Annual Report & Financial Statements

For the year ended 31 May 2022

Time Finance®

Contents of the consolidated **financial statements**

for the year ended 31 May 2022

Our Business

"We're well equipped to help businesses across all four corners of the UK."

Company Information

Non-Executive Directors
T Raynes (Chair), R Russell, J P Telling

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

Company Secretary
J M A Roberts

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

For the year ended 31 May 2022

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. At Time Finance, we offer funding solutions that bring business ambitions to life.

How we do it

We help our clients find the best solution to meet their needs - whether that's through Asset Finance, Invoice Finance, Business Loans or Vehicle Finance. With our flexible and relationship-driven approach to funding, we are the first choice for some 10,000 UK SMEs and their financial intermediaries. As a people-focussed business, we always pride ourselves on being agile, acting with integrity and being genuine.

Supporting some

10,000

SMEs nationwide

Lending UK businesses

£137m

of funds at 31 May 2022

Helping to arrange

£118m

of funding to UK businesses over the year

Our funding solutions

Asset Finance

Equipping businesses for the future and making investment possible.

Invoice Finance

Improving cashflow to give businesses the financial freedom to grow.

Loans

Flexible funding solutions to fuel investment and bring growth plans to life.

Vehicle Finance

Going the extra mile to ensure that businesses can drive their plans forward.

Driving business growth across the UK

Our team

With a national sales presence, we're well equipped to help businesses across all four corners of the UK get access to the financial support they need to grow and prosper. Our dedicated and proactive team works closely with financial intermediaries and business owners to deliver funding solutions and bring business ambitions to life.

Our offices

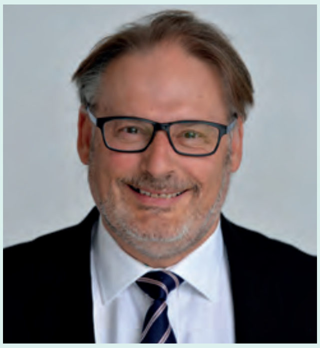
1. Bath
2. Warrington
3. Manchester
4. Reading

Our people
– meet the team

Non-Executive Directors

Tanya Raynes
Non-Executive Chair

Tanya became Chair in October 2021. She has held a variety of senior executive roles within both blue-chip corporations and SMEs. More recently she acted as CEO for Centreline and is currently Non-Executive Chair for its parent company, Pula Aviation Services. She qualified as a Chartered Accountant. Tanya sits on the Audit, Remuneration, Nominations and Governance & Risk Committees.



Julian Telling
Non-Executive Director

Julian became a Non-Executive Director in August 2015. With over 40 years' experience, Julian founded and sold a retail financial services group. He's been involved in a number of AIM-listed financial service businesses, with experience in acquisition, rights issues and trade sales. Julian sits on the Audit, Remuneration, Nominations and Governance & Risk Committees.

Ron Russell
Non-Executive Director

Ron became a Non-Executive Director in October 2009. He has vast experience advising small businesses, and is a director of UK Private Healthcare Ltd, Scot-Leasing Ltd and Stonepit Ltd. Ron is a member of the Audit, Remunerations, Nominations, and Governance & Risk Committees. He 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' experience at Bibby Financial Services, including 5 years as its UK CEO. He was previously Time Finance's COO having joined the firm in 2017.

James Roberts
Chief Financial Officer

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

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.

The Senior Management Team

Lorraine Neyland

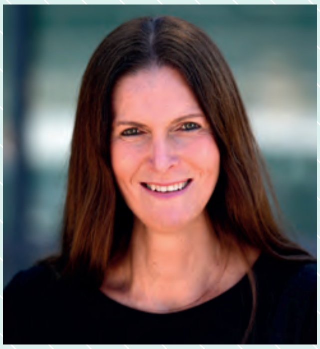
Director of Risk

With an Asset Finance background spanning 30 years, Lorraine has built am impressive reputation within risk management. She managed and led credit teams within Bank of Scotland, Lloyds Bank and Bibby Leasing. Lorraine joined Time Finance in 2019.

Phil Chesham

Managing Director - Invoice Finance

Phil has over 30 years of experience in Invoice Finance with an exceptional record in client management and generating new business. He was a co-founder of Positive Cashflow Finance which was acquired by Time Finance in 2017.



Sharon Bryden

Director of Commercial Loans & ABL

Having worked in the industry for over two decades, Sharon has built a strong reputation across multiple funding sectors from Loans to Invoice Finance, and has gained a strong skill set in delivering secured lending facilities to UK SMEs. Sharon joined Time Finance in 2021.

Steve Nichols

Director of Asset Finance

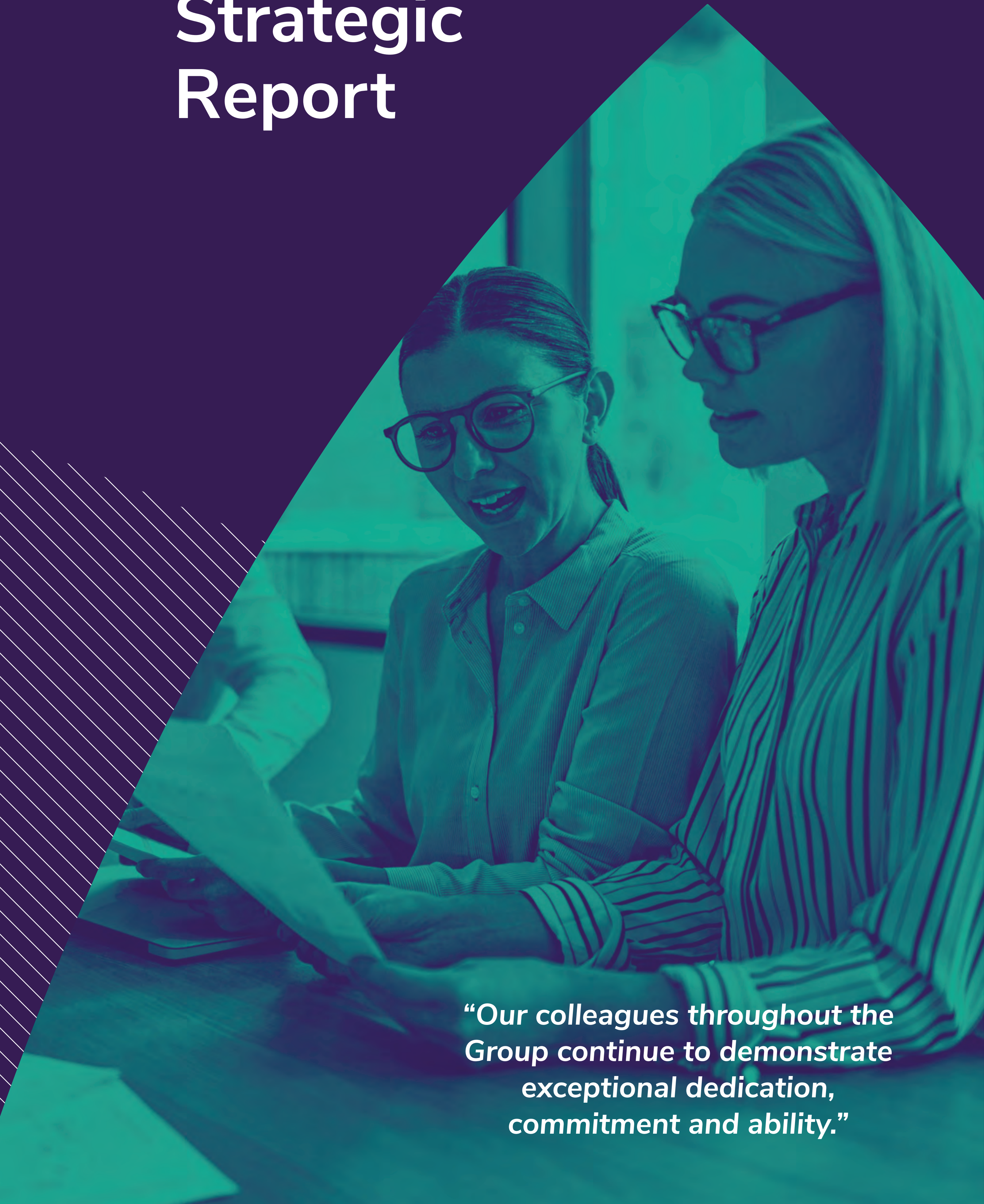
With over 16 years experience in the commercial finance sector, Steve has built a credible reputation within the industry for delivering Asset Finance solutions to support growth ambitions. He joined Time Finance in January 2022.

Louise Ikonomides

Head of Business Improvement

Louise has over 20 years' experience working in consumer and SME markets. She joined Time Finance in September 2022 and has a proven track record in business transformation and implementing product initiatives.

Strategic Report



“Our colleagues throughout the Group continue to demonstrate exceptional dedication, commitment and ability.”

Chair's Report

for the Year Ended 31 May 2022

Performance and dividend

Whilst Covid-19 restrictions were largely lifted during this financial year, we continued to experience the effects of the pandemic, especially in terms of consumer confidence, supply chain delays and government funding support to businesses. This was alongside other significant emerging macroeconomic factors: the cost of living crisis, inflationary pressures, the war in Ukraine, energy shortages, and UK political turmoil. The global economic landscape is relatively unprecedented. Times of disruption represent both significant challenges and opportunities for our business and our customers. As always, our key focus is to ensure that we continue to provide an essential lifeline of working capital to our SME customers.

Alongside the external headwinds, it has been a period of relative disruption internally as we have needed to reassess the cost base of the business within the context of a slower recovery from the Covid-19 pandemic than was originally anticipated. Whilst we supported the full workforce through the pandemic, it became apparent in the second quarter of this financial year that the return to pre-pandemic levels of sales and profit was going to be much delayed from previous assumptions. As a result, the difficult decision was taken to right-scale the operation for a revised pathway of recovery and financial results. This was obviously unsettling for our colleagues across the Group but, amidst all of this difficult change, their commitment and achievements remained outstanding, and the Board extends enormous gratitude.

It is pleasing to report that despite the continuing effect of the pandemic, and the additional external market shocks, the Group's revenue was £23.6m (2021: £24.2m) with profit before tax and exceptional items of £3.0m (2021: £3.1m). Fully diluted earnings per share were 1.00p (2021: 1.85p). The Group's balance sheet was yet again strengthened during the year with Net Tangible Assets rising to £30.5m (2021: £28.4m). At the same time deal arrears fell by approximately 35% during the financial year, demonstrating the effectiveness of our credit risk policy, which seeks to appropriately balance the needs of both our customers and our business.

The Group's business strategy has an aggressive target for the 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. Our lending objectives are focussed on the growth of shareholder value rather than dividend distribution. Hence, the Board continues to view cash resources as being best deployed to support business growth and, for the time being, not used for dividend payments. This will be kept under review.

Our strategy

At the start of the financial year a new four-year strategy was launched. There has been very pleasing progress made during the first full year since rolling out this updated strategy, as set out in the Group Strategic Priorities on page 16. The Group is positioned as a risk-mitigated alternative finance provider, recognised as having a comprehensive range of business finance products to offer to a well-diversified and expanding base of UK businesses. Our core products are Asset Finance, Invoice Finance and Commercial Loans. The focus is on significantly growing the secured own-book lending and own-book originations increased to £64.4m during the financial year, up from £47.2m in the prior year. This demonstrates significant traction against a key strategic goal. Whilst we remain flexible to act as a broker where appropriate, we took the strategic decision to move away from the non-core, consumer brokerages, and the disposal of those elements of the business is now well progressed.

Following the rebrand in December 2020, Time Finance is now well established as a brand which, through our business development and marketing efforts, serves to support our strategic aims.

The critical importance to our strategy of internal systems improvements to support customer experience and business efficiencies is well recognised by the Board. We are delighted to have successfully secured an appointment for the newly created role of Head of Business Improvement, which we fully expect to enable more significant strides forward in this area.

