Annual Report & Financial Statements

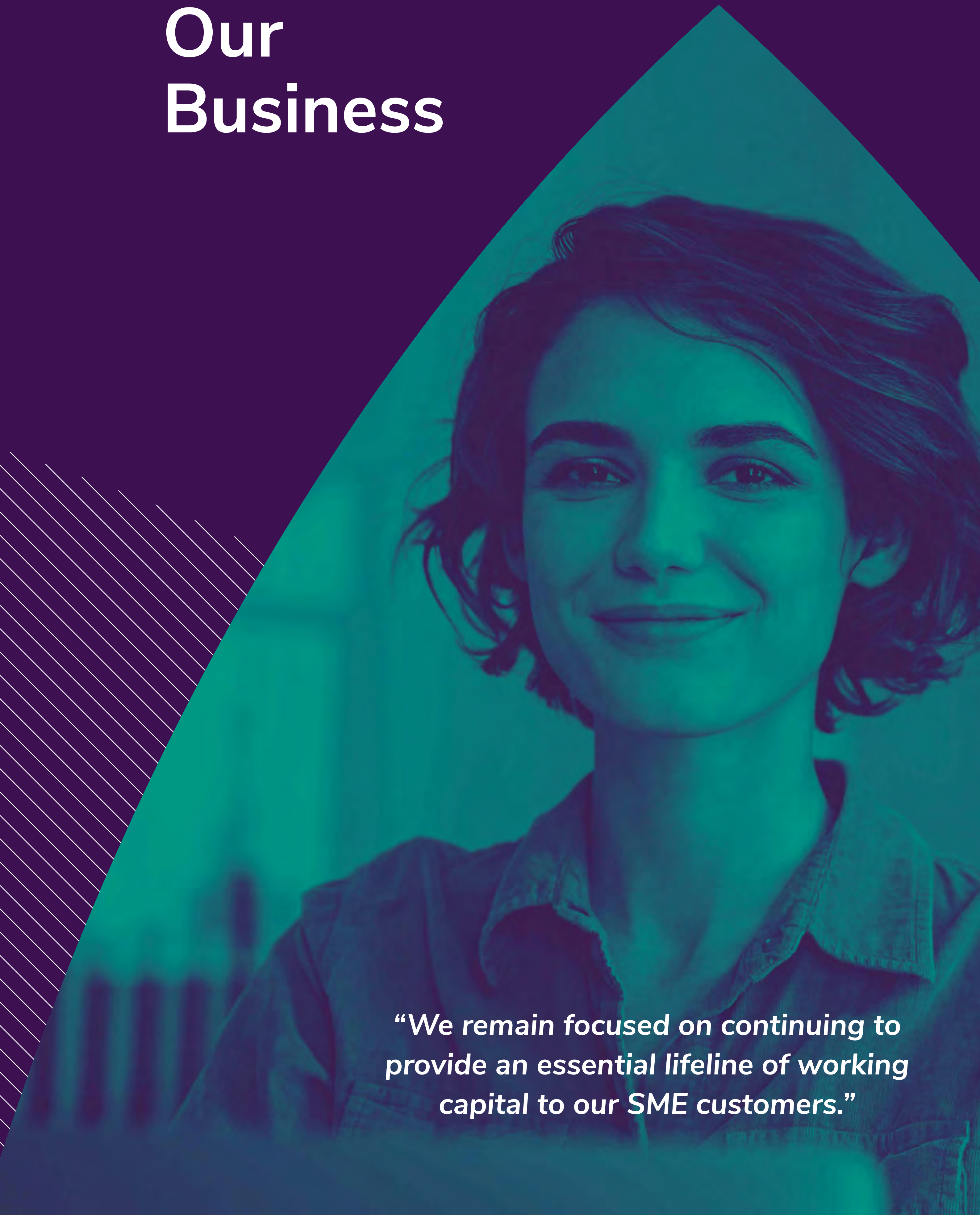
For the year ended 31 May 2023

Time Finance®

Contents of the consolidated **financial statements**

for the year ended 31 May 2023

Our Business



"We remain focused on continuing to provide an essential lifeline of working capital to our SME customers."

