

Company Registration No. 09307329 (England and Wales)

ALLAY (UK) LTD.
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

ALLAY (UK) LTD.

COMPANY INFORMATION

Directors	A M Stokoe S P Bell
Company number	09307329
Registered office	3rd Floor Generator Studios Trafalgar Street Newcastle Upon Tyne NE1 2LA
Auditor	RMT Accountants & Business Advisors Ltd Gosforth Park Avenue Newcastle upon Tyne NE12 8EG

ALLAY (UK) LTD.

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ALLAY (UK) LTD.

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2019

The directors present the strategic report for the period ended 30 June 2019.

Fair review of the business

Turnover for the group has risen during the period by 265% to £72,245,849. This has been driven by a carefully selected marketing strategy as well as the hard work from our workforce. The team at both sites made huge efforts to recover compensation, working additional hours during the year and we're proud and thankful for their efforts.

Gross profit increased from £9,411,213 in 2018 (6 month period) to £27,876,501 in the period to 30 June 2019, representing a gross profit margin 39%. This is in line with the group's long term anticipated gross profit %. The directors continue to review the operational effectiveness of the business and invest as appropriate, ensuring the group stays both efficient and competitive.

The directors consider the profit on ordinary activities before taxation of £11,473,703 (2018 - £2,525,244) and shareholders' funds of £11,467,059 (2018 - £2,151,227) to be an excellent return especially given the complexities of this particular trading year. We consider the group to be in a financially strong and competitive position, and are confident of continuing to produce good results for the foreseeable future.

We are delighted with the effort of all the team and the loyalty and understanding of our customers. We thank everyone for their valued contribution.

Principal risks and uncertainties

The group finances its operations through retained profits. The management's objectives are to:

- retain sufficient liquid funds to enable the group to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;

All of the group's surplus funds are invested in sterling bank accounts, therefore there is no price risk exposure.

Brexit risk

The UK's decision to leave the European Union continues to generate a significant level of uncertainty in the economy. The directors regularly assess the likely effects on group revenue and profitability in an attempt to mitigate the risk as far as practicable.

COVID-19 risk

The ongoing COVID-19 pandemic continues to generate a significant level of uncertainty in the economy. The directors regularly assess the likely effects on company operations going forward. The company has been able to reduce administrative costs across the business and has taken advantage of government assistance in the form of the Coronavirus job retention scheme in an attempt to mitigate the risk as far as practicable. This has ensured company cash flow has been positively managed and the impact on the company's operations has been mitigated.

Development and performance

The directors are optimistic about the long term prospects for the growth of the group. Since the period end the group has continued to develop business opportunities within the industry and has further plans to improve systems with the view to improving efficiencies throughout the group.

ALLAY (UK) LTD.

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2019

Other information and explanations

Fixed assets

In the opinion of the directors, the value of the group's assets are not materially in excess of that shown in the financial statements when considered in relation to its use in the group's trade.

Supplier payment policy

The group's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction or series of transactions, in order to ensure that suppliers are aware of the group's payment terms.

Employee matters

The group places considerable value on its employees and provides safe working conditions as well as competitive remuneration packages for both staff incentivisation and staff retention.

On behalf of the board

A M Stokoe

Director

ALLAY (UK) LTD.

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2019

The directors present their annual report and financial statements for the period ended 30 June 2019.

Principal activities

The principal activity of the company and group continued to be that of a claims management company.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

S Bell	(Resigned 11 May 2019)
A M Stokoe	
S P Bell	

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Auditor

In accordance with the company's articles, a resolution proposing that RMT Accountants & Business Advisors Ltd be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They 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.

ALLAY (UK) LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

A M Stokoe
Director

29 September 2020

ALLAY (UK) LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLAY (UK) LTD.

Opinion

We have audited the financial statements of Allay (UK) Ltd. (the 'parent company') and its subsidiaries (the 'group') for the period ended 30 June 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2019 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

Brexit is one of the most significant economic events for the UK in recent history, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible consequences unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

ALLAY (UK) LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALLAY (UK) LTD.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

ALLAY (UK) LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALLAY (UK) LTD.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Paul Gainford (Senior Statutory Auditor)
for and on behalf of RMT Accountants & Business Advisors Ltd
Statutory Auditor
Gosforth Park Avenue
Newcastle upon Tyne
NE12 8EG

Date: 29 September 2020

ALLAY (UK) LTD.

GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2019

		Period ended 30 June 2019 £	Period ended 5 July 2018 £
	Notes		
Turnover	3	72,245,849	19,788,593
Cost of sales		(44,369,348)	(10,377,380)
Gross profit		27,876,501	9,411,213
Administrative expenses		(16,768,655)	(6,730,837)
Operating profit	4	11,107,846	2,680,376
Share of results of associates and joint ventures		(83,488)	-
Interest receivable and similar income		1,085	249
Interest payable and similar expenses	8	(301,586)	(155,381)
Profit/(loss) on disposal of interest in subsidiary	9	749,846	-
Profit before taxation		11,473,703	2,525,244
Tax on profit	10	(2,157,871)	(417,578)
Profit for the financial period		9,315,832	2,107,666
Profit for the financial period is attributable to:			
- Owners of the parent company		9,315,626	2,103,283
- Non-controlling interests		206	4,383
		9,315,832	2,107,666

ALLAY (UK) LTD.

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

	Period ended 30 June 2019 £	Period ended 5 July 2018 £
Profit for the period	9,315,832	2,107,666
Other comprehensive income	-	-
Total comprehensive income for the period	9,315,832	2,107,666
Total comprehensive income for the period is attributable to:		
- Owners of the parent company	9,315,626	2,103,283
- Non-controlling interests	206	4,383
	9,315,832	2,107,666

ALLAY (UK) LTD.

GROUP BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11		28,210		70,402
Tangible assets	12		266,474		265,129
			<u>294,684</u>		<u>335,531</u>
Current assets					
Debtors	16	40,445,626		10,060,305	
Cash at bank and in hand		512,109		3,378,199	
		<u>40,957,735</u>		<u>13,438,504</u>	
Creditors: amounts falling due within one year	17	(29,730,837)		(11,557,861)	
Net current assets			<u>11,226,898</u>		<u>1,880,643</u>
Total assets less current liabilities			<u>11,521,582</u>		<u>2,216,174</u>
Creditors: amounts falling due after more than one year	18		(54,523)		(64,947)
Net assets			<u><u>11,467,059</u></u>		<u><u>2,151,227</u></u>
Capital and reserves					
Called up share capital	21		1,000		1,000
Profit and loss reserves			11,550,176		2,234,550
Equity attributable to owners of the parent company			<u>11,551,176</u>		<u>2,235,550</u>
Non-controlling interests			<u>(84,117)</u>		<u>(84,323)</u>
			<u><u>11,467,059</u></u>		<u><u>2,151,227</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

A M Stokoe
Director

ALLAY (UK) LTD.

COMPANY BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Investments	13		1,660		1,660
Current assets					
Debtors	16	41,355,241		8,875,747	
Cash at bank and in hand		302,917		896,478	
		<u>41,658,158</u>		<u>9,772,225</u>	
Creditors: amounts falling due within one year	17	<u>(47,249,685)</u>		<u>(12,643,212)</u>	
Net current liabilities			<u>(5,591,527)</u>		<u>(2,870,987)</u>
Total assets less current liabilities			<u>(5,589,867)</u>		<u>(2,869,327)</u>
Capital and reserves					
Called up share capital	21		1,000		1,000
Profit and loss reserves			<u>(5,590,867)</u>		<u>(2,870,327)</u>
Total equity			<u>(5,589,867)</u>		<u>(2,869,327)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,720,540 (2018 - £2,801,778 loss).

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

A M Stokoe
Director

Company Registration No. 09307329

ALLAY (UK) LTD.