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. Membership comprises only of non-executive directors. The committees meet on a regular basis and invite members of the senior management team, as appropriate, to enable well informed discussion and decision making, as well as gain appropriate levels of assurance.

The Board will continue to focus on increasing diversity in all its forms and it is pleasing to note that women now represent 50% of the Group's leadership team. This is an important consideration for the Group where women are 56% of our total workforce.

The culture within Time Finance is of paramount importance to us, and our core values of being Genuine, acting with Integrity and demonstrating Agility are what enable us to deliver good outcomes for our customers. These values are embedded across

Chair's Report (continued)

the business and are key in being responsive and flexible for our customers, whilst also ensuring highly responsible attitudes and behaviours in every member of our team. During the year, we continued to formulate our approach to our Environmental, Social and Governance ("ESG") responsibilities and to embed ESG as an integrated part of our core business strategy. The themes of our ESG approach include a good working environment for our colleagues, addressing our carbon footprint impact, and investment in systems and training – with the outcome for the Group being long term sustainable growth, improved service levels and enhanced operational resilience. Further details can be found in the Culture and Environmental, Social and Corporate Responsibility Report on page 19.

Our people

On 1st June 2021 it was announced that Ed Rimmer was to be appointed as permanent CEO, after a period as interim CEO from February 2021. Ed's extensive experience within the financial services sector, along with his specific knowledge of the Group from his time as Group COO between 2017 to 2020, enabled him to take up the CEO responsibilities quickly and effectively.

In line with our strategy, we have made excellent progress during the year with hiring key recruits to support our increased origination growth plan, and we should continue to see the positive impact of this in the Group's results going forward. We recognise that our staff are our greatest asset and so, as we move forward, we shall look to better measure employee engagement and address any gaps that may be identified by introducing an employee survey in the second half of this calendar year and annually thereafter.

This financial year has yet again been a period of significant and challenging change across many aspects of the business, and the executive leadership of the Group has been key to navigating this journey – my thanks go out to Ed Rimmer (CEO) and James Roberts (CFO) for both their boldness and steadying hand in managing the way forward.

I was delighted to join the Board in March 2021 as a Non-Executive Director, and to assume the role of Non-Executive Chair in October 2021. After a period of necessary focus on internal strategy and restructure, I look forward to the opportunity to engage more externally, specifically with our investors and other key stakeholders.

Our colleagues throughout the Group continue to demonstrate exceptional dedication, commitment and ability, and on behalf of the Board, I wish to record our sincere thanks and appreciation.

Outlook

The Group has made substantial progress during this financial year against the updated strategy. This is creating significant momentum as well as a robust platform for our future growth plans, and so I am very positive about the delivery of strong and sustained results over the next few years.

Whilst the economic and political environment is uncertain and challenging, the Group continues to benefit 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 continued strengthening of the Group's balance sheet, and access to the required cash resources for the planned growth, leaves the Board confident about the future of the Group.

In my first statement as Chair, I would like to express how pleased I am to be on the Board of a company with so much potential and a team that has the ability to deliver. I would also like to thank all of our stakeholders for their continued support, and I look forward to reporting on our continued progress as we move forward with our strategy.

Tanya Raynes
Chair

Chief Executive Officer's Report

for the Year Ended 31 May 2022

Introduction

Time Finance is a multi-product, specialist finance provider to UK SMEs, predominantly funding transactions on its own book, but with the ability to broker-out transactions that fall outside its credit policy. The business now comprises of three core product divisions: Asset Finance, Invoice Finance and Commercial Loans. Each is headed by a senior manager with significant experience in the small business lending sector. The financial results for the Group for the year ended 31 May 2022 consolidate the results of these divisions along with the trading entities that we no longer consider to be core business; further detail behind this strategy is shown in the Group Strategic Priorities on page 16.

The Covid-19 pandemic continued to disrupt the wider small business lending market during the period under review, specifically the first quarter's trading between June and August 2021. Customers, clients and our own business were impacted by high staff absence and an overhang of businesses still using various government pandemic funding schemes. Market conditions started to improve in the later part of 2021 and more significantly through the final quarter of the financial year from March to May. Despite the challenges, we made good progress with the strategic plan that we set out at the start of the financial year, and the overall numbers delivered were satisfactory. We therefore moved into the new financial year in June with increased momentum and optimism for the year ahead, despite the growing economic and geopolitical challenges that are summarised in the Chair's Report.

The results achieved are due to the commitment and hard work shown by all colleagues across the Group. As government restrictions continued to ease during the Autumn of 2021, our staff began to spend more time working back in the office and a sensible balance was achieved in terms of providing flexible working. Whilst this enables people to work from home if their role allows, we have seen a return of a more vibrant atmosphere in the offices which is an important part of being a "people" business. Our SME clients and customers still want a high degree of human interaction and providing flexibility to them is therefore a key part of our proposition.

Sustainable, robust business model

The Group has 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 in the Asset and Loans divisions, with interest rates incurred on borrowings drawn down equally being fixed for the term. 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 and improved efficiencies, it is essential that the end credit decisions are taken by people given the markets we operate in.
- **a realistic approach to provisioning**. The total provisions carried in the balance sheet at 31 May 2022 amounted to £3.6m, representing approximately 3% of the net lending portfolio. A detailed internal review of provisioning is undertaken on a quarterly basis, led by the Director of Risk in conjunction with the CFO and the recommendations made are presented to the Board for approval.

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, therefore serving SMEs typically at the smaller end of the market.

New business origination in the core Asset, Commercial Loan and Invoice Finance divisions for the year to 31 May 2022 amounted to £70.8m, 33% up on the £53.1m achieved the previous year. Of this origination 91% was funded on balance sheet and 9% was broked-on, compared with 88% and 12% respectively in the prior year. The move towards an increase in own-book lending is consistent with our strategy and commented on further in the Group Strategic Priorities on page 16.

Chief Executive Officer's Report (continued)

Financial results

Total revenue for the year to 31 May 2022 was £23.6m, a decrease of £0.6m year-on year. Revenue comprises interest and other income (such as facility fees, document fees and asset assurance income) of £20.6m from own-book lending (2021: £20.4m) and commission income of £3.0m from broking activities (2021: £3.6m). Interest and other income from lending therefore accounted for 87% (2021: 84%) and commission income from broking accounted for 13% (2021: 15%) of total revenues. The business enjoys good visibility of future revenue from 'unearned income' (i.e. future interest income from 'own-book' deals already written on the Group's balance sheet), which at 31 May 2022 amounted to £16.7m (2021: £14.9m). The Group's profit before tax and exceptional items for the year ended 31 May 2022 was £3.0m, compared with £3.1m in the prior year. Profit before tax was £1.1m (2021: £2.0m), and profit after tax £0.9m (2021: £1.8m). This is driven by one-off costs associated with the closure of the non-core vehicles brokerage and subsequent write-off of the goodwill associated with that historic acquisition. Further details are provided in the Group Strategic Priorities on page 16.

At 31 May 2022, the Group's total gross receivables stood at £137m, compared with £116m on 31 May 2021, an 18% increase and again, as part of our strategy to increase own-book lending. Total active borrowing facilities as at 31 May 2022 amounted to £148m (2021: £162m), of which £78m was drawn (2021: £58m). Consolidated net assets stood at £58.1m (2021: £57.1m), an increase of 2%. Consolidated Net Tangible Assets stood at £30.5m (2021: £28.4m), an increase of 7%. Net cash and cash equivalents held at 31 May 2022 was £2.9m (2021: £7.7m). The reduction was down to the increase in own-book lending origination with an element of cash required to support each new lease or loan agreement that is put in place. 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 future opportunities over the short to medium term.

At 31 May 2022, there were 92,512,704 shares in issue (2021: 92,512,704). It is expected that, wherever possible, all current share options will be fulfilled from the Group's Employee Benefit Trust, resulting in little or no dilution to shareholders. Given these share numbers, earnings per share were 1.00 pence (2021: 1.98 pence) with an identical number when calculated on a fully diluted basis. Further details on the financial performance of the Group can be found in the Chief Financial Officer's Report on page 14.

Operational progress

The year to 31 May 2022 saw much change but, ultimately, good progress in ensuring the business is set-up to achieve the significant growth over the 4-year period set out in the strategic plan. I was appointed as full-time CEO on 1st June and at the time, like the wider business community, hoped that the worst of the lockdown restrictions were behind us. This, unfortunately, proved not to be the case with a difficult summer period experienced in 2021 although, as previously mentioned, trading conditions improved significantly as the year progressed. As commented in the Chair's Report, with the elongated recovery, we made the difficult decision to reduce overheads through a redundancy programme which saw headcount reduce by approximately 15%. This understandably caused disruption with additional workloads falling on colleagues across the business and I would like to reiterate my sincere gratitude to the professionalism and commitment shown by our team. The retirement of John Newman as Chair was also another significant change; however, Tanya Raynes's appointment provided the Group with fresh impetus and I am grateful for her support and guidance during the year.

Alongside this significant change to the business, much progress has been made. The Asset Finance division saw strong demand for 'hard' asset finance with the own-book new business target exceeded by 20%. Whilst our business overall was impacted by the ease of access to cash through the various government fundings schemes, our Loans division benefited from becoming an accredited lender under the Recovery Loan Scheme providing it with much needed momentum. The Invoice Finance division had a very successful year, benefiting from lower than expected client attrition and record new business levels in the second half of the year. The division's lending book increased by 80% during the year from the post-pandemic low point. Both the Asset and Invoice Finance divisions have continued to show further growth post year-end.

A lot of focus was placed on reorganising the business during the financial year which was unsettling for our colleagues. A number of people went above and beyond day-to-day expectations and we recognise the need to improve communication and measure employee engagement more regularly, enabling timely feedback and a process to deliver continuous improvements. This will be a key priority for the new financial year ahead.

Culture, compliance and governance

Time Finance is a customer focused business priding ourselves on being Genuine, Agile and acting with Integrity. To this end we have a strong focus on:

- Being Easy to Deal With
- Doing Things Quickly
- Having a Commercial and Flexible approach to decision making, and
- Doing the Right Thing for all our Stakeholders

The Group has high standards for compliance and governance for all its activities, referenced to the principles and guidelines of the Financial Conduct Authority and the codes of conduct of the relevant industry bodies. All staff are required to act in accordance with our cultural values and uphold the following;

- To act with integrity, due skill, care and diligence
- To be open and cooperative with regulators
- To pay due regard to the interests of customers and clients and treat them fairly

Each of our offices has a “culture champion” to ensure that the required behaviours are evident on a day-to-day basis and this also provides a regular flow of communication back to the Board, including any areas where corrective action is required.

Further details on the culture of the Group can be found in the Culture and Environmental, Social and Corporate Responsibility Report on page 19.

Outlook

SMEs are currently facing an unprecedented number of challenges, with increasing costs of operating through spiralling inflation, interest rate rises and geopolitical instability. Small businesses, however, will always need access to finance in order to provide the necessary working capital to operate and expand. With the changes made during the financial year, particularly the restructuring of the senior management team and the focus on developing our strategic plan, we are in a good position to take advantage of the opportunities that the market will present.

Ed Rimmer
Chief Executive Officer

Chief Financial Officer's Report

for the Year Ended 31 May 2022

Overview

As mentioned throughout these Report and Accounts, the financial year ended 31 May 2022 covered a period of change for the Group. There was the lingering, ongoing effects of the pandemic; wider macro-economic headwinds; and the implementation of a new medium-term strategic plan which, understandably, will take time to result in a significant uptick in the bottom line. All this has led to a set of financial results that, while in line with expectation, remain relatively flat when compared to the previous year. Profit before tax and exceptional items ("PBTE") was £3.0m (FY2021: £3.1m). Crucially, the building blocks are now in place for the own-book focussed lending strategy to bear fruit in future years. Particularly pleasing is the strength of the Group's balance sheet. Net Tangible Assets are now over £30m and the lending book has grown materially. At the same time net arrears have reduced significantly and are now consistently well below pre-pandemic levels.