Company Information

Non-Executive Directors
T Raynes (Chair)
R Russell
JP Telling
TE Watkinson
PGS Hird

Directors
EJ Rimmer (Chief Executive Officer)
JMA Roberts (Chief Financial Officer)

Company Secretary
JMA 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
Cavendish 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 2023

What we do

At Time Finance, we understand that running a business can be challenging and funding can often mean the difference between standing still or growing. Businesses need to feel confident about their financing but accessing finance is often not as easy as it could be. We offer fast and straightforward 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 Asset Based Lending. With our flexible and relationship-driven approach, we are the first choice for some 11,000 UK SMEs.

Our values

Time Finance exists to help UK businesses thrive and survive. Our values underpin our culture and are at the very heart of our business.

We put **people first**

We are **bold**

We are **flexible**

We are **genuine**

Supporting approximately

11,000

SMEs nationwide

Lending UK businesses

£170m

at 31 May 2023

Helping to arrange

£77m

of funding to UK businesses during the year

Our awards

We are proud of the awards that we have won. They recognise the contribution that we have made to support the growth of UK businesses.

asset finance connect Summer Awards 2023 Winner – Asset finance provider of the year (Sponsored by LTi Technology Solutions)

asset finance connect Summer Awards 2023 Finalist – Outstanding achievement award

asset finance connect Summer Awards 2023 Finalist – Rising star award

NACFB Patron Awards 2022 – Highly Commended – BDM Team of the Year

NACFB Patron Awards 2022 – Highly Commended – Factoring & Invoice Discounter of the Year

NACFB Patron Awards 2022 – Highly Commended – Rising Star of the Year

NACFB Patron Awards 2022 – Shortlisted – Asset Finance Provider of the Year

Business Moneyfacts Awards 2023 – Finalist

insider Young Professionals Awards 2022 – Shortlisted

Young Professionals Awards 2023 insider North West – Shortlisted

ENSE 10 – Award Finalist

NACFB Commercial Broker Awards 2021 – Shortlisted – Asset Broker of the Year 2021

Driving business growth across the UK

Helping SMEs to survive and thrive

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.

Meet our sales team

Our people
– meet the team

Plc Board

Statutory Directors

Tanya Raynes
Non-Executive Chair

Tanya joined Time Finance in early 2021 becoming Chair in October 2021. She has held a variety of CEO and senior executive roles within both blue-chip corporations and SMEs and is currently Non-Executive Chair for Pula Aviation Services.
Tanya is a qualified Chartered Accountant and sits on the Audit, Remuneration, Nomination, and Governance & Risk Committees.

Ed Rimmer
Chief Executive Officer

Ed was appointed CEO in June 2021.
Ed has over 25 years' experience within financial services including over 20 years at Bibby Financial Services, where he was UK CEO for 5 years. Ed joined Time Finance in May 2017, initially as Managing Director of its Invoice Finance division before becoming the Group COO and, more latterly, the Group CEO.

James Roberts
Chief Financial Officer

James joined Time Finance as CFO in May 2017. Having started his career in the City with PwC, James has over 20 years' experience in financial services and has held leadership positions within a variety of AIM-listed, start-up and global companies. He has significant experience in mergers and acquisitions and is a qualified Chartered Accountant.

Julian Telling
Non-Executive Director

Julian joined Time Finance in August 2015 as a Non-Executive Director. Julian has over 40 years' experience and has been involved in a number of AIM-listed financial services businesses including founding and selling a financial services group. With experience in acquisitions, rights issues and trade sales, Julian sits on the Audit, Remuneration, Nomination, and Governance & Risk Committees. Julian will be retiring at the upcoming AGM in November 2023.

Ron Russell
Non-Executive Director

Ron joined Time Finance in October 2009 becoming a Non-Executive Director.
He has extensive experience advising small businesses, and is a director of UK Private Healthcare Ltd, Scot-Leasing Ltd and Stonepit Ltd. Ron is a Chartered Accountant and is a member of the Audit, Remuneration, Nomination, and Governance & Risk Committees. Ron will be retiring at the upcoming AGM in November 2023.

Paul Hird
Non-Executive Director

Paul joined Time Finance in September 2023 as a Non-Executive Director. Paul has over 45 years' experience in financial services and specifically the Asset based lending industry, including time as a CEO of a start-up, AIM-quoted company and CEO of a subsidiary of an overseas Bank. He has extensive experience of acquisitions as well as organically building successful companies. Paul sits on the Audit, Remuneration, Nomination, and Governance & Risk Committees.

