Annual Report & Financial Statements

For the year ended 31 May 2021

Time Finance®

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31 May 2021

COMPANY INFORMATION

for the Year Ended 31 May 2021

Non-Executive Directors
J D Newman (Chairman)
R Russell
J P Telling
T Raynes

Directors
E J Rimmer (Chief Executive Officer)
J M A Roberts (Chief Financial Officer)

Company Secretary
J Bodey

Registered Office
St James House
The Square
Lower Bristol Road
Bath
BA2 3BH

Registered Number
05845866 (England and Wales)

Independent Auditors
Moore, Bath

Nominated Advisor & Broker
Cenkos Securities plc, London

Principal Solicitors
Simmons & Simmons, Bristol

Financial Public Relations
Walbrook PR Ltd, London

Registrars
Neville Registrars Ltd, Halesowen

Principal Bankers
NatWest plc, London

Time Finance plc ordinary shares are listed on the Alternative Investment Market of the London Stock Exchange

Time Finance at a glance

What we do

At Time Finance we understand that running a business is challenging and funding can mean the difference between standing still or achieving growth. Businesses need to feel confident about their financing in a market where accessing finance is not as easy as it could be. We focus on providing the best solution for our clients, because we put them at the heart of everything we do. Our financial solutions inspire confidence and enable our clients to thrive and prosper.

How we do it

We specialise in the arrangement and provision of funding solutions to UK businesses seeking to access the finance they need to realise their growth plans. Working with our broker networks as well as directly with UK business owners, we provide access to an extensive portfolio of solutions comprising: Asset Finance, Invoice Finance, Loans and Vehicle Finance. The businesses we work with also have the flexibility to choose more than one solution dependent on their requirements.

Helping businesses to recover and grow

Since the beginning of the Covid-19 crisis, we have been working hard to help our customers through this turbulent period. Working in partnership with the British Business Bank, we became an accredited lender under the Coronavirus Business Interruption Loan Scheme (CBILS) and the Recovery Loan Scheme (RLS). Both offerings provided further opportunity for our teams to instil reassurance and confidence back into British business through Asset Finance and Loan facilities.

Working with
British Business Bank

Supporting some

20,000

SMEs nationwide

Lending UK businesses

£116m

of funding at 31 May 21

Helping to arrange

£103m

of funding to UK businesses over the year

A dedicated team of

160

employees across 6 UK office locations

An industry leader

Our offices

1. Abingdon
2. Bath
3. Birkenhead
4. Cardiff
5. Manchester
6. Warrington

Our journey to Time Finance

A new beginning

The last five years as the 1pm plc group of companies saw us journey on a rapid acquisition strategy which resulted in us bringing together seven different broking and lending businesses (Onepm Finance, Academy Leasing, Bradgate Business Finance, Gener8 Finance, iLoans, Positive Cashflow Finance and Car Finance 2U). As a forward thinking and ambitious group, it was only natural to want to grow, reinvest, and embrace opportunities.

On the 7th December 2020, we rebranded to Time Finance, bringing together the strengths of all of our businesses, and consolidating under one unified brand.

We not only changed our name and the way we look, but most importantly the way we communicate to our markets about what we do collectively. It is our passion to deliver a service we are proud of, to customers we care about.

The new name pays homage to our origins as 1pm and takes its inspiration from the notion that time and finance are the two most valuable assets to a successful business.

Our mission

We want to support growth because we believe in our customers and their businesses.

Our vision

To become a nationally-recognised business and the preferred independent funder of choice by providing specialist finance to the UK SME market.

The inspiration

Hour glass
Time sensitive

Shield
Trustworthy

Infinity
Endless possibilities

Direction
Growth

Time Finance reflects who we are as a business today, as well as our ambition to become a recognised force in the alternative finance market.

Our people

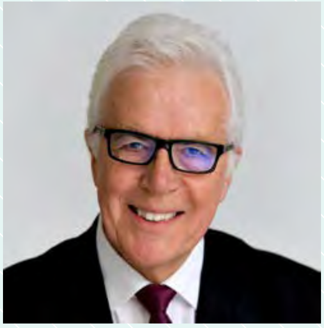
Meet the team

At Time Finance, our people are our most important asset. That's why we pride ourselves on securing great talent. At all levels. Both our plc Board and our senior management team are recognised in their respective fields for their expertise and proven track record in making a difference and delivering success.

"Bringing great talent into a business is the key to success."

The PLC Board members

Our Chair



John Newman
Non-Executive Chairman

John became Chairman in August 2015. His extensive experience ranges from previous executive directorships of four quoted companies to the CEO of LSE-listed UK Safety plc. Volunteer work includes serving as chairman of Headway Bristol and business adviser for The Prince's Trust. He is a Chartered Certified Accountant.

Non-Executive Directors

Julian Telling
Non-Executive Director

Julian became Non-Executive Director in August 2015. With 40 years' experience, Julian founded and sold a retail financial services group. He's also been involved with a number of AIM-listed financial service businesses, with experience in acquisitions, rights issues and trade sales.

Ron Russell
Non-Executive Director

Ron became Non-Executive Director in October 2009. A qualified accountant with vast experience advising small businesses, Ron is a director of UK Private Healthcare Limited, Scot-Leasing Ltd, Stonepit Ltd and a member of the Audit and Risk Committees. He is a Chartered Certified Accountant.

Tanya Raynes
Non-Executive Director

Tanya became Non-Executive Director in March 2021. She has held a variety of senior executive roles within both blue-chip corporates and SMEs. More recently, she has acted as CEO for Centreline and is currently Non-Executive Chair for that company's parent, Pula Aviation Services. She is a Chartered Accountant.

Executive Directors

Ed Rimmer
Chief Executive Officer

Ed was appointed CEO in June 2021. He has worked within the sector for over 25 years, with over 20 years at Bibby Financial Services, including 5 years as its UK CEO. He was previously Time Finance's COO until April 2020, having joined the Group in 2017 as Managing Director of their newly established Commercial Finance Division.

James Roberts
Chief Financial Officer

James was appointed CFO in May 2017. Qualified in accountancy with PwC, James has held leadership positions with several AIM-listed companies. He has significant experience in mergers and acquisitions within fast-paced, growing businesses. He is a Chartered Accountant.

Our people
Meet the team (continued)

The Senior Management Team

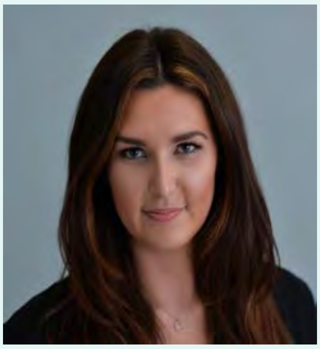
Heads of Functions

Jennifer Bodey
Director of Governance & Compliance, Company Secretary

Having spent two decades working for the FCA, Jennifer now brings her expertise in financial governance and compliance client-side.

Lorraine Neyland
Director of Risk

With an Asset Finance background spanning 30 years, Lorraine has built a robust reputation within risk management. She managed and led credit teams within Bank of Scotland, Lloyds Bank and Bibby Leasing.



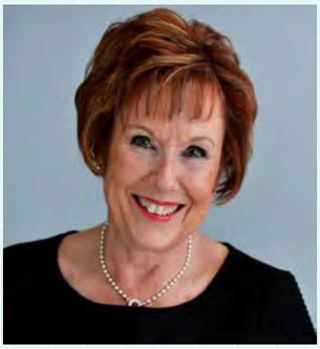
Holly Mapstone
Director of HR

CIPD accredited in HR and management, Holly has over a decade of experience within the financial sector. She brings an in-depth understanding of the labour market and a strong focus on Group culture into her strategic role.

David Jones
Director of IT

David is a qualified IT professional with over 30 years' experience and a proven track record in IT management with the Johnson News Group, Jelf Group plc and as an independent consultant.

Heads of Product Divisions



Carol Roberts
Director of Asset Finance

With extensive experience in financial services, including 35 years as a Managing Director with GE Capital and Bibby Financial Services, Carol is a board member of the Finance & Leasing Association and the Leasing Foundation.

Phil Chesham
Head of Invoice Finance

Phil has over 30 years of experience in Invoice Finance with a proven track record in client management and new business. He was a cofounder of Positive Cashflow Finance, which was acquired by Time Finance in 2017.

Tansy Cunningham
Head of Operations - Invoice Finance

Tansy spent 15 years at Bibby Financial Services leading both their Scottish and Specialist Trade and International divisions. Moving on to Gener8 Finance, she led an impressive growth strategy since it was acquired by Time Finance in 2017.

Alun Winter
Director of Broking

Alun was founder of Intelligent Loans, which fast became a leading property financial brokerage before being acquired by Time Finance. This acquisition established the Group's Loans division, and following this, Alun now leads three brokerage businesses across Time Finance.

Sharon Bryden
Director of Commercial Loans & ABL

Having worked in the industry for over two decades, Sharon has built a credible reputation across multiple funding sectors from Loans and Invoice Finance, where she gained a strong skill set in delivering secured lending facilities to UK SMEs.

“I am extremely proud of how the Group has faced the uncertain and changing business environment.”

John Newman,
Chairman

Chairman's Statement

for the Year Ended 31 May 2021

Performance and dividend

Our financial year experienced the continuing effects of the Covid-19 pandemic which has disrupted daily lives and created the most challenging of business environments. Our priorities continued to be focused on the health and wellbeing of our staff and on the services we provide to our customers.

Throughout this period we have remained "open for business" and we have provided essential financial support to our SME customers with our comprehensive range of financing products. These included the Government-backed Coronavirus Business Interruption Loan Scheme (CBILS) and, more recently, the Recovery Loan Scheme (RLS). We received accreditation for both schemes from the British Business Bank.

I am extremely proud of how the Group has faced the uncertain and changing business environment and for this the Board is indebted to all our staff whose commitment and enthusiasm has been remarkable. It is pleasing to report that despite the continuing effect of the pandemic, which included a further period of disruption in the economy from the imposition of another period of lockdown in the second half of our financial year, the Group's revenue was £24.2m (2020: £29.2m) with profit before tax and exceptional items of £3.1m (2020: £3.0m). Fully diluted earnings per share were 1.85p (2020: 1.74p).

The Group's balance sheet was significantly strengthened during the year with net cash and cash equivalents of £7.7m (2020: £0.1m). The forbearance on leases and loans that we had granted to support our customers who were experiencing financial hardship as a result of lockdown fell dramatically during the financial year to less than £1m, a reduction of over 95%. This was accompanied by deal arrears falling to pre-pandemic levels. This has demonstrated that our credit risk policy, which has been applied consistently throughout the pandemic, has been effective while still allowing us to provide much needed financial support to our customers.

The Group's trading update on 16 June 2021 provided details of the current dividend policy. This was in the context of the updated business strategy which sets an objective of more than doubling the Group's lending book over the next few years. This will require the application of the Group's available cash resources into leveraging our funding facilities to maximum effect for the successful achievement of our lending objectives with the focus being on the growth of shareholder value rather than dividend distribution.

The Board has therefore confirmed that the 2019 interim dividend that was deferred as a result of the pandemic will not be paid and that while cash resources are being deployed to business growth at the current time, future dividends will be kept under review.

Our strategy

The Group Strategic Report on page 24 sets out progress against the Group's goals and objectives which were updated in the year-end trading report released on 16 June 2021. The focus of the strategy is for the Group to continue to grow as a well-diversified and risk-mitigated alternative finance provider, recognised as having a comprehensive range of business finance products to offer to an expanding base of UK SME customers. This will be reflected in our focus on providing more secured own-book lending while maintaining the flexibility to act as a broker where appropriate.

The underlying strength of our market position and product offering was further enhanced with the rebranding of our business as Time Finance in December last year. The rebranding consolidated our various trading names into one consistent brand name which has simplified the operating structure with a single nationally recognised brand.

The balancing and management of risk is an important responsibility for the Board at all times, but particularly so where there exists a greater level of economic uncertainty. In this respect, the Board considers that the Group's business model, in offering multi-product financial services to a wide range of business sectors, will continue to deliver a high degree of commercial resilience. We remain confident that this resilience and flexibility within the business model will ensure that the Group can balance its risk exposure in a prudent manner while maintaining competitive levels of customer service.

Chairman's Statement (continued)

Governance and culture

The business operates in a regulated environment and a key responsibility for the Board is to ensure that strong and effective governance operates throughout the Group.

The Board has four sub-committees, namely Audit, Remuneration, Nominations and Governance and Risk, with membership comprising only of non-executive directors. The committees meet on a regular basis.

The Board will continue to focus on increasing diversity in all its forms and it is pleasing to note that women now represent 55% of the Group's senior management team. This is an important consideration for the Group where women make up 56% of our total workforce.

There is a clear emphasis within the Group on maintaining a corporate culture that adheres to its core values of being "genuine" and acting with "integrity" and "agility". These values underpin everything that we do across the business and are key in ensuring responsible attitudes and behaviours are foremost in every member of our team. It is heartening that these qualities are successfully demonstrated every day by our staff in meeting the financial needs of our customers.

During the year, staff from our Talent Leadership Programme with Tanya Raynes, our recently appointed non-executive Director, as Board sponsor, formulated our approach to our Environmental, Social and Governance (ESG) responsibilities. We are embedding ESG as an integrated part of our core business strategy.

Further details can be found in the Group Culture and Governance report on page 30.

Our people

On 6 January 2021 it was announced that, following discussions between the directors, the Company's principal shareholders, and Ian Smith, its Chief Executive Officer ("CEO"), it had been decided that Ian's planned retirement date of 31 December 2021 should be brought forward and effected as soon as a successor was appointed. Ian stepped down in February and his dedication and commitment to our business was acknowledged with the Board's sincere thanks and appreciation.

In February we were fortunate in securing the services of Ed Rimmer as Interim CEO of the Group and in June Ed was appointed as permanent CEO. Ed has extensive experience within the financial services sector and his specific knowledge of the Group from his time with us as Group COO between 2017 to 2020 has enabled him to take up the CEO responsibilities quickly and effectively.

This period of change in the executive leadership of the Group was challenging and I wish to make special reference to the contribution of James Roberts, our CFO. His financial expertise, particularly in the treasury management of a business whose raw material is cash, has been exemplary and his participation in the wider management of the Group's operations has been greatly appreciated by the Board.

> "Tanya has brought to the Board a wealth of strategic, financial and commercial expertise."