Review of Income Statement

Revenue decreased in the year by 2% from £24.2m to £23.6m. This reduction is attributable to a number of factors. The previous year included £0.4m of government assistance from the furlough scheme which did not arise this year. The remainder of the reduction was largely as a result of the strategic change to focus almost solely on own-book lending and move away from non-core brokerages. The lost revenue from the brokerages is a short-term reduction with the future revenue streams associated from the own-book lending being spread over the life of the lend which, on average, is approximately 3 to 4 years. As such, the benefit of this strategic change will be seen next year and well beyond. As was the case historically, Asset Finance and Invoice Finance remain the largest divisions accounting for 48% (2021: 53%) and 33% (2021: 27%) of total revenue respectively. Given the focus away from non-core consumer loan and vehicle broking, the Loan Finance and Vehicle Finance divisions have become a smaller part of the group accounting for 8% (2021: 9%) and 11% (2021: 11%) respectively. Further details of divisional performance is set out in Note 3.

Whilst revenues were lower, the margins achieved were higher. Gross Profit of £15.0m was earned in the year. This is £0.1m, or 2%, higher than the previous year's £14.9m with a margin of 64% compared to 62%.

As set out in Note 2, 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 £1.9m (2021: £1.1m). These include the associated goodwill write-off of £1.0m from the closure of the non-core vehicles brokerage, £0.1m of share option charges and £0.8m of restructuring costs as the Group streamlined its cost base mid-way through the financial year. The exceptional item elements are set out in Note 11.

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

Review of the Statement of Financial Position

Goodwill reduced to £27.3m (2021: £28.2m) following the closure of the non-core vehicles brokerage. Goodwill is one of the Group's most significant items due to its size. As a result, it is regularly and rigorously tested 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, the wider macro-economic headwinds being faced and the change in strategic focus as all of these factors could have a potential impact on future cashflows. Having reviewed the assumptions used in the calculation, and performing wide-ranging sensitivity analysis, it was concluded that there was sufficient headroom in the carrying value of the Asset, Invoice Finance and Loans divisions. This meant no impairment was necessary in those areas. Clearly the closure of a key component of the Vehicle division meant an impairment was needed and no goodwill now remains in that silo. As the Group embeds its new strategy and is planned to grow significantly over the coming years, all the key trading divisions are expected to trade profitably, generate free cash and underpin the remaining carrying goodwill values.

Trade and Other Receivables, as detailed in Note 16, amounted to £136.8m at the year-end. This is an increase of 18% or £21.1m compared to the prior year of £115.7m. This increase is attributable to the new strategy of, wherever possible, writing new business on the Group's own-book rather than broking business on. It is particularly pleasing to see the level of arrears at the year-end continue to fall. The net arrears fell to £9.3m at year-end. This compares to £14.2m at 31 May 2021 and £21.9m at the height of the pandemic in May 2020. Most importantly, this is also significantly lower than the pre-pandemic levels of £14.8m experienced back in February 2020. Also of note is the fact that there are no longer any deals in forbearance due to the pandemic. This contrasts to a pandemic-high forbearance level of £24.3m. Taken together, the net arrears and forbearance positions show the ability of the lending book to weather significant economic downturns and also demonstrates the hard work and skill of the Risk team responsible for managing the lending book.

Within the Trade and Other Receivables balance sits the Group's credit risk provision. Standing at £3.6m at the year-end, this is lower than the prior year level of £5.2m and represents approximately 3% of the Group's year-end net lending portfolio (2021: 5%). The credit risk provision is determined by a combination of statistical modelling and a management overlay. The model 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 overlay applies management's assessment of any expected future changes to the wider macroeconomic environment that could impact on the recoverability of the Group's debts. At financial year-end the statistical model required a provision representing 2% of the net lending book with the overlay adding a further 1%. Given the ongoing uncertainty in the wider economy associated with, for example, increases in cost of living, the Directors concluded that it would be prudent and appropriate to hold this significant management overlay and the credit risk provision remains the best estimate of the required level given current information available. Further details can be found in Note 29.

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 2022 has increased to £91.0m when compared to prior year levels of £75.4m. This is largely due to increased drawdowns from the Group's funding partners associated with the increased levels of own-book lending seen within Trade and Other Receivables.

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 a number of wholesale block funding lines, including a £35m facility from the British Business Bank. At the year-end, it had active facilities of £89.6m (2021: £95.0m) with headroom of £45.1m (2021: £49.9m). Loan Finance is also partly funded by these same wholesale block funding lines plus a dedicated Secured Medium-Term Loan Note Programme. At year-end, its active facilities totalled £16.3m (2021: £24.6m) with headroom of £7.2m (2021: £15.0m). 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 2022, this comprised a facility of £42.0m (2021: £42.0m) with an additional 'accordion' uplift available of £8.0m to increase the facility to £50.0m should it be needed. As at 31 May 2022 there was headroom of £18.1m (2021: £30.0m), excluding the accordion.

The Group's Net Assets stood at £58.1m as at 31 May 2022, up from £57.1m the year before. Net Tangible Assets, which removes both Goodwill and Intangible Assets, had increased from £28.4m to £30.5m as at 31 May 2022.

Review of the Consolidated Statement of Cashflows

Cash and cash-equivalents as can be seen on the Consolidated Statement of Cash Flows stand at £2.9m at the year-end, a decrease from £7.7m at 31 May 2021. This decrease is to be expected as the group utilises its cash resources to grow its lending book over the timeframe of the medium-term strategic plan. The Group also has £2.9m (2021: £4.2m) of 'paper'. This is namely lease and loan deals written and paid out by the group that could be converted into cash within 48 hours through the group's funding facilities. This cash and cash-equivalents balance puts the group on a solid footing to fund lending to UK SMEs.

Conclusion

The financial year to 31 May 2022 has produced a solid set of numbers and reflects the expected final year of retrenchment associated with the pandemic. The Group is now primed for a return to growth and the balance sheet is positioned to enable it to do this: Net Tangible Assets are at a record level; cash remains high; arrears continue to fall and are well below pre-pandemic levels, and the Group's funding partners remain extremely supportive.

James Roberts
Chief Financial Officer

Group Strategic Priorities

for the Year Ended 31 May 2022

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 primarily provides Invoice Finance, Asset Finance and Loan 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, via acquisition, the business set about diversifying to a multi-product group, offering an increased product portfolio to an enlarged target market and mitigating risk through a wider spread of lending. The Group was rebranded 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 Group's change of CEO in the first half of 2021, and the subsequent easing of lockdown restrictions on the back of the government's rapid vaccination roll out, led to a new medium-term strategy being developed. This was launched at the start of the financial year in June 2021. The key objectives over the 4 year period to 31 May 2025 are to:

- Double the Group's gross lending book organically to approximately £250m
- 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 own-book lending products: Asset, Invoice and Loan finance
- Predominantly focusing on secured lending with an increasing average deal size
- Investing in key sales resources
- Continuing to reposition the brand and invest in marketing
- Bringing further liquidity into the Business as and when required

Good progress has been made in delivering the plan during a difficult year given the market conditions. Summaries on each of the above initiatives are set out below.

Focus on core own-book lending products

The previous strategy saw the Group expand into consumer finance brokerages as well as business lending. These businesses operated in the second-hand vehicle finance and residential mortgage markets. Both sectors were significantly affected by the Covid-19 pandemic. They were also very reliant on the founding directors, consumed a disproportionate amount of management time for the size of the businesses and the future opportunities to scale them required significant investment as well as also being more heavily burdened by regulation and by the very nature of being brokerages, were not building balance sheets of value consistent with being an own-book lender. The decision was therefore taken to exit these businesses. CarFinance2U was closed towards the end of the financial year and it is expected that the Cardiff based, consumer brokerage will be divested before the end of the calendar year. Moving forwards, the Group has a clear market position, that of being an alternative lender to small businesses, offering three core products: Asset, Invoice and Loan finance. As the market continues to recover post the government funding schemes, there should be good opportunities for alternative finance providers to grow. With the Group's own lending book increasing, so will the size of its balance sheet and with it the inherent value of the business. During the year we increased our own-book, new business origination to £64.4m, a 36% increase on the previous year. This trend is expected to continue over the course of our medium-term plan.

Predominantly focus on secured lending with an increasing average deal size

Where appropriate the Group will seek to obtain tangible security to underpin lending. This involves 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 'hard' asset business which reduced significantly during the pandemic when market demand led to smaller assets (e.g. delivery vans) being funded. The one exception to this, is the 'soft' asset strategy where the Group has a niche position in funding smaller transactions that provide a wide spread of risk at higher yields. The faster growth will therefore come from the Hard Asset and Invoice Finance businesses and, over time, this should help reduce the delinquent debt levels and increase efficiencies through dealing with a lower number of enquiries from more established businesses.

Investment in key sales resources

In order to grow the business, the Group invested in a number of high-quality staff during the financial year. Sharon Bryden joined the business in August 2021 to lead the Loans division with part of her remit being to develop a new Asset Based Lending product; good progress has been made and this will be launched during the first half of the new financial year. A new head of Asset Finance, Steve

Nicholls, joined in January 2022. My thanks go to Carol Roberts for so capably overseeing the division over the last 3 years during such a challenging time. A new Head of Broker Sales for Hard Asset was subsequently appointed in May 2022. We also recruited a new Southern Head of Sales for Invoice Finance in August 2021, along with a number of additional Business Development Managers to expand that business. The core products are now set up to deliver the growth strategy.

Reposition the brand and investment in marketing

The rebrand to Time Finance at the end of 2020 provided the Group with an excellent opportunity to reposition the business in line with our key strategic aims. I am very pleased with the progress made during the last 12 months. The introducer market in particular has a better understanding of what we are trying to deliver to market and the types of deals we want. Testimony to this was Time Finance being ranked Number 1 in the Business Money Intermediary Index, having previously not made it into the top 10. During the year, Kate Brown was promoted to Head of Marketing, and this has significantly contributed to the progress made. Moving forwards, we are increasing our digital presence as well as continuing to focus on the more traditional marketing channels, both to our introducers and directly to our clients and customers.

Bring further liquidity into the Business as and when required

During the financial year, the liquidity position of the Group was healthy and the board feels there are sufficient cash resources to deliver the short-term objectives. As the growth plan starts to accelerate, however, we will likely need to review the current funding strategy. Finding suitable long-term liquidity at sensible pricing is therefore a focus over the course of the next 12-24 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.

- Continuing Operations Revenue – £22.5m (prior year £22.5m)
- Continuing Operations Gross Profit margin- 64% (prior year 62%)
- Continuing Operations Profit Before Tax and Exceptional items – £3.1m (prior year £3.1m)
- Continuing Operations Diluted Earnings Per Share - 1.38p (prior year 1.96p)
- Own-Book New Business Origination – £64.4m (prior year £47.2m)
- Core business own book vs broked-on ratios – 87/13 (prior year 84/16)
- Funding interest rate – a blended rate of 4% (prior year 4%)

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 Governance and 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 and Risk functions with responsibility for reporting to the Board. The Group has a Director of Risk who reviews all significant Group credit exposures and a Head of 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:

- **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 still the ability to 'broke-on' certain business rather than write it on its own-book if it is deemed necessary to manage risk.

Group Strategic Priorities (continued)

- **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 £89.6m 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.

- **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 Head of Compliance, who manages an independent compliance department with 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.

Summary

With the significant government support packages no longer in place post-Covid, and with the ever-increasing economic challenges facing small businesses, access to finance will be a key priority for SMEs over the coming months and years. This should present the Group with many opportunities, whilst acknowledging the potential threats that also will undoubtedly come our way through potential increased default and delinquent debt. SMEs will always need access to finance to provide working capital and to grow their businesses; having an independent, credible and flexible alternative to the banks with conducive markets presents significant opportunity for the Group.

