 32,476,067 | 1,402,810 | 31,073,257 |
| Stage 2 (31-60) | 21.19% | 8,302,893 | 1,759,353 | 6,543,540 |
| Stage 3 (61-90+) | 78.30% | 57,254,328 | 44,830,048 | 12,424,280 |
| | - | 98,033,288 | 47,992,211 | 50,041,077 |

## 14. Debtors (continued)

| | 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 |

The main factors considered by the Company 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 the 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 balance sheet date. The expected loss rates are based on the Company'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 Company started underwriting loans. The Company 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 Company during this period. Accordingly, the Company has no evidence of any material impact arising from changes in these macroeconomic factors in the near future. Included in 'Receivables written off during the year', the amount of £7,975,346 (2020: £nil) relates to monthly debt sale completions during the year.

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

| | 2021 £ | 2020 £ |
|---|---|---|
| At 1 September | 117,637,292 | 98,207,833 |
| Increase in provision during the year | 34,570,920 | 26,012,940 |
| Receivables written off during the year | (104,216,001) | (6,583,481) |
| **At 31 August** | 47,992,211 | 117,637,292 |

## 15. Cash at bank and in hand

| | 2021 £ | 2020 £ |
|---|---|---|
| Cash at bank and in hand | 17,916,699 | 18,603,985 |
| | 17,916,699 | 18,603,985 |

Included in Cash at Bank and in hand is £6m (2020: £14m) which is held in a reserve account. While this cash is not restricted Midtown Madison Management has sole signing rights to the facility.

## 16. Creditors: Amounts falling due within one year

| | 2021 £ | 2020 £ |
|---|---|---|
| Trade creditors | 331,184 | 1,194,096 |
| Amounts owed to group undertakings | 3,562,516 | 9,441,706 |
| Corporation tax | 1,225,567 | 502,876 |
| Other taxation and social security | 254,401 | 204,809 |
| Lease liabilities | 327,267 | 327,267 |
| Other creditors | 307,443 | 344,335 |
| Accruals and deferred income | 4,032,859 | 2,713,805 |
| | 10,041,237 | 14,728,894 |

Account Technologies Holdings Limited and its subsidiaries Indigo Michael Limited, Account Technologies Limited, Account Technologies Innovations Limited, Account Technologies Operations Limited, Account Technologies Software Limited and Account Technologies Property Services Limited have each entered into a debenture creating fixed and floating charges over all of their assets, property, business, undertaking and uncalled share capital as continuing security in favour of Midtown Madison Management LLC as security for the obligations of the Obligors under the Facility Agreement entered into with Midtown Madison Management LLC dated 15 June 2021. Under the Facility Agreement each company cross- guarantees the obligations of each other.

Included in amounts owed to group undertakings are amounts due to Account Technologies Holdings Limited which are secured (2020: unsecured), repayable on 31 December 2030 or promptly on demand in writing by the lender and attract interest at the Bank of England Base Rate plus 12.5% (2020: 20%).

During the year the Company recognised £7,975,346 as other operating income from a debt sale. While consideration received equalled the carrying amount of the debt sold, a gain was realised on amounts previously provisioned for in the profit and loss account.

## 17. Creditors: Amounts falling due after more than one year

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Lease liabilities | 509,816 | 731,624 |
| Amounts owed to group undertakings | 50,021,131 | 64,480,469 |
| | 50,530,947 | 65,212,093 |

Included in amounts owed to group undertakings are amounts due to Account Technologies Holdings Limited which are secured (2020: unsecured), repayable on 31 December 2030 or promptly on demand in writing by the lender and attract interest at the Bank of England Base Rate plus 12.5% (2020: 20%).

## 18. Leases

**Company as a lessee**

The Company leases an office for a fixed period of 10 years.

Lease liabilities are due as follows:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Not later than one year | 327,267 | 327,267 |
| Between one year and five years | 509,816 | 731,624 |
| | 837,083 | 1,058,891 |

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

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Interest expense on lease liabilities | 105,459 | 129,044 |

The total cash outflow for leases in 2021 was £327,267 (2020: £327,267).

The Company is a guarantor for the operating leases recognised in its fellow subsidiary company Account Technologies Software Limited.

## 19. Deferred taxation

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| At beginning of year | 635,996 | 3,664,338 |
| Charged to profit or loss | (457,103) | (3,028,342) |
| **At end of year** | 178,893 | 635,996 |

The deferred tax asset is made up as follows:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Accelerated capital allowances | (235,881) | (123,199) |
| Tax credit and loss carry forward | 110,665 | 125,498 |
| Disallowed tax-interest expense | 295,787 | 628,782 |
| Pension and post-retirement benefits | 8,322 | 4,915 |
| | 178,893 | 635,996 |

A deferred tax asset has been recognised within these financial statements due to the Company now making taxable trading profits. The Company is forecasted to continue to make taxable trading profits going forward.

## 20. Warrants

**Atlanticus Warrants**

Warrants over 105,254 ordinary shares of £0.001 in Loudwater Ventures 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.

## 21. Called up share capital

| | 2021 £ | 2020 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 250,780,000 (2020: 250,780,000) Ordinary shares of £0.001 each | 250,780 | 250,780 |
| 120,000 (2020: 120,000) Ordinary B shares of £0.001 each | 120 | 120 |
| | 250,900 | 250,900 |

The share classes have similar entitlements in respect of voting rights and dividends. The full details are outlined in the Company's Articles of Association.

## 22. Reserves

**Profit and loss account**

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

## 23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £117,170 (2020: £109,119). Contributions totalling £33,288 (2020: £25,870) were payable to the fund at the reporting date and are included in creditors.

## 24. Transactions with directors

During the year the company entered into the following transactions with Directors:

**Mr J. Cameron**

During the year the Company forgave and wrote off an amount of £nil (2020: £30,158) in respect of a loan to the Director. At the balance sheet date the Company was owed £nil (2020: £nil) from the Director. The Director made £nil loan repayments in the year (2020: £nil). Interest receivable amounted to £nil (2020: £1,074) calculated at 6% per annum.

Also, at the balance sheet date the Company owed £3,096 (2020: £nil) to the Director. Interest payable amounted to £nil (2020: £nil).

**Mr. R Ashton**

At the balance sheet date the Company owed £892 (2020: £nil) to the Director. Interest payable amounted to £nil (2020: £nil).

## 25. Related party transactions

FRS 101.8(k) exempts the Company from disclosing transactions between this Company and other members of Account Technologies Holdings Limited, this is because the Company is a wholly owned subsidiary of the parent company.

The Company also entered into the following related party transactions:

**Atlanticus Holding Corporation**

During the prior year, a Company had warrants over 105,254 ordinary £0.001 shares of Loudwater Ventures Limited. The Company recognises a capital contribution reserve of £497,197 relating to these. No capital contribution reserve was recognised during the year ended 31 August 2021.

## 26. Post balance sheet events

There have been no significant events affecting the Company since the year end.

## 27. Controlling party

The ultimate controlling party is Mr I McKenzie by virtue of his majority shareholding in the ultimate parent company, Loudwater Ventures Limited, a company incorporated in the United Kingdom.

The parent undertaking of the smallest and largest Group, which includes the Company and for which Group financial statements 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 Account Technologies Holdings Limited.