Shire Leasing Plc

Annual report and financial statements

For the year ended 31 March 2023

Registered number: 02476571

SHIRE™ LEASING

PART OF SHIRE BUSINESS GROUP

Shire Leasing Plc

Annual report and financial statements for the year ended 31 March 2023

Shire Leasing Plc

Directors and advisers

Directors

M E Smith
J Worton
R C Hayes
S Price
M D Picken
H Lumb
C H MacKrell
M J Workman
J M McLintock
G Coe – Appointed 14 April 2022

Company secretary

H Lumb

Registered office

1 Calico Business Park
Sandy Way
Tamworth
Staffordshire
B77 4BF

Business address

1 Calico Business Park
Sandy Way
Tamworth
Staffordshire
B77 4BF

Independent auditor

RSM UK Audit LLP
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Bankers

HSBC
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

Handelsbanken
3rd Floor
67 Temple Row
Birmingham
B2 5LS

Shire Leasing Plc

Report of the Chairmen

Following two years of strong business headwinds we were hoping for a more benign business environment during the 22-23 Financial Year. This would have allowed UK SMEs to look forward with some confidence to stable economic conditions and encourage them to invest in expanding their enterprises and improve their productivity.

As we know that did not happen and we have witnessed a war in Europe which caused an enormous hike in energy prices adversely affecting the majority of business in the UK. Plus a fairly shambolic political environment in the UK having three prime ministers in the past financial year. Another worrying factor was the tight labour market following Covid which again has had implications across every business sector, making recruitment very difficult and driving up wages. The Bank of England's continual insistence that the rapidly escalating inflation was only transitory didn't inspire confidence in the economic conditions that business owners need to take the calculated risk to expand their business. The high cost of living and stubborn inflation remains an issue.

The SME market place is the back bone of our sales operation and given the above we were pleased to see our statutory turnover grow by over 9%, despite the volume of our originations growing by a lower amount. Our operating profit was down by 5.4% but this is almost entirely due to planned additional spend in our people and processes thus adding to fixed costs. In addition, we have invested more this year in our in our Sales Academy than ever before and the results are very promising. Growing our own in house talent is a long term investment that we expect to see a return on over the next two to three years.

Our strategy to focus on "green" assets is paying off and our Clean Air Zone offering has been adopted by 3 more local authorities and others are in development. We are regarded as the finance experts in the sector and our relationships with local and central government continue to flourish. This and other investments we are committed to will show dividends when the geo political and UK business market improves.

On behalf of the Chairmen

J Worton
Joint Chairman of the Board of Directors

27 July 2023

Shire Leasing Plc

Strategic report

The directors present their Strategic report together with the financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the Company is the provision of lease finance, hire purchase and loan arrangements. This comprises providing lease financing, hire purchase and loans to customers, the assignment of finance lease arrangements, hire purchase and loans to third parties, arranging lease financing on an agency basis, secondary rentals and sale of title. The market served is predominantly the Small Medium Enterprise market, with main asset types being Lifestyle equipment, Security, Agriculture, Telecommunications, Vending, Catering and Vehicles.

Business model

The Company operates a hybrid model of being a lender and a broker. This has the advantage of being able to reach high acceptances for customers whilst mitigating risk for the Company. The mix of business can be used to optimise medium to long term profitability from own book development, whilst brokerage gives access to short term profits and liquidity. Shire maintains a panel of funders for own book, with varying levels of flexibility and pricing to support its own book, including the British Business Bank's (BBB) ENABLE programme. The key to its successful own book is breadth and diversity of asset type, product type, geographical sector, industry sector and security taken. This also includes government guarantees of 80% and 70% under the Recovery Loan Schemes (RLS) and the prior Coronavirus Business Interruption Loan (CBILS) which attracted an 80% guarantee. The Company was accredited for the schemes in July 2020 and has provided the different versions since then.

Review of business and strategic objectives

The Company has returned an operating profit of £3.3 million (2022: £3.5 million) during the current financial year. The Company's vision is to provide a market leading service through innovation and expertise, delivering flexible funding solutions for British businesses. It achieves this through a number of strategic objectives;

Increasing originations

The capital value of leases originated in the year was £104.2 million (2022: £101.6 million). The value of capital written has increased by 2.6% in the year. Shire has been able to further develop its Vendor programmes, attracting new partners as well as increase originations to its existing customers. During the financial year the Company wrote £7.2 million (2022: £10.6) of RLS/ CBILS agreements in its own book. The turnover from the assignment of leases has decreased by £0.2million to £0.6million (2022: £0.3 million increase) and the commission earned on lease arrangements on an agency basis has increased to £1.1million (2022: £0.9 million) whilst the interest and other income from the Company's own portfolio of finances has increased to £25.1 million (2022: £22.9 million).

Growing own book lending

The Company has continued its strategic direction to focus on increasing its own portfolio of finance leases ("the portfolio") and £70.6 million (2022: £67.0 million) has been written to the portfolio during the current financial year. This has been offset by the continuous settlements in prior year finance leases during the current financial year which has resulted in the "Net Investment in Finance Leases" balance increasing to £146.9 million (2022: £134.4 million).

Strategic report (continued)

The gross receivables of the portfolio increased to £170.6 million from £157.1 million. The Company's business model, the increase in business written and the movement in mix between assignment of leases, agency agreements and the portfolio, results in the £0.2 million decrease in operating profit, as future profits are held on the balance sheet and recognised over the life of the lease (average 54 months) rather than immediate revenue recognition. The unearned finance income in the balance sheet has increased from £26.6million to £28.1 million. The net cash outflow from operating activities after movement in bank loans (which are accounted for in cost of sales) has decreased to £0.9 million (£4.1 million inflow in 2022).

During the 2023 financial year, the Company was appointed to the funding panel for Bristol City Council, Sheffield City Council and Newcastle City Council Clean Air Zone (CAZ) schemes. This unique model complements the work Shire did with Bath and North East Somerset (B&NES) Council's framework which Shire were appointed to in 2021 and Transport for General Manchester (TfGM) in 2022. The B&NES scheme was the UK's first financial assistance scheme providing grants and interest free financing for businesses affected by clean air zones who invest in lower emission vehicles. Shire were instrumental in the development of this framework which is currently being rolled out to other local authorities which Shire are part of.

During the 2023 financial year Shire agreed a £15m Medium Term Note (MTN) programme and its first Notes of £1.5m were drawn on the 19th July 2022. Accessing this working capital facility will allow Shire to develop its Own Book further, originating a higher proportion than through organic growth alone.