Ed Rimmer
Chief Executive Officer

Culture and Environmental, Social and Corporate Responsibility Report

for the Year Ended 31 May 2022

Group Culture

Time Finance is very much a "people business" – we believe that small businesses still require a high degree of human interaction and therefore value our personal service that helps to differentiate us from the competition.

i. Our values

These values which we pride ourselves on are:

- Our people are our greatest asset
- Our clients & 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 monitor and measure how we put these standards into practise through:

- regular group-wide celebrated staff recognition for those demonstrating they have lived our culture through practical examples.
- a bi-annual appraisal process for all colleagues which includes assessment and evidence of "living our culture"
- a remuneration and incentive structure for a number of our sales staff that includes an element of deferred commission to be earned against achievement and evidence of the cultural behaviours
- an open and transparent communication culture with our staff. This is demonstrated through a "culture champion" in each of our offices, monthly all-staff 'Team Talk' newsletters, alongside regular, office-based, 'Town Hall' meetings for all staff. Employees are also encouraged to share their views and managers to adopt an 'open door' policy

ii. Our people:

We recognise that our people are motivated by more than just money. As such, we have a strong commitment to diversity and inclusion in our practices, allowing people to develop and progress without barriers; we try to look after the well-being of our people, ensuring that they are safe and well and appropriately cared for; and we look to promote an environment in which people are valued and respected. The Group has:

- 128 employees, a reduction of 20% in comparison to last year
- women making up 56% of its workforce and men 44%, consistent with last year's ratio
- a Leadership Team[1] comprising 50% women and 50% men
- 7% of employees in the 16-24 age bracket, 35% are 25-34, 23% 35-44, 21% 45-54, 12% 55-64, and 1% are 65 and over
- become an accredited Living Wage Employer

Environmental, social and corporate responsibility

Time Finance is conscious of its environmental impact and the need for all businesses to play their part in minimising their impact on the environment and creating sustainable business practices. Time Finance has chosen to align its Environmental and Social Governance ("ESG") strategy with the United Nations Sustainable Development Goals ("UN SDGs"). With this in mind, the following initiatives were adopted during the year:

- the establishing of a Group Charity Committee which engages in regular fundraising activities for national and regional charities. This has been very active throughout the year, with impressive engagement from many of our colleagues across the Group, resulting in a tangible positive impact for our communities.
- consideration to how we can limit the environmental impact of our people travelling long distances. We have adopted a hybrid working arrangement in all our offices. This continues to utilise online meeting spaces and minimises our people's commute, so limiting the impact of car and train travel on the environment. In striking the right balance, this hybrid working takes into account our people's wellbeing and the need for face-to-face interactions.
- wherever possible our customers are given the choice as to whether communications are sent by paper or to go electronically to help to reduce our impact on the environment.
- partnering with a company to plant trees across the UK. For every employee and new starter, the Group will fund the planting of one new tree.

With regard to CO^2 emissions, Time Finance is a low energy user where its subsidiaries each consume less than 40kwh each year.

Time Finance is conscious that ESG strategy is an increasingly important area. The Board are currently undertaking a review of its approach to ESG, to its reporting and to how it can better align itself to the UN SGDs. An action plan and roadmap for future initiatives, which was due to be completed in 2021 but was delayed due to the pandemic, is now to be presented to the Board in late 2022. Progress on this will be reported in the in next year's Annual Report.

1 the Group's two Executive Directors; the Heads of the main trading divisions (Asset, Loan and Invoice Finance) and the Heads of the key functions (Risk, Marketing, Compliance, Business Improvement and HR)

Section 172 Statement and Stakeholder Engagement

for the Year Ended 31 May 2022

Section 172 ("s172") 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 s172 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 s172. 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.

Our decisions

The key decisions, many of which were taken in light of the ongoing impact of the pandemic and the emerging wider macroeconomic environment challenges, made by the Board during the year were:

i. **Continued focus on a strengthened balance sheet with a focus on reducing arrears.** 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.

ii. **Restructuring of the senior management team.** New Directors of Asset and of Loans were appointed during the year alongside a new Head of Compliance and a number of key senior Heads of Sales for the respective trading divisions.

iii. **Diversifying from non-core consumer led parts of the business.** The business is now simplified with management focussed on own-book lending to UK businesses.

Further detail on the medium-term strategy and the Board's decision-making that drives this, can be found in the Chair's Report, CEO's Report and CFO's Report on pages 9, 11 and 14 respectively, as well as the Strategic Objectives section within the Group Strategic Priorities on page 16.

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 all-staff email communications augmented by the delivery of regular "Town Hall" all-staff meetings at each Group site. Strategic and performance updates are delivered at these meetings by members of the Senior Management Team and two-way communication is encouraged. In addition to gathering feedback during the year through these 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 Culture and Environmental, Social and Corporate Responsibility Report on page 19.

Our customers, suppliers and investors

As a result of the strategic change to focus on providing commercial lending and moving away from arranging consumer finance, the Group's customers fall primarily into one distinct category, the business-to-business ("B2B") sector. The Group is committed to servicing this sector effectively with a network of dedicated broker or relationship managers working tirelessly to ensure that all parties are satisfied with the management of the relationship. The Group works with a number of key suppliers, primarily providers of IT, marketing support services and expert advisers. 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 constantly improving experience with a view to becoming market-leading over time.

After a necessary focus inwardly on the business following the appointment of a new CEO and the launch of a revised strategy in June 2021, the Group is now planning on adopting a much more proactive policy with regards to its interactions with its investors and will attempt to foster an open and ongoing dialogue with shareholders throughout the year. The Chair, CEO and CFO already make themselves available to meet investors, as well as providing updates through investor presentations on the Investor Meet Company platform. Roadshows, presenting at shareholder events and the publication of more regular RNS Reach updates will now augment the established programme. The Group hopes this will help manage the expectations of shareholders and understand the motivation behind shareholder voting decisions whilst striving to make the right decisions as it navigates the macro-economic environment 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 team has been established 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 Chair's and the Culture and Environmental, Social and Corporate Responsibility Reports on pages 9 and 19 respectively.

Our standards

Acting with integrity is one of the key cultural pillars of the Group as it continually strives to maintain a high standard of business conduct. All staff are trained thoroughly and subject to rigorous continual professional development standards.

The strategy section of the Report and Accounts on pages 8-21 was approved by the Board on 22 September 2022 and signed on its behalf by:

Tanya Raynes
Chair

Governance

"Good corporate governance is vital to support long-term growth in shareholder value."

Chair's Introduction to Governance

for the Year Ended 31 May 2022

Dear Shareholder

On behalf of the Board, I am pleased to introduce our Corporate Governance Statement for the year ended 31 May 2022. The purpose of this section of the Annual Report is to set out our commitment to good corporate governance.

The Board is ultimately responsible for corporate governance, which is the way in which companies are directed and controlled. We believe that good corporate governance is vital to support long-term growth in shareholder value. To achieve this, companies require an efficient, effective and dynamic management framework that is accompanied by clear communication, promoting confidence and trust.

Compliance with the QCA Corporate Governance Code

Companies listed on AIM are required to adopt a recognised corporate governance code. The Board has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code. We believe that the QCA code is a pragmatic, principles-based tool that enhances the Group's ability to explain its approach to corporate governance. It is appropriate for the needs and circumstances of small and mid-sized quoted companies on a public market.

It is based around a set of ten principles to which the Group must either comply or explain why it has chosen not to. The ten principles of the code are set out in the table on page 26 and I can confirm that, to the best of our knowledge, we are in compliance with the requirements of the code and the table provides signposts to the relevant disclosures and explanations.

Shareholder engagement

An important part of the QCA code concerns engagement and communication with our shareholders. We welcome open and regular dialogue with our shareholders.

In 2021, due to the ongoing impact of Covid-19, and the continually changing UK Government restrictions and advice to limit the spread of the virus, we encouraged shareholders to vote in advance by proxy with respect to the resolutions that were the subject of the Annual General Meeting, with the minimum number of shareholders present to form a quorum. Despite this, we sought to maintain engagement by encouraging shareholders to listen to the meeting via conference call and submit questions, which were answered by the Directors during the meeting.

It is our intention that this year we will be able to return to a face-to-face AGM and I would like to extend an invitation to all shareholders to attend our AGM, and to engage with the Board who will be in attendance.

Tanya Raynes
Chair

Governance Statement

for the Year Ended 31 May 2022

Board composition

The Board comprises the Non-Executive Chair, two independent Non-Executive Directors and two Executive Directors. Their biographies can be found on page 6.

There is a clear separation of the roles of Non-Executive Chair and Executive Directors. The Chair, Tanya Raynes, 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. James also supports the Board, as Company Secretary, with compliance and governance matters. Ed and James are supported in their roles by the Senior Management Team – a team of experienced leaders across the Group (refer to page 7 for their biographies). The Board believes this is appropriate for 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 Nominations 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.

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 then also stand for re-election by rotation at the AGM, with a minimum of one Director retiring each year, or one-third retiring each year in the case that there are more than two Directors subject to retirement by rotation (rounding down in the case that the number of relevant Directors is not a multiple of three).

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 Group Strategic Priorities on page 16.

The Board met 10 times during the year to 31 May 2022 with standard meetings lasting for approximately 3 hours. 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 sub-committees and these each have their own time commitments.

Board effectiveness

The Chair annually reviews the contributions of Board members, with a focus on ensuring effectiveness and relevance. The Board will periodically review its effectiveness and performance as a unit to ensure that it is operating collectively in an efficient, informed, productive and open manner. The Board plans to conduct an effectiveness review in the second half of 2022. The review will consider topics including Board composition and governance, Board operations, strategy, stakeholder relations and the performance of individual Directors and Board Committees. The results of this review will be presented in the Group's financial statements for the financial year to 31 May 2023.

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.

Board committees

To assist in carrying out its duties, the Board has a number of committees namely 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), 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), Tanya Raynes and Ron Russell. The Remuneration Committee has responsibility for reviewing the ongoing appropriateness and relevance of remuneration policy and its application to the business; reviewing and approving the remuneration packages of the Executive Directors; the grant of share awards for Executive Directors and senior management; the outcome of prior long-term incentive awards, and monitoring the level and structure of remuneration of the senior management.

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

The following table shows the Directors' attendance at Board and Committee meetings during the year:

	Plc Board	Audit	Remuneration	Risk
T Raynes	10/10	2/2	1/1	1/1
J P Telling	10/10	2/2	1/1	1/1
R Russell	9/10	2/2	1/1	1/1
E J Rimmer	10/10	2/2[1]	n/a	1/1[1]
J M A Roberts	10/10	2/2[1]	n/a	1/1[1]

Accountability and stakeholders

The Board considers that the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Details of how we do this is also explained in the Audit Committee Report.

How we comply with the QCA Corporate Governance Code

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 QCA Corporate Governance Code and our Governance Statement.

1 By invitation

Governance Statement (continued)

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):

Governance principles	Reference
Deliver growth	
Principle 1: Establish a strategy and business model which promote long-term value for shareholders	• Chair's Report (page 9) • Group Strategic Priorities (page 16)
Principle 2: Seek to understand and meet shareholder needs and expectations	• Chair's Report (page 9)
Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	• Group Strategic Priorities (page 16) • Section 172 Statement (page 20) • Culture and Environmental, Social and Corporate Responsibility Report (page 19)
Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	• Group Strategic Priorities (page 16)
Maintain a dynamic management framework	
Principle 5: Maintain the Board as a well-functioning balanced team led by the Chair	• Chair's Report (page 9) • Governance Statement (page 24)
Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	• Chair's Report (page 9) • Group Strategic Priorities (page 16) • Section 172 Statement (page 20)
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	• Chair's Report (page 9) • Governance Statement (page 24)
Principle 8: Promote a corporate culture that is based on ethical values and behaviours	• Culture and Environmental, Social and Corporate Responsibility Report (page 19) • Chair's Report (page 9) • Group Strategic Priorities (page 16) • Section 172 Statement (page 20)
Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	• Chair's Report (page 9) • Governance Statement (page 24)
Build trust	
Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	• Group Strategic Priorities (page 16) • Section 172 Statement (page 20)

The Audit Committee Report

for the Year Ended 31 May 2022

Dear Shareholder

I am pleased to present my report of the Audit Committee for the year ended 31 May 2022. The Audit Committee meets at least twice annually with the Group's Auditor (and as otherwise required), with the CEO and CFO attending the Committee by invitation. The Audit Committee met twice during the last financial year with full attendance. As Chair of the Audit Committee, in accordance with best practice, I also met separately with the Audit partner to provide an opportunity for any relevant issues to be raised directly with me. The key findings of last year's audit were discussed, and plans put in place with a view to addressing the limited number of key areas of risk.