Tracy Watkinson
Non-Executive Director

Tracy joined Time Finance in September 2023 as a Non-Executive Director. Having begun her career with PwC, Tracy is currently COO of Finance at NatWest Group. As a transformation expert, she brings over two decades of experience in the financial sector having worked in senior roles with a variety of major financial institutions such as Barclays, UBS and Credit Suisse. Tracy has held previous NED and independent chair roles. She sits on the Audit, Remuneration, Nomination, and Governance & Risk Committees.

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 leadership team are recognised in their respective fields for their expertise and proven track record in making a difference and delivering success.

Leadership Team

Executive Committee

Lorraine Neyland
Director of Risk

Lorraine joined Time Finance in 2019. With more than 30 years' experience in Asset Finance, Lorraine has managed and led credit teams within major financial institutions including Bank of Scotland, Lloyds Bank and Bibby Leasing.

Phil Chesham
Managing Director - Invoice Finance

Phil joined Time Finance in 2017 when the business he co-founded, Positive Cashflow Finance, was acquired by the Group. He has over 30 years of experience in financial services and, in particular, Invoice Finance. Phil leads the Group's Invoice Finance division driving it to achieve its ambitious growth aspirations.

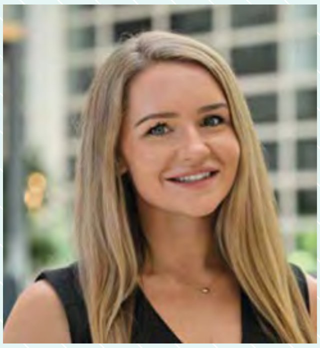
Steve Nichols
Director of Asset Finance

Steve joined Time Finance at the start of 2022 to head up the combined Asset division for the Group. He is responsible for driving the division forward to hit its growth plans. Steve has nearly two decades of experience in the financial services sector having held a variety of senior roles with companies including Simply Asset Finance, Close Brothers and Barclays Bank.

Senior Management Team

Sharon Bryden
Group Head of Operations

Sharon joined Time Finance in 2021. She brings with her a wealth of experience having worked in the financial services industry for over two decades. Sharon has worked across multiple funding sectors from Loans to Invoice Finance and brings this skillset to overseeing and improving the Group's operational efficiencies and processes.



Kate Brown
Head of Marketing

Kate joined Time Finance in 2017. With over five years' experience in financial services, Kate initially joined the Group as part of its marketing team before becoming the Group's Marketing Manager and then in 2022, the Head of Marketing. Kate is responsible for raising the profile of the Group across the industry and beyond.

Sean Hughes
Head of Compliance

Sean joined Time Finance in 2018 and was appointed Head of Compliance in 2022. He brings over a decade's experience in compliance and the financial services sector to the role. Sean ensures the firm is aware of and meets all its FCA regulatory obligations. Additionally, Sean is the Group's MLRO.

Holly Mapstone
Head of HR

Holly has nearly 15 years' experience within the financial services sector and is CIPD accredited in HR and management. She has a strong focus on supporting an inclusive and people-first culture across the Group.

Strategic Report

"We are well placed to succeed and continue to grow in a responsible manner."

Chair's Report

for the Year Ended 31 May 2023

Performance and dividend

This was another year where the macroeconomic backdrop remained significantly challenging. The war in Ukraine and global supply chain issues persisted. In the UK, the various changes in government during September and October 2022 created political and economic turmoil. The steep rise in energy and commodity prices, combined with wage rise pressures in a tight UK labour market, resulted in a high inflation economy and the Bank of England responded with sharp interest rate rises. The combined effect has been a cost-of-living crisis that looks set to continue for some time to come.

While these economic headwinds present very real challenges for UK businesses, we remain focused on continuing to provide an essential lifeline of working capital to our SME customers, alongside growth enabling investment for those customers who are finding opportunity in these disrupted markets. Our Purpose is to "*help UK businesses to thrive and survive*" and is at the centre of everything we do, underpinning our aspiration to support the needs and ambitions of UK businesses.