Optimised Borrowing Facilities

The Company has continued to keep a well-diversified funding base. During the prior year it increased its British Business Bank's ENABLE Series 2 facility to £62.4m, which sits alongside its fully utilised £37.4m Series 1, which was further supported by a £6.6million of mezzanine funding from British Business Investments Ltd, £2.2m of the mezzanine funding was repaid during the year. The ENABLE Funding programme has been developed as an aggregation vehicle making similar agreements with other funders and the British Business Bank ultimately will aim to refinance these 'warehouse' facilities to allow institutional investors access to a large and highly diversified pool of SME debt. Full utilisation of the ENABLE funding facility ensures the Company is well placed to be part of any refinancing that may occur in the capital markets, should it choose to do so. The Company has an intent to access the capital markets. This funding was complemented by a diverse range of Block discounting funders. Optimising the funding base has resulted in an increase of own book finance costs from £5.6m to £6.2m on an increased portfolio.

Investment in technological advancements

Shire continues to invest in its in house Leaseman system which includes auto underwriting, Shire Online, Click to Finance and developed API's in to Suppliers as well as various third party systems. During the financial year, Shire implemented its new Click2Finance with 2 suppliers, which is a fully automated, digital customer journey including KYC, AML and fraud checks as well as fully automated underwriting, document production and e-signature capabilities. This is linked to a Vendor's website that supports online B2B shopping baskets, such that the Customer can get acceptance and documentation for leasing within seconds. The first vendor website went live on 18th July 2022. Alongside this, Shire is developing its back end systems to support the Click 2 Finance product, through Aurora – "Increasing scalability through automation" and live projects are Scheme Tier Capture, Directors Guarantee automation and Retentions Accounting. Many more are in the current pipeline, being deployed over the next few months including a complete new workflow system.

Strategic report (continued)

Position of the company

At the end of the year, net assets totalled £21,882,000 (2022 - £20,931,000).

Principal risks and uncertainties

The Company's principal financial instruments comprise bank balances, bank loans, net investment in finance leases, trade debtors and trade creditors. The main purpose of these instruments is to finance the business' operations.

The Company maintains a formal Risk Register identifying key risks and mitigating factors which has been approved by the Risk Committee. Our approach to risk is to identify the risk; measure the importance of the risk through impact and likelihood of occurrence; mitigate risks and monitor the progress of the risk. The Risk Committee meets monthly and reports into the Executive Board.

Risk	Mitigations
Strategic Risk – the risk of not being able to fulfil the business plan and strategic objectives.	Mitigations include review of financial models against actuals on a quarterly basis, ongoing monitoring of variances, scenario planning, trend analysis and regular stress testing. Continual monitoring of the macro economic environment and periodic financial modelling of probability of defaults, loss given defaults and vintage analysis of Shire's portfolio. We have diverse routes to market which mitigates exposure and the Proposal Allocations Committee meets monthly and reviews forecasted volumes, covenants, cost of funds and funding headroom to optimise the mix of funding.
Credit Risk – the degree a debtor is likely to default on credit.	Mitigations include Shire's business model being one of a lender and brokerage. This allows the business to spread credit risk and manage customer exposures. By spreading exposures in terms of geography, asset class and industry sector, helps to limit exposure in any specific sector. The Company currently has access to a database of circa 66,000 customers and the average principal balance owing on the number of live leases is currently £6,100 (2022 - £6,200). By ensuring that loans and leases are smaller and spread over a large customer base and geographical spread, as well as robust internal processes the Company is spreading the risk of potentially large bad debt write-offs.

Strategic report (continued)

Capital Risk – the risk of having insufficient capital to fulfil strategic objectives.	Shire's funding model is a mix of brokerage funders, block discounting and the ENABLE warehousing facility from the British Business Bank for own book and management continually assess availability. A panel of different block discounters gives access to a variety of flexible funding and pricing. Optimised funding placement is set by the monthly Proposal Allocations Committee. Accreditation under the government Coronavirus Business Interruption Loan Scheme (CBILS) and Recovery Loan Scheme (RLS) attracts an 80% or 70% (post 1st January 2022) government guarantee.
Liquidity Risk – the inability to meet short term financial demands.	Mitigations include monitoring of unencumbered paper and reporting at Proposal Allocations Committee to optimise funding options and medium term returns whilst ensuring necessary cash flow and financial covenants are met. Shire has also obtained a facility on a Medium Term Note (MTN) programme, which will allow access to working capital to support own book growth further.
Interest Rate Risk – the impact of the change in interest rates.	Mitigations include the differing risk, mix and breath of the own book portfolio resulting in a broad range of sell out rates. A spread of different funders, through block discounting and BBB ENABLE, with more than sufficient headroom, means Shire is not singularly dependent on one funder. Leases are written on fixed interest rates for the term and the associated funding is matched to the terms of the agreements with fixed interest rates over that term. Prices to customers have been increased during this period of underlying increasing cost of funds.
Market Risks – the risk of losses due to the market not behaving as expected, including movement in asset prices.	Each proposal underwritten on a proposal by proposal basis, monitoring exposure for each deal. Own book assets are mainly soft assets so the security of each deal rests mainly with the customer which Shire underwrites with emphasis on the customer. The business maintains strong relationships with its suppliers and all go through a complete due diligence and an on boarding process. The market is constantly monitored to ensure Shire deals with good quality suppliers and funders. Shire are members of the FLA and are actively involved in various committees including Chair of the Green Committee and the CFO has recently been appointed to the FLA Board.

Strategic report (continued)

Operational Risks – the risk of failures of systems or internal procedures.	Segregation of duties and internal controls are the main key mitigations for internal fraud plus a comprehensive authority matrix and various policies. Data losses are reported via a data protection email and are recorded alongside any data breaches which the data protection officer and the legal and compliance director have access to. Annual training and tests are performed on GDPR and other internal policies and Shire uses Adobe and Sharefile to send documents, which include link expiration. Firewalls, pen testing, web content and email filtering are all in use as well as full business continuity plans, major incident plans and business impact analysis documents which were implemented during the pandemic lockdowns, resulting in flexible homeworking solutions.
Conduct and Regulatory Risks – lack of market integrity due to either supplier and/or Shire's behaviour, activity and processes.	Mitigations include induction programmes, social media policy, internal training on Shire policies and externally provided staff training as required. Anti-money laundering, bribery and financial crime policies are tested annually. Suppliers are quality approved by Shire, ensuring their financial standing and FCA approved as necessary and key relationships are managed within the sales teams.

Research and Development

The Company maintains a program of innovation and continuous improvement in both new products and systems. By employing its own developers, as well as using contract developer resources, it is able to respond quickly to changing needs.

Key performance indicators

The Board and Senior Management regularly review and monitor performance across a range of metrics. Some of these are detailed below:

Average capital value originated per month £8.7m (2022: £8.5m)
Gross receivables £172.1m (2022: £158.0m)
Net Investment in Finance Leases (NIFL) £146.9m (2022: £134.4m)
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) £4.2m (2022: £4.3m)
Leaseman Online proposals received 31.9% (2022: 43.4%)

Future strategy and outlook

In 2023 and beyond, the Company continues to be actively committed to Environmental, Social and Governance (ESG). In August 2022, it launched its new People, Planet, Profit initiative.