In March this year we appointed Tanya Raynes as a non-executive Director of the Company. Tanya has brought to the Board a wealth of strategic, financial and commercial expertise from a variety of senior executive roles within both blue-chip corporates and SMEs. After qualifying with PricewaterhouseCoopers as a Chartered Accountant, Tanya gained extensive structured financing experience with GE Capital and is currently Non-Executive Chair of Pula Aviation Services.

My intention to retire was announced in January this year and the Board are delighted to announce that Tanya will succeed me as Chair when I retire following the Company's AGM to be held on 21 October 2021. I am confident that Tanya will lead the Board in a thoughtful and constructive way and that the stewardship of the Group will be in very capable hands.

The enormous dedication shown by our colleagues throughout the Group in the face of the most challenging conditions has been exceptional and on behalf of the Board, I wish to record our sincere thanks and appreciation for their hard work and commitment.

"Continued profitability throughout the period of the pandemic and together with a stronger balance sheet and greater cash resources gives the Board confidence."

Outlook

The Group's record of year-on-year growth in revenue and profits since 2015 has been severely impaired by the Covid-19 pandemic. Over a four-year period, the Group's "buy and build" strategy achieved almost a six-fold increase in revenue, a five-fold increase in PBT and 100% growth in earnings per share.

The Board and the management team are determined that the Group returns to this level of performance and believe that the strength of our business model and the support of our colleagues throughout the Group provide the resources for this to be achieved over the next few years.

In the year ahead, we will focus on our recovery from the impact of the pandemic but it is clear that the economic effects of the pandemic will continue to overshadow many of the sectors in which our customers operate. The Group benefits from being a provider of a wide range of financial products to SMEs across multiple business sectors and has no overweight dependence on any specific business category.

The strength of the Group's business model has been demonstrated by its continued profitability throughout the period of the pandemic and together with a stronger balance sheet and greater cash resources gives the Board confidence in the future development of the Group as a non-bank alternative provider of finance to UK SMEs.

In this, my last statement as Chairman, I would like to record my sincere thanks to my fellow directors and colleagues throughout the Group for their unfailing support during my six years on the Board. My best wishes go to them and all our stakeholders for a successful and healthy future.

John Newman
Chairman
21 September 2021

> The results achieved are due to the commitment and hard work shown by all colleagues in the Group.

Ed Rimmer,
CEO

Chief Executive Officer's Report

for the Year Ended 31 May 2021

Introduction

Time Finance is a multi-product, specialist finance provider to UK SMEs acting as both a lender and broker in arranging funding for their working capital requirements. This hybrid lending and broking model enables the Group to effectively manage credit risk, capital allocation, revenues and customer service through changing market and economic conditions. The financial results for the Group for the year ended 31 May 2021 consolidate the results of the various trading entities that form the Group's product divisions and group functions.

The Group was rebranded during the year after previously trading under the banner of 1pm plc for nearly 20 years. The business comprises four product divisions: Asset Finance, Vehicle Finance, Loan Finance and Invoice Finance. The divisions are supported by central group functions: Risk, Compliance, Finance, IT, Human Resources and Marketing.

The Covid-19 pandemic continued to disrupt the wider small business lending market during the period under review. The trading year started in more optimistic fashion with the first lockdown ending in early July 2020. However with further and unexpected lockdowns in November 2020 and January 2021, momentum was further interrupted. The main issue for lenders such as Time Finance has been the lack of demand brought about by the various government funding and support schemes, and the use of these facilities in some cases to repay other borrowing. The Group did though become an accredited lender through the Coronavirus Business Interruption Loan Scheme ("CBILS") which enabled it to utilise the £12m allocation to provide term loans to small businesses, backed by the government's 80% guarantee. Despite all the disruption through the year, the financial performance and results to May 2021 as a whole were satisfactory, demonstrating the Group's resilience through such challenging times.

The results achieved are due to the commitment and hard work shown by all colleagues in the Group. A lot of time was spent working remotely from home with people having to quickly transition to "the new normal". This has provided many different challenges to businesses throughout the country, and Time Finance is no exception; colleagues have at times felt somewhat isolated and it is to their credit that the business has remained effective and robust during these challenging times. As the business moved through the latest year end to 31 May 2021, the outlook was looking much more positive as the teams gradually returned to the offices with a roadmap set out for the full return by September 2021.

Sustainable, robust business model

The hybrid commercial model of being a lender and a broker enables the Group to mitigate risk through deciding which business to fund on its own balance sheet and which to broker on to other lenders. The Group has also maintained sound operational principles designed to develop a robust business including:

- **a widely spread lending book** with security taken to support lending facilities and suitable margin achieved on each deal to justify the risk taken.
- **fixed interest rates** are charged for the term of the lending with interest rates incurred on borrowings drawn down equally being fixed for the term and the Group's policy is, wherever possible, to match the term of borrowings drawn to the term of lending provided.
- **underwriting is carried out by people** as opposed to automated systems for credit decisions. Although an essential element of the Group's development continues to be the deployment of IT systems, it is essential that credit decisions are taken by people given the markets we operate in.
- **a realistic approach to provisioning**. The net write-off rate (the gross value of receivables written-off less recoveries) in the year to 31 May 2021 was approximately 1.6% of the year end gross lending portfolio. The total provisions carried in the balance sheet at 31 May 2021 amounted to £5.2m, representing 5.2% of the net lending portfolio. Having spent much of the year dealing with forbearance requests and generally supporting customers through the pandemic, a detailed internal review was carried out on the entire lending book, with the provisioning reflecting the recommendations made from this review.

Chief Executive Officer's Report (continued)

Market positioning and new business origination

The Group provides the main finance products that SMEs require for day to day working capital requirements and to grow their businesses over the longer term. Since the Global Financial Crisis of 2008, the lending market has transformed with the traditional banks no longer being the automatic point of call for small business finance; many alternative finance providers have emerged in the form of challenger banks, fin-tech lenders and independent providers such as Time Finance who generally offer more flexibility and a high level of focus on customer service. As the Group is not a retail deposit taker, wholesale funding facilities are utilised at competitive rates. In order to make an acceptable margin on lending, the Group chooses to operate in the "Tier 2" market segment, serving SMEs typically at the smaller end of the market.

New business origination in the year to 31 May 2021 amounted to £103m, down on the £147m achieved the previous year (which included 9 months of pre-Covid activity). Of this origination 46% was funded on balance sheet and 54% was broked-on, compared with 37% and 63% respectively in the prior year. The bias towards less broked-on volumes was down to the suppressed vehicle finance market for leasing new and second-hand cars; the Group's policy is to not carry residual balance sheet risk in respect of cars and so 100% of all finance deals originated for such assets are broked-on.

Financial results

Total revenue for the year to 31 May 2021 was £24.2m, a decrease of £5.0m year-on year. Revenue comprises interest and other income (such as facility fees, document fees and asset assurance income) of £21.0m from own-book lending (2020: £23.4m) and, secondly, commission income of £3.2m from broking activities (2020: £5.8m). Interest and other income from lending therefore accounted for 87% (2020: 80%) and commission income from broking accounted for 13% (2020: 20%) of total revenues. As mentioned above, there was an increase in lending on the Group's own-book. This is primarily down to the difficult market conditions with other lenders restricting lending, particularly with respect of the vehicle division which is 100% brokered-out.

The business enjoys good visibility of future revenue in that 'unearned income' (i.e. future interest income from 'own-book' deals already written on the Group's balance sheet) as at 31 May 2021 amounted to £14.9m (2020: £15.2m).

The Group's profit before tax and exceptional items for the year ended 31 May 2021 was £3.1m, compared with £3.0m in the prior year. Profit before tax was £2.0m (2020: £2.0m), and profit after tax £1.8m (2020: £1.6m).

At 31 May 2021, the Group's total gross receivables stood at £116m, compared with £123m on 31 May 2020, the reduction attributable principally to the flat market conditions and also early settlements made from customers utilising the cheaper government funding schemes available. Total active borrowing facilities at 31 May 2021 amounted to £163m (2020: £159m), of which £67m was drawn (2020: £64m).

Also, at 31 May 2021, consolidated net assets stood at £57.1m (2020: £55.2m), an increase of 3%. The return on equity was therefore 3% (2020: 3%) and the return on net tangible assets (excluding goodwill and intangible assets held on the balance sheet) was 6% (2020: 6%).

Net cash and cash equivalents held at 31 May 2021 was £7.7m (2020: £0.1m). The improvement was down to lower lending volumes and the significant reduction in forbearance which stood at £0.8m at 31 May 2021 (2020: £24.3m), plus loans from our bank. The strength of the Group's balance sheet, together with its liquidity in the form of available operational debt facilities for lending and cash held, ensure the Group is well-placed to take advantage of the post-Covid recovery.

At 31 May 2021, there were 92,512,704 shares in issue (2020: 88,985,316). The increase during the year consisted of 2,138,500 shares issued in relation to share options exercised by the Group's Senior Management Team, and 1,388,888 shares issued as contingent consideration to the vendors of Positive Cashflow (Holdings) Ltd. Given these issues of shares, earnings per share were 1.98 pence (2020: 1.76 pence), and on a fully diluted basis were 1.85 pence (2020: 1.74 pence).

Further details on the financial performance of the Group can be found in the Chief Financial Officer's Report on page 20.

Operational progress

The year to 31 May 2021 was one of significant disruption for the Group. The plans for the year were formulated in late spring of 2020 as the business anticipated coming out of the first lockdown with the realistic assumption that the wider UK economy would gradually recover through the later part of 2020 and more rapidly into 2021. This has not proven to be the case given the further two lockdowns and with it, a continuation of the majority of colleagues working from home for in excess of 12 months. In addition, there was also a significant change across the leadership of the business as Ian Smith stepped down from his position as Chief Executive in January 2021 and at the same time, John Newman, our Chairman, announced his intention to retire. The Group was under interim leadership for the last 3 months of the financial year to 31 May 2021, within which time a new strategy was presented and agreed by the board which is detailed separately in the Group Strategic Report on page 24. I was appointed as permanent CEO on 1 June 2021 with the remit to deliver the new strategy and with it a recovery in the financial performance to pre-Covid levels as soon as possible.

Despite all the changes, much progress was achieved during the year. The Asset Finance division saw demand increase in specific segments of the market, most notably for light goods vehicles which increased in number to meet the demand for home deliveries during lockdown. The Loans division benefitted from becoming an accredited lender under both CBILS and, more latterly, the replacement Recovery Loan Scheme ("RLS"). By 31 May 2021, a total of £12m had been lent under the CBILS programme and the Group has accreditation for a similar amount of lending under RLS. If utilised by the end of this calendar year, in excess of £20m will have been lent under these schemes. The Invoice Finance business focused heavily on supporting clients through the pandemic and although lending volumes reduced significantly, overall client numbers did not. To put this into perspective, at the peak of the downturn, advances to clients were down by 50% on pre-pandemic levels but with the actual number of active client facilities having reduced by just 10%. The business was also rebranded in late 2020 which provides an exciting opportunity to take the Group forward under one name and maximise the opportunities that go with this; this is detailed further in the Group Strategic Report on page 24.

> "The business is well positioned to take advantage of the post-Covid recovery and has a new growth strategy that is being pursued."

Culture, compliance and governance

Time Finance is a customer focused business with a strong desire to be "easy to deal with". At the same time, the Group has high standards for compliance and governance for all its lending and broking activities by reference to the principles and guidelines of the Financial Conduct Authority and the codes of conduct of relevant industry bodies. Further details can be found in the Group Culture and Governance Report on page 30.

Outlook

The business is well positioned to take advantage of the post-Covid recovery and has a new growth strategy that is being pursued. Fresh ideas are being brought into the organisation and the Group is being repositioned under the Time Finance brand as a multi-product provider of lending facilities to SMEs, focusing on core own book lending. Market conditions remain challenging as the overhang of government funding initiatives is still apparent; however, with repayments under these schemes now due and with the Furlough scheme finishing at the end of September, it is likely that demand for finance will increase again through the course of our financial year. We therefore look forward with a sense of cautious optimism.

Ed Rimmer
Chief Executive Officer
21 September 2021

> Due to the ongoing effects of the pandemic, the Group faced severe external challenges during a financial year that included three national lockdowns.

James Roberts,
CFO

Chief Financial Officer's Report

for the Year Ended 31 May 2021

Overview

As mentioned throughout these Report and Accounts, due to the ongoing effects of the pandemic, the Group faced severe external challenges during a financial year that included three national lockdowns. To put this in perspective, the previous financial year was only impacted by the pandemic in one of its trading quarters. While this has, as would be expected, led to a set of financial results that remain lower than historic, pre-pandemic levels, £3.1m of profit before tax and exceptional items ("PBTE") was generated which, pleasingly, is in line with prior year levels (£3.0m). The resilience of the Group's balance sheet has also been demonstrated with much improved liquidity and lower levels of deals in arrears and forbearance than was experienced twelve months earlier.

Review of Income Statement

Revenue decreased in the year by 17% from £29.2m to £24.2m. This reduction is wholly attributable to the ongoing impact of the pandemic on new business origination levels. The revenue reduction has impacted all of the Group's operating divisions, but the make-up of revenue generation is approximately in line with prior years. Asset Finance remains the largest division accounting for 53% (2020: 50%) of total revenue. Invoice Finance contributes 27% (2020: 28%), Loan Finance 9% (2020: 9%), and Vehicle Finance 11% (2020: 13%). Further details of divisional performance is set out in Note 3 on page 56.

The lower revenues led to a Gross Profit of £14.9m. This is £1m, or 7%, lower than the previous year's £15.9m. In light of the continuing pandemic, the Group took certain steps to reduce its cost base resulting in operational expenses that were 10% lower year-on-year at £11.5m (2020: £12.8m).

As set out in Note 2 on page 51 the Group separately identifies exceptional items and share-based payments and excludes them from underlying performance measures. This is to help readers by presenting a consistent basis on which to track the core trading performance. The Group incurred a number of such items in the year, totalling £1.1m (2020: £0.9m). These include £0.3m of share option charges and £0.7m of restructuring costs which include both board level changes and streamlining of the Group's cost base. The exceptional item elements are set out in Note 11 on page 61.

All of the above resulted in PBTE of £3.1m being earned for the financial year which is in line with the previous financial year's equivalent of £3.0m.