GROUP STATEMENT OF CHANGES IN EQUITY **FOR THE PERIOD ENDED 30 JUNE 2019**

	Share capital	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
	£	£	£	£	£
Balance at 1 January 2018	1,000	131,267	132,267	(88,706)	43,561
Period ended 5 July 2018:					
Profit and total comprehensive income for the period	-	2,103,283	2,103,283	4,383	2,107,666
Balance at 5 July 2018	1,000	2,234,550	2,235,550	(84,323)	2,151,227
Period ended 30 June 2019:					
Profit and total comprehensive income for the period	-	9,315,626	9,315,626	206	9,315,832
Balance at 30 June 2019	1,000	11,550,176	11,551,176	(84,117)	11,467,059

ALLAY (UK) LTD.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2018	1,000	(68,549)	(67,549)
Period ended 5 July 2018:			
Loss and total comprehensive income for the period	-	(2,801,778)	(2,801,778)
Balance at 5 July 2018	1,000	(2,870,327)	(2,869,327)
Period ended 30 June 2019:			
Loss and total comprehensive income for the period	-	(2,720,540)	(2,720,540)
Balance at 30 June 2019	1,000	(5,590,867)	(5,589,867)

ALLAY (UK) LTD.

GROUP STATEMENT OF CASH FLOWS **FOR THE PERIOD ENDED 30 JUNE 2019**

		2019		2018	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	26	1,489,837		5,264,327	
Interest paid		(301,586)		(155,381)	
Income taxes paid		(21,540)		(315,564)	
Net cash inflow from operating activities		<u>1,166,711</u>		<u>4,793,382</u>	
Investing activities					
Purchase of intangible assets		(7,830)		(10,875)	
Proceeds on disposal of intangibles		14,671		-	
Purchase of tangible fixed assets		(129,948)		(80,593)	
Proceeds on disposal of tangible fixed assets		22,460		-	
Proceeds on disposal of subsidiaries		749,846		-	
Profit share to joint ventures		(83,488)		-	
Other investments and loans made		(4,589,173)		(2,218,814)	
Interest received		1,085		249	
Net cash used in investing activities		<u>(4,022,377)</u>		<u>(2,310,033)</u>	
Financing activities					
Payment of finance leases obligations		(10,424)		(4,859)	
Net cash used in financing activities		<u>(10,424)</u>		<u>(4,859)</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(2,866,090)</u>		<u>2,478,490</u>	
Cash and cash equivalents at beginning of period		3,378,199		899,709	
Cash and cash equivalents at end of period		<u><u>512,109</u></u>		<u><u>3,378,199</u></u>	

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

1 Accounting policies

Company information

Allay (UK) Ltd. ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 3rd Floor Generator Studios, Trafalgar Street, Newcastle Upon Tyne, NE1 2LA.

The group consists of Allay (UK) Ltd. and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £2,720,540 (2018 - £2,801,778).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Allay (UK) Ltd. and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 June 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Reporting period

The reporting period in the prior period was shortened to 6 months and 5 days ended 5 July 2018 for commercial reasons. Therefore the prior year financial statements (including the related notes) are not entirely comparable.

1.5 Turnover

Fees for compensation claims are recognised at the point when the outcome of a claim is confirmed as successful.

Turnover is derived from the provision of services, and stated after trade discounts, other sales taxes and net of VAT.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33.3% straight line
Development costs	33.3% straight line

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	33.3% straight line
Plant and equipment	33.3% straight line
Fixtures and fittings	15% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Fixed asset investments

Investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of fixed assets

At each reporting period end date, the group 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).

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received, if considered material to the financial statements.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2019

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment in assets, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Accrued income

Turnover is recognised only when the outcome of a claim is certain as no two claims are the same, and it is difficult to measure the outcome reliably. An adjustment is made to account for claims won, not yet invoiced, at the period end, which is classed as accrued income at period end.

The total accrued income, before a bad debt provision, included in the consolidated financial statements at the period end was £14,230,348 (2018 - £4,472,934).

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Bad debt provision

In assessing the recoverability of the debtors balances at the period end, the directors have considered both external and internal sources of information such as whether the claim has been progressed to legal proceedings and the likelihood of recoverability based on past experience. The total provision for bad debts in the consolidated financial statements at the period end was £2,621,882 (2018 - £970,935).

Determining residual values and useful economic lives of fixed assets

The group depreciate intangible and tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management.

Judgement is applied by management when determining the residual values for intangible and tangible assets.

When determining the residual value management aim to assess the amount that the group would currently obtain for the disposal of the asset expected at the end of its useful life.