The main items of business considered by the Committee during the year included:

Re-appointment of external auditor

The Committee considers a number of areas when reviewing the external auditor appointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and remuneration. Moore were first appointed as the Group's external auditor in 2006 and conducted the audit of the Group's financial statements for the financial year to 31 May 2007. The audit partner is changed by rotation every 5 years with the last change of partner occurring December 2021. At the Annual General Meeting in October 2021, Moore were re-appointed for the financial year to 31 May 2022. Following the completion of this year's audit, the 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.

The Committee also monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in Note 6 to the financial statements. There were no non-audit fees this year.

External audit process

The external auditor prepared a plan for its audit of the full year financial statements, which, this year, was presented to the Committee in April 2022. The audit plan set out the scope of the audit, areas of significant risk for the external auditor to focus their work on and the audit timetable. This plan was reviewed and agreed in advance by the Audit Committee. No major areas of concern were highlighted by the external auditor during the year, however, areas of significant risk and other matters of audit relevance were discussed.

Critical accounting judgements

The critical accounting judgements considered by the Committee during the year are set out in Note 2 to the financial statements. In consideration of these judgements, the Committee reviewed the recommendations of the finance function and received reports from the external auditors on their findings. These judgements comprised the following:

- *Expected Credit Losses:* The Group recognises trade receivables and accrued income in the financial statements net of an estimated provision for impairment losses. This has been calculated using an expected credit loss methodology, in line with the guidance in IFRS 9 Financial Instruments, along with individual provisions for balances where management has specific concerns. The Committee has reviewed the basis for the calculation of the provision and the underlying assumptions (explained in Note 2 and also Note 29 Credit Risk Provision), and is satisfied that the provision is appropriately valued.
- *Goodwill impairment*: Management conducted a review of the carrying value of goodwill in the consolidated financial statements to determine whether there was any requirement for an impairment charge, in accordance with IAS 36 Impairment of Assets. This was an area of focus for the Committee given the size of the balance and the results in the year. Having reviewed the assumptions used in the calculation of carrying value, and the sensitivity analysis performed, the Committee was satisfied that sufficient headroom to the carrying value of goodwill existed aside from in the Vehicles division where, following the closure of the non-core vehicles brokerage in May 2022, the associated goodwill in that division has been written-off.
- *The classification and disclosure of exceptional items*: In order to provide additional useful information for shareholders on underlying business trends and core trading performance, the Board uses alternative performance measures and classifies certain items of expenditure as exceptional items. The classification of such items involves judgement as to what is meant by exceptional and the Board has therefore developed an accounting policy for such items (see Note 2).

In summary, the Committee is satisfied that the judgements and estimates made by management are appropriate.

The Audit Committee Report (continued)

Going Concern

The Audit Committee has reviewed the Going Concern of the Group. The assessment includes detailed financial forecasts covering the Group's adopted strategy. The period considered by the forecasts is to the end of September 2023, being approximately 12 months from the date of signing of the 2022 Annual Report and financial statements. The key assumptions in the forecasts are a) number and size of own-book deals originated and b) the interest rates charged on these new deals. The going concern review also focuses on two key areas: the ability of the Group to fund the deals expected to be originated as well as meeting its debts as they fall due within its funding facilities. In all of the scenarios the Group has modelled it remains within its funding covenants for the foreseeable future.

Therefore, the Directors consider the Going Concern basis of accounting to be appropriate. Based on this review, the Committee has a reasonable expectation that the Company and Group has adequate resources to continue in existence for the foreseeable future and has concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

New and forthcoming accounting standards

There were no material new accounting standards during the year.

Control framework

At present the Group does not have an internal audit function, but the finance function conducts a programme of review of the financial controls operating within each of the businesses, identifying areas to be improved. The Committee believes that in view of the current size and nature of the Group's businesses, this approach is sufficient to enable the Committee to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business evolves.

Tanya Raynes
Chair of the Audit Committee

The Remuneration Committee Report

for the Year Ended 31 May 2022

Dear Shareholder

On behalf of my colleagues on the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Committee Report for the financial year ended 31 May 2022.

This report provides a summary of the responsibilities of the Committee and details of the amounts earned in respect of the year ended 31 May 2022. As such, the principals 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 accordance with Group strategy. 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 fairly and reasonably in the best interests of the Company and its shareholders.

Remuneration Policy

The remuneration policy of the Group is:

- to provide a suitable remuneration package to attract, motivate and retain Executive Directors.
- to ensure all long-term incentive schemes for the Directors are aligned 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 similar 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.

Remuneration decisions

Basic salaries: On appointment as CEO Ed Rimmer's salary was set at £220,000 which is approximately 5 times the average basic salary of the Group's employees. For reference the previous CEO's salary was set at £208,000 prior to his resignation in February 2021. The CFO, James Roberts, has a salary set at £160,000. With regards to the upcoming financial year through to 31 May 2023, neither Ed nor James are receiving any form of pay rise. This situation is also the same with regards the Non-Executive Directors, Ron Russell and Julian Telling, who will be remaining on £28,000 and £34,000 respectively. Tanya Raynes, due to her role change from Non-Executive Director to Non-Executive Chair during the period, has received a pay rise to increase her base salary to £52,500. This was effective from 1 June 2022.

Annual bonuses: The annual bonus for the period through to 31 May 2022 was assessed against financial performance targets. The threshold target was not achieved and therefore neither Ed Rimmer nor James Roberts received a bonus payment.

Directors' Detailed Remuneration

The table below shows the remuneration of the Directors in office at the end of the year:

	Salary	Pension	Benefits	2022 Total	2021 Total
E J Rimmer	220	-	16	236	54[1]
J M A Roberts	160	7	16	183	178
T Raynes	39	1	-	40	5
J P Telling	34	-	-	34	28
R Russell	28	-	-	28	25
	481	**8**	**32**	**521**	**290**

John Newman, who resigned on 21 October 2021, received total emoluments in the financial year of £29k.

1 E J Rimmer's remuneration in 2021 does not reflect a full year as he was appointed CEO in February 2021. Refer to Note 4 for further details of the £443k total emoluments of the previous CEO.

The Remuneration Committee Report (continued)

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 2022 number of ordinary shares	As at 31 May 2021 number of ordinary shares
Executives		
E J Rimmer	**-**	-
J M A Roberts	**448,999**	400,586
Non-Executives		
T Raynes	**-**	-
J P Telling	**222,166**	222,166
R Russell	**10,977,967**	10,977,967

Directors' Share Options

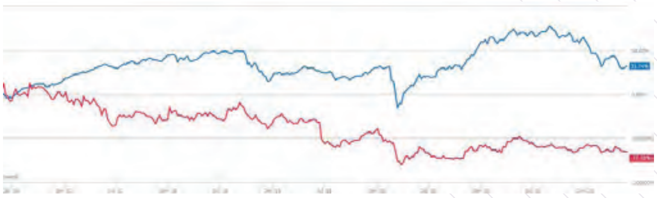
Details of share options held by the Directors in office at the end of the year over the ordinary shares of the Company are set out below:

	Scheme	May 2021	Granted	Exercised	Cancelled	31 May 2022
J M A Roberts	Unapproved	370,500	123,500	123,500	-	247,000

The shares were issued as part of an Executive and Senior Management Unapproved Share Option Scheme. Further details are provided in Note 26 to the consolidated financial statements.

Performance History

The market price of Ordinary Shares at 31 May 2022 was 21.20p (31 May 2021: 30.25p). The range during the year to 31 May 2022 was from 20.50p to 30.25p (year to 31 May 2021: 15.75p to 31.75p). The graph shows the percentage movement in the share price of Time Finance from 1 June 2016 to 31 May 2022 compared to the FTSE AIM All-Share index.



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 2023 and also for the future years through to 31 May 2024 and 2025. Each annual element will be conditional upon the achievement of results above market expectations and capped at 100% of salary.
- 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. To that end, a new option scheme was introduced on 22 July 2022 to incentivise the Group's new CEO, Ed Rimmer, and a number of the new members of the Group's senior management team. Under the scheme options over 1,835,000 shares were granted of which 1,235,000 were in relation to Ed Rimmer and 600,000 other senior staff within the Group. The Awarded Options will vest in equal tranches over a three-year period subject to stretching annual performance conditions in respect of the Group. Crucially, it is expected these options and the current options in place at year-end, should they vest, will be met from the Group's Employee Benefit Trust and so not result in the issuance of new shares and associated dilution of shareholders.

Conclusion

We are committed to a responsible and transparent approach in respect of executive pay. We continue to welcome any feedback from shareholders.

Julian Telling
Chair of the Remuneration Committee

Directors' Report

for the Year Ended 31 May 2022

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 May 2022.

Principal Activity

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

Results and Dividends

The Group's profit after tax for the year was £0.9m (2021: £1.8m). The Directors do not propose a final dividend (2021: 0.0p per share). Future dividends will be kept under review.

A review of the business, including future developments, is included in the Group Strategic Priorities on page 16.

Events Since the End of the Year

Information relating to events since the end of the year is given in Note 25 to the financial statements.

Directors

The Directors shown below have held office during the whole of the period from 1 June 2021 to the date of this report unless otherwise stated.

T Raynes	Non-Executive Chair
E J Rimmer	Chief Executive Officer
J M A Roberts	Chief Financial Officer
J P Telling	Non-Executive Director
R Russell	Non-Executive Director
J N Newman	Non-Executive Chairman (resigned on 21 October 2021)

The interest which the Directors serving at the end of the year had in the ordinary share capital of Time Finance plc at 31 May 2022 is disclosed in the Directors' Share Interests section within the Remuneration Committee Report on page 29. 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 28 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 2022:

	Number of shares	% of issued share capital
GPIM Limited	**18,698,102**	20.21%
Arena Investors, LP	**17,475,000**	18.89%
R Russell	**10,977,967**	11.87%
Hargreaves Lansdown Stockbrokers	**9,832,202**	10.63%
Interactive Investor Services Limited	**5,832,970**	6.31%
Halifax Share Dealing Limited	**5,146,937**	5.56%
Aeternitas Imperium Privatstiftung	**3,563,000**	3.85%
Aj Bell Securities	**2,924,814**	3.16%

Disclosure in the Strategic Report

Please refer to the Chief Executive Officer's Report, Chair's Report and Group Strategic Priorities.

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 United Kingdom and applicable law. The financial statements must, in accordance with IFRS, 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.

Directors' Report (continued)

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 United Kingdom;
- 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.