Shire has identified 3 key Development Goals:

- People: Enhancing and expanding the social aspect of what we do for our staff, our customers, our suppliers, our funders and our community through:
    - Education
    - Wellbeing
    - Equality, Diversity and Inclusion
    - Culture
    - Community and Volunteering
- Planet: Minimising our own impact on the environment whilst using our products and market influence to support others in making positive changes in their journey to reducing their carbon footprint by
    - Offering finance solutions that support affordable access to green/ sustainable assets
    - Transitioning to technologies that will reduce Shire's own carbon footprint
    - Identifying and implementing initiatives that reduce Shire's environmental impact
- Profit: As a growing profitable financial services organisation that does business fairly and responsibly, Shire are committed to:
    - Supporting the growth of micro, small and medium sized enterprises by providing them with affordable finance solutions
    - Delivering economic growth and stakeholder value
    - Adhering to ethical lending practices
    - Cultivating an open and strong business culture through accountability and transparency

Shire have many projects underway that include designing new products to be used for green/sustainable assets launching a Low Start for Low Emissions as part of the Green Asset Policy This complements the Clean Air Zones that are already in operation. Shire entered a sustainability partnership with HOME, becoming the sponsor for the Manchester based centre for international contemporary art, theatre, music and film. HOME are ambassadors for environmental change in the Greater Manchester region, working with individuals and businesses through training and knowledge sharing. Shire continues to form relationships with other Cleantech specialists to respond to sustainability challenges and tackle air pollution, as well as communicate the message that alternative finance is an enabler for businesses seeking to invest

Strategic report (continued)

During the current year, Shire has started work on measuring its own carbon footprint and through Tree for a Lease has planted 13,705 trees to date.

Shire have also focused extensively on its People – by introducing several workplace benefits, enhancing Employee Assistance Programmes and providing extensive wellbeing programmes. A new volunteering scheme was introduced in April 2023 in order for Shire to support its employees giving back to the local community and Shire continues to support charity days in the office.

Shire's new Click2Finance platform is exciting and will aid equipment suppliers who have transformed their business models to online shopping during the pandemic, enabling them to offer their business to business finance seamlessly online. The end to end digital journey for the business customer is transformative in this space. 'Powered by Aurora' is Shire's internal process development and automation to support this initiative which will help us to grow our originations significantly without having to increase resources and overheads in the process.

The Company will continue to focus on its own portfolio of finance leases positioning itself well as it navigates the known challenges ahead. The Medium Term Note programme (MTN) will allow Shire to raise working capital funds when required, to support the exciting Own Book origination initiatives. Active work on cash flow management will continue to optimise profitability whilst providing liquidity as well as proactively working with funding providers to ensure that the strategic direction of strengthening the Own Book portfolio continues into the foreseeable future.

Strategic report (continued)

Director's Duties to Stakeholders

The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision 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 the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- the need to act fairly between members of the Company

Purpose, strategy and long term consideration

Shire Leasing's vision is to provide a market-leading service through innovation and expertise, delivering flexible funding solutions to British businesses. As a Company we aim to achieve this through a combination of strategic investment in our Own Book and optimising this for the long term, alongside where appropriate, the use of external funder partnerships. The Directors have a duty to promote the success of the Company and it relies on smooth operations with appropriate policies and governance and the support of its various Stakeholders.

Our People

Our employees are the most valuable assets of the Company. Our people's commitment is essential for us to deliver on our vision. We engage with the employees through quarterly briefings, operating meetings, regular and ad hoc meetings, video conference, telephone and email for the following topics:

- Sustainable strategies and their implementation
- Compensation, welfare and employee care
- Compliance
- Work environment safety, health and wellbeing
- Internal training

We have an employee forum to ensure our staff have a voice within the organisation and we encourage employees to make suggestions for improvements via our All Ideas Matter (AIM) incentive.

We set up strict selection procedures and standards in place to ensure non-discrimination in our employment policy. We provide employees with comprehensive training and career development opportunities. We conduct departmental and external professional training.

The Company strives to enhance employee safety and care. The Company has comprehensive staff health and safety policies, a Wellbeing Committee, induction and training programmes and encourages employee involvement in monitoring and enhancing health and safety practices throughout the company and also has an Employee Assistance Program.

The Company operates a hybrid working policy for those employees who request it

Strategic report (continued)

Business Relationships

Suppliers

Shire Leasing Plc works with its vendor base who introduce business ensuring operations can be carried out as efficiently as possible. Through our Supplier portal, our newly created Click2Finance product, API's to their systems and formal trading agreements, we work with suppliers to give them maximum possible vision of our relevant requirements and ensure that invoices are paid in a timely manner.

Customers

Shire Leasing Plc aims to maximise the value for customers by optimising services, products and communications. We focus on customer requirements and satisfaction and we satisfy our customers and improve competitiveness by providing more accurate and wider service through the cooperation with other funding partners.

Funders

Our funding partners who provide the means for the Company to grow its Own Book play an essential part of the commercial strategy at Shire Leasing Plc and we hold regular communication, quarterly review meetings and audits as required. We hold an annual funder roadshow, where we present our financial results and indicate our plans for the future.

Service providers

Shire Leasing Plc works with a number of key service providers for IT solutions and support as well as credit reference agencies and bureaus. These form a vital part of the delivery of our services to our customers as well as mitigating risks in the business.

Other Industry and Regulatory Bodies

We play an active part in our industry, with many of our Directors chairing various committees or representing the Company at the Finance and Leasing Association (FLA). We also have representation on the Leasing Foundation Diversity and Inclusion Group and we have constructive and open relationships with all regulatory bodies. Compliance is maintained through our Risk Committee and Legal and Compliance function.

Community and Environment

Shire Leasing Plc's management and employees harness individual expertise and the Company's strong position to create positive change for the people and communities with which they interact, in particular within the Small, Medium Enterprise (SME) marketplace.

Strategic report (continued)

Culture, Value and Standards

The Directors consider it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Company. Management drives the embedding of the desired culture throughout the organisation and its values of Service, Honesty, Innovation, Relationships and Efficiency are driven throughout the heart of the business in everything we do, reflected in our policies and practices and how we deal with others. These values and standards guide decision making and promote success, including the consequences of those decisions in the long term.

LeasingWorld GOLD AWARDS WINNER 2021 TOP INDEPENDENT LESSOR

Working with British Business Bank

AWARDS 2018 WINNER

BVRLA Leasing Broker

DRIVING CLEAN AIR

Shire Leasing Plc

On behalf of the Board

M D Picken CEO

27 July 2023

Shire Leasing Plc

Directors' report

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2023.

Funding

Management will continue to monitor compliance with all of the mandatory covenants, and advise the funders on compliance with their respective covenants on a regular basis. The Company maintains regular dialogue and has strong and open relationships with all of its funders. The Company has total facilities of £180.1 million and a further £4.3 million facility in run-off providing sufficient headroom for at least the next 12 months of trading.