Review of the Statement of Financial Position

Goodwill remains at £28.2m (2020: £28.2m). Due to both its size and the effects of the pandemic on results this remains one of the Group's most significant items. It is rigorously tested annually to determine whether there is any requirement for an impairment charge. The current year's review saw careful consideration given to the ongoing effects of the pandemic and its potential impact on the future cashflows. Having reviewed the assumptions used in the calculation and the sensitivity analysis performed it was concluded that there was sufficient headroom in the carrying value and that no impairment was necessary. As the Group emerges from the worst effects of the pandemic all the trading divisions are expected to trade profitably, generate free cash and grow considerably.

Trade and Other Receivables, as detailed in Note 16, amounted to £100.8m at the year end. This is a reduction of 6% or £6.9m compared to the prior year of £107.7m. This reduction is attributable to both lower new business levels resulting from the pandemic and also the de-risking of the Group's lending book, with a number of existing clients taking advantage of government-backed schemes to refinance their debt elsewhere. With regards the de-risking of the lending book it is particularly pleasing to see the level of arrears at the year end fall to below the pre-pandemic levels experienced back in February 2020. This, allied to the fact that the value of deals in forbearance due to the pandemic, has fallen from a high of £24.3m during the year to under a million, shows the resilience of the book and the skill and efforts of my colleagues in the Risk department.

Chief Financial Officer's Report (continued)

Within the Trade and Other Receivables balance sits the Group's credit risk provision. Standing at £5.2m at the year end, this is approximately in line with the prior year level of £5.1m and continues to represent 5% of the Group's year end net lending portfolio (2020: 5%). The credit risk provision is determined by a combination of statistical modelling and a management overlay. The former assesses the likelihood of a deal falling into arrears and, in such cases, the amount that could then reasonably be expected to be recovered. The latter applies management's assessment of any expected future macroeconomic impacts on the recoverability of debts. Both component parts have remained relatively static over the past year. The statistical model requires a provision representing 3.1% of the net lending book (2020: 3.7%) with the overlay adding a further 2.1% (2020: 1.4%). The model element has not increased because, during the year, the Group incurred net write-offs of approximately 1.6% of the year end gross portfolio which was approximately in line with the previous year (1.3%), while the Group has moved into certain lending areas with an improved risk profile. Despite this consistent write-off and recovery performance, given the ongoing uncertainty in the wider economy associated with the pandemic and the lack of visibility over the potential impact of the withdrawal of the various forms of government support to UK businesses, the Directors concluded that it would be prudent and appropriate to maintain a significant management overlay. As such, the credit risk provision stands at a similar value to 12 months ago and remains the best estimate of the required level given current information available. Further details can be found in Note 30 on page 73.

Trade and Other Payables largely relate to operational borrowings the Group has taken out, enabling it to lend on to UK SMEs. As detailed in Note 20, the balance at 31 May 2021 has reduced to £75.4m when compared to prior year levels of £79.7m. This is largely due to the expected reduction in drawdowns from the Group's funding partners associated with lower levels of lending seen within Trade and Other Receivables due to the pandemic, plus a £4.1m CBILS loan from the Group's corporate banker, that was taken out to strengthen the Group's cash position during the height of the pandemic in the summer of 2020.

The Group's trading divisions continue to be funded as before with each having their own dedicated facilities and being required to put between 10% and 20% of their own cash reserves into each deal funded. Asset finance is funded by eight key wholesale block funding lines, including a £35m facility from the British Business Bank. At the year-end, Asset Finance had active facilities of £95.0m (2020: £97.5m) with headroom of £49.9m (2020: £54.4m). Loan Finance is also partly funded by wholesale block funding lines plus a dedicated Secured Medium-Term Loan Note Programme. At year end, its active facilities totalled £24.6m (2020: £19.2m) with headroom of £15.0m (2020: £10.0m). Crucially, both the Asset and Loan facilities have no non-utilisation fees attached to them and, as the rates are fixed once drawn, are not impacted by any future changes in underlying interest rates. Finally, Invoice Finance is funded by a back-to-back facility from NatWest. As at the end of May 2021, this was a £42.0m facility (2020: £42.0m) with headroom of £30.0m (2020: £30.2m). This facility was renewed for a further 3 years on 16 September 2021 with an additional flexible uplift available of £8.0m should it be needed.

The Group's funding mix is one of its strengths. All the Group's funding partners have been supportive and have renewed their facilities throughout the pandemic-hit last eighteen months, with diversification across a number of lenders that attracts a relatively low blended cost of borrowing of 4% (2020 4%). Subject to the Group having sufficient cash reserves to fund the 10-20% equity tranche in each deal, the facilities provide both considerable flexibility and significant headroom for growth when the wider macro-economic environment improves.

"The Group's funding mix is one of its strengths. All the Group's funding partners have been supportive and renewed their facilities throughout the pandemic."

Review of the Consolidated Statement of Cashflows

The past year has shown the old adage 'cash is king' to be more pertinent than ever. The Group has therefore managed its cash resources carefully, taking a number of actions to conserve cash. As a result, cash and cash-equivalents as can be seen on the Consolidated Statement of Cash Flows on page 49 stand at £7.7m at the year end, an increase from the levels of £0.1m at 31 May 2020. In addition, the Group had £4.2m (2020: £1.3m) of 'paper' at 31 May 2021 that could be converted into cash of approximately £3.6m within 72 hours through our funding facilities. Combined, this results in a liquid position of £11.3m (2020: £1.4m). This sets the Group on a solid footing to fund lending to UK SMEs into the foreseeable future.

Conclusion

The robust nature of the Group's balance sheet has come to the fore during the past year. Cash is significantly higher than the previous year end and arrears and forbearance are below pre-pandemic levels. To offset any potential future impact of the pandemic, provisions remain at a prudent level and the Group's key funding partners remain extremely supportive. I believe the Group is well positioned to take advantage of the lending opportunities that will arise as the country continues to emerge from the impact of the pandemic.

James Roberts
Chief Financial Officer
21 September 2021

"Cash is significantly higher than the previous year end and arrears and forbearance are below pre-pandemic levels."

> The change of CEO, and the subsequent easing of lockdown restrictions on the back of the government's rapid vaccination roll out, provided a good opportunity to review and refresh the Company's medium-term strategy.

Ed Rimmer,
CEO

Group Strategic Report

For the Year Ended 31 May 2021

Time Finance continues to be an alternative provider of finance to the high street and challenger banks, serving SMEs predominantly with finance requirements ranging from £5,000 to £2.5m. The Group provides Invoice Finance, Asset Finance, Loan Finance and Vehicle Finance. It lends from its own balance sheet or through brokering on business that does not meet its lending parameters, which would mainly be due to the size of a transaction, pricing or credit quality.

From 2015, the business, formerly 1pm plc ("1pm"), set about diversifying from a single product provider of soft asset finance to a broader multi product business. This enabled it to offer a wider product portfolio to an enlarged target market and mitigate risk through a larger spread of lending. This expansion was predominantly through acquisitions of other lenders who were in the main small, owner-managed and entrepreneurial businesses. Significant work went into integrating the acquired businesses between 2017 and 2019. All the acquired brands were retained, given they had well established markets and networks for business origination. As the wider business developed and the acquired entities became more integrated within the Group, it was clear that the business needed to move forward under one unified brand and so the decision was taken to rebrand the Group. This was completed in December 2020 with the launch of Time Finance. The new name recognised two critical aspects of running a small business - Time and Money. Positioning the Group as a credible partner to SMEs and helping them to achieve their growth ambitions is a key part of the Group's strategy.

Strategic Objectives

The Covid-19 pandemic severely impacted business volumes during the year, with the various government funding initiatives significantly reducing the need for third party finance. The Group's change of CEO in March 2021, and the subsequent easing of lockdown restrictions on the back of the government's rapid vaccination roll out, provided a good opportunity to review and refresh the company's medium-term strategy. This was approved by the Board ahead of the 31 May 2021 year end and allowed the Board to present the plans to stakeholders during June of this year. The summary headlines of the Group's objectives over the next 4 years are:

- More than double the Group's gross lending book organically from its current level to approximately £250m
- Through organic-led growth, achieve revenue and PBTE levels in excess of the 2019 pre-Covid levels of over £30m and £8m respectively

This will be achieved through the following strategic initiatives:

- Focusing on core products: Asset, Invoice and Loan finance
- Focusing on own-book lending
- Predominantly focusing on a secured lending proposition with an increasing average deal size
- Investing in key sales resources
- Repositioning the brand and investing in marketing
- Bringing further liquidity into the Business

Comments on each of the above initiatives are below:

i. Focus on core products

Whilst the business offers a range of products that includes funding from our own balance sheet and broking on business, it fundamentally has three core and well-established products which it will focus on expanding with experienced Directors leading each of these divisions. Importantly, it will also look to offer an Asset Based Lending proposition where the core products can be operated together as a package to increase the cash available to its SME customers, and with it, the returns and security on offer to it as a lender.

Group Strategic Report (continued)

ii. Focus on own book lending

As the economy recovers post Covid-19, there will be good opportunities for non-bank, specialist lenders like Time Finance with SMEs requiring finance to grow once the government support initiatives wind down. Some of the acquisitions that were historically made by 1pm were Business to Consumer companies, which are more burdened by regulation and compliance. The Group will not be looking to focus on these areas of the business to contribute significant growth. The focus will be on funding Business to Business customers on the Group's own balance sheet. As the Group's own lending book increases, so will the size of its balance sheet and with it the inherent valuation of the business.

iii. Focus predominantly on secured lending and increased deal size

When funding SMEs the Group will look to obtain tangible security wherever possible to underpin its lending. This could be taking title to professionally valued fixed assets or book debts, supported by registering debentures and/or property charges. At the same time, the Group will increase the average ticket size of the soft asset business which historically has operated in the micro end of the SME lending market. Over time, this will reduce the delinquent debt levels and increase efficiencies through dealing with a lower number of enquiries from more established businesses.

iv. Investment in key sales resources

In order to grow the business, the Group will look to acquire further new business talent and put the Group in the best possible position to take advantage of the post-Covid recovery. As per the previously mentioned focus on core products, this recruitment will be centred around invoice, asset and loan finance as well as training the Group's teams internally to maximise cross-selling opportunities.

v. Reposition of the brand and investment in marketing

The rebrand to Time Finance provides the Group with an excellent opportunity to reposition the business in line with our core strategic aims. Historically under the various trading brands that comprised 1pm, there was potentially a lack of market understanding and clarity as to what the business stood for and where it wanted to operate. An experienced Head of Marketing has been appointed to deliver this repositioning strategy as part of a refreshed overall marketing plan that will aim to see the business widely recognised as the independent finance provider of choice to SMEs.

Potentially add further liquidity into the Business

The Group feels it has sufficient cash resources to deliver its medium-term objectives. However, should the opportunity arise to grow the business more rapidly than expected, it may require further liquidity in the business to support the increased use of its senior debt facilities for financing leases and loans. Finding suitable liquidity at sensible pricing is therefore a key priority over the course of the next 12 months.

Key performance indicators

The Board and the Senior Management Team regularly review and monitor key metrics in assessing the performance of the Group. Some of these key metrics to help gauge the Group's meaningful progress are detailed below.

- Revenue – decreased 17% to £24.2m (prior year £29.2m)
- Profit Before Tax – maintained at £2.0m (prior year £2.0m)
- Diluted Earnings Per Share – increased 6% to 1.85p (prior year 1.74p)
- New Business Origination – decreased 30% to £103m (prior year £147m)
- Cash, cash equivalents and convertible paper of £11.3m (prior year £1.4m)
- Funding interest rate – maintained at a blended rate of 4% (prior year 4%)
- Net interest margin – decreased to 10.4% (prior year 11.5%)

"As the economy recovers post Covid-19, there will be good opportunities for non-bank, specialist lenders like Time Finance."

Principal risks and uncertainties

'Principal risks' are defined as a risk or a combination of risks that, given the Group's current position, could seriously affect the performance, future prospects or reputation of the Group. These risks could potentially materially threaten the business model, performance, solvency or liquidity, or prevent the delivery of the strategic objectives outlined above. The Board has overall responsibility for ensuring that risk is appropriately managed across the Group and, through the Risk Committee, has established the Group's appetite to risk, approved its structure, methodologies, policies, and management roles and responsibilities.

As well as regular external reviews and audits from the Group's statutory auditors and the quarterly audits from a number of its funding partners, the Group has numerous internal checks and balances. Initial responsibility rests with the Operating Board which manages the business divisions and functions with line managers responsible for identifying and managing risks arising in their business areas. This is augmented by the Group's central and independent Compliance, Finance, IT and Human Resources functions with responsibility for reporting to the Board. The Group has a Director of Risk who reviews all significant Group credit exposures and a Director of Governance and Compliance who reviews all significant Group operating risks and adherence to regulatory requirements.

The key risks identified and which the Board has reasonable expectation are appropriately mitigated are:

i. Credit Risk

The risk of default, potential write off, disruption to cash flow and increased recovery costs on a debt that is either not repaid individually or if there is a wider market deterioration. This is mitigated by the Group adopting prescribed lending policies and adhering to strict credit and underwriting criteria specifically tailored to each business area. The Group also has the ability to 'broke-on' certain business rather than write it on its own book. As such, any market deterioration impact can be reduced by broking-on prospective deals.

ii. Funding Risk

The risk of the Group not being able to meet its current and future financial obligations over time, specifically that funding is not available to meet the Group's growth targets. The Group has active funding facilities across Block Discounting, a Secured Loan Note programme and Back-to-Back invoice finance facilities, aggregating to £163m with ample headroom to meet its growth targets for the medium future. As detailed previously, should the opportunity arise to grow considerably faster than the medium-term plan anticipates, then the Group could decide to augment its funding with additional liquidity.

iii. Regulatory Risk

The risk of legal or regulatory action resulting in fines, penalties and sanctions that could arise from the Group's failure to identify and adhere to regulatory requirements in the UK. In addition, there is the risk that new or enhanced regulations could adversely impact the Group. The Group employs a Director of Governance and Compliance, who reports to the Board and who manages a well-established and independent compliance department with appropriate resources and access to external advisors. The department looks both internally at the Group ensuring its practices are appropriate and externally at future developments to ensure the Group is prepared to adopt any changes in regulation as and when they arise.

Section 172 Statement and stakeholder engagement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefits of its members as a whole. In doing this s.172 requires a director to have regard, amongst other matters, to:

– the likely consequences of any decisions in the long term;
– the interests of the company's employees;
– the need to foster the company's business relationships with suppliers, customers and others;
– the impact of the company's operations on the community and environment;
– the desirability of the company maintaining a reputation for high standards of business conduct;
– the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under Section 172. This includes the Board receiving regular training on their obligations as Directors from advisors and on an ongoing basis from the Company Secretary. Board Papers are also prepared with this in mind, ensuring Directors have all the relevant information required to enable them to properly reflect and consider the factors set out above in their decision making.