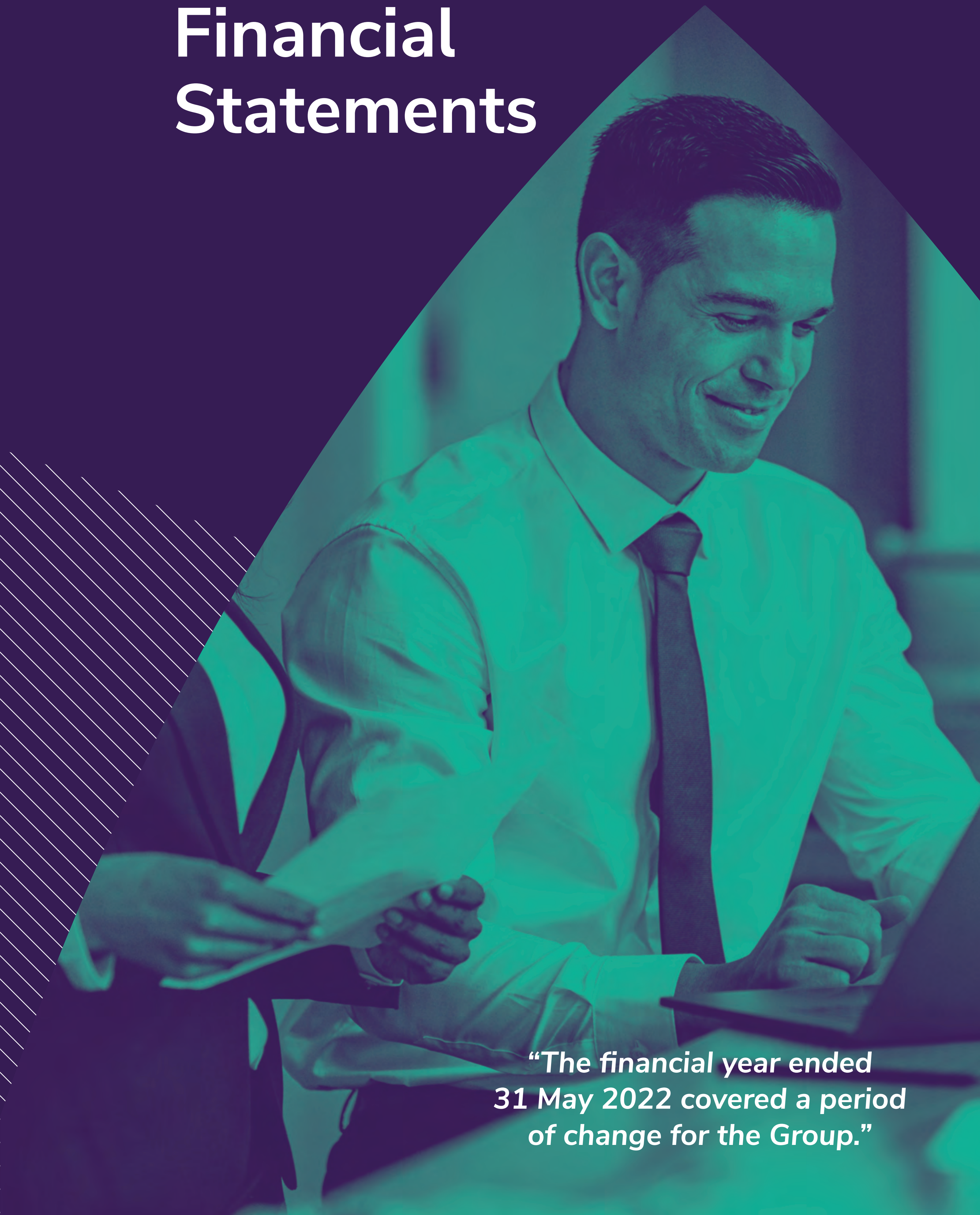
Auditors

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 engagement, 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
22 September 2022

Financial Statements



"The financial year ended 31 May 2022 covered a period of change for the Group."

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 2022 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 for use in the United Kingdom.

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 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted for use in the United Kingdom; 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 the macro-economic environment and sensitivities;
- Testing of the clerical accuracy of 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 £116.5million (2021:£95.5 m), which represents 76% (2021:69%) of the Group's total assets. The credit loss provision is £3.6m (2021:£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 2022: £27.3 million (2021: £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 2021/22 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; – Confirmed the impairment for the vehicles division is appropriate.	Based on the audit procedures performed we are satisfied that the valuation of goodwill at year end is appropriate.

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

Area of focus	Work performed to address this risk	Conclusion of findings
Going concern During the year ended 31 May 2022 the lasting impact of the Covid pandemic has limited the ability of the Group to grow and is still below its pre pandemic levels. This impact is not limited to significant uncertainty and the credit risk provision required as at 31 May 2022. 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 the current cost of living crisis and inflationary pressures within our sensitivity testing of these budgets and accompanying management assessment. – 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.

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 £145,000 (2021: £237,000) and £35,000 (2021: £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 changes to the credit risk provisions year on year.

We have agreed with the Audit Committee that we shall report to them any misstatements in excess of £7,250 (2021: £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 Statement set out on page 31, 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 inquired 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.

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

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.

Simon Cunningham
(Senior Statutory Auditor)
for and on behalf of Moore
Chartered Accountants & Statutory Auditor
30 Gay Street
Bath
BA1 2PA
22 September 2022

Consolidated Income Statement

for the Year Ended 31 May 2022

	Notes	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000	Continuing Operations 2021 £'000	Discontinued Operations 2021 £'000	Total 2021 £'000
Revenue		**22,488**	**1,123**	**23,611**	22,159	1,640	23,799
Other Income	8	**22**	**7**	**29**	321	104	425
Total Revenue		**22,510**	**1,130**	**23,640**	22,480	1,744	24,224
Cost of Sales		**(8,061)**	**(587)**	**(8,648)**	(8,557)	(805)	(9,362)
GROSS PROFIT		**14,449**	**543**	**14,992**	13,923	939	14,862
Administrative expenses		**(11,059)**	**(712)**	**(11,771)**	(10,531)	(944)	(11,475)
Exceptional Items	11	**(1,685)**	**(184)**	**(1,869)**	(746)	(97)	(843)
Share-based payments	26	**(43)**	**–**	**(43)**	(277)	–	(277)
OPERATING PROFIT		**1,662**	**(353)**	**1,309**	2,369	(102)	2,267
Finance costs	5	**(255)**	**–**	**(255)**	(248)	(2)	(250)
Finance income	5	**1**	**–**	**1**	3	–	3
PROFIT BEFORE INCOME TAX	6	**1,408**	**(353)**	**1,055**	2,124	(104)	2,020
Adjusted earnings before tax, exceptional items and share-based payments		**3,136**	**(169)**	**2,967**	3,147	(7)	3,140
Exceptional items	11	**(1,685)**	**(184)**	**(1,869)**	(746)	(97)	(843)
Share-based payments	26	**(43)**	**–**	**(43)**	(277)	–	(277)
PROFIT BEFORE INCOME TAX		**1,408**	**(353)**	**1,055**	2,124	(104)	2,020
Income tax	7	**(134)**	**–**	**(134)**	(245)	2	(243)
PROFIT FOR THE YEAR		**1,274**	**(353)**	**921**	1,879	(102)	1,777
Profit attributable to: Owners of the parent company		**1,274**	**(353)**	**921**	1,879	(102)	1,777
Earnings per share expressed in pence per share	10						
Basic		**1.38**	**(0.38)**	**1.00**	2.10	(0.11)	1.98
Diluted		**1.38**	**(0.38)**	**1.00**	1.96	(0.11)	1.85

The notes on pages 46 to 69 form part of these financial statements

Consolidated Statement of Comprehensive Income

for the Year Ended 31 May 2022

	Notes	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000	Continuing Operations 2021 £'000	Discontinued Operations 2021 £'000	Total 2021 £'000
PROFIT FOR THE YEAR		**1,274**	**(353)**	**921**	1,879	(102)	1,777
OTHER COMPREHENSIVE INCOME		**–**	**–**	**–**	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,274**	**(353)**	**921**	1,879	(102)	1,777
Total comprehensive income attributable to: Owners of the parent company		**1,274**	**(353)**	**921**	1,879	(102)	1,777

The notes on pages 46 to 69 form part of these financial statements

Consolidated Statement of Financial Position

31 May 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	**27,263**	28,241
Intangible assets	13	**298**	476
Property, plant and equipment	14	**320**	551
Right-of-use property, plant and equipment	14, 22	**30**	224
Trade and other receivables	16	**50,344**	44,335
Deferred tax	23	**1,036**	806
		79,291	74,633
CURRENT ASSETS			
Trade and other receivables	16	**70,852**	55,073
Tax receivable		**–**	113
Cash and cash equivalents	17	**3,170**	7,969
		74,022	63,155
TOTAL ASSETS		**153,313**	137,788
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	**9,252**	9,252
Share premium	19	**25,543**	25,543
Employee shares	19	**106**	63
Treasury shares	19	**(820)**	(790)
Retained earnings	19	**23,972**	23,051
TOTAL EQUITY		**58,053**	57,119
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	20	**39,033**	33,749
Financial liabilities – borrowings	21	**2,344**	3,369
Lease Liability	22	**–**	44
		41,377	37,162
CURRENT LIABILITIES			
Trade and other payables	20	**51,956**	41,692
Financial liabilities - borrowings	21	**1,879**	1,634
Tax payable		**18**	–
Lease Liability	22	**30**	181
		53,883	43,507
TOTAL LIABILITIES		**95,260**	80,669
TOTAL EQUITY AND LIABILITIES		**153,313**	137,788

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2022 and were signed on its behalf by:

J M A Roberts
Chief Financial Officer
The notes on pages 46 to 69 form part of these financial statements

Company Statement of Financial Position

31 May 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	**272**	411
Property, plant and equipment		**15**	25
Investments	15	**21,052**	21,052
		21,339	21,488
CURRENT ASSETS			
Trade and other receivables	16	**21,990**	23,664
Cash and cash equivalents	17	**945**	1,859
		22,935	25,523
TOTAL ASSETS		**44,274**	47,011
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	**9,252**	9,252
Share premium	19	**25,543**	25,543
Employee shares	19	**106**	63
Treasury shares	19	**(820)**	(790)
Retained earnings	19	**2,812**	1,426
TOTAL EQUITY		**36,893**	35,494
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	21	**2,344**	3,369
Deferred tax	23	**54**	75
		2,398	3,444
CURRENT LIABILITIES			
Trade and other payables	20	**3,958**	7,342
Financial liabilities – borrowings	21	**1,025**	731
		4,983	8,073
TOTAL LIABILITIES		**7,381**	11,517
TOTAL EQUITY AND LIABILITIES		**44,274**	47,011
Company profit for the financial year		**1,386**	1,097

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 by the Board of Directors and authorised for issue on 22 September 2022 and were signed on its behalf by:

J M A Roberts
Chief Financial Officer

The notes on pages 46 to 69 form part of these financial statements

Consolidated Statement of Changes in Equity

for the Year Ended 31 May 2022

	Called up share capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
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
Total comprehensive income	–	921	–	–	–	921
Transactions with owners						
Purchase of treasury shares	–	–	–	(30)	–	(30)
Value of employee services	–	–	–	–	43	43
Balance at 31 May 2022	**9,252**	**23,972**	**25,543**	**(820)**	**106**	**58,053**

Company Statement of Changes in Equity

for the Year Ended 31 May 2022

	Called up share capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
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
Total comprehensive income	–	1,386	–	–	–	1,386
Transactions with owners						
Purchase of treasury shares	–	–	–	(30)	–	(30)
Value of employee services	–	–	–	–	43	43
Balance at 31 May 2022	**9,252**	**2,812**	**25,543**	**(820)**	**106**	**36,893**

The notes on pages 46 to 69 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 May 2022