This financial year concluded the second full year of our four-year strategy, and it is very pleasing to report Revenue of £27.6m (2022: £23.6m) with Profit Before Tax of £4.2m (2022: £1.1m). Fully diluted Earnings Per Share were 3.73p (2022: 1.00p). Our balance sheet was further strengthened during the year with Net Tangible Assets rising to £34.2m (2022: £30.5m). At the same time, net deal arrears remained relatively consistent at 6% of the gross exposure (2022: 7%), demonstrating the continued effectiveness of our credit risk policy, which seeks to appropriately balance the needs of both our customers and our business.

Our business strategy continues to pursue aggressive growth targets for own book lending. This requires application of our available cash resources into leveraging our funding facilities to maximum effect. Our lending objectives remain focussed on the growth of shareholder value rather than dividend distribution. Hence, we continue 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

Time Finance is positioned as a risk-mitigated alternative finance provider, recognised as having a highly relevant and flexible offering of business finance products for a well-diversified and expanding base of UK businesses. Our core products are primarily Asset Finance and Invoice Finance augmented by Commercial Loans and our recently launched Asset Based Lending product. Further details are set out in the Chief Executive Officer's Report on page 11.

There has been significant financial and operational progress made since rolling-out the revised four-year strategy just over two years ago. In addition, the robustness of the planning process has itself been substantially improved, ensuring the actions and resources required to meet key objectives are well understood across the business, with clear performance measures and accountability for outcomes.

A key pillar of our current strategy is the focus on significantly growing our secured own-book lending, and there has been continued traction against this goal with own-book origination of £73.4m during the financial year (2022: £64.4m). This produces a compounding pipeline of future unearned income and is hence significant in driving the underlying value of the Company.

We have recognised for some time the importance to our strategy of internal system improvements in order to support our customer experience and business efficiencies. I am pleased to report that there has been tangible progress during this financial year, the benefits of which have been directly enjoyed by both our customers and colleagues. There remains, however, a significant task ahead of us with respect to system improvements and how we use technology to transform outcomes. You can expect further updates as we continue on this journey.

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', 'Nomination', and 'Governance and Risk'. Membership comprises only of non-executive directors with the committees meeting on a regular basis and, as and when appropriate, inviting members of the senior management team to enable well informed discussion and decision making, as well as gaining appropriate levels of assurance.

The culture within Time Finance is of paramount importance to us. A key objective as we went into this financial year was to refresh our values. Across the business we challenged ourselves to ensure that our values represent a cohesive and relevant statement of who we are and what we stand for. This is important as our values are what we use to guide our behaviours and decisions as we go about our daily business of helping UK businesses. Our values - putting People First, being Bold, being Flexible, and being Genuine – set a clear framework to enable us to deliver excellent outcomes for our customers. They enable us to be responsive and agile, whilst also ensuring highly responsible attitudes and behaviours in every member of our team.

Chair's Report (continued)

We continue to embed Environmental, Social and Governance ("ESG") as part of our business strategy. The themes of our ESG approach include a good working environment for our colleagues, doing great work within our local communities, addressing our carbon footprint impact, and investment in systems and training – with the benefits being long-term sustainable growth, improved service levels and enhanced operational resilience.

Further details on both our culture and our ESG work can be found in the Culture and Environmental, Social and Corporate Responsibility Report on page 19.

Our people

The depth of experience and understanding within the business of the needs, challenges and aspirations of UK SMEs positions us to navigate a challenging marketplace for the mutual success of the business and our customers. Our colleagues throughout the business are highly resourceful, driven, and committed, and on behalf of the Board, I wish to record our sincere gratitude for all their efforts and results.

Aside from excellent financial and operational performance by our dedicated and capable colleagues, highlights for this year have included an all-employee conference held in March, delivery of a refreshed set of values, and the ongoing charity work by the team. I remain in awe of the commitment to charity work by so many of our colleagues; it is genuinely humbling and inspiring.

I would like to express my thanks to Ed Rimmer, our CEO, and James Roberts, our CFO, for their leadership and execution in what has been a significant year for the business. I am also delighted to welcome both Tracy Watkinson and Paul Hird to the Board as Non-Executive Directors. Both Tracy and Paul bring new skills and insight and will offer fresh challenges to the Executive team. Their biographies can be found on page 6. At the same time, I would like to extend my sincere thanks to Julian Telling and Ron Russell who will be standing down following the Annual General Meeting in early November. Both Julian and Ron have been integral to the development of the business over many years and their experience, insight and humour will be missed.