Group Strategic Report (continued)

Our decisions

The key decisions, many of which were taken in light of the pandemic and its widespread economic impact, made by the Board during the year were:

i. **Focusing on a strengthened balance sheet with improved liquidity**. This had the dual result of safeguarding the ability of the Group to operate in the short term by meeting its debts as they fall due and operating within its banking covenants, while positioning the Group for future growth as and when the country emerges fully from the pandemic (refer to the CFO's report on page 20 for further details).

ii. **Restructuring of the Board**. A new CEO was appointed during the year and the Non-Executive arm of the Board augmented with an additional member adding renewed direction, challenge and experience to the Board to support the recovery and future growth prospects of the Group (refer to the Chairman's Statement on page 12 for further details).

iii. **Rebranding the Group**. Continuing with its strategic plan to transition from several stand-alone brands to a single nationally recognised brand, Time Finance was launched as a consolidated brand in December 2020 (refer to the CEO's report on page 16 for further details).

Further detail on the medium-term strategy and the Board's decision-making driving this can be found in the Chairman's Statement, CEO's Report and CFO's Report on pages 12, 16 and 20 respectively, as well as earlier on within this Strategic Report.

The Board sees the value of building and maintaining strong relationships with all its key stakeholders, who are identified below.

Our employees

The business is committed to open and transparent communication with its staff, primarily through a mixture of regular monthly all-staff email communications augmented by the delivery of regular "Town Hall" all-staff meetings at each Group site, where strategic and performance updates are delivered by members of the Operating Board and two-way communication is encouraged. In addition to gathering feedback throughout the year through regular meetings, the company also encourages employees to share their views with all managers adopting an "open door" policy. For more information about our people, please see the Group Culture and Governance Report on page 30.

Our customers, suppliers and investors

The Group's customers fall into two distinct categories covering both business-to-business ("B2B") and business-to-consumer ("B2C") sectors. The Group is committed servicing them both effectively with a network of dedicated broker or relationship managers within the B2B side of the business who work tirelessly to ensure that all parties are satisfied with the management of the relationship. Our B2C customers benefit from the expertise, skill and customer focus of our dedicated teams of highly trained employees.

The Group works with a number of key suppliers, primarily providers of IT, marketing support services and expert advisors. Each relevant function has dedicated staff who work closely with these suppliers to ensure the successful delivery of these services for both parties.

In addition, the Group invests in its technology infrastructure to ensure that its customer base and key suppliers have a market leading experience.

The Group adopts a proactive policy with regards to its interactions with its investors attempting to foster an open and ongoing dialogue with shareholders throughout the year. The Chairman, CEO and CFO make themselves available to meet investors as required as well as providing updates through regular investor presentations, roadshows, presenting at shareholder events and the publication of detailed and timely RNS and RNS Reach updates. The Group hopes this helps manage the expectations of shareholders and understand the motivation behind shareholder voting decisions whilst striving to make the right decisions as it navigates the pandemic-impacted market in which it operates. The Group continually aims to strike an appropriate balance between long-term shareholder value and short-term business needs.

Our communities and the environment

Whilst the Group has limited direct impact on the environment it is mindful of its responsibility in this regard. To this end, a staff body has been developed to focus specifically on the ESG agenda and the impact the Group has on these important areas. Further details can be found in both the Chairman's Statement and the Group Culture and Governance Reports on pages 12 and 30 respectively.

Our standards

Acting with integrity is one of the key cultural pillars of the Group which continually strives to maintain a high standard of business conduct. All staff are trained thoroughly and subject to rigorous continual professional development standards. The various awards (refer to page 5) the Group has won are testament to the high standards of business conduct it prides itself on.

> “Acting with integrity is one of the key cultural pillars of the Group.”

Summary

The post-Covid recovery should present the Time Finance Group with many opportunities, whilst acknowledging the potential threats that also may come our way through potential increased default and delinquent debt. SMEs will need access to finance to recover and grow their businesses, and having an independent, credible and flexible alternative to the banks presents the Group with a significant opportunity once market conditions improve.

Ed Rimmer
Chief Executive Officer
21 September 2021

> Time Finance aspires to be the preferred funder of choice providing specialist finance to UK businesses, helping them thrive.

Jen Bodey,
Director of Governance & Compliance

Group Culture and Governance Report

For the Year Ended 31 May 2021

Throughout 2020, and to coincide with our rebrand to Time Finance plc, we announced our vision as aspiring to be "*the preferred funder of choice providing specialist finance to UK businesses, helping them thrive*".

We want our customers to characterise our interactions with them as being: "*genuine*" and focused on the best solution for their business needs; demonstrating "*integrity*" by treating them fairly; and "*agile*" by delivering a flexible solution to their timescales.

Delivering our Vision and Values

Our culture sets the operational standards by which we put our values into practice. These standards are described as:

- Our people are our greatest asset
- Our customers are at the centre of everything we do
- Integrity is everything to us
- We know that time is money, so we get things done
- We choose the personal touch

We consistently and continuously monitor and measure how we put these standards into practice through a multi-faceted approach, namely:

- A bi-annual appraisal process for all colleagues which includes assessment and evidence of "living our culture"
- A remuneration and incentive structure for customer-facing colleagues that includes an element of deferred commission, earned against achievement and evidence of the cultural behaviours we aspire to demonstrate. Similarly, any discretionary compensation for non-commission remunerated colleagues is also influenced by an assessment of the extent to which they demonstrate the cultural behaviours
- A Talent Leadership Programme (TLP), sponsored by the Chief Executive Officer and actively supported by the Group Senior Management Team, to develop our future leaders
- A communication, implementation and feedback loop culture with representation from across the Group for management from colleagues

In relation to our people, the Group currently has 160 employees, showing a 11% reduction in headcount in comparison to last year. Although not required by law to disclose "people statistics", in line with best practice, the Group discloses the following data on the diversity of its employees:

- The current gender ratio is 56% women and 44% men, showing consistency in comparison with last year's number
- The Senior Management Team, made up of the Group's two Executive Directors, and the nine other members of our Operating Board comprises 55% women and 45% men, again showing consistency with last year.

"The Senior Management Team, made up of the Group's two Executive Directors, and the nine other members of our Operating Board comprises 55% women and 45% men."

Group Culture and Governance Report (continued)

Corporate governance

Robust governance processes ensure the Group continues to be compliant with recognised corporate governance standards, including the Senior Managers Certification Regime. Time Finance complies with the Quoted Companies Alliance (QCA) Corporate Governance Code and our Governance Statement.

Full details of how we comply can be found on our website www.timefinance.com/governance-statement with supplementary information detailed in this report (references shown in the table below).

How we comply with the QCA Corporate Governance Code

Governance principles	Reference
Deliver growth	
Principle 1: Establish a strategy and business model which promote long-term value for shareholders	• Chairman's Statement, comments on Strategy (page 13) • CEO's Group Strategic Report, comments on Strategic Objectives (page 25 & 26)
Principle 2: Seek to understand and meet shareholder needs and expectations	• Chairman's Statement, comments on Performance and dividend (page 13)
Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	• CEO's Group Strategic Report, comments on Section 172 Statement and Stakeholder Engagement (page 27) • Governance Report, comments on Environmental, Social and Corporate responsibility (page 35)
Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	• CEO's Group Strategic Report, comments on Principle risks and uncertainties (page 27)
Maintain a dynamic management framework	
Principle 5: Maintain the Board as a well-functioning balanced team led by the Chair	• Chairman's Statement, comments on Governance and Culture (page 14)
Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	• Chairman's Statement, comments on Governance (page 14) • CEO's Group Strategic Report, comments on Section 172 Statement and Stakeholder Engagement (page 27)
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	• Chairman's Statement, comments on Governance (page 14)
Principle 8: Promote a corporate culture that is based on ethical values and behaviours	• Chairman's Statement, comments on Governance and Culture (page 14) • CEO's Group Strategic Report, comments on Section 172 Statement and Stakeholder Engagement (page 27) • Governance Report, comments on Delivering our Vision and Values (page 31)
Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	• Chairman's Statement, comments on Governance and Culture (page 14) • Governance Report, comments on Corporate Governance (page 32)
Build trust	
Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	• CEO's Group Strategic Report, comments on Section 172 Statement and Stakeholder Engagement (page 27)

Board composition

The Board comprises the Non-Executive Chair, three independent Non-Executive Directors and two Executive Directors. Their biographies can be found on page 9. There is a clear separation of the roles of Non-Executive Chair and Executive Directors. The Chair, John Newman, is responsible for the running of the Board and for ensuring that all Directors are fully informed of matters sufficient to make informed judgements. As Executive Directors, Ed Rimmer and James Roberts have responsibility for implementing the strategy agreed by the Board and managing the day-to-day running of the Group. Ed and James are supported in their roles by the Senior Management Team – experienced leaders across the Group. As Company Secretary, Jennifer Bodey supports the Board with compliance and governance matters. The Board believes this is appropriate given the size and complexity of the Group. The Board feel that the Non-Executive Directors are independent and experienced individuals with complementary skill sets. Members of the Board maintain membership of a number of professional bodies and ensure their skill sets are constantly developed. The Nomination Committee is responsible for considering the make-up of the Board and identifies any succession planning requirements. No individual or group dominates the Board's decision-making processes.

The Role of the Board

The Board sets the strategic aims of the Group and its values; provides the leadership required to put them into effect; supervises and constructively challenges management, who are responsible for the day-to-day running of the Group; and reports to shareholders on their stewardship. The Board is also responsible for risk management, and we have set out our approach to this in the Principal Risks and Uncertainties section of the Strategic Report on page 24. The Board met 10 times during the year to 31 May 2021, with 100% attendance from all applicable directors, with standard meetings lasting for approximately half a day. In addition to this, all Directors attend the Group's Annual General Meeting. Additional meetings or conference calls are convened as required. Members of the Board also chair and sit on the Board committees and these each have their own time commitments.

Internal control

The Group has implemented policies on internal control and corporate governance. These have been prepared in order to ensure that: proper business records are maintained and reported on, which might reasonably affect the conduct of the business; monitoring procedures for the performance of the Group are presented to the Board at regular intervals; budget proposals are submitted to the Board before the start of each financial year; accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements; and interim and annual accounts are prepared and submitted in time to enable the Group to meet statutory filing deadlines. The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available. The Board considers that the introduction of an internal audit function is not appropriate at this juncture.

> "Time Finance places a strong emphasis on ensuring high standards of Environmental, Social and Corporate responsibility."

Board committees

To assist in carrying out its duties, the Board has a number of committees including the Audit Committee, the Remuneration Committee, the Governance and Risk Committee and the Nomination Committee. Each committee has formally delegated duties and responsibilities with written terms of reference. From time-to-time, separate committees may be set up by the Board to consider specific issues when the need arises. An explanation of the responsibilities and composition of the committees is set out below and the terms of reference can be downloaded from our website.

i. **Audit Committee:** The Audit Committee consists of Tanya Raynes (Chair), John Newman, Ron Russell and Julian Telling. It has responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

ii. **Remuneration Committee:** The Remuneration Committee consists of Julian Telling (Chair), John Newman and Tanya Raynes. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chair, the Executive and Non-Executive Directors. No Director may be involved in any discussions as to their own remuneration.

iii. **Nomination Committee:** The Nomination Committee consists of John Newman (Chair), Julian Telling and Tanya Raynes. It has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning.

iv. **Governance and Risk Committee:** The Governance and Risk Committee consists of Julian Telling (Chair), John Newman, Tanya Raynes and Ron Russell. It has responsibility for reviewing internal control and risk management systems.

The terms of reference for these committees can also be found on the Time Finance website.

Re-election

All Directors of the Board are subject to ratification by the Shareholders at the first AGM following their appointment by the Board. Aside from the CEO, all Directors will also stand for re-election bi-annually by rotation at the AGM.

The Audit Committee Report

The Audit Committee meets at least annually with the Group's Auditor and as otherwise required. The Audit Committee met once during 2021 with full attendance and, in accordance with best practice, the Chair of the Audit Committee also met separately with the Audit partner to provide an opportunity for any relevant issues to be raised directly with her. The key findings of last year's audit were discussed and plans put in place with a view to addressing the limited number of areas of concern.

During the year, the Audit Committee discharged its responsibilities by:

- Reviewing the Group's draft financial statements, preliminary announcements and interim results statement prior to Board approval and reviewing the external Auditor's reports thereon.
- Reviewing the external Auditor's plan for the audit of the Group financial statements, confirmations of auditor independence and proposed audit fee and approving terms of engagement for the audit.

Group Culture and Governance Report (continued)

- Considering the effectiveness and independence of the external Auditor and recommending to the Board the reappointment of Moore as external Auditor.
- Considering the review of material business risks.
- Considering the significant risks and issues in relation to the financial statements and how these were addressed including: impairment reviews of goodwill and credit risk provisions; banking covenants and cash headroom.
- Considering policies on non-audit engagements for the Company's Auditor.

The Remuneration Committee Report

The key pillars of the remuneration policy for the Group, as well as the rationale for any major decisions made by the remuneration committee during the year, are set out below. This is intended to help investors assess and understand the remuneration policy in the light of the strategy for the Group. The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in establishing appropriate remuneration levels and incentive policies for Directors and key executives, including all share-based compensation. The remuneration of the Non-Executive Directors is approved by the Board of Directors who always act as fairly and reasonably and in the interests of the Company and shareholders as possible.

i. Remuneration Policy

The remuneration policy of the Group is:

- To provide a suitable remuneration package to attract, motivate and retain Executive Directors who will run the Group successfully.
- To ensure that all long-term incentive schemes for the Directors are in line with the Shareholders' interests.

The Committee makes recommendations to the Board. No Director plays a part in any discussion about their own remuneration. The Remuneration Committee members are expected to draw on their experience to judge where to position the Group, relative to other companies' and other groups' rates of pay when considering remuneration packages for Executives. The Executive Directors have service contracts which provide for notice periods of twelve months. Each of the Non-Executive Directors has a service contract which provides for a notice period of three months.

ii. Recent Developments

The Board, following the recommendations of the Remuneration Committee, agreed to the following actions:

- To establish a cash bonus scheme for the Executive Directors in respect of the financial year ending 31 May 2022. This is conditional upon the achievement of results above market expectations and capped at 100% of salary. It is expected that annual bonus plans will be established in respect of future periods although the levels of award and performance conditions may vary as circumstances dictate.
- Long term incentive plans will be established, controlled and operated by the Remuneration Committee who have the authority to vary payments from amounts arising from agreed formulae/structures and vary the structure and policy as appropriate.

iii. Directors' Detailed Remuneration

The table below shows the remuneration of the Directors in office at the end of the year. The CEO's full year basic salary is £220,000 which is approximately 6 times the Group average basic salary of £37,000.