	Notes	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000	Continuing Operations 2021 £'000	Discontinued Operations 2021 £'000	Total 2021 £'000
Cash generated from operations							
Profit before tax		**1,401**	**(346)**	**1,055**	2,124	(104)	2,020
Depreciation & amortisation charges		**571**	**40**	**611**	718	36	754
Finance costs		**236**	**–**	**236**	163	2	165
Finance income		**(1)**	**–**	**(1)**	(3)	–	(3)
(Gain)/loss on disposal of property, plant & equipment		**12**	**134**	**146**	(6)	6	–
(Increase)/decrease in trade and other receivables		**(22,147)**	**359**	**(21,788)**	6,723	64	6,787
Increase/(decrease) in trade and other payables		**15,632**	**(84)**	**15,548**	(4,246)	(2)	(4,248)
Movement in other non-cash items		**1,288**	**(46)**	**1,242**	699	46	745
		(3,008)	**57**	**(2,951)**	6,172	48	6,220
Cash flows from operating activities							
Interest paid		**(236)**	**–**	**(236)**	(163)	(2)	(165)
Tax paid		**(430)**	**–**	**(430)**	(397)	–	(397)
Net cash from operating activities		**(3,674)**	**57**	**(3,617)**	5,612	46	5,658
Cash flows from investing activities							
Acquisition of subsidiaries			**–**	**–**	–	–	–
Purchase of software, property, plant & equipment		**(149)**	**(5)**	**(154)**	(314)	–	(314)
Proceeds from sale of tangible fixed assets		**–**	**–**	**–**	–	–	–
Contingent consideration paid		**–**	**–**	**–**	(197)	–	(197)
Interest received		**1**	**–**	**1**	3	–	3
Net cash from investing activities		**(148)**	**(5)**	**(153)**	(508)	–	(508)
Cash flows from financing activities							
Payment of lease liabilities		**(178)**	**(21)**	**(199)**	(190)	(23)	(213)
Loan repayments in year		**(731)**	**–**	**(731)**	(635)	–	(635)
Loans issued in year		**–**	**–**	**–**	4,100	–	4,100
Changes in overdrafts		**(40)**	**(9)**	**(49)**	(845)	(24)	(869)
Equity dividends paid		**–**	**–**	**–**	–	–	–
Net cash from financing activities		**(949)**	**(30)**	**(979)**	2,430	(47)	2,383
(Decrease)/increase in net cash and cash equivalents		**(4,771)**	**22**	**(4,749)**	7,534	(1)	7,533
Net cash and cash equivalents at beginning of year		**7,674**	**(9)**	**7,665**	140	(8)	132
Net cash and cash equivalents at end of year		**2,903**	**13**	**2,916**	7,674	(9)	7,665

The notes on pages 46 to 69 form part of these financial statements

Company Statement of Cash Flows

for the Year Ended 31 May 2022

	Notes	2022 £'000	2021 £'000
Cash generated from operations			
Profit before tax		**1,365**	1,035
Depreciation & amortisation charges		**193**	166
Finance costs		**41**	8
Decrease/(increase) in trade and other receivables		**1,632**	(4,431)
(Decrease)/increase in trade and other payables		**(3,403)**	1,076
Movement in other non-cash items		**(824)**	479
		(996)	(1,667)
Cash flows from operating activities			
Interest paid		**(41)**	(8)
Net cash from operating activities		**(1,037)**	(1,675)
Cash flows from investing activities			
Acquisition of subsidiary		**–**	–
Purchase of software, property, plant & equipment		**(46)**	(176)
Contingent consideration paid		**–**	(175)
Dividends received		**900**	–
Net cash from investing activities		**854**	(351)
Cash flows from financing activities			
Loan repayments in period		**(731)**	(367)
Loans issued		**–**	4,100
Change in overdraft		**–**	(17)
Equity dividends paid		**–**	–
Net cash from financing activities		**(731)**	3,716
Increase in net cash and cash equivalents		**(914)**	1,690
Net Cash and cash equivalents at beginning of year	27	**1,859**	169
Net Cash and cash equivalents at end of year	27	**945**	1,859

The notes on pages 46 to 69 form part of these financial statements

Notes to the Consolidated Financial Statements

For the Year Ended 31 May 2022

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 2.

2. Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the United Kingdom and by the 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. The Group 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 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.

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.

Goodwill

Goodwill is measured as 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 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. 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. Goodwill is allocated to a reporting segment, namely Asset Finance, Loan Finance, Vehicle Finance and Invoice Finance. The Goodwill in each segment 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 will not be reversed in subsequent periods.

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.

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	-	25% on cost
Motor vehicles	-	25% on cost
Computer equipment	-	25% on cost

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.

Notes to the Consolidated Financial Statements (continued)

2. Accounting Policies (cont.)

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 29.

Provision for specific debts

Provision is made for receivables in arrears after taking into account expected recovery proceeds. Any amounts where the expected recovery is less than the carrying value is allocated a specific provision against the shortfall or written off net the expected recovery proceeds.

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.

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.

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 29 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 2022	Asset Finance £'000	Vehicle Finance £'000	Loan Finance £'000	Invoice Finance £'000	Other £'000	TOTAL £'000
Revenue	11,111	1,730	2,969	7,809	21	23,640
Cost of sales	(5,201)	(612)	(1,567)	(1,268)	–	(8,648)
GROSS PROFIT	5,910	1,118	1,402	6,541	21	14,992
Administrative expenses	(3,639)	(1,434)	(924)	(3,078)	(2,696)	(11,771)
Exceptional items	(1,113)	(195)	–	(76)	(485)	(1,869)
Share-based payments	–	–	–	(5)	(38)	(43)
OPERATING PROFIT	1,158	(511)	478	3,382	(3,198)	1,309
Finance costs	(171)	(14)	(7)	(3)	(60)	(255)
Finance income	1	–	–	–	–	1
PROFIT BEFORE INCOME TAX	988	(525)	471	3,379	(3,258)	1,055
Intra-group recharges	(1,534)	(238)	(409)	(1,077)	3,258	–
PROFIT BEFORE INCOME TAX	(546)	(763)	62	2,302	–	1,055
Adjusted earnings before tax, exceptional items and share-based payments	2,102	(331)	471	3,460	(2,735)	2,967
Exceptional items	(1,114)	(194)	–	(76)	(485)	(1,869)
Share-based payments	–	–	–	(5)	(38)	(43)
PROFIT BEFORE INCOME TAX	988	(525)	471	3,379	(3,258)	1,055

For the year ended 31 May 2021	Asset Finance £'000	Vehicle Finance £'000	Loan Finance £'000	Invoice Finance £'000	Other £'000	TOTAL £'000
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

4. Employees and Directors

	2022 £'000	2021 £'000
Wages and salaries	**6,903**	6,803
Social security costs	**827**	801
Other pension costs	**240**	277
	7,970	7,881

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

	2022	2021
Management	**14**	14
Operational	**130**	143
	144	157

	2022 £'000	2021 £'000
Directors' remuneration excluding compensation for loss of office	**592**	530
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**	1
The number of directors who received share options during the year was as follows: Long term incentive schemes	**0**	1

Notes to the Consolidated Financial Statements (continued)

4. Employees and Directors (cont.)

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

	Salary	Bonus	Pension	Benefits	2022 £'000 Total	2021 £'000 Total
T Raynes	39	–	1	–	**40**	5
EJ Rimmer	220	–	–	16	**236**	54
JMA Roberts	160	–	7	16	**183**	178
R Russell	28	–	–	–	**28**	25
JP Telling	34	–	–	–	**34**	28
JD Newman (resigned on 21 October 2021)	29	–	–	–	**29**	36
RI Smith (resigned on 27 February 2021)	–	–	–	–	–	443
	510	**–**	**8**	**32**	**550**	**769**

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, 123,500 shares vested and were exercised by J Roberts of which 75,087 were disposed of to meet associated tax liabilities.

5. Net Finance Costs

	2022 £'000	2021 £'000
Finance income:		
Bank account interest	**1**	3
Finance costs:		
Bank loan interest	**90**	120
Interest payable	**165**	130
	255	250
Net finance costs	**254**	247

6. Profit before Income Tax

The profit before income tax is stated after charging:

	2022 £'000	2021 £'000
Depreciation - owned assets	**388**	530
Amortisation - computer software	**223**	224
Net credit loss charge	**930**	1,733
Funding facility interest charges	**2,515**	2,777
Introducer commissions	**3,014**	2,881
Fees payable to the Company's auditor for the audit of Company's subsidiaries	**72**	72
Fees payable to the Company's auditor for the audit of the Company	**14**	13

7. Income Tax

Analysis of tax expense	2022 £'000	2021 £'000
Current tax:		
Tax	**364**	105
Deferred tax	**(230)**	138
Total tax expense in consolidated income statement	**134**	243

Factors affecting the tax expense

The tax assessed for the year is lower (2021 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £'000	2021 £'000
Profit before income tax	**1,055**	2,020
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	**200**	384
Effects of:		
Permanent tax differences	**(66)**	(66)
Share Option Scheme	**–**	(75)
Tax expense	**134**	243

Corporation tax is calculated at 12.7% (2021: 12.1%) 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.

	2022 £'000	2021 £'000
Government grants:		
Coronavirus Job Retention Scheme	**8**	340
Coronavirus Business Interruption Loan Scheme	**21**	85
	29	425

9. Dividends

	2022 £'000	2021 £'000
Ordinary shares of £0.10 each		
Final	**–**	–
Interim	**–**	–
	–	–

The Directors do not propose a final dividend relating to this financial period (2021: 0.0p per share). Future dividends will be kept under review.

Notes to the Consolidated Financial Statements (continued)

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.

2022	Earnings £'000	2022 Weighted average number of shares	Per-share amount pence
TOTAL			
Basic EPS			
Earnings attributable to ordinary shareholders	921	92,512,704	1.00
Effect of dilutive securities			
Contingent consideration	–	–	–
Diluted EPS			
Adjusted earnings	921	92,512,704	1.00
CONTINUING OPERATIONS			
Basic EPS			
Earnings attributable to ordinary shareholders	1,274	92,512,704	1.38
Effect of dilutive securities			
Contingent consideration	–	–	–
Diluted EPS			
Adjusted earnings	1,274	92,512,704	1.38
DISCONTINUED OPERATIONS			
Basic EPS			
Earnings attributable to ordinary shareholders	(353)	92,512,704	(0.38)
Effect of dilutive securities			
Contingent consideration	–	–	–
Diluted EPS			
Adjusted earnings	(353)	92,512,704	(0.38)

2021	Earnings £'000	2021 Weighted average number of shares	Per-share amount pence
TOTAL			
Basic EPS			
Earnings attributable to ordinary shareholders	1,777	89,481,386	1.98
Effect of dilutive securities			
Contingent consideration	(81)	2,204,018	(0.13)
Diluted EPS			
Adjusted earnings	1,696	91,685,404	1.85
CONTINUING OPERATIONS			
Basic EPS			
Earnings attributable to ordinary shareholders	1,879	89,481,386	2.10
Effect of dilutive securities			
Contingent consideration	(81)	2,204,018	(0.13)
Diluted EPS			
Adjusted earnings	1,798	91,685,404	1.96
DISCONTINUED OPERATIONS			
Basic EPS			
Earnings attributable to ordinary shareholders	(102)	89,481,386	(0.11)
Effect of dilutive securities			
Contingent consideration	–	–	–
Diluted EPS			
Adjusted earnings	(102)	89,481,386	(0.11)

11. Exceptional Items

During the year the Group incurred the following exceptional items:

	2022 £'000	2021 £'000
Restructuring	**718**	689
Disposal of subsidiary- goodwill write-off	**978**	–
Other	**173**	154
	1,869	843

The exceptional restructuring items relate to events in the Group with management reshaping the administrative operations to take advantage of Group synergies and associated with the closure of the non-core car brokerage. This has resulted in redundancy costs of £718k. There was a £978k goodwill write-off relating to the closure of the non-core second-hand vehicle brokerage business at the end of the financial year. The other exceptional costs relate largely to strategic initiatives.

Notes to the Consolidated Financial Statements (continued)

12. Goodwill

Group	£'000
COST	
At 1 June 2021	28,241
Disposals	(978)
At 31 May 2022	27,263
NET BOOK VALUE	
At 31 May 2022	27,263
At 31 May 2021	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, despite the closure of the bulk of the vehicles division, management still consider there to be four operating segments. Given the size of the remaining vehicles division, however, it has been deemed unable to support any ongoing goodwill moving forward. As such, any goodwill historically associated with that division has been impaired. Goodwill has therefore been allocated appropriately to three 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 7.9%.