The Company has made all the repayments in respect of the facilities on schedule.

Going Concern

The financial statements are prepared on a going concern basis and the Directors have a reasonable expectation that the company has the resources to continue in business for the 12 months from the reporting date.

The impact of Covid-19 has been assessed and the Company's capital and liquidity stress tested under a range of scenarios.

The Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows, capital resources and the longer term strategy of the business. Cash flow forecasts have been produced for the period up to 31 March 2026 and these show that the Company will be generating sufficient cash to meet all of its liabilities as they fall due. The Directors believe that the Company has sufficient resources to continue its activities for the foreseeable future.

Charitable Donations

The Company made charitable donations of £3,644 to local charities and £6,340 to national charities (2022: £1,934 and £3,753) during the year.

Research and Development

The Company incurred £808,000 on external research and development expenditure during the year (2022: £525,000).

Directors

The directors who served during the year under review and up to the date of signing the financial statements were:

M E Smith
J Worton
R C Hayes
S Price
M D Picken
H Lumb
C H MacKrell
M J Workman
J M McLintock
G Coe – appointed 14 April 2022

Except as explained in note 22 to these financial statements, none of the directors had, directly or indirectly, a material beneficial interest in any contract, transaction or arrangement to which the Company was a party during the year ended 31 March 2023 or the prior year.

Directors' report (continued)

Results and dividends

The result for the year is set out on page 21. An interim dividend of £1,350,803 (2022: £1,974,261) was paid during the year. The directors do not recommend payment of a final dividend (2022: £nil).

Creditor payment policy

Suppliers are made aware of payment terms and how disputes are to be settled and payment is made in accordance with those terms. At 31 March 2023, the Company has an average of 12 days (2022: 10 days) purchases outstanding in trade creditors.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. 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.

Statement as to disclosure of information to the auditor

In so far as the directors, individually, are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

The principal activities, review of business and future developments, principal risks and uncertainties, and key performance indicators have been included in the separate Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

Directors' report (continued)

Independent auditors

The auditors, RSM UK Audit LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

H Lumb
Director and Company Secretary

27 July 2023

Independent Auditor's Report to the members of Shire Leasing Plc

Opinion

We have audited the financial statements of Shire Leasing Plc (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's Report to the members of Shire Leasing Plc (continued)

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 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

Independent Auditor's Report to the members of Shire Leasing Plc (continued)

In relation to fraud, the objectives of our audit are to identify and assess the risk 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 and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the rules and principles set out by the Financial Conduct Authority (FCA) as regulator for the financial services industry in the UK. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations. We inspected compliance documentation, including but not limited to, internal procedures' manuals, risk and breaches registers, regulatory returns and correspondence with the FCA as well as considering compliance with regulatory conditions for authorisation, including with any restrictions or requirements placed on the firm, and other regulatory obligations.

The audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and reviewing a sample of transactions either side of the year end and recalculating a sample of interest income recognised during the year to ensure that revenue has been recognised in the correct accounting period.

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

Use of our report

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

Independent Auditor's Report to the members of Shire Leasing Plc (continued)

RSM UK Audit LLP

Perry Linton FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU
28 July 2023

Shire Leasing Plc

Statement of Comprehensive Income
for the year ended 31 March 2023

	Note	2023 £000's	2022 £000's
Capital value of originations in the year *		104,165	101,602
Turnover	2	26,819	24,588
Cost of sales		(8,477)	(7,933)
Gross profit		18,342	16,655
Operating expenses		(14,503)	(12,645)
Amortisation		(511)	(511)
Other operating income		-	9
Operating profit		3,328	3,508
Other interest receivable and similar income	5	-	1
Interest payable and similar charges	6	(419)	(175)
Profit before taxation	3	2,909	3,334
Tax on profit	7	(607)	(732)
Total comprehensive income for the financial year		2,302	2,602

All of the operations of the company are classed as continuing.

* The capital value of originations in the year includes the capital value of new business from the Company's Own Portfolio, assignments of finance leases and leases arranged on a commission basis. The capital value of originations has been disclosed to provide information on the underlying scale of the Company's operations.

Shire Leasing Plc (Registered number: 02476571)

Statement of Financial Position
as at 31 March 2023

	Note	2023 £000's	2022 £000's
Fixed assets			
Intangible assets	9	1,557	1,021
Tangible assets	10	388	1,014
		1,945	2,035
Current assets			
Debtors due within one year	11	56,229	48,511
Debtors due in more than one year	11	93,482	87,765
Cash at bank and in hand		6,527	10,650
		156,238	146,926
Creditors: amounts falling due within one year	12	(56,839)	(52,704)
Net current assets		99,399	94,222
Total assets less current liabilities		101,344	96,257
Creditors: amounts falling due after more than one year	13	(79,400)	(75,221)
Provisions for liabilities and charges	16	(62)	(105)
Net assets		21,882	20,931
Capital and reserves			
Called up share capital	17	59	59
Merger reserve	17	-	-
Capital redemption reserve	17	602	602
Profit and loss account	17	21,221	20,270
Total equity		21,882	20,931

The financial statements on pages 21 to 44 were approved by the board of directors on 27 July 2023 and were signed on its behalf by:

H Lumb
Director

Shire Leasing Plc

Statement of Changes in Equity for the year ended 31 March 2023

	Share Capital	Merger reserve	Capital redemption reserve	Profit and loss account	Total
	£000's	£000's	£000's	£000's	£000's
At 1 April 2021	59	-	602	19,642	20,303
Retained profit for the financial year	-	-	-	2,602	2,602
Dividends paid	-	-	-	(1,974)	(1,974)
At 31 March 2022	**59**	**-**	**602**	**20,270**	**20,931**

	Share Capital	Merger reserve	Capital redemption reserve	Profit and loss account	Total
	£000's	£000's	£000's	£000's	£000's
At 1 April 2022	59	-	602	20,270	20,931
Retained profit for the financial year	-	-	-	2,302	2,302
Dividends paid	-	-	-	(1,351)	(1,351)
At 31 March 2023	**59**	**-**	**602**	**21,221**	**21,882**

Shire Leasing Plc

Statement of Cash Flows
for the year ended 31 March 2023

	Note	2023 £000's	2022 £000's
Operating activities			
Cash used in operations	18	(8,662)	(10,891)
Interest received		-	1
Interest paid		(419)	(175)
Taxation		(544)	(813)
Net cash used in operating activities		**(9,625)**	**(11,878)**
Investing activities			
Proceeds from sales of fixed assets		2	12
Purchase of fixed assets		(827)	(558)
Net cash used in investing activities		**(825)**	**(546)**
Financing activities			
Equity dividends paid to shareholders		(1,351)	(1,974)
Proceeds from bank loans		39,489	39,779
Repayment of bank loans		(31,746)	(24,757)
Repayment of capital element of finance leases		(65)	(34)
Net cash from financing activities		**6,327**	**13,014**
Net (decrease) / increase in cash during the year		(4,123)	590
Cash at beginning of year		10,650	10,060
Cash at end of year		**6,527**	**10,650**

1. Accounting policies

The principal accounting policies are summarised below. These accounting policies have been applied consistently throughout the year and the preceding year in relation to items which are material to the Company's financial statements.