£'000	Salary	Bonus	Pension	Benefits	2021 Total	2020 Total
Executives						
EJ Rimmer (appointed on 19 February 2021)	54	-	-	-	54	400
JMA Roberts	155	-	7	16	178	166
Non-Executives						
JD Newman	36	-	-	-	36	33
R Russell	25	-	-	-	25	24
JP Telling	28	-	-	-	28	26
T Raynes (appointed on 25 March 2021)	5	-	-	-	5	-
	303	-	7	16	326	649

R I Smith, who resigned on 27 February 2021, received total emoluments in the financial year of £443k of which £247k related to compensation for loss of office.

iv. Directors' Share Interests

The table below shows the interests of the Directors in office at the end of the year in the share capital of the Company:

	As at 31 May 2021 number of ordinary shares	As at 31 May 2020 number of ordinary shares
Executives		
EJ Rimmer	-	-
JMA Roberts	520,551	38,769
Non-Executives		
JD Newman	152,166	127,166
R Russell	10,977,967	10,977,967
JP Telling	222,166	222,166
T Raynes	-	-

v. Directors' Share Options

Details of share options held by the Directors in office at the end of the year over the ordinary shares of the Company are set out below:

The shares were issued as part of an Executive and Senior Management Unapproved Share Option Scheme. Further details are provided in Note 27 to the consolidated financial statements.

	Scheme	As at 31 May 2020	Granted	Exercised	Cancelled	As at 31 May 2021
JMA Roberts	Unapproved	-	1,235,000	864,500	-	370,500

Environmental, social and corporate responsibility

Time Finance places a strong emphasis on ensuring high standards of Environmental, Social and Corporate responsibility. During 2020 we further increased awareness through a TLP project which assessed ESG measures taken to date and created a roadmap for further initiatives. Our focus for 2021 and beyond will be to further enhance our contribution towards the UN sustainable development goals for *Quality Education, Decent work and economic growth, Sustainable cities and communities* and *Responsible consumption and production.*

Together with a Non-Executive Director who sponsors ESG, I am coordinating business initiatives to ensure that we remain focused and accountable. Further details, including progress updates, will be published on our website during the incoming financial year.

Conclusion

Strong corporate governance processes supported the Group during the disrupted trading period caused by the Covid pandemic. Throughout, the Board, Executive and Senior Management Team operated closely and effectively to uphold all required standards of corporate governance whilst maintaining high levels of service to our customers and support to colleagues as they continued to navigate turbulent times.

Jennifer Bodey
Director of Governance & Compliance, Company Secretary
21 September 2021

Report of the Directors

for the Year Ended 31 May 2021

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 May 2021.

Principal Activity

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

Dividends

The Company confirmed that the 2019 interim dividend that was deferred as a result of the pandemic will not be paid and that while cash resources are being deployed to business growth at the current time, future dividends will be kept under review.

Events Since the End of the Year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The Directors shown below have held office during the whole of the period from 1 June 2020 to the date of this report unless otherwise stated.

J D Newman	Non-Executive Chairman
E J Rimmer	Chief Executive Officer (appointed on 19 February 2021)
J M A Roberts	Chief Financial Officer
J P Telling	Non-Executive Director
R Russell	Non-Executive Director
T Raynes	Non-Executive Director (appointed on 25 March 2021)
R I Smith	Chief Executive Officer (resigned on 27 February 2021)

The interest which the Directors serving at the end of the year, or at the date of this report, had in the ordinary share capital of Time Finance plc at 31 May 2021 is disclosed in the Directors' Share Interests section within the Group Culture and Governance report on page 35. Details of the Directors' share options are provided in the Directors' Share Options section within the same report on the same page.

Financial Instruments

The Group's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions. Further details on financial instruments are given in Note 29 to these financial statements.

Directors' Insurance and Indemnities

Throughout the year the Group has maintained Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its officers. The Directors consider the level of cover appropriate for the business and will remain in place for the foreseeable future.

Significant Shareholdings

The following parties held greater than 3% of the issued share capital of Time Finance plc at 31 May 2021:

	Number of shares	% of issued share capital
Wellesley Finance Limited	**17,796,173**	19.69%
Gpim Limited	**17,680,433**	19.56%
R Russell	**10,977,967**	12.15%
Hargreaves Lansdown Stockbrokers	**8,219,752**	9.10%
Interactive Investor Services Limited	**4,835,330**	5.35%
Halifax Share Dealing Limited	**3,974,870**	4.40%
Aeternitas Imperium Privatstiftung	**3,563,000**	3.94%

Disclosure in the Strategic Report

Please refer to the Chief Executive Officer's Report, Chairman's Statement and Group Strategic Report.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

A number of areas are considered by the Audit Committee when reviewing the appointment and engagement of the external auditor, namely their performance in discharging the audit, the scope of the audit and terms of agreement, their independence and objectivity, and remuneration. Following the completion of this year's audit, the Audit Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of Moore and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J M A Roberts
Chief Financial Officer
21 September 2021

Report of the Independent Auditors to the Members of Time Finance plc

Opinion

We have audited the financial statements of Time Finance plc (the “parent company”) and its subsidiaries (the “Group”) for the year ended 31 May 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

– give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 May 2021 and of the group’s profit for the year then ended;

– have been properly prepared in accordance with IFRSs as adopted by the European Union; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 Group 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 as applied to listed entities, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

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.

Our evaluation of the director’s assessment of the Group’s and parent Company’s ability to adopt the going concern basis of accounting included:

– Evaluation of the available financing facilities, repayment terms and covenants;

– Assessment of the reasonableness of cash flow forecasts over the outlook period including the impact of Covid-19 and sensitivities;

– Testing of the clerical accuracy of the those forecasts and assessment of historical accuracy of forecasts prepared by management; and

– Assessment of the adequacy of disclosure provided in Note 2.

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.

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

Key audit matters

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

Area of focus	Work performed to address this risk	Conclusion of findings
Recoverability of trade receivables and valuation of the expected credit loss provision The financial statements include net trade receivables of £95.5 million, which represents 69% of the Group's total assets. The credit loss provision is £5.2m. We have assessed this area as being of significant risk to the audit due to the significance of these amounts in deriving the Group's results and because of the nature of the IFRS 9 requirements for provisioning, which is an estimate that involves judgements and assumptions.	In assessing the valuation of trade receivables, we performed the following procedures: – We tested after balance sheet date cash receipts for a sample of receivables. – We reviewed leases and loans in arrears to consider the adequacy of provisions in place and where payment plans have been entered whether they are being adhered to. – We assessed the appropriateness of the methodology applied to determine the expected credit loss provision with reference to the requirements of IFRS 9. – We have tested the mathematical accuracy of the credit risk provision model and corroborated back to underlying data and supporting documentation. – We have compared historical default rates experienced to the loss rate applied within the credit loss provision model and found them to be in agreement. – We considered the adequacy of the disclosures made in the financial statements including the Group's accounting policy over provisioning. – Considered the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data.	We have no matters to communicate in respect of the recoverability of trade receivables or credit loss provisioning.
Revenue recognition and the IT operating systems The IT operating systems used by the Group are central to the integrity of the allocation of income to the appropriate accounting period using the effective interest rate method.	In assessing revenue recognition, we performed the following procedures – We tested that a sample of new contracts were being entered into the system appropriately and revenue recognised appropriately. – We reperformed a sample of calculations to test that the operating system was correctly allocating interest to the correct periods. – We considered the adequacy of the disclosures made in the financial statements including the Group's accounting policy over revenue to test that these are consistent with both the conclusions from the audit testing performed as well as in line with IFRS.	We have no matters to communicate in respect of revenue recognition.
Goodwill Impairment Assessment The Group has goodwill across four cash generating units ("CGUs") at 31 May 2021: £28.2 million (2020: £28.2 million). The Group's assessment of impairment in accordance with IAS 36 Impairment of Assets is a judgemental process which requires estimating future cash flows based on management's view of future business prospects. Our key audit matter focuses on the robustness of the revenue and profit forecasts. Given the significant level of judgement involved, we identified this key audit matter.	We performed the following procedures in response to the key audit matter identified: – Discussed with management to understand and critically challenge the key underlying assumptions used in the forecasts that form the basis of the Group's impairment review; – Performed an assessment of the accuracy of previously prepared forecasts; this included reviewing trading performance in 2020/21 to determine management's ability to forecast accurately and understand the reasons for any material variances; – Performed additional sensitivities, to assess the robustness of the model; this involved running combined sensitivities, using increased in discount rates, and modelling the longer lasting impacts of Covid-19; – Performed a model integrity check, including reviewing the model for mathematical and clerical accuracy; – Reviewed the disclosures in the financial statements.	Based on the audit procedures performed, we are satisfied that the valuation of goodwill at year end is appropriate.
Going concern During the year ended 31 May 2021 the Covid-19 virus has continued to hit the UK and has had a significant impact on the business of the Group. This impact is not limited to significant uncertainty and the credit risk provision required as at 31 May 2021. Management have concluded that the Group remains a going concern at the date of signing these financial statements. Due to the potential significance of this event we consider this to be a key audit matter.	In assessing the going concern status of the Group, we have reviewed and considered the following: – Budgets and projections of the Group, we have considered the impact of Covid-19 on these budgets and management assessment of these. – Availability of overdraft and loan facilities to ensure there is sufficient capital should management's forecast not meet expectations.	Our key observations are set out in the conclusions related to going concern section of our audit report.

Report of the Independent Auditors to the Members of Time Finance plc (continued)

Our application of materiality

In planning and performing our audit we were influenced by our application of materiality. We set certain quantitative measures and thresholds for materiality, which together with other, qualitative, considerations, helped us to determine the scope of our audit and the nature, timing and extent of the procedures performed. Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £237,000 and £35,000 for the Parent Company. The principal determinant in this assessment was profit before tax and exceptional items, which we consider to be the most relevant benchmark as a key metric for the directors, investors and users of the Time Finance plc financial statements. Our materiality represents 5% of the average of the last three years of this number. We have taken an average of the past 3 years as this provides the most stable and comparable profit metric given the impact of the Covid-19 pandemic and the large credit risk provision increase in the prior year.

We have agreed with the Audit Committee that we shall report to them any misstatements in excess of £11,850 that we identify through the course of our audit, together with any qualitative matters that warrant reporting.

An overview of the scope of the audit

The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the Group when determining the level of work to be performed. All audit work was performed directly by the audit engagement team with work performed to a statutory audit scope for all trading entities within the Group.

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 the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year 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 or 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 Statement of Directors' Responsibilities set out on page 37, 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, International Financial Reporting Standards, Listing Rules, QCA Code and UK taxation legislation.

We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

We enquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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.

Mark Powell
(Senior Statutory Auditor)
for and on behalf of Moore
Chartered Accountants & Statutory Auditor
30 Gay Street
Bath
BA1 2PA
21 September 2021

Consolidated Income Statement

for the Year Ended 31 May 2021

	Notes	2021 £'000	2020 £'000
CONTINUING OPERATIONS			
Revenue		**23,799**	29,062
Other income	8	**425**	182
Total Revenue		**24,224**	29,244
Cost of sales		**(9,362)**	(13,319)
GROSS PROFIT		**14,862**	15,925
Administrative expenses		**(11,475)**	(12,793)
Exceptional Items	11	**(843)**	(909)
Share based payments	27	**(277)**	(31)
OPERATING PROFIT		**2,267**	2,192
Finance costs	5	**(250)**	(181)
Finance income	5	**3**	9
PROFIT BEFORE INCOME TAX	6	**2,020**	2,020
Adjusted earnings before interest, tax, exceptional items and share-based payments		**3,140**	2,960
Exceptional items	11	**(843)**	(909)
Share-based payments	27	**(277)**	(31)
PROFIT BEFORE INCOME TAX		**2,020**	2,020
Income tax	7	**(243)**	(465)
PROFIT FOR THE YEAR		**1,777**	1,555
Profit attributable to: Owners of the parent company		**1,777**	1,555
Earnings per share expressed in pence per share:	10		
Basic		**1.98**	1.76
Diluted		**1.85**	1.74

The notes on pages 51 to 75 form part of these financial statements

Consolidated Statement of Comprehensive Income

for the Year Ended 31 May 2021

	Notes	2021 £'000	2020 £'000
PROFIT FOR THE YEAR		**1,777**	1,555
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,777**	1,555
Total comprehensive income attributable to: Owners of the parent company		**1,777**	1,555

The notes on pages 51 to 75 form part of these financial statements

Consolidated Statement of Financial Position

31 May 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	**28,241**	28,241
Intangible assets	13	**476**	526
Property, plant and equipment	14	**551**	767
Right-of-use property, plant and equipment	14, 22	**224**	428
Trade and other receivables	16	**44,335**	46,157
Deferred tax	24	**806**	944
		74,633	77,063
CURRENT ASSETS			
Trade and other receivables	16	**55,073**	60,038
Tax receivable		**113**	185
Cash and cash equivalents	17	**7,969**	1,304
		63,155	61,527
TOTAL ASSETS		**137,788**	138,590
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	**9,252**	8,899
Share premium	19	**25,543**	25,360
Employee shares	19	**63**	–
Treasury shares	19	**(790)**	(310)
Retained earnings	19	**23,051**	21,274
TOTAL EQUITY		**57,119**	55,223
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	20	**33,749**	28,639
Financial liabilities – borrowings	21	**3,369**	–
Lease Liability	22	**44**	238
		37,162	28,877

Consolidated Statement of Financial Position (continued)

31 May 2021

	Notes	2021 £'000	2020 £'000
CURRENT LIABILITIES			
Trade and other payables	20	**41,692**	51,052
Financial liabilities - borrowings	21	**1,634**	2,407
Tax payable		**–**	287
Provisions	23	**–**	546
Lease Liability	22	**181**	198
		43,507	54,490
TOTAL LIABILITIES		**80,669**	83,367
TOTAL EQUITY AND LIABILITIES		**137,788**	138,590