The carrying amount of intangible assets at the reporting end date was £28,210 (2018 - £70,402) and the carrying amount of tangible assets at the reporting end date was £266,474 (2018 - £265,129).

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
PPI and compensation	72,245,849	19,788,593

Turnover wholly arose in the United Kingdom.

4 Operating profit

	2019	2018
	£	£
Operating profit for the period is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	106,296	48,212
(Profit)/loss on disposal of tangible fixed assets	(153)	16,780
Amortisation of intangible assets	35,351	19,701
Operating lease charges	514,029	227,079

5 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	8,000	8,000
Audit of the financial statements of the company's subsidiaries	32,000	32,000
	40,000	40,000

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the period was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Office and management	361	289	29	30

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 30 JUNE 2019**

6 Employees **(Continued)**

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	8,463,125	3,456,193	1,239,207	553,847
Social security costs	666,200	273,646	129,823	55,972
Pension costs	122,589	33,810	13,479	4,379
	<u>9,251,914</u>	<u>3,763,649</u>	<u>1,382,509</u>	<u>614,198</u>

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	349,512	175,569
Company pension contributions to defined contribution schemes	1,941	599
	<u>351,453</u>	<u>176,168</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	145,888	89,341

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on finance leases and hire purchase contracts	10,359	-
Other interest	291,227	155,381
Total finance costs	<u>301,586</u>	<u>155,381</u>

9 Other gains and losses

	2019 £	2018 £
Other gains and losses	749,846	-

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 30 JUNE 2019**

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	2,157,871	417,578

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	11,473,703	2,525,244
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	2,180,004	479,796
Tax effect of expenses that are not deductible in determining taxable profit	150,461	43,317
Gains not taxable	(142,471)	-
Tax effect of utilisation of tax losses not previously recognised	(23,096)	-
Group relief	-	(105,535)
Permanent capital allowances in excess of depreciation	(7,027)	-
Taxation charge	2,157,871	417,578

11 Intangible fixed assets

Group	Software	Development costs	Total
	£	£	£
Cost			
At 6 July 2018	53,178	66,710	119,888
Additions	7,830	-	7,830
Disposals	(47,650)	-	(47,650)
At 30 June 2019	13,358	66,710	80,068
Amortisation and impairment			
At 6 July 2018	21,033	28,453	49,486
Amortisation charged for the period	18,876	16,475	35,351
Disposals	(32,979)	-	(32,979)
At 30 June 2019	6,930	44,928	51,858
Carrying amount			
At 30 June 2019	6,428	21,782	28,210
At 5 July 2018	32,145	38,257	70,402

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 30 JUNE 2019**

11 Intangible fixed assets

(Continued)

The company had no intangible fixed assets at 30 June 2019 or 5 July 2018.

12 Tangible fixed assets

Group	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 6 July 2018	38,561	155,004	58,999	131,925	384,489
Additions	-	116,793	13,155	-	129,948
Disposals	-	(67,748)	-	-	(67,748)
At 30 June 2019	38,561	204,049	72,154	131,925	446,689
Depreciation and impairment					
At 6 July 2018	12,653	79,631	11,035	16,041	119,360
Depreciation charged in the period	5,664	63,265	11,480	25,887	106,296
Eliminated in respect of disposals	-	(45,441)	-	-	(45,441)
At 30 June 2019	18,317	97,455	22,515	41,928	180,215
Carrying amount					
At 30 June 2019	20,244	106,594	49,639	89,997	266,474
At 5 July 2018	25,908	75,373	47,964	115,884	265,129

The company had no tangible fixed assets at 30 June 2019 or 5 July 2018.