General Information

Shire Leasing PLC is a limited company domiciled and incorporated in England. The address of the Company's registered office and principal place of business is:

1 Calico Business Park
Sandy Way
Tamworth
Staffordshire
B77 4BF

The Company's principal activity is the provision of lease finance arrangements. This comprises providing lease financing to customers, the assignment of finance lease arrangements to third parties, arranging lease financing on an agency basis, secondary rentals and sale of title. The market served is predominantly the Small Medium Enterprise market, with main asset types being Lifestyle equipment, Security, Agriculture, Telecommunications, Vending and Catering, and Vehicles.

Basis of accounting

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102").

Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

Going concern

For the year ended 31 March 2023 the company made a pre-tax profit of £2.9 million (2022: pre-tax profit of £3.3 million) and had net current assets of £99.4 million (2022: £94.2 million net current assets) and net assets totalling £21.9 million (2022: £20.9 million net assets). At the time of approving the financial statements the Directors have considered the forecasts and projections for the company for the next 12 months from the date of this report and having sensitised the forecasts to take account of a worst case scenario, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Consolidation

The Company is the parent of a wholly-owned subsidiary, Shire Professional Services Limited. However, the Company has not prepared consolidated financial statements solely based on the fact that Shire Professional Services Limited is dormant and balances included in the balance sheet of the subsidiary at 31 March 2023 are not material to the Company.

1. **Accounting policies (continued)**

Alternative presentation of profit and loss account

In accordance with the laws and regulations of the Companies Act 2006 the special nature of the business requires the adaptation of the arrangements of headings set out in that Act. The statement of comprehensive income is therefore presented in a revised format, with interest payable and similar charges related to the cost of providing finance to customers classified as cost of sales.

Functional and presentational currencies

The financial statements are presented in Sterling (£) which is also the functional currency of the Company.

Foreign currencies

Transactions in currencies other than the functional currency of sterling (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Finance lease contracts and income – lessor accounting

Assets leased to customers under arrangements that transfer substantially all the risks and rewards of ownership of the assets to the lessee, other than legal title, are classified as finance leases.

The gross earnings from a finance lease (including any items of income incidental to the leases) are allocated to accounting periods using the sum of digits method as a proxy to approximate to a constant periodic rate of return on the Company's net cash investment in the lease and is included in turnover. Under the sum of digits method, the total gross earnings are apportioned over the term of the lease in proportion to the number of rentals outstanding. This method is considered immaterially different to the actuarial approach required by FRS 102.

Initial direct costs, which are incremental to the Company and are directly associated with negotiating and consummating the lease transactions are included in the net investment in finance leases and reflected in the calculation of the lease income. Other costs and income are recognised in the profit or loss when incurred.

Net investment in finance leases at the financial position date represents the minimum lease rentals accruing to the Company less the gross earnings allocated to future periods. There are no guaranteed residual values available to the Company at the end of any leases and as unguaranteed residual values are not considered to be material to the Company, they are not reflected in the net investment in finance leases.

Any gain or loss on disposal of assets arising at the end of the lease is included in turnover when all the risks and rewards have been transferred by the Company.

Any gain or loss on early terminations of leases, calculated as the difference between the total net sums recovered and the book value of net investment in finance leases, is included in the profit or loss when such terminations arise.

1. Accounting policies (continued)

Secondary rentals are recognised in the profit or loss as they accrue, after taking account of the possibility of bad debts.

Specific provision is made in respect of finance leases, which have been identified as impaired. Further, a general provision is made in respect of amounts not specifically identified, but considered to be impaired based on past experience, taking into account current economic conditions and the level of specific provisions. Any provision for bad debts is set against the net investment in finance leases.

Assignment of finance leases

Under certain arrangements entered into by the Company, finance lease arrangements may be assigned to counterparties ("assignees") and on assignment substantially all the risks and rewards in the assets and the finance lease arrangement are transferred to the assignees. The related net investment in finance lease outstanding at the date of transfer is derecognised and any gain is recognised within turnover.

Volume related bonuses and incentives received from the assignees are recognised in profit or loss when realised within turnover.

Where the Company subsequently re-acquires assets from assignees for onward disposal, any gain or loss on disposal of these assets is recognised in turnover, at the point it can be determined that all the risks and rewards in the assets have been transferred by the Company.

Commission income

Commission earned by the Company for arranging finance leases on behalf of counterparties is recognised directly in the profit and loss account and included in the turnover when the transaction is completed and the receipt is reasonably certain.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is a reasonable assurance that the grant conditions are met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant recognised before the recognition criteria are satisfied is recognised as a liability.

The company received a discretionary cash grant of £nil (2022: £8,502) from the government as part of the Coronavirus Job Retention Scheme (CJRS) which compensates employers for part of the wages, associated national insurance contributions (NICs) and employer pension contributions of employees who have been placed on furlough (i.e. placed on temporary leave of absence from working for the employer). The grant is conditional upon employees being employed and on the company PAYE payroll and the employee cannot do any work for their employer that makes money or provides services for their employer or any organisation linked or associated with their employer. There are no unfulfilled conditions or contingencies attached to the grant.

1. Accounting policies (continued)

Hire purchase and finance lease contracts – lessee accounting

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit or loss over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Operating leases

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

Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost less the related accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value over its expected useful life as follows:

Fixtures, fittings and equipment	-	20-50% on straight line
Motor vehicles	-	25% on straight line
Computer equipment	-	20-33% on straight line
Leased assets	-	straight line over the lease term

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the assets as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts or remaining carrying amounts of previous inspections are then derecognised. All other costs of repairs and maintenance are charged to the profit or loss as incurred.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

1. Accounting policies (continued)

Goodwill

Goodwill, being the difference between the fair value of the consideration and the fair value of the separable net assets acquired, is capitalised and amortised over managements' assessment of the useful economic life of the underlying assets, based on the straight line method and being a period of ten years.

Development expenditure

Costs related to the development of software products are capitalised when they meet the following conditions:

(i) It is technically feasible to complete the development so that the software product will be available for use or sale.

(ii) It is intended to use or sell the software product being developed.

(iii) The company is able to use or sell the software product being developed.

(iv) It can be demonstrated that the software product will generate probable future economic benefits.

(v) Adequate technical, financial and other resources exist so that software product development can be completed and the product subsequently used or sold.

(vi) Expenditure attributable to the software development can be reliably measured.