Outlook

Whilst the economic and political environment is uncertain and challenging, the financial performance for the year supports our confidence in our strategic plan and the capability of our team to deliver it. The main pillars of focus remain looking after our customers' needs in a responsible and agile way, and supporting and empowering our people to be the best they can be, in order to achieve strong and sustainable growth of the business, for the benefit of all our stakeholders.

Time Finance continues to benefit from being a provider of a range of financial products across multiple business sectors and has no overweight dependence on any specific business category. The continued strengthening of our balance sheet, and access to the required cash resources for the planned growth, leaves us positive about the future performance of the business.

In my second statement as Chair, I would like to extend my thanks to all of our stakeholders for their continued support.

Tanya Raynes
Chair

Chief Executive Officer's Report

for the Year Ended 31 May 2023

Introduction

Time Finance is a multi-product, alternative finance provider to UK SMEs, predominantly funding transactions on its own book, but with the ability to broke-out business that falls outside of its credit policy. The business offers two core products, Asset Finance and Invoice Finance, and, to a smaller degree, Commercial Loans along with an Asset Based Lending solution that was launched during the year. The financial results for the business for the year ended 31 May 2023 consolidate the results of the two trading divisions along with a central cost centre.

The post Covid-19 recovery that started to positively impact the business in the early part of 2022 continued to provide opportunities for alternative finance providers. With the various government funding schemes largely coming to an end, and significant challenges facing SMEs in the shape of rising costs, supply chain disruptions and spiralling interest rates, access to finance became of vital importance again to small businesses. Having made good progress with our strategic plan that was put in place in June 2021, we were in a good position to capitalise on these developments, and I am pleased with the overall performance and financial results for the year.

The positive results achieved are due to the commitment and hard work shown by all our colleagues across the business. Like all businesses, a lot of disruption was evident during the pandemic and significant resilience was shown by our entire team. A sensible balance has now been achieved in terms of providing flexible working and this is now a permanent feature of the business. Whilst this enables people to work from home if their role allows, creating a vibrant atmosphere in the office is still an important part of Time Finance being a "people" business. Our SME clients and customers value a high degree of human interaction and providing flexibility to them is therefore a key part of the proposition.

Sustainable, robust business model

Time Finance 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 a suitable margin achieved on each deal to justify the risk taken.
- **fixed interest rates** are charged for the term of the lending in both the Asset and Loan divisions. Interest rates incurred on borrowings drawn down are also fixed for the term in these divisions. Our policy is, wherever possible, to match the term of borrowings drawn to the term of lending provided and this has been of utmost importance over the trading period given the significant increase in interest rates.
- **underwriting is carried out by people** as opposed to automated systems for credit decisions. Although an essential element of the business' 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** with total provisions carried in the balance sheet at 31 May 2023 amounting to £4.2m, representing approximately 3% of the net lending portfolio. A detailed internal review of provisioning is undertaken on a quarterly basis, led by our Director of Risk and our CFO and the recommendations made are presented to the Board for approval.

Market positioning and new business origination

Time Finance provides the main finance products that UK SMEs require for their day-to-day working capital requirements and fixed asset investments in order 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 port 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 we are not a retail deposit taker, wholesale funding facilities are utilised at competitive rates. In order to make an acceptable margin on lending, the business chooses to operate in the "Tier 2" market segment, therefore serving SMEs typically at the smaller end of the market.

New business own-book origination for the year to 31 May 2023 amounted to £73.4m, 14% up on the £64.4m achieved the previous year. 96% of all origination was funded on our own balance sheet with only 4% broked-on, in line with our strategy. This is commented on further in the Group Strategic Priorities on page 16.

Chief Executive Officer's Report (continued)

Financial results

Revenue for the year to 31 May 2023 was £27.6m, an increase of £4.0m (17%) year-on-year. Profit before tax was £4.2m, a significant increase on the previous year (£1.1m). Total gross receivables stood at £170.1m, a record level, compared with £136.8m on 31 May 2022, a 24% increase and a key part of our strategy to grow own-book lending. Total active borrowing facilities as at 31 May 2023 amounted to £148m (2022: £148m), of which £98m was drawn (2022: £78m). Consolidated Net Tangible Assets stood at £34.2m (2022: £30.5m), an increase of 12%. Net cash and cash equivalents held at 31 May 2023 was £3.8m (2022: £2.9m).