13 Fixed asset investments

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	1,660	1,660

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Allay Claims Ltd	Generator studios, Trafalgar Street, Newcastle Upon Tyne, England, NE1 2LA	Claims Management Company	Ordinary shares	100.00	0
Allay Redress Ltd.	As above	Claims Management Company	Ordinary shares	100.00	0
Allay Logic Ltd	As above	Claims Management Company	Ordinary shares	100.00	0
Allay Connect Ltd	As above	Claims Management Company	Ordinary shares	100.00	0
Allay C.M. Ltd	As above	Claims Management Company	Ordinary shares	0	100.00
Allay S.W Ltd	As above	Claims Management Company	Ordinary shares	80.00	0
Allay Capital Ltd	As above	Claims Management Company	Ordinary shares	100.00	0

The aggregate capital and reserves and the profit for the period of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Allay Claims Ltd	9,476,319	19,195,835
Allay Redress Ltd.	(107,322)	(881,389)
Allay Logic Ltd	(193,755)	(435,381)
Allay Connect Ltd	736,477	(485,348)
Allay C.M. Ltd	1,587,993	89,608
Allay S.W Ltd	1,032	(424,639)
	<u> </u>	<u> </u>

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

15 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	37,827,879	9,740,082	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	9,455,096	4,146,978	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	1,261,376	686,909	99,549	102,947
Corporation tax recoverable	14,937	14,437	14,937	14,437
Amounts owed by group undertakings	-	-	14,157,108	3,328,087
Other debtors	27,377,993	5,627,154	27,021,000	5,317,934
Prepayments and accrued income	11,791,320	3,731,805	62,647	112,342
	40,445,626	10,060,305	41,355,241	8,875,747

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Obligations under finance leases	19	10,424	10,424	-	-
Trade creditors		2,970,417	2,692,124	515,749	360,620
Amounts owed to group undertakings		-	-	41,254,345	11,034,849
Corporation tax payable		2,562,345	425,514	7,740	7,740
Other taxation and social security		17,767,919	7,050,316	38,044	981,452
Other creditors		6,368,187	965,873	5,410,807	24,942
Accruals and deferred income		51,545	413,610	23,000	233,609
		29,730,837	11,557,861	47,249,685	12,643,212

Obligations under finance leases are secured on the assets to which they relate.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

18 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Obligations under finance leases	19	54,523	64,947	-	-

Obligations under finance leases are secured on the assets to which they relate.

19 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	10,424	10,424	-	-
In two to five years	54,523	64,947	-	-
	<u>64,947</u>	<u>75,371</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain fixed assets. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	122,589	33,810

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
1,000 of £1 each	1,000	1,000

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

22 Operating lease commitments

Lessee

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	180,076	180,076	-	-
Between two and five years	289,023	469,189	-	-
	<u>469,099</u>	<u>649,265</u>	<u>-</u>	<u>-</u>

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

23 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	349,512	176,168

More detailed information is shown in the directors' remuneration note (note 7) and directors' transactions note (note 24).

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2019 £	2018 £
Group		
Companies under common control	348,289	133,652
Company		
Entities over which the company has control, joint control or significant influence	570,288	577,966

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019 Balance £	2018 Balance £
Group		
Companies under common control	1,875,218	1,150,417
Company		
Companies under common control	1,649,272	943,792

The company is an ultimate parent undertaking and as such has taken advantage of the exemption permitted by Section 33 Related Party Disclosures not to provide disclosures of transactions entered into with other wholly owned members of the group.

ALLAY (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

24 Directors' transactions

Dividends totalling £nil (2018 - £nil) were paid in the year in respect of shares held by the company's directors.

Interest free loans have been granted by the group to its directors as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Directors' loan accounts	-	1,987,998	8,433,230	(1,889,808)	8,531,420
		<u>1,987,998</u>	<u>8,433,230</u>	<u>(1,889,808)</u>	<u>8,531,420</u>

25 Controlling party

In the opinion of the directors, there is no overall controlling party of the Group.

26 Cash generated from group operations

	2019 £	2018 £
Profit for the period after tax	9,315,832	2,107,666
Adjustments for:		
Share of results of associates and joint ventures	83,488	-
Taxation charged	2,157,871	417,578
Finance costs	301,586	155,381
Investment income	(1,085)	(249)
(Gain)/loss on disposal of tangible fixed assets	(153)	16,780
Amortisation and impairment of intangible assets	35,351	19,701
Depreciation and impairment of tangible fixed assets	106,296	48,212
Other gains and losses	(749,846)	-
Movements in working capital:		
Increase in debtors	(25,795,648)	(2,283,902)
Increase in creditors	16,036,145	4,783,160
Cash generated from operations	<u>1,489,837</u>	<u>5,264,327</u>

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