Capitalised development costs are stated at cost less accumulated amortisation and impairment losses and amortised over its useful economic life, currently estimated to be 4 years. Amortisation expenses for the year are included in administrative expenses.

All other research and development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expense in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

1. Accounting policies (continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees can carry forward any unused holiday entitlement at the reporting date for utilisation in the following 9 months. The cost of any unused entitlement is recognised in the period in which the employee's services are received. Any accrual is measured at the undiscounted salary cost of the future holiday entitlement and is included in the statement of financial position.

Retirement benefits

The Company operates a defined contribution pension scheme. The amounts charged to the profit or loss represent the contributions payable in the year. Any difference between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the statement of financial position.

Finance costs

Finance costs on bank and other borrowings is recognised on an effective interest rate method and included within cost of sales where they relate to funds used to acquire assets for finance leases.

Financial Instruments

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets

Trade Debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any provision for bad debts.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Specific provision is made in respect of trade debtors, which have been identified as impaired. Further, a general provision is made in respect of amounts not specifically identified, but considered to be impaired based on past experience, taking into account current economic conditions and the level of specific provisions. Any provision for bad debts is set against the trade debtors. Impairment losses are recognised in the profit or loss for the excess of the carrying value of the trade debtor.

1. Accounting policies (continued)

Financial Instruments (continued)

Financial Liabilities and Equity

Own Shares

The fair value of consideration given for shares repurchased by the Company is deducted from equity.

Trade Creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the sum of digits method as a proxy to the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in cost of sales.

Borrowings under the ENABLE and mezzanine scheme are initially recognised at the transaction price and subsequently measured at the transaction price less the principle received from the collateral assets in the respective portfolio. The interest expense is calculated at the prevailing interest rates of the principle outstanding and included in cost of sales.

Derecognition of Financial Assets and Liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

1. Accounting Policies (continued)

Critical Accounting Estimates and Areas of Judgement

Critical Accounting Estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- A general provision is made in respect of finance leases which have not been specifically identified as impaired but are considered to be impaired based on past experience, taking into account current economic conditions and the level of specific provisions. Any provision for bad debts is set against the net investment in finance leases.

Critical Areas of Judgement

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.

Shire Leasing Plc

Notes to the financial statements
for the year ended 31 March 2023

2. Turnover

Turnover represents the income, excluding value added tax, derived from finance leases, assignment of finance leases and commission as mentioned in note 1 to these financial statements. Turnover is derived from business arising within the United Kingdom. The following are the details of the turnover:

	2023 £000's	2022 £000's
Interest earned on finance leases (see note below)	25,146	22,929
Gain on assignment of finance leases	568	751
Commission earned on lease arrangements	1,105	908
	26,819	24,588

Interest earned on finance leases includes secondary rentals together with other related income which is not considered to be incidental to the leases and is therefore recognised as earned.

3. Profit before taxation

Profit before tax is stated after charging / (crediting):	2023 £000's	2022 £000's
Depreciation of tangible fixed assets – owned	145	242
– under finance leases	67	31
Amortisation of goodwill (note 9)	511	511
Amortisation of software	192	-
Operating lease charges – land and buildings	347	347
Bad debt expense	882	950
Auditors' remuneration – audit service	34	31
Auditors' remuneration – non-audit services	8	8
Expenditure incurred on internal development of software	808	525
Government grants received	-	(9)
Profit on disposal of fixed assets	(1)	(2)

Of the £8,000 (2022: £8,000) incurred under services provided by the company's auditor for non-audit work, £7,000 (2022: £7,000) relates to taxation work undertaken and £1,000 (2022: £1,000) relates to other services provided during the year.

4. Staff costs

Staff costs for the Company during the year amounted to:	2023 £000's	2022 £000's
Wages and salaries	8,838	7,982
Social security costs	1,044	933
Other pension costs (note 19)	116	107
	9,998	9,022
Agency staff costs	424	317
	10,422	9,339

4. Staff costs (continued)

The average monthly number of employees (including executive directors) was:	2023 Number	2022 Number
Administrative and sales	155	145
Agency staff	19	15
	174	160

Directors' remuneration

	2023 £000's	2022 £000's
Aggregate emoluments	1,952	1,639
Company pension contributions to money purchase schemes	11	9

Pensions

The number of directors who were members of pension schemes was:	2023 Number	2022 Number
Money purchase scheme	8	7

Highest paid director

The above amount for directors' emoluments includes £499,879 (2022: £420,914) in respect of the highest paid director. The Company made £1,321 contribution to the money purchase pension scheme on behalf of the highest paid director in the year (2022: £1,321).

5. Other interest receivable and similar income

	2023 £000's	2022 £000's
Bank and other interest receivable	-	1

6. Interest payable and similar charges

	2023 £000's	2022 £000's
Bank and hire purchase interest payable	5	3
Other interest payable	414	172
Total interest payable	419	175

Interest payable on finance leases issued

Interest payable on finance leases issued of £6,257,000 (2022: £5,602,000), is included within cost of sales of £8,477,000 (2022: £7,933,000).

Notes to the financial statements for the year ended 31 March 2023

7. Tax on profit on ordinary activities

The tax charge comprises:	2023 £000's	2022 £000's
Current tax		
UK Corporation tax on profits for the year	651	649
Total current tax	651	649
Deferred tax		
Origination and reversal of timing differences (note 16)	(44)	83
Tax on profit on ordinary activities	607	732

Factors affecting tax charge for the year

The tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK 19% (2022: 19%). The differences are explained below:

	2023 £000's	2022 £000's
Profit before tax	2,909	3,334
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	553	633
Effects of:		
Expenditure not deductible for tax purposes	111	103
Non-taxable income	(13)	(87)
Total tax charge	651	649

Factors affecting future tax charges

The UK government has announced that the main rate of corporation tax will increase to 25% from 1 April 2023. This change has been reflected in the financial statements in relation to the assessment of potential deferred taxation assets or liabilities.

Notes to the financial statements for the year ended 31 March 2023

8. Dividends

	2023 £000's	2022 £000's
Equity shares – Ordinary B		
Interim dividend paid on ordinary shares	1,351	1,974

9. Intangible fixed assets

	Goodwill £000's	Software £000's	Total £000's
Cost			
At 1 April 2022	8,019	-	8,019
Reclassified from tangible fixed assets	-	2,220	2,220
Additions	-	644	644
Disposals	-	(4)	(4)
At 31 March 2023	8,019	2,860	10,879
Accumulated amortisation			
At 1 April 2022	6,998	-	6,998
Reclassified from tangible fixed assets	-	1,624	1,624
Disposals	-	(3)	(3)
Charge for the year	511	192	703
At 31 March 2023	7,509	1,813	9,322
Net book value			
At 31 March 2023	510	1,047	1,557
At 31 March 2022	1,021	-	1,021

The goodwill arising as a result of the transfer of trading business of the acquired subsidiary undertaking, Shire Professional Services Limited, is being amortised on a straight line basis over the remaining useful economic life of ten years. This is the period over which the directors estimate that value of the underlying business is expected to exceed the value of the underlying assets.