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 21 September 2021 and were signed on its behalf by:

J M A Roberts
Chief Financial Officer

The notes on pages 51 to 75 form part of these financial statements

Company Statement of Financial Position

31 May 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	**411**	406
Property, plant and equipment		**25**	20
Investments	15	**21,052**	21,030
		21,488	21,456
CURRENT ASSETS			
Trade and other receivables	16	**23,664**	19,233
Cash and cash equivalents	17	**1,859**	186
		25,523	19,419
TOTAL ASSETS		**47,011**	40,875
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	**9,252**	8,899
Share premium	19	**25,543**	25,360
Employee shares	19	**63**	–
Treasury shares	19	**(790)**	(310)
Retained earnings	19	**1,426**	329
TOTAL EQUITY		**35,494**	34,278
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	24	**75**	136
Financial liabilities - borrowings	21	**3,369**	–
		3,444	136
CURRENT LIABILITIES			
Trade and other payables	20	**7,342**	6,268
Financial liabilities – borrowings	21	**731**	17
Provisions	23	**–**	176
		8,073	6,461
TOTAL LIABILITIES		**11,517**	6,597
TOTAL EQUITY AND LIABILITIES		**47,011**	40,875
Company profit for the financial year		**1,097**	498

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the parent company is not presented as part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 21 September 2021 and were signed on its behalf by:

J M A Roberts
Chief Financial Officer

The notes on pages 51 to 75 form part of these financial statements

Consolidated Statement of Changes in Equity

for the Year Ended 31 May 2021

	Called up share capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 2019	8,760	19,888	25,134	(300)	298	53,780
Total comprehensive income	–	1,555	–	–	–	1,555
Transactions with owners						
Purchase of treasury shares	–	–	–	(10)	–	(10)
Dividends (Note 9)	–	(498)	–	–	–	(498)
Issue of share capital	139	–	226	–	–	365
Value of employee services	–	–	–	–	31	31
Reclassification of Employee Shares	–	329	–	–	(329)	–
Balance at 31 May 2020	8,899	21,274	25,360	(310)	–	55,223
Total comprehensive income	–	1,777	–			1,777
Transactions with owners						
Purchase of treasury shares	–	–	–	(480)	–	(480)
Issue of share capital	353	–	183	–	–	536
Value of employee services	–	–	–	–	63	63
Balance at 31 May 2021	**9,252**	**23,051**	**25,543**	**(790)**	**63**	**57,119**

The notes on pages 51 to 75 form part of these financial statements

Company Statement of Changes in Equity

for the Year Ended 31 May 2021

	Called up share capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 2019	8,760	–	25,134	(300)	298	33,892
Total comprehensive income	–	498	–	–	–	498
Transactions with owners						
Purchase of treasury shares	–	–	–	(10)	–	(10)
Dividends (Note 9)	–	(498)	–	–	–	(498)
Issue of share capital	139	–	226	–	–	365
Value of employee services	–	–	–	–	31	31
Reclassification of Employee Shares	–	329	–	–	(329)	–
Balance at 31 May 2020	8,899	329	25,360	(310)	–	34,278
Total comprehensive income	–	1,097	–	–	–	1,097
Transactions with owners						
Purchase of treasury shares	–	–	–	(480)	–	(480)
Issue of share capital	353	–	183	–	–	536
Value of employee services	–	–	–	–	63	63
Balance at 31 May 2021	**9,252**	**1,426**	**25,543**	**(790)**	**63**	**35,494**

The notes on pages 51 to 75 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 May 2021

	Notes	2021 £'000	2020 £'000
Cash generated from operations			
Profit before tax		**2,020**	2,020
Depreciation & amortisation charges		**754**	883
Finance costs	5	**165**	181
Finance income	5	**(3)**	(9)
Decrease in inventory		**–**	–
Decrease in trade and other receivables		**6,787**	18,947
(Decrease) in trade and other payables		**(4,248)**	(17,677)
Movement in other non-cash items		**745**	612
		6,220	4,957
Cash flows from operating activities			
Interest paid	5	**(165)**	(181)
Tax paid		**(397)**	(1,488)
Net cash from operating activities		**5,658**	3,288
Cash flows from investing activities			
Acquisition of subsidiaries		**–**	(500)
Purchase of software, property, plant & equipment		**(314)**	(375)
Contingent consideration paid	23	**(197)**	(565)
Interest received	5	**3**	9
Net cash from investing activities		**(508)**	(1,431)
Cash flows from financing activities			
Payment of lease liabilities		**(213)**	(218)
Loan repayments in year		**(635)**	(991)
Loans issued in year		**4,100**	–
Changes in overdrafts (Invoice Finance)		**(869)**	(349)
Equity dividends paid		**–**	(498)
Net cash from financing activities		**2,383**	(2,056)
Increase/(decrease) in net cash and cash equivalents		**7,533**	(199)
Net cash and cash equivalents at beginning of year	28	**132**	331
Net cash and cash equivalents at end of year	28	**7,665**	132

The notes on pages 51 to 75 form part of these financial statements

Company Statement of Cash Flows

for the Year Ended 31 May 2021

	Notes	2021 £'000	2020 £'000
Cash generated from operations			
Profit before tax		**1,035**	524
Depreciation & amortisation charges		**166**	127
Finance costs		**8**	35
(Increase) in trade and other receivables		**(4,431)**	(845)
Increase in trade and other payables		**1,076**	1,238
Movement in other non-cash items		**479**	643
		(1,667)	1,722
Cash flows from operating activities			
Interest paid		**(8)**	(35)
Net cash from operating activities		**(1,675)**	1,687
Cash flows from investing activities			
Acquisition of subsidiaries		**–**	(500)
Purchase of software, property, plant & equipment		**(176)**	(217)
Contingent consideration paid	23	**(175)**	(320)
Dividends received		**–**	–
Net cash from investing activities		**(351)**	(1,037)
Cash flows from financing activities			
Purchase of own shares in EBT		**–**	(10)
Loan repayments in period		**(367)**	–
Loans issued		**4,100**	–
Change in overdraft		**(17)**	17
Equity dividends paid		**–**	(498)
Net cash from financing activities		**3,716**	(491)
Increase in cash and net cash equivalents		**1,690**	159
Net cash and cash equivalents at beginning of year	28	**169**	10
Net cash and cash equivalents at end of year	28	**1,859**	169

The notes on pages 51 to 75 form part of these financial statements

Notes to the Consolidated Financial Statements

For the Year Ended 31 May 2021

1. Statutory Information

Time Finance plc is a UK domiciled public company, registered in England and Wales. The Company's registered number and registered office address are stated on page 3.

2. Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The key judgements made by management in applying the Group's accounting policies that have the most significant effect on these financial statements are in relation to the leased assets, specifically valuation and recognition. Management have selected suitable accounting policies for income recognition (see below) and have made specific provisions against bad debts.

Due to the nature of the Group's trading the directors do not have any concerns over the key assumptions concerning the future and do not consider there to be any key sources of estimation uncertainty. Excluding deferred and earn-out considerations paid in relation to acquisitions, the Group is cash generative as evidenced by the Statement of Consolidated Cash Flows and has ample headroom in its funding facilities. As such, the directors are confident that the Group will continue to operate as a going concern.

The functional currency of the Parent and subsidiaries is sterling. The functional currency of the Group is denominated in pound sterling. The figures have been rounded to the nearest one thousand pounds.

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the business and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace the share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for change in the fair value of the contingent consideration that do qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company (Time Finance plc) and entities controlled by the company (its subsidiaries) made up to 31 May each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Principal activity and nature of operations

The principal activity in the year under review was that of providing financial products and services to UK businesses.

Revenue recognition

Assets leased to customers on finance leases are recognised in the Statement of Financial Position at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Loans are recognised when cash is advanced to borrowers. Loans are carried at their unpaid principal balances. Loan interest is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the loans.

Invoice finance facilities are recognised when cash is advanced to clients. Interest is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of those facilities.

Document, administration and facility fees and secondary rentals are charged and recognised in the period to which they relate.

Brokerage commission income in the Vehicles division is recognised at the point when the vehicle has been delivered and the invoice to the funder has been raised. In the Loans division, brokerage commission income is recognised at the point the loan is paid out. During the period, £3,130,295 broker commission income was reported, which represents 13% of total Group revenue.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that it may be impaired. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. On disposal of the relevant subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Accounting Policies (cont.)

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	-	in accordance with the property lease
Improvements to property	-	20% on cost and in accordance with the property lease
Assets held for rental	-	at varying rates on cost
Fixtures and fittings	-	33% on cost and 25% on cost respectively
Motor vehicles	-	25% on cost
Computer equipment	-	25% on cost and 25% on reducing balance

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

Intangible assets

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life, which are considered to be finite.

Computer software	-	25% on cost

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income and expense that have been shown separately due to the significance of their nature or amount.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the Statement of Financial Position date.

Deferred tax

Deferred income tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated and joint arrangements, except for deferred income tax liabilities where the reversal of the temporary difference is not in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Impairment of financial assets

Expected credit losses are recognised under IFRS 9 where the credit loss provision is measured and recognised in accordance with the expected credit loss ("ECL") model. The IFRS 9 impairment model introduces a three-stage approach:

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

The Company uses its historical experience, external indicators and forward-looking information to calculate expected credit losses. For detail of IFRS 9 calculations refer to Note 30.

Provision for specific debts

Provision is made for receivables in arrears after taking into account expected recovery proceeds. All outstanding amounts on receivable contracts passed to collection agents are written off net of the expected subsequent recovery proceeds.

Notes to the Consolidated Financial Statements (continued)

Funding payables and cost of sales

Finance received from funding providers is classified as payables in the Consolidated Statement of Financial Position. Payments to the funding providers contain a capital element which reduces the payable and an interest charge is debited to the cost of sales using the sum of digits method. Due to the relatively short term of the funding payables the Directors are satisfied that this method of apportioning interest is not materially different to the effective interest method.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities, or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Employee benefit

(a) Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: 9a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The Company has established an employee benefit trust for the granting of conditional shares to applicable employees. Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity received services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the service and non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

2. Accounting Policies (cont.)

Leases

IFRS 16 'Leases' addresses the recognition of leases on the balance sheet. The standard eliminates the distinction between operating and finance leases, and results in operating leases being treated as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term. As a result, the Group has recognised £0.2m (2020: £0.4m) of right-of-use assets and corresponding lease liabilities at 31 May 2021.

Critical estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

The following are the key areas that involved a higher degree of judgement or complexity which may be more likely to be materially adjusted due to the use of assumptions which turn out to be incorrect.

(a) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment by applying growth assumptions and assessing the future cash flows which are expected to arise from the continuing operation. All other assets are tested for impairment where there are indicators of impairment. Actual outcomes could vary significantly from these estimates (see Note 12 Goodwill).

(b) Expected credit losses

The Group assesses its best estimate for the expected credit losses provision at each reporting date, using trends from actual historical data as well as from forward-looking information. Significant judgement is required in assessing performance, especially with delinquencies and default rates on those products in the performing category, as any changes in rates could impact the provision materially (see Note 30 Credit Risk Provision).

Accounting standards issued but not yet effective

There are currently no standards issued which will have a material impact on the Group.

Notes to the Consolidated Financial Statements (continued)

3. Segmental Reporting

The Group provides a range of financial services and product offerings throughout the UK. The Group has introduced reporting on a segmental basis as this accurately reflects the four trading divisions, namely: Asset Finance, Vehicle Finance, Loan Finance and Invoice Finance.

The operating segments also reflect its organisational and management structures. The Group reports internally on these segments in order to assess performance and allocate resources. The segments are differentiated by the type of products provided.

The segmental results and comparatives are presented with intergroup charges allocated to each division based on actual revenues generated. Intergroup expenses are recharged at cost and largely comprise; Marketing, Compliance, IT and Human Resource costs.

For the year ended 31 May 2021	Asset Finance £'000	Vehicle Finance £'000	Loan Finance £'000	Invoice Finance £'000	Other £'000	TOTAL £'000
CONTINUING OPERATIONS						
Revenue	12,822	2,582	2,223	6,488	109	24,224
Cost of sales	(6,331)	(829)	(1,039)	(1,163)	–	(9,362)
GROSS PROFIT	6,491	1,753	1,184	5,325	109	14,862
Administrative expenses	(3,394)	(1,922)	(795)	(2,590)	(2,774)	(11,475)
Exceptional items	(44)	(128)	(8)	(128)	(535)	(843)
Share-based payments	–	–	(22)	(43)	(212)	(277)
OPERATING PROFIT	3,053	(297)	359	2,564	(3,412)	2,267
Finance costs	(124)	(27)	–	(6)	(93)	(250)
Finance income	2	–	–	1	–	3
PROFIT BEFORE INCOME TAX	2,931	(324)	359	2,559	(3,505)	2,020
Intra-group recharges	(1,864)	(375)	(323)	(943)	3,505	–
PROFIT BEFORE INCOME TAX	1,067	(699)	36	1,616	–	2,020
Adjusted earnings before interest, tax, exceptional items and share-based payments	2,975	(196)	389	2,730	(2,758)	3,140
Exceptional items	(44)	(128)	(8)	(128)	(535)	(843)
Share-based payments	–	–	(22)	(43)	(212)	(277)
PROFIT BEFORE INCOME TAX	2,931	(324)	359	2,559	(3,505)	2,020

3. Segmental Reporting (cont.)

For the year ended 31 May 2020	Asset Finance £'000	Vehicle Finance £'000	Loan Finance £'000	Invoice Finance £'000	Other £'000	TOTAL £'000
CONTINUING OPERATIONS						
Revenue	15,454	3,032	2,484	8,265	9	29,244
Cost of sales	(8,479)	(1,460)	(1,520)	(1,860)	–	(13,319)
GROSS PROFIT	6,975	1,572	964	6,405	9	15,925
Administrative expenses	(4,828)	(1,421)	(834)	(3,183)	(2,527)	(12,793)
Exceptional items	(104)	(10)	(76)	(22)	(697)	(909)
Share-based payments	(31)	–	–	–	–	(31)
OPERATING PROFIT	2,012	141	54	3,200	(3,215)	2,192
Finance costs	(134)	(4)	–	(8)	(35)	(181)
Finance income	7	–	–	2	–	9
PROFIT BEFORE INCOME TAX	1,885	137	54	3,194	(3,250)	2,020
Intra-group recharges	(1,718)	(337)	(276)	(919)	3,250	–
PROFIT BEFORE INCOME TAX	167	(200)	(222)	2,275	–	2,020
Adjusted earnings before interest, tax, exceptional items and share-based payments	2,020	147	130	3,216	(2,553)	2,960
Exceptional items	(104)	(10)	(76)	(22)	(697)	(909)
Share-based payments	(31)	–	–	–	–	(31)
PROFIT BEFORE INCOME TAX	1,885	137	54	3,194	(3,250)	2,020

4. Employees and Directors

	2021 £'000	2020 £'000
Wages and salaries	**6,803**	7,923
Social security costs	**801**	861
Other pension costs	**277**	277
	7,881	9,061

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

	2021	2020
Management	**14**	19
Operational	**143**	165
	157	184

Notes to the Consolidated Financial Statements (continued)

	2021 £'000	2020 £'000
Directors' remuneration excluding compensation for loss of office	**530**	641
The number of directors to whom retirement benefits were accruing was as follows: Money purchase schemes	**2**	2
The number of directors who exercised share options during the year was as follows: Exercised share options	**1**	0
The number of directors who received share options during the year was as follows: Long term incentive schemes	**1**	0

The Directors' aggregate emoluments in respect of qualifying services were:

	Salary	Bonus	Pension	Benefits	Compensation for loss of office	2021 £'000 Total	2020 £'000 Total
R I Smith (resigned 27 February 2021)	174	–	8	14	247	**443**	216
J M A Roberts	155	–	7	16	–	**178**	166
E J Rimmer (appointed on 19 February 2021)	54	–	–	–	–	**54**	400
J D Newman	36	–	–	–	–	**36**	33
R Russell	25	–	–	–	–	**25**	24
J P Telling	28	–	–	–	–	**28**	26
T Raynes (appointed on 25 March 2021)	5	–	–	–	–	**5**	–
	477	**–**	**15**	**30**	**247**	**769**	**865**

The key management personnel are the same as the Directors and therefore disclosure is the same.