The strength of the balance sheet, together with its liquidity in the form of available operational debt facilities for lending and cash held, ensure we are well-placed to take advantage of future opportunities over the short to medium term. A full review of the financial results is included in the Chief Financial Officer's report on page 14.

Operational progress

The year to 31 May 2023 saw good progress made with respect to our four-year strategic plan. The move away from "non-core" activities was completed with the divestment of the consumer loans brokerage in October 2022 and also the exiting of the wider unsecured loans market in December 2022. This has allowed the business to fully focus on secured Business-to-Business lending with strong growth coming from both the Invoice Finance division (lending up 30% on the previous year to £56m) and the "Hard Asset" offering within the Asset Finance division (up 55% to £62m). Lending across these two core products equated to approximately 70% of total advances at year-end and is very much where we see the majority of future growth coming from. As a result, the new business effort was further scaled-up to support this strategy and I look forward to seeing the results of this over the next twelve months.

As part of our multi-product offering, we launched an Asset Based Lending ("ABL") proposition in April 2023. This was targeted at the smaller end of this market where there is less competition and less pressure on margins. As well as providing the customer with a wider range of funding solutions, it also allows the business to retain client and customer relationships for a longer period. These facilities tend to be fewer in number but larger in value; getting a regular flow of business during the new year is therefore a key objective.

The Invoice Finance division had a particularly successful year, benefiting from increasing interest rates where the rises can be immediately passed on to clients through the variable rate agreements in place. Record new business volumes were seen with some larger facilities taken on, including a £2m facility in December 2022 which represented the single largest new facility put in place. Client attrition was also lower than anticipated, which contributed to the growth in the lending book.

We have continued to invest in our people with some important additions made to the team during the year. In July 2022 a new role was created, Head of Credit, and we were delighted to recruit a high-calibre individual with appropriate skills and experience to enable the business to take on larger and more complex asset finance business. Overall, within the Hard Asset section of the Asset Finance division, the average deal size increased from £22k to £36k between May 2022 and May 2023. There has also been an increase over the same timeframe in the single customer exposure limit from £500k to £750k. Another key focus of recruitment was around Business Improvement and our efforts to drive efficiency and focus on enhancing the customer journey. A number of key benefits have been delivered over the last twelve months in this regard, including significant improvements to our core Asset Finance operating system; introducing electronic document signing in the Invoice Finance division; and the launch of a new HR system allowing us to automate our employee appraisal and performance management process.

There has been a concerted effort to support teams across the business given the pressure on cost-of-living expenses, and this has been positively received. Communication has also been improved through the provision of regular webinars and in person "Team Talks" at our four office locations in Bath, Reading, Manchester and Warrington, with the objective of maximising engagement across the business. The entire team was also brought together for the first time since the pandemic at an all-staff conference held in March 2023. This proved to be a highly successful event which we will be looking to repeat in the future. We will also be measuring the level of engagement through a formal colleague survey due to take place in the Autumn of 2023.

Tanya Raynes's first full year in the Chair role has also been a significant benefit and I am grateful for her support and guidance during the year.

Culture, compliance and governance

Time Finance is a customer focused business, and its purpose is "*to help UK businesses thrive and survive*". During the later part of the financial year, we took the opportunity to refresh and relaunch our cultural values, and these are shown below.

- **We Put People First** - We are a "people business", empowering all our colleagues to make a difference
- **We Are Bold** - We have the courage to do things differently and make the most of our opportunities
- **We Are Flexible** - We have a can-do attitude and take a commercial approach to business
- **We Are Genuine** - Integrity and transparency are at the heart of how we build trust and foster great relationships

A plan has been agreed as to how these values will be embedded into the day-to-day business and this is a key priority for the new financial year.

We continue to have high standards for compliance and governance for all our activities, referenced to the principles and guidelines of the Financial Conduct Authority and the codes of conduct of the relevant industry bodies. All colleagues are required to act in accordance with our cultural values to 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

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

Outlook

Given the significant challenges faced by SMEs in the shape of increased interest rates and inflationary costs, the provision of finance will be more important than ever over the coming twelve months. This presents both opportunities and threats to alternative lenders such as Time Finance and getting the balance right in how these are managed will determine the level of success we can achieve. With the senior management team we now have in place and the work that has been undertaken over the last two years to re-engineer the business, I believe we are well placed to succeed and continue to grow in a responsible manner.