10. Tangible fixed assets

	Fixtures, fittings and equipment (including computers)	Motor vehicles	Total
	£000's	£000's	£000's
Cost			
At 1 April 2022	4,070	279	4,349
Reclassification to intangible fixed assets	(2,220)	-	(2,220)
Additions	182	-	182
Disposals	(258)	-	(258)
At 31 March 2023	1,774	279	2,053
Accumulated depreciation			
At 1 April 2022	3,185	150	3,335
Reclassification to intangible fixed assets	(1,624)	-	(1,624)
Charge for the year	135	77	212
Eliminated on disposals	(258)	-	(258)
At 31 March 2023	1,438	227	1,665
Net book value			
At 31 March 2023	336	52	388
At 31 March 2022	885	129	1,014

Assets held under finance leases and hire purchase contracts capitalised in fixtures, fittings and equipment and motor vehicles were as follows:

	2023 £000's	2022 £000's
Cost	236	236
Aggregate depreciation	(186)	(119)
Net book value	50	117

Notes to the financial statements for the year ended 31 March 2023

11. Debtors

	2023 £000's	2022 £000's
Amounts falling due within one year:		
Net investment in finance leases	53,395	46,640
Trade debtors	1,673	899
Other debtors and prepayments	1,161	972
	56,229	48,511

Amounts falling due after more than one year:

Net investment in finance leases	93,482	87,765
	93,482	87,765

Further details on the assets included in the net investment in finance leases are given below:

	2023 £000's	2022 £000's
Gross amounts receivable under finance leases:		
Within one year	64,971	57,605
In the second to fifth years inclusive	103,146	97,392
After five years	2,511	2,104
Gross investment	170,628	157,101
Less: Unearned finance income	(28,139)	(26,609)
Present value of minimum lease payments	142,489	130,492
Plus: supplier commissions allocated to future periods	4,388	3,912
Net investment in contracts accounted for as finance leases	146,877	134,404

The Company did not recognise any contingent rentals during the year (2022: £nil) and the Company has not and continues not to offer residual values.

The Company has an accumulated allowance of £784,000 (2022: £783,000) for uncollectable minimum lease payments receivable.

12. Creditors: amounts falling due within one year

	2023 £000's	2022 £000's
Bank and other borrowings (note 14)	50,029	46,530
Trade creditors	2,663	2,165
Corporation tax payable	401	339
Other tax and social security payable	853	517
Other creditors	1,605	1,811
Accruals and deferred income	1,288	1,342
	56,839	52,704

A debenture dated 19 July 2022 incorporating, inter alia, a fixed and floating charge is held over all the assets and undertaking of the Company both present and future.

13. Creditors: amounts falling due after more than one year

	2023 £000's	2022 £000's
Bank and other borrowings (note 14)	79,400	75,221

14. Bank and other borrowings

	2023 £000's	2022 £000's
Due within one year or on demand		
Bank loans and overdrafts		
Secured	49,828	46,315
Unsecured	150	150
	49,978	46,465
Finance lease and hire purchase obligations	51	65
	50,029	46,530
Due after more than one year		
Bank loans		
Secured	79,400	75,169
	79,400	75,169
Finance lease and hire purchase obligations	-	51
	79,400	75,221
Total borrowings	129,429	121,751

The secured bank loans represent a combination of the funding obtained by the Company under various financing arrangements entered into to finance the acquisition of assets to be provided to customers under finance lease contracts and additional borrowing.

The loans entered into to finance the acquisition of assets provided to customers are denominated in GBP and are secured by a charge over the underlying finance lease contracts.

They are a combination of fixed term facilities and warehousing facilities repaid from the underlying principle received from finance lease contracts.

Interest is calculated using the effective interest rate method and the bank and other borrowings are stated at amortised cost on fixed term facilities and on the balance outstanding of the warehouse facility at prevailing interest rates.

The additional borrowing is a medium term note facility denominated in GBP and secured via a fixed and floating charge held over the assets of the Company both present and future.

Interest is calculated using the effective interest rate method and the borrowings are stated at amortised cost.

14. Bank and other borrowings (continued)

Maturity of financial liabilities within bank and other borrowings

The maturity profile of the carrying amount of the Company's liabilities at 31 March 2023 was as follows:

	Bank loans and overdrafts	Finance lease and hire purchase obligations	2023 Total	2022 Total
	£000's	£000's	£000's	£000's
Less than one year	49,978	51	50,029	46,530
In more than one year but not more than two years	39,784	-	39,784	43,623
In more than two years but not more than five years	39,616	-	39,616	31,598
	129,378	51	129,429	121,751

Finance lease and hire purchase obligations

The minimum lease payments under finance lease and hire purchase contracts fall due as follows:

	2023 £000's	2022 £000's
Less than one year	51	65
In more than one year but not more than five years	-	51
Present value of finance lease and hire purchase liabilities	51	116

Obligations under finance lease and hire purchase contracts are secured by the related assets and bear finance charges at rates ranging from 4.9% to 5.2% per annum (2022 : 4.9% to 5.2% per annum).

Finance lease and hire purchase payments represent rentals payable by the Company for certain vehicles and items of office equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Company's obligations under finance leases and hire purchase contracts are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 10.

15. Financial instruments

The carrying amount of the Company's financial instruments at 31 March were:

	2023 £000's	2022 £000's
Financial assets:		
Debt instruments measured at amortised cost	149,141	135,850
Financial Liabilities:		
Measured at amortised cost	(134,985)	(127,068)

Notes to the financial statements for the year ended 31 March 2023

16. Deferred Taxation

Deferred taxation	£000's
At 1 April 2022	(105)
Debited to the profit and loss account (note 7)	43
At 31 March 2023	(62)

There was no unprovided deferred tax at 31 March 2023 (2022: £nil). The deferred tax provision is shown below:

	2023 £000's	2022 £000's
Accelerated capital allowances	(170)	(210)
Other timing differences	108	105
	(62)	(105)

17. Share capital and reserves

Called up share capital

	2023 £000's	2022 £000's
Allotted and fully paid		
116,112 "A" Ordinary shares of 50p each (2022: 116,112)	58	58
838,383 "B" Ordinary shares of 0.001p each (2022: 838,383)	1	1
1,000 "C" Ordinary shares of 0.001p each (2022: 1,000)	-	-
	59	59

Voting rights

The holders of the "A" Ordinary shares and the "B" Ordinary shares shall be entitled to receive notice of and to attend and speak at all general meetings of the Company. The holders of the "A" Ordinary shares and the "B" Ordinary shares who (being individuals) are present in person or by proxy or (being a corporation) are present by duly authorised representatives or by proxy shall:
(a) on a show of hands, have one vote each, and,
(b) on a poll, have one vote each for every Share held.
The holders of the "C" Ordinary shares shall be entitled to receive notice of and to attend and speak but not vote at any general meeting of the Company.