During the year, after meeting qualifying criteria of the Share Option Scheme, 864,500 shares vested and were exercised by J Roberts of which 526,616 were disposed of to meet associated tax liabilities. This resulted in a net value of £105k (2020: nil).

5. Net Finance Costs

	2021 £'000	2020 £'000
Finance income:		
Bank account interest	**3**	9
Finance costs:		
Bank loan interest	**120**	61
Interest payable	**130**	120
	250	181
Net finance costs	**247**	172

6. Profit before Income Tax

The profit before income tax is stated after charging:

	2021 £'000	2020 £'000
Depreciation - owned assets	**530**	684
Amortisation - computer software	**224**	199
Net credit loss charge	**1,733**	3,777
Funding facility interest charges	**2,777**	3,828
Introducer commissions	**2,881**	3,884
Fees payable to the Company's auditor for the audit of Company's subsidiaries	**72**	71
Fees payable to the Company's auditor for the audit of the Company	**13**	13
Fees payable to the Company's auditor for non-audit services	**–**	23
Fees payable to the Company's associate on valuation work	**–**	6

7. Income Tax

Analysis of tax expense	2021 £'000	2020 £'000
Current tax:		
Tax	**105**	466
Deferred tax	**138**	(1)
Total tax expense in consolidated income statement	**243**	465

Factors affecting the tax expense

The tax assessed for the year is lower (2020 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Profit before income tax	**2,020**	2,020
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	**384**	384
Effects of:		
Permanent tax differences	**(66)**	81
Share Option Scheme	**(75)**	–
Tax expense	**243**	465

Corporation tax is calculated at 12.1% (2020: 23.0%) of the estimated assessable profit for the year.

8. Other Income

Other income includes government grants claimed under the Coronavirus Job Retention Scheme and also interest paid by the government during the period in relation to the Group's Coronavirus Business Interruption Loan Scheme (CBILS) loans. The equal and opposite amount of the CBILS interest is accounted for within Finance costs.

	2021 £'000	2020 £'000
Government grants:		
Coronavirus Job Retention Scheme	**340**	182
Coronavirus Business Interruption Loan Scheme	**85**	–
Total other income	**425**	182

Notes to the Consolidated Financial Statements (continued)

9. Dividends

	2021 £'000	2020 £'000
Ordinary shares of £0.10 each		
Final	–	498
Interim	–	–
	–	498

The Company confirmed that the 2019 interim dividend that was deferred as a result of the pandemic will not be paid and that while cash resources are being deployed to business growth at the current time, future dividends will be kept under review.

10. Earnings Per Share

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares.

2021	Earnings £'000	2021 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,777	89,481,386	1.98
Effect of dilutive securities			
Share Options	(81)	2,204,018	(0.13)
Diluted EPS			
Adjusted earnings	1,696	91,685,404	1.85

2020	Earnings £'000	2020 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,555	88,627,630	1.76
Effect of dilutive securities			
Contingent consideration	–	715,602	(0.02)
Diluted EPS			
Adjusted earnings	1,555	89,343,232	1.74

11. Exceptional Items

During the year the Group incurred the following exceptional items:

	2021 £'000	2020 £'000
Restructuring	**689**	617
Other	**154**	292
	843	909

The exceptional restructuring items relate to events in the Group with management reshaping the administrative operations to take advantage of Group synergies. This has resulted in redundancy costs of £0.7m. The other exceptional costs relate largely to strategic initiatives and rebranding.

12. Goodwill

Group	£'000
COST	
At 1 June 2020	
and 31 May 2021	28,241
NET BOOK VALUE	
At 31 May 2021	28,241
At 31 May 2020	28,241

The value of goodwill carried on the Balance Sheet is required to be monitored at the "operating segment" level. As detailed in Note 3, management consider there to be four operating segments. Goodwill has therefore been allocated appropriately to four cash generating units ("CGU"). The recoverable amount of each CGU has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections covering an appropriate period. Cash flows beyond a five-year period are extrapolated using a constant growth rate consistent with current market conditions and recent historic growth. The risk-adjusted cash flows are discounted using a researched pre-tax discount rate of 10.2%.

	2021 Carrying Value £'000	2020 Carrying Value £'000	Headroom* £'000	Total headroom with 1% increase in Discount Rate £'000	Total headroom with 10% reduction in cash flows £'000
Asset Finance	13,378	13,378	30,500	23,516	24,238
Vehicle Finance	978	978	4,155	3,574	3,616
Loan Finance	1,924	1,924	2,329	1,790	1,809
Invoice Finance	11,961	11,961	20,306	15,773	16,225
	28,241	**28,241**	**57,290**	**44,653**	**45,888**

* total recoverable amount which exceeds the carrying amount including goodwill

Notes to the Consolidated Financial Statements (continued)

A 1% increase in the discount rate would decrease the headroom by £12.6m to £44.7m. A reduction in the forecasted cash flows of 10% per annum would reduce the headroom by £11.4m to £45.9m.

13. Intangible Assets

2021	Group Computer software £'000	Company Computer software £'000
COST		
At 1 June 2020	976	661
Additions	175	161
Disposals	(4)	–
At 31 May 2021	1,147	822
AMORTISATION		
At 1 June 2020	450	255
Charge for year	224	156
Eliminated on disposal	(3)	–
At 31 May 2021	671	411
NET BOOK VALUE		
At 31 May 2021	476	411
At 31 May 2020	526	406

2020	Group Computer software £'000	Company Computer software £'000
COST		
At 1 June 2019	744	462
Additions	232	199
At 31 May 2020	976	661
AMORTISATION		
At 1 June 2019	251	132
Charge for year	199	123
At 31 May 2020	450	255
NET BOOK VALUE		
At 31 May 2020	526	406
At 31 May 2019	493	330

14. Property, Plant and Equipment

Group 2021	Short leasehold £'000	Improvements to property £'000	Assets held for rental £'000	Fixtures and fittings £'000	Computer equipment £'000	Leasehold Property £'000	Total £'000
COST							
At 1 June 2020	142	187	1,495	272	1,205	630	3,931
Reclassification	(3)	(2)	(3)	(4)	12	–	–
Additions	–	4	60	12	62	–	138
Disposals	–	(17)	(570)	(87)	(380)	(12)	(1,066)
At 31 May 2021	139	172	982	193	899	618	3,003
DEPRECIATION							
At 1 June 2020	68	185	990	240	1,051	202	2,736
Charge for year	49	–	189	19	75	198	530
Disposals	–	(17)	(570)	(79)	(366)	(6)	(1,038)
At 31 May 2021	117	168	609	180	760	394	2,228
NET BOOK VALUE							
At 31 May 2021	22	4	373	13	139	224	775
At 31 May 2020	74	2	505	32	154	428	1,195

Group 2020	Short leasehold £'000	Improvements to property £'000	Assets held for rental £'000	Fixtures and fittings £'000	Computer equipment £'000	Leasehold Property £'000	Total £'000
COST							
At 1 June 2019	141	187	2,320	351	1,137	–	4,136
Application of IFRS 16	–	–	–	–	–	630	630
Additions	1	–	64	3	75	–	143
Disposals	–	–	(889)	(82)	(7)	–	(978)
At 31 May 2020	142	187	1,495	272	1,205	630	3,931
DEPRECIATION							
At 1 June 2019	53	184	1,219	302	960	–	2,718
Charge for year	15	1	347	20	99	202	684
Disposals	–	–	(576)	(82)	(8)	–	(666)
At 31 May 2020	68	185	990	240	1,051	202	2,736
NET BOOK VALUE							
At 31 May 2020	74	2	505	32	154	428	1,195
At 31 May 2019	101	8	1,101	49	177	–	1,418

Notes to the Consolidated Financial Statements (continued)

15. Investments

Company

	Shares in group undertakings £'000
COST	
At 1 June 2020	21,030
Capital contribution	22
At 31 May 2021	21,052
NET BOOK VALUE	
At 31 May 2021	21,052
At 31 May 2020	21,030

The Group has directly or indirectly through other 100% owned subsidiaries in the Group made investments in the following:

	Investment	Principal activity	Place of incorporation	Proportion of voting equity 2021	Proportion of voting equity 2020
Time Broker Finance Limited	Direct	Asset Finance	England	100	100
Time Vendor Finance Limited	Direct	Asset Finance	England	100	100
Time Hard Asset Finance Limited	Direct	Asset Finance	England	100	100
Time Loan Finance Limited	Direct	Loan Finance	Wales	100	100
Bell Finance Limited	Indirect	Asset Finance	England	100	100
Time Invoice Finance (South) Limited	Indirect	Invoice Finance	England	100	100
Time Invoice Finance Limited	Indirect	Invoice Finance	England	100	100
Car Finance 2U Limited	Indirect	Vehicle Finance	England	100	100
Time Commercial Finance Ltd	Direct	Holding company	England	100	100
Sterling Asset Finance Limited	Direct	Asset Finance	England	100	100

Car Finance 2U Limited is 100% held through Time Vendor Finance Limited. Time Finance plc holds 100% of Time Commercial Finance Limited which in turn holds 100% of Time Invoice Finance (South) Limited and Time Invoice Finance Limited. Bell Finance Limited is held 100% through Time Hard Asset Finance Limited.

16. Trade and Other Receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Trade receivables	**56,407**	61,507	**–**	–
Credit risk provision	**(5,229)**	(5,144)	**–**	–
Amounts owed by Group undertakings	**–**	–	**23,465**	19,080
Other receivables	**1,413**	1,848	**51**	7
Prepayments and accrued income	**2,482**	1,827	**148**	146
	55,073	60,038	**23,664**	19,233
Non-current:				
Trade receivables	**44,335**	46,157	**–**	–
Aggregate amounts	**99,408**	106,195	**23,664**	19,233

Trade receivables represent finance lease, loan and invoice finance receivables stated net of unearned income and credit risk provisions, as follows:

	2021 £'000	2020 £'000
Gross receivables from finance leases, loans and invoice finance	**115,730**	122,884
Unearned future finance income on finance leases, loans and invoice finance	**(14,947)**	(15,220)
	100,783	107,664

Of the above gross receivables, £72.7m relates to finance leases (2020: £81.2m) and £11.5m relates to the unearned future income on finance leases (2020: £13.8m).

	2021 £'000	2020 £'000
Unimpaired trade receivables, net of unearned income	**100,783**	107,664
Allowance for credit risk provision	**(5,229)**	(5,144)
	95,554	102,520

Interest is charged on trade receivables for lease, hire purchase, loan and invoice finance deals and varies by agreement. The average credit period on these agreements is 36 months.

Before accepting any new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Of the trade receivables balance at the end of the year no customer represents more than 0.5% of the total balance outstanding.

Movement in the credit risk provision

	2021 £'000	2020 £'000
Opening balance	**5,144**	2,414
Increase in provision	**85**	2,730
	5,229	5,144

Notes to the Consolidated Financial Statements (continued)

17. Cash and Cash Equivalents

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash in hand	**1**	1	**–**	–
Bank accounts	**7,968**	1,303	**1,859**	186
	7,969	1,304	**1,859**	186

18. Called up Share Capital

The Articles of Association of the Company state that there is an unlimited authorised Ordinary share capital. Each Ordinary share carries the entitlement to one vote.

On 10 June 2020, the Company issued 1,388,888 Ordinary shares at 23.2 pence per share to the vendors of Positive Cashflow (Holdings) Limited pursuant to the Share Purchase Agreement.

On 21 May 2021, the Company announced that following the achievement of share price performance criteria in relation to the Company's Unapproved Share Option Scheme, a total of 2,138,500 previously awarded nil cost options over ordinary shares of 10 pence each were vested and were issued on 2 June 2021 (included in the May 2021 figures).

The issued Ordinary share capital of the Company is as follows:

	No. of shares No.	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 June 2020	88,985,316	8,899	25,360	**34,259**
Shares issued	3,527,388	353	183	**536**
At 31 May 2021	**92,512,704**	**9,252**	**25,543**	**34,795**

18. Called up Share Capital (cont.)

	No. of shares No.	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 June 2019	87,596,428	8,760	25,134	**33,894**
Shares issued	1,388,888	139	226	**365**
At 31 May 2020	**88,985,316**	**8,899**	**25,360**	**34,259**

There are also shares held in the Employee Benefit Trust (EBT), a discretionary trust, which are intended to be used to satisfy the exercise of any share options by employees including the Directors of the Company should the situation arise. At 31 May 2021, the Company's EBT held a total of 1,807,685 Ordinary Shares, representing approximately 2.0% of the Company's issued share capital.

19. Reserves

The movements in share capital and reserves are shown in the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity.