	2022 Carrying Value £'000	2021 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	16,511	10,588	12,199
Vehicle Finance	–	978	–	–	–
Loan Finance	1,924	1,924	1,451	969	1,074
Invoice Finance	11,961	11,961	10,284	5,829	6,889
	27,263	**28,241**	**28,246**	**17,386**	**20,162**

* total recoverable amount which exceeds the carrying amount including goodwill

A 1% increase in the discount rate would decrease the headroom by £10.9m to £17.3m. A reduction in the forecasted cash flows of 10% per annum would reduce the headroom by £8.0m to £20.2m.

13. Intangible Assets

2022	Group Computer software £'000	Company Computer software £'000
COST		
At 1 June 2021	**1,147**	**822**
Additions	**45**	**43**
At 31 May 2022	**1,192**	**865**
AMORTISATION		
At 1 June 2021	**671**	**411**
Charge for year	**223**	**182**
At 31 May 2022	**894**	**593**
NET BOOK VALUE		
At 31 May 2022	**298**	**272**
At 31 May 2021	**476**	**411**

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	882
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

Notes to the Consolidated Financial Statements (continued)

14. Property, Plant and Equipment

Group 2022	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 2021	139	172	982	193	899	618	3,003
Reclassification	(17)	13	3	44	(43)	–	–
Additions	4	–	61	7	37	–	109
Disposals	(53)	–	(590)	(60)	(56)	(82)	(841)
At 31 May 2022	73	185	456	184	837	536	2,271
DEPRECIATION							
At 1 June 2021	117	168	609	180	760	394	2,228
Charge for year	9	1	92	10	82	194	388
Reclassification	(17)	13	3	44	(43)	–	–
Disposals	(53)	–	(447)	(60)	(53)	(82)	(695)
At 31 May 2022	56	182	257	174	746	506	1,921
NET BOOK VALUE							
At 31 May 2022	17	3	199	10	91	30	350
At 31 May 2021	22	4	373	13	139	224	775

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
Application of IFRS 16	(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

15. Investments

Company

	Shares in group undertakings £'000
COST	
At 1 June 2021 and 31 May 2022	21,052
NET BOOK VALUE	
At 31 May 2022	21,052
At 31 May 2021	21,052

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 2022	Proportion of voting equity 2021
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
Time Commercial Finance Ltd	Direct	Holding company	England	100	100
Sterling Asset Finance Limited	Direct	Asset Finance	England	100	100

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. The address of the registered office of all the subsidiaries is St. James House, The Square, Lower Bristol Road, Bath, BA2 3BH.

16. Trade and Other Receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current:				
Trade receivables	**69,829**	56,407	**–**	–
Credit risk provision	**(3,618)**	(5,229)	**–**	–
Amounts owed by group undertakings	**–**	–	**21,812**	23,465
Other receivables	**2,000**	1,413	**68**	51
Prepayments and accrued income	**2,641**	2,482	**110**	148
	70,852	55,073	**21,990**	23,664
Non-current:				
Trade receivables	**50,344**	44,335	**–**	–
Aggregate amounts	**121,196**	99,408	**21,990**	23,664

Notes to the Consolidated Financial Statements (continued)

16. Trade and Other Receivables (cont.)

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

	2022 £'000	2021 £'000
Gross receivables from finance leases, loans and invoice finance	**136,845**	115,730
Unearned future finance income on finance leases, loans and invoice finance	**(16,716)**	(14,947)
	120,129	100,783

Of the above gross receivables, £78.8m relates to finance leases (2021: £72.7m), £16.9m relates to loans (2021: £16.6m) and £41.1m relates to invoice financing (2021: £26.3m). Of the unearned income, £13.4m relates to finance leases (2021: £11.5m) and £3.3m to loans (2021: £3.5m).

	2022 £'000	2021 £'000
Unimpaired trade receivables, net of unearned income	**120,129**	100,783
Allowance for credit risk provision	**(3,618)**	(5,229)
	116,511	95,554

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 38 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. Of the trade receivables balance at the end of the year no customer represents more than 1.5% of the total balance outstanding.

Movement in the credit risk provision

	2022 £'000	2021 £'000
Opening balance	**5,229**	5,144
(Decrease)/Increase in provision	**(1,611)**	85
	3,618	5,229

17. Cash and Cash Equivalents

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash in hand	**–**	1	**–**	–
Bank accounts	**3,170**	7,968	**945**	1,859
	3,170	7,969	**945**	1,859

As at 31 May 2022, the Group had cash of £3.2m but also £0.3m overdraft bringing the net cash position across the Group to £2.9m. The £0.3m overdrawn balances are held within "Financial Liabilities - Borrowings" disclosed separately in Note 21.

As at 31 May 2022, the Group also had £2.9m of "paper". This relates to lease and loan deals that have been written by the Group and are yet to be converted into additional cash from its funding partners but could be converted within 48 hours if needed.

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.

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 2021 and				
At 31 May 2022	**92,512,704**	**9,252**	**25,543**	**34,795**

	No. of shares No.	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 June 2020	88,985,316	8,899	25,360	**33,259**
Shares issued	3,527,388	353	183	**536**
At 31 May 2021	**92,512,704**	**9,252**	**25,543**	**34,795**

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 2022, the Company's EBT held a total of 1,738,816 Ordinary Shares, representing approximately 2% 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current:				
Trade payables	**48,853**	37,882	**–**	–
Amounts owed to group undertakings	**–**	–	**3,457**	6,573
Social security and other taxes	**273**	262	**49**	45
Other payables	**2,761**	2,709	**295**	533
VAT	**69**	839	**157**	191
	51,956	41,692	**3,958**	7,342
Non-current:				
Trade payables	**39,033**	33,749	**–**	–
	39,033	33,749	**–**	–
Aggregate amounts	**90,989**	75,441	**3,958**	7,342

Notes to the Consolidated Financial Statements (continued)

20. Trade and Other Payables (cont.)

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 2.6% to 7.0% (2021: 2.2% to 7.5%).

21. Financial Liabilities - Borrowings

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current borrowings at amortised cost				
Bank overdrafts	**254**	303	**–**	–
Other loans	**1,625**	1,331	**1,025**	731
	1,879	1,634	**1,025**	731
Non-current borrowings at amortised cost				
Other loans	**2,344**	3,369	**2,344**	3,369
Aggregate amounts	**4,223**	5,003	**3,369**	4,100

Other loans comprise two CBILS loans payable to the Group's principal bankers over 5 years and a loan from UK Private Healthcare Ltd ("UKPHL"). The CBILS loans stand at £3.4m as at 31 May 2022 (originally £4.1m) with rates of 2.5% over bank base rate in relation to £2.4m of the outstanding balance, and 2.6% over bank base rate in relation to £1.0m of the outstanding balance. The loan from UKPHL has an interest rate of 4.0% which is repayable with 3 months' notice (see Note 24).

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 and has 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 2021	206	7	11	**224**
Cost				
Additions	–	–	–	**–**
Depreciation				
Depreciation charge for the year	176	7	11	**194**
Balance at 31 May 2022	**30**	**–**	**–**	**30**
Balance at 31 May 2021	206	7	11	**224**

Lease Liabilities

	Leasehold Property £'000	Motor Vehicles £'000	Other £'000	2022 Total £'000
Discounted future cashflows				
Not later than one year	19	–	–	**19**
Later than one year and not later than five years	–	–	–	**–**
Later than five years	–	–	–	**–**
Total discounted future cash flows	**19**	**–**	**–**	**19**
Current lease liabilities	19	–	–	19
Non-current lease liabilities	–	–	–	–

Amounts recognised in Income Statement	Leasehold Property £'000	Motor Vehicles £'000	Other £'000	2022 Total £'000
Interest on lease liabilities	10	–	–	**10**
Depreciation charge for right-of-use assets	176	9	7	**192**
Lease expense	–	–	–	**–**

Amounts recognised in consolidated statement of cash flows	2022 £'000
Total cash outflow for leases	**199**

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:

	2022 £'000	2021 £'000
Within 1 year	**98**	227
More than 1 year but less than 5 years	**104**	141
	202	368

Finance lease receivables

The Group has the following net investment in finance leases:

	2022 £'000	2021 £'000
Within 1 year	**18,054**	19,976
More than 1 year but less than 5 years	**43,562**	38,004
	61,616	57,980

Notes to the Consolidated Financial Statements (continued)

22. Leasing (cont.)

Amounts recognised in the Income Statement

	2022 £'000	2021 £'000
Operating lease income	**173**	254
Finance leases – finance income on the net investment in the lease	**7,868**	8,750
	8,041	9,004

23. Deferred Tax

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Balance at 1 June	**806**	944	**(75)**	(136)
Non-current assets timing differences	**230**	(138)	**21**	61
Balance carried forward	**1,036**	806	**(54)**	(75)

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.

24. 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 (2021: £600,000) and is included in current liabilities. Interest is charged at 4% per annum (2021: 4%) and the loan is repayable with 3 months' notice. Interest paid in the year was £24,000 (2021: £24,000).

25. Events after the Reporting Period

Dividends

The Directors do not propose a final dividend for this financial period (2021: 0.0p per share). Future dividends will be kept under review.

26. Share-Based Payment Transactions

The Group established an "Unapproved Share Option Scheme" in October 2020 where 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 1,544,000 lapsed as a result of leavers. 2,310,000 awards were exercised as part of the share price element and the first tranche of the time-based element. This results in outstanding awards of 436,000.

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 continued employment condition	20/10/2020	436,000	0.177	01/10/2021 01/10/2022 01/10/2023	01/10/2023	3	n/a	-0.06%	Nil	0.177	0.010	107	43
Total		**436,000**										**107**	**43**

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.

Notes to the Consolidated Financial Statements (continued)

27. 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 2022	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Cash and cash equivalents	**3,170**	7,968	**945**	1,859
Bank overdrafts	**(254)**	(303)	**–**	–
	2,916	7,665	**945**	1,859

Year ended 31 May 2021	**2021 £'000**	**2020 £'000**	**2021 £'000**	**2020 £'000**
Cash and cash equivalents	7,968	1,304	1,859	186
Bank overdrafts	(303)	(1,172)	–	(17)
	7,665	132	1,859	169

28. 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-to-back facilities for providing invoice finance. The Group has an overdraft facility in place with the Group's principal bankers totalling £1,000,000 (2021: £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

	2022 £'000	**2021 £'000**
Financial assets		
Cash and bank balances	**3,170**	7,969
Net trade receivables	**116,555**	95,513
Financial liabilities		
Net trade payables and borrowings	**92,109**	76,634

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
2022						
Gross trade payables	**50,173**	**14,004**	**6,820**	**19,532**	**90,529**	**87,886**
Borrowings	**1,999**	**1,025**	**1,319**	**–**	**4,343**	**4,223**
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

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

29. 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 2022, the Group reported credit risk impairment provisions of £3.6m which is £1.6m lower than the prior year amount of £5.2m.

Credit Risk Provision	**£'000**
Opening Credit Risk Provision at 1 June 2021	5,229
Decrease in the provision measured at an amount equal to 12-month ECLs	(831)
Decrease in the provision measured at an amount equal to lifetime ECLs	(31)
Decrease in the provision for assets that were credit impaired at the reporting date	(749)
Credit Risk Provision at 31 May 2022	3,618

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.

Notes to the Consolidated Financial Statements (continued)

29. Credit Risk Provision (cont.)

Financial assets are written off when there is no reasonable expectation of recovery. Where an asset has been written off, the Company may continue to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are then 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.

At 31 May 2022	ECL rate	Basis for recognition of ECL provision	Credit loss provision £'000
Performing	1%	12-month ECL	517
Underperforming	3%	Lifetime ECL	58
Non-performing	46%	Lifetime ECL	3,043
Total			**3,618**

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

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% of all non-performing soft asset agreements, a performance which therefore accurately reflects the ECLs above.

30. 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:

	2022 £'000	2021 £'000
Short term leases (less than 12 months)	**62**	122
Leases of low value assets (less than £5k)	**–**	–
Variable lease payments	**–**	–
Lease expense (IAS 17)	**–**	–
	62	122

At 31 May 2022, the Group was did not have any commitments to short term leases (2021: £116k).

Asset | Invoice | Loans | Vehicle

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