Share transactions in the year

There were no share transactions during the year.

Reserves

Reserves of the Company represent the following:

Merger reserve – Excess of consideration and nominal value of shares issued when compared to the fair value of the assets acquired in Shire Professional Services less annual transfers to the profit and loss account as this value amortises.

Capital redemption reserve - The nominal value of shares repurchased by the Company.

Profit and loss account - Cumulative profit and loss net of distributions to owners plus annual transfers from the merger reserve (see above).

18. Reconciliation of profit after tax to net cash used in operations

	2023 £000's	2022 £000's
Profit after tax	2,302	2,602
Adjustments for:		
Depreciation of tangible fixed assets	212	273
Loss on disposal of tangible fixed assets	(1)	(2)
Amortisation of software	192	-
Amortisation of goodwill (note 9)	511	511
Interest receivable	-	(1)
Interest payable	419	175
Taxation	607	732
Operating cash flows before movements in working capital	4,242	4,290
Increase in trade and other debtors	(13,436)	(15,452)
Increase in trade and other creditors	532	273
Cash used in operating activities	(8,662)	(10,891)

19. Pension costs

The Company contributes to defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the fund and in the year ended 31 March 2023 amounted to £116,000 (2022: £107,000). Contributions totalling £31,000 (2022: £29,000) were payable to the schemes at the year end and are included within creditors.

20. Contingencies and commitments

In the normal course of business the Company may, from time to time, provide guarantees; however at 31 March 2023 none are considered to be a contingent liability.

Lease commitments

At 31 March 2023, the Company was committed to making the following total minimum payments under non-cancellable operating leases:

	2023 Land and buildings £000's	2022 Land and buildings £000's
Amounts due:		
- within 1 year	343	343
- within 2-5 years	1,141	1,364
- after more than 5 years	43	161
	1,527	1,868

21. Control

No investor acting individually has the ability to control the activities of the Company and consequently it is considered that there is no ultimate controlling party.

22. Related party transactions

During the year, the Company entered into certain transactions with related parties of the shareholders and directors, in the normal course of business and on an arm's length basis. These companies are related to the Company on the basis of common directorship and / or shareholding. The names of the related parties, the nature of these transactions and their total value is shown below:

Shire Business Group Limited: At the year end the balance on the loan account was £5,000 (2022: £5,000), there was no movement in the year.

SAF Leasing Limited: Included in creditors is an amount of £1,000 (2022: £5,000) and during the year invoices were received from SAF Leasing Limited of £54,000 (2022: £43,000) for lease referral. Included in debtors is an amount of £7,000 (2022: £7,000) and during the year Shire Leasing plc raised invoices to SAF Leasing Limited for management recharges of £78,000 (2022: £80,000).

Shire Financial Services: No outstanding amounts are included in creditors at 31 March 2023 (2022: £nil) and during the year invoices were received from Shire Financial Services of £339,000 (2022: £339,000) for rental of properties occupied by the company. Included within debtors at 31 March 2023 is an amount of £35,000 (2022: £nil) and during the year invoices were raised for management recharges for £1,000 (2022: £nil)

Shire Securities Limited: Included in debtors is an amount of £1,000 (2022: £4,000) and during the year £78,000 (2022: £40,000) was invoiced to the Company for commissions/management charges. There were no outstanding amounts in creditors (2022: £nil) and during the year Shire Securities Limited raised invoices to Shire Leasing Plc of £27,000 (2022: £12,000).

Shire Recoveries Limited: Included in debtors is an amount of £9,000 (2022: £8,000) and during the year £82,000 (2022: £54,000) was invoiced to the Company for commissions/management charges. Included in creditors is an amount of £8,000 (2022: £8,000) and during the year Shire Recoveries Limited raised invoices to Shire Leasing Plc of £101,000 (2022: £126,000).

Shire Insurance Services Limited: Included in debtors is an amount of £2,000 (2022: £nil) and during the year £14,000 (2022: £17,000) was invoiced to the Company for commissions/management recharges. There were no outstanding amounts in creditors at the end of the year (2022: £nil) and during the year Shire Insurance Services Limited raised invoices to Shire Leasing Plc for insurances of £62,000 (2022: £39,000).

Shire Professional Funding Limited: Included in debtors is an amount of £7,000 (2022: £4,000) and during the year £13,000 (2022: £6,000) was invoiced to the Company for commissions/management charges. Included in creditors at the end of the year is an amount of £16,000 (2022: £nil) and during the year Shire Professional Funding Limited raised invoices to Shire Leasing Plc for commissions £62,000 (2022: £31,000). During the year amounts were loaned to Shire Professional Funding Limited under a block funding arrangement of £1,299,000 (2022: £109,000) and interest income was recognised of £36,000 (2022: £1,000) in respect of this.

Shire Marketing Services Limited: Shire Marketing Services Limited ceased to be a related party on 31 December 2022. Prior to this date £nil (2022: £7,000) was invoiced to the Company for commissions/management charges. The loan previously showing in debtors has now been fully repaid (2022: £22,000 outstanding). Prior to 31 December 2022 Shire Marketing Services Limited recharged Shire Leasing Plc £33,000 for marketing services provided (2022: £56,000).

22. Related party transactions (continued)

Shire Invoice Finance Limited: Included in debtors is an amount of £nil (2022: £1,000) and during the year £25,000 (2022: £25,000) was invoiced to the Company for commissions/management charges. During the year Shire Invoice Finance Limited raised invoices to Shire Leasing Plc of £2,000 for commissions (2022: £nil), no amount was included in creditors in either year.

Transactions with Directors: The maximum amount outstanding during the year from directors was £4,000 (2022: £3,000). At the year-end £1,000 was owed to the Company (2022: £3,000).

Dividend payments: During the year dividends were paid to Mr M E Smith, Mrs S Smith, Mr J Worton, Mrs J Worton and Mr J J Flounders totalling £1,351,000 (2022: £1,974,000).

Transactions with close family members of Directors

During the year, remuneration of £196,000 (2022: £177,000) was earned by close family members of directors. There were no amounts outstanding at the year-end (2022: £nil).

Transactions with companies under the control of close family members of Directors

Leasing Equipment Disposals Limited: During the year, services of £177,000 were charged to Leasing Equipment Disposals Limited (2022: £198,000). Included in debtors is an amount of £17,000 (2022: £49,000).

Love Finance Limited: During the year Love Finance Limited raised invoices of £419,000 (2022: £260,000) to the company for commissions. Included in creditors is an amount of £2,000 (2022: £10,000).

23. Remuneration of Key Management Personnel

The total remuneration of the directors (considered to be the key management personnel) of the Company was £1,975,000 (2022: £1,669,000).