20. Trade and Other Payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Trade payables	**37,882**	46,605	**–**	–
Amounts owed to Group undertakings	**–**	–	**6,573**	5,642
Social security and other taxes	**262**	326	**45**	155
Other payables	**2,709**	2,665	**533**	256
VAT	**839**	1,456	**191**	215
	41,692	51,052	**7,342**	6,268
Non-current:				
Trade payables	**33,749**	28,639	**–**	–
	33,749	28,639	**–**	–
Aggregate amounts	**75,441**	79,691	**7,342**	6,268

Trade payables wholly represent funding payables, which are secured on the value of the underlying finance leases, loan agreements and invoice finance advances.

Trade payables comprises commercial loans, invoice "back-to-back" funding facilities and numerous funding "blocks" that are repaid by monthly instalments. The length of the repayment term at inception varies from 12 to 60 months and interest rates from 2.2% to 7.5% (2020: 2.1% to 7.5%).

Notes to the Consolidated Financial Statements (continued)

21. Financial Liabilities - Borrowings

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current borrowings at amortised cost				
Bank overdrafts	**303**	1,172	**–**	17
Other loans	**1,331**	1,235	**731**	–
	1,634	2,407	**731**	17
Non-current borrowings at amortised cost				
Other loans	**3,369**	–	**3,369**	–
Aggregate amounts	**5,003**	2,407	**4,100**	17

Other loans comprise a £4.1m CBILS loan payable to NatWest over 5 years at an interest rate of 2.8% over Bank Base Rate, and a loan payable to UK Private Healthcare Ltd at an interest rate of 4.0% repayable with 3 months' notice (see Note 25).

22. Leasing

a) This note provides information for leases where the Group is a lessee.

The Group leases office premises at several sites in the UK, a small fleet of motor vehicles and some office equipment on lease hire.

Group

	Leasehold Property £'000	Motor Vehicles £'000	Other £'000	Total £'000
Right-of-use assets				
Balance at 1 June 2020	368	30	30	**428**
Cost				
Additions	–	–	–	**–**
Depreciation				
Depreciation charge for the year	162	16	19	**197**
Disposals				
Eliminated on disposal	–	7	–	**7**
Balance at 31 May 2021	**206**	**7**	**11**	**224**
Balance at 31 May 2020	368	30	30	**428**

22. Leasing (cont.)

Lease Liabilities

	Leasehold Property £'000	Motor Vehicles £'000	Other £'000	2021 Total £'000
Discounted future cash flows				
Not later than one year	166	6	12	**184**
Later than one year and not later than five years	46	1	–	**47**
Later than five years	–	–	–	**–**
Total discounted future cash flows	**212**	**7**	**12**	**231**
Current lease liabilities	166	6	12	184
Non-current lease liabilities	46	1	–	47

Amounts recognised in Income Statement	Leasehold Property £'000	Motor Vehicles £'000	Other £'000	2021 Total £'000
Interest on lease liabilities	15	1	2	**18**
Depreciation charge for right-of-use assets	162	15	19	**196**
Lease expense	–	–	–	**–**

Amounts recognised in consolidated statement of cash flows	2021 £'000
Total cash outflow for leases	**213**

b This note provides information for leases where the Group is a lessor. The Group is a lessor providing leases for business to acquire vital equipment to support growth.

Operating lease receivables

The Group has the following future minimum lease receivables under non-cancellable operating leases:

	2021 £'000	2020 £'000
Within 1 year	**227**	364
More than 1 year but less than 5 years	**141**	299
	368	663

Finance lease receivables

The Group has the following net investment in finance leases:

	2021 £'000	2020 £'000
Within 1 year	**19,976**	22,802
More than 1 year but less than 5 years	**38,004**	43,734
	57,980	66,536

Amounts recognised in the Income Statement

	2021 £'000	2020 £'000
Operating lease income	**254**	503
Finance leases – finance income on the net investment in the lease	**8,750**	9,599
	9,004	10,102

Notes to the Consolidated Financial Statements (continued)

23. Provisions

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other provisions	**–**	546	**–**	176
Analysed as follows:				
Current	**–**	546	**–**	176

All outstanding provisions were fully settled in the year and comprise deferred and contingent acquisition costs recognised on the acquisition of Intelligent Financing Limited, Positive Cashflow (Holdings) Limited and Car Finance 2U Limited.

Movement in provisions

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Balance brought forward	**546**	1,492	**176**	231
Provisions settled	**(520)**	(802)	**(175)**	(55)
Release to profit and loss	**(26)**	(144)	**(1)**	–
Balance carried forward	**–**	546	**–**	176

Provisions settled in the year comprise £175,154 cash consideration relating to the acquisition of Intelligent Financing Limited and £22,282 cash consideration relating to the acquisition of Car Finance 2U Limited, resulting in an aggregate of £197,436. A provision of £322,222 relating to the acquisition of Positive Cashflow (Holdings) Limited was also settled in the year, in the form of shares. The total of these movements is £519,658.

24. Deferred Tax

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Balance at 1 June	**944**	945	**(136)**	(111)
Non-current assets timing differences	**(138)**	(1)	**61**	(25)
Balance carried forward	**806**	944	**(75)**	(136)

A deferred tax asset has been recognised on any deductible temporary differences, unused tax losses and unused tax credits.

The deferred tax asset included within the Consolidated Statement of Financial Position relates to non-current asset timing differences and is included in non-current assets.

The utilisation of the deferred tax asset is dependent upon future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Based on the Group's financial projections, the Directors are satisfied that there is sufficient evidence to recognise the deferred tax asset in full.

25. Transactions with Directors

R. Russell, a Director of the Group, is also a director and 25% shareholder of UK Private Healthcare Ltd ('UKPHL'). At the year end, loans amounting to £600,000 were outstanding (2020: £600,000) and is included in current liabilities. Interest is charged at 4% per annum (2020: 4%) and the loan is repayable with 3 months' notice. Interest paid in the year was £24,000 (2020: £33,173) based on a lower balance outstanding compared to the prior year when £300,000 was repaid towards the end of May 2020.

26. Events after the Reporting Period

Dividends

The Company has confirmed that the 2019 interim dividend that was deferred as a result of the pandemic will not be paid and that while cash resources are being deployed to business growth at the current time, future dividends will be kept under review.

27. Share-Based Payment Transactions

The Group seeks to facilitate equity ownership by employees principally through schemes which encourage and assist the purchase of the Company's shares.

The Group established an "Unapproved Share Option Scheme" in October 2020 which replaced the Long Term Incentive Plan ("LTIP") approved by shareholders on 7 June 2017 and which expired on 6 June 2020.

The vesting of Share Options is subject to service-based and market-based conditions as follows:

- 30% of Share Options awarded to each recipient vest in three equal annual tranches on 1 October 2021, 1 October 2022 and 1 October 2023 subject to the recipients' continued employment with the Group on those respective dates
- 70% of Share Options awarded to each recipient vest at a quoted share price of 31 pence per share, which represents a market capitalisation equal to the unaudited consolidated Tangible Net Asset Value of the Group as at 31 August 2020

A total of 4,290,000 awards were granted but 1,235,000 awards lapsed as a result of leavers, resulting in outstanding awards of 3,055,000.

Notes to the Consolidated Financial Statements (continued)

Details of the options awarded during the year and the key assumptions used to determine the fair value for the accounting charge in accordance with IFRS 2 are as follows:

	Grant Date	Number of options outstanding	Share price on grant date £	Vesting Date	Expiry Date	Expiry Period (years)	Volatility %	Risk Free interest rate %	Dividend Yield %	Weighted average fair value per option £	Nominal value per option £	Total P&L charge over vesting period £'000	P&L charge in current year £'000
Awards with share price condition	20/10/2020	2,138,500	0.177	21/05/2021	22/10/2023	3	44%	-0.06%	Nil	0.098	0.010	214	214
Awards with continued employment condition	20/10/2020	916,500	0.177	01/10/2021 01/10/2022 01/10/2023	01/10/2023	3	n/a	-0.06%	Nil	0.177	0.010	162	63
Total		**3,055,000**										**376**	**277**

These awards were valued using a Monte Carlo simulation which calculates a fair value based on a large number of randomly generated projections of the Company's future share prices.

The fair value of the share price element was fixed at grant. Following the achievement of the share price performance criteria, a total of 2,138,500 previously awarded nil cost options over ordinary shares of 10 pence each in the capital of the Company vested on 21 May 2021. A total of £213,850 has been recognised as an accounting charge for these share options in the period based on the nominal value of 10 pence per option as this is higher than the fair value of 9.8 pence per option.

A further 916,500 share options have been granted under the Scheme but remain unvested due to the time-based element of their criteria.

28. Net Cash and Cash Equivalents

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
Year ended 31 May 2021	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and cash equivalents	**7,969**	1,304	**1,859**	186
Bank overdrafts	**(304)**	(1,172)	**–**	(17)
Total	**7,665**	132	**1,859**	169
Year ended 31 May 2020	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents	1,304	1,851	186	10
Bank overdrafts	(1,172)	(1,521)	(17)	–
Total	132	330	169	10

29. Financial Instruments

The Group's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions. The operations of the Group have principally been financed to date through the funds raised from the placing of shares on the Alternative Investment Market, block funding payables, secured loans notes and back-back facilities for providing invoice finance. The Group has an overdraft facility in place with the Group's principal bankers totalling £1,000,000 (2020: £1,000,000).

The Group's main objectives for the management of capital are to ensure there is sufficient cash available to be able to provide finance to customers and to be able to pay debts as they fall due. The Group is not subject to any externally imposed capital requirements from these finance providers. Working capital requirements are constantly monitored including the interest rates from the key providers of finance. The main risks to the Group, and the policies adopted by the directors to minimise the effects on the Group are as follows:

Credit Risk - The directors believe that credit risk is limited due to lending being spread over a large number of borrowers. No individual receivable poses a significant risk. Group debt collection procedures are continually assessed and robustly undertaken.

Interest rate and liquidity risk - All of the Group's cash balances and short-term deposits are held in such a way that an optimal balance of access to working capital and a competitive rate of interest is achieved. If market interest rates had been higher or lower with all other variables held constant, post-tax profits would not be materially affected.

Categories of financial instruments

	2021 £'000	2020 £'000
Financial assets		
Cash and bank balances	**7,969**	1,304
Net trade receivables	**95,513**	102,250
Financial liabilities		
Net trade payables and borrowings	**64,742**	77,651
Contingent consideration	**–**	546

Liquidity and interest risk table

	Within 1 year £'000	More than 1 year but less than 2 years £'000	More than 2 years but less than 5 years £'000	Over 5 years £'000	Total £'000	Net Carrying Value £'000
2021						
Gross trade payables	**39,572**	**16,531**	**5,441**	**12,836**	**74,380**	**71,634**
Borrowings	**1,687**	**1,055**	**2,412**	**–**	**5,154**	**5,003**
2020						
Gross trade payables	47,054	15,463	7,338	6,950	76,805	73,571
Borrowings	2,494	–	–	–	2,494	2,407

Gross trade payables include future expected interest over the life of the credit agreement.

30. Credit Risk Provision

Under IFRS 9, impairment provisions are recognised on the inception of any lending based on the probability of expected default and the typical loss arising on defaults, in effect the recognition of impairment on client receivables through an expected loss model.

As at 31 May 2021, the Group reported credit risk impairment provisions of £5.2m which is approximately in line with the prior year amount of £5.1m.

Notes to the Consolidated Financial Statements (continued)

30. Credit Risk Provision (cont.)

Credit Risk Provision	£'000
Opening Credit Risk Provision at 31 May 2020	5,144
Increase in the provision measured at an amount equal to 12-month ECLs	266
Decrease in the provision measured at an amount equal to lifetime ECLs	(476)
Increase in the provision for assets that were credit impaired at the reporting date	295
Credit Risk Provision at 31 May 2021	5,229

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

The provision for Stage 1, the performing category, is based on the Expected Credit Loss (ECL) associated with the probability of default on the agreement in the next 12 months, unless there has been a significant increase in credit risk of the lease or loan since origination.

The Group assumes there has been a significant increase in credit risk if outstanding amounts on the agreement exceed 30 days, in line with the presumption in IFRS 9. All agreements in this category fall into Stage 2, whereby a lifetime ECL is recognised.

The Group defines a default as an agreement which has payments owing greater than 90 days. A non-performing agreement is an agreement which is credit impaired and has been passed over to the Group's legal department. These agreements typically have a trigger event which has detrimentally affected future cash flows. For these assets a lifetime ECL is recognised.

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

The initial stage of the ECL calculation is done by looking at the probability of default ("PD") multiplied by the Loss Given Default ("LGD"). The PD and LGD are calculated by looking at historical default and write off data.

The Company grouped the data into "buckets" that are most reflective of the Group's credit risk areas, namely; Soft Assets, Hard Assets, Loans and Invoice Finance. These are then further analysed by industry so as to isolate and measure any industry specific risks.

A summary of the assumptions underpinning the Company's ECL model is as follows:

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

The Group applies an internal risk rating to each category to assess credit losses on a collective basis.

30. Credit Risk Provision (cont.)

At 31 May 2021	ECL rate	Basis for recognition of ECL provision	Credit loss provision £'000
Performing	1%	12-month ECL	1,112
Underperforming	3%	Lifetime ECL	59
Non-performing	40%	Lifetime ECL	4,058
Total			**5,229**

At 31 May 2020	ECL rate	Basis for recognition of ECL provision	Credit loss provision £'000
Performing	1%	12-month ECL	846
Underperforming	6%	Lifetime ECL	535
Non-performing	39%	Lifetime ECL	3,763
Total			5,144

The percentages applied above are based on the Group's historical performance as well as the internal and forward-looking information detailed above. The Group's assets are characterised by multiple, small deals which are secured by assets, personal guarantees and debentures. Historically the Group's internal credit and legal departments recover c70%-80% of all non-performing soft asset agreements, a performance which therefore accurately reflects the ECLs above.

31. Operating Lease Arrangements

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of lease liabilities is as follows:

	2021 £'000	2020 £'000
Short term leases (less than 12 months)	**122**	41
Leases of low value assets (less than £5k)	**–**	–
Variable lease payments	**–**	–
Lease expense (IAS 17)	**–**	–
Total Expense	**122**	41

At 31 May 2021, the Group was committed to short term leases amounting to £116,491.

Asset | Invoice | Loans | Vehicle

St James House, The Square, Lower Bristol Road, Bath, BA2 3BH.

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