Ed Rimmer
Chief Executive Officer

Chief Financial Officer’s Report

for the Year Ended 31 May 2023

Overview

The financial year ended 31 May 2023 marked the true start of Time Finance’s emergence from the ongoing effects of the pandemic with a significant increase in our Profit before Tax (“PBT”) to £4.2m from the £1.1m earned in the preceding year. This is particularly pleasing given the wider macro-economic headwinds mentioned earlier in both the Chair and CEO’s reports. These improved results are built on strong foundations and, as a result, our continued strategy of own-book lending with a clear focus on ever larger deal sizes and with increasing levels of security taken where possible, should continue to bear fruit for many years to come. Particularly pleasing is the growth in our lending book, now standing at over £170m, while, at the same time, arrears remain static having now been consistently and significantly below pre-pandemic levels for over twelve months.

Review of Income Statement

Revenue increased in the year by 17% from £23.6m to £27.6m. This increase is mainly attributable to the growth in the Invoice Finance division and the ‘Hard’ subsection of our Asset division. This is reflective of our strategy as both areas offer the chance for larger, more secure lending.

Whilst revenues are higher, gross margins are slightly lower. Gross Profit of £16.2m was earned in the year. This is £1.2m, or 8%, higher than the previous year’s £15.0m but with a margin of 59% compared to 63%. This is to be somewhat expected given both the macroeconomic environment we find ourselves in and the strategic move into larger, more secured lending. Increasing interest rates have impacted funding costs and while Invoice Finance can immediately pass any interest rate hikes onto its clients, Asset and Loans are different. While deals already funded are fixed both in terms of funds drawn and on rates charged to the client, new deals will have higher funding costs and invariably this then leads to a commercial decision being made as to whether to pass that on through the headline rate on new deals or to tailor the margin to attract better quality, larger deals. Whilst in many cases the increases have been passed on to new client lending, in some cases they have not. Going forward, these larger, more secured deals are expected to result in lower levels of bad debt in time which, in turn, will increase future margins.

All of the above resulted in PBT of £4.2m being earned for the financial year, well ahead of FY21/22 and which, given the compound nature of the lending book and the increase in its size, provides a solid launchpad for further growth in the coming years.

Review of the Statement of Financial Position

Goodwill remained static at £27.3m as no acquisitions were made in the year and no impairments were required. Goodwill is highly significant due to its size. As a result, it is rigorously tested on a regular basis to determine whether there is any requirement for an impairment charge. The current year’s review saw careful consideration given to any lingering effects of the pandemic and the wider macro-economic malaise that the country faces as these factors could have a potential impact on future cashflows. Having reviewed the assumptions used in the calculation, and having performed wide-ranging sensitivity analysis, it was concluded that there was sufficient headroom in the carrying value of the Asset and Invoice Finance divisions. This meant no impairment was necessary in those areas. As we continue with our stated strategy and expect to grow significantly over the coming years, both the key divisions are expected to trade profitably, generate free cash and underpin the remaining carrying goodwill values.

Gross Trade and Other Receivables, as detailed in Note 16, amounted to £170.1m at the year-end. This is an increase of 24% or £33.3m compared to the prior year of £136.8m. This increase is attributable to continued embedding of the strategy of, wherever possible, writing new business on our own-book rather than broking business on. It is particularly encouraging to see the level of arrears at the year-end remain static at £9.3m. This is despite the increase in the lending book and compares favourably to both pandemic-impacted levels of £14.2m at 31 May 2021 and £21.9m at 31 May 2020 and, perhaps most importantly, is also significantly lower than the pre-pandemic levels of £14.8m experienced back in February 2020. This net arrears position and recent arrears and recovery history over the last three years highlights the robust nature of this business and the ability of the lending book to weather significant economic downturns. This resilience is testament to the incredible hard work and skill of our Risk team who are responsible for managing the lending book.

Within the Trade and Other Receivables balance sits the business’ credit risk provision. Standing at £4.2m at the year-end, this is higher than the prior year level of £3.6m and represents approximately 3% of our year-end net lending portfolio (2022: 3%). The credit risk provision is determined by a combination of IFRS9 statistical modelling and an overlay to cover any specific provisions identified independently by the Risk department. The IFRS9 model element of the provision 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 model also overlays the impact of any expected future changes to the wider macroeconomic environment that could impact on the recoverability of the business' debts. This includes assessments of potential changes in interest rates, the cost-of-living crisis and the impact of the war in Ukraine. At the financial year-end the statistical model required a provision representing approximately 2% of the net lending book with an overlay for specific provisions adding a further 1%. The aforementioned credit risk provision balance remains the best estimate of the required provisioning level given current information available. Further details can be found in Note 29.

Trade and Other Payables largely relate to operational borrowings we have taken out, enabling us to lend on to UK businesses. As detailed in Note 20, the balance at 31 May 2023 has increased to £118.0m when compared to prior year levels of £91.0m. This is largely due to increased drawdowns from our funding partners associated with the increased levels of own-book lending seen within Trade and Other Receivables.

The 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 (which includes Commercial Loans) is funded by a number of wholesale "block funding" lines, including a £35m facility from the British Business Bank plus a dedicated Secured Medium-Term Loan Note Programme. At the year-end, 'Asset' had active facilities of £106m (2022: £106m) with headroom of £35m (2022: £52m). Crucially, these facilities do not have any non-utilisation fees attaching to them and, as the rates are fixed once drawn, business already written is not impacted by any future changes in underlying interest rates. Finally, Invoice Finance continues to be funded by a back-to-back facility from NatWest. As at the end of May 2023, this comprised a facility of £42m (2022: £42m) with an additional 'accordion' uplift available of £8m which would increase the facility to £50m should it be needed. As at 31 May 2023 there was headroom of £15m (2022: £18m), excluding the accordion.

Net Assets stood at £61.7m as at 31 May 2023, up from £58.1m the year before. Net Tangible Assets, which removes both Goodwill and Intangible Assets, had increased from £30.5m to £34.2m as at 31 May 2023.

Review of the Consolidated Statement of Cashflows

Cash and cash-equivalents as can be seen on the Consolidated Statement of Cash Flows on page 47, stand at £3.8m at the year-end, an increase from £2.9m at 31 May 2022. This increase is particularly encouraging given the growth in the lending book during the period. We also have £1.3m (2022: £2.9m) of 'paper'. This paper relates to lease and loan deals written and paid out that could be converted into cash within approximately 48 hours via our various funding facilities. This combined cash and cash-equivalents balance equates to £5.1m, compared to £5.8m as at 31 May 2022. This decrease is to be expected as we utilise our cash resources to grow the lending book over the timeframe of our medium-term strategic plan. It still remains, however, a solid footing to fund lending to UK SMEs for the foreseeable future.

Conclusion

The financial year to 31 May 2023 has produced a set of numbers that are extremely pleasing. They reflect the first full year where we have truly begun emerging from the tail-end effects of the pandemic and mark the first step on the expected increases in PBT year-on-year into the future. The lending book is at a record high, as are Net Tangible Assets; cash reserves remain solid and, despite the significant and ongoing growth in the lending book, arrears remain static and at well below pre-pandemic levels. Our funding partners remain extremely supportive, and we can look ahead with cautious optimism.

James Roberts
Chief Financial Officer

Group Strategic Priorities

for the Year Ended 31 May 2023

Time Finance continues to be an alternative provider of finance to the high-street and challenger banks, serving predominantly SMEs with finance requirements ranging from £5,000 to £2.5m. The Group primarily provides Invoice Finance and Asset Finance and, to a lesser degree, Commercial Loans. It lends mainly from its own balance sheet but with the ability to broker-on business that does not meet lending parameters. This would mainly be due to the size of a transaction, pricing or credit quality.

In June 2021, a new, four-year strategic plan was put in place. At the time, the UK economy was still recovering from the Covid-19 pandemic, with all businesses facing significant uncertainty. As mentioned in the previous sections, this uncertainty has increased over the last two years, however, SMEs have proved to be extremely resilient. This is in part due to the support provided by alternative lenders such as ourselves and we are proud to play our part in helping UK businesses thrive and survive.

Strategic Objectives

The key objectives of the four-year plan to 31 May 2025 are to:

- More than double the Group's gross lending book from £115m as at June 2021
- Achieve revenue and PBTE levels in excess of £30m and £7m respectively

This was to be achieved through the following strategic initiatives:

- Focusing on core own-book lending products
- Predominantly focusing on secured lending with an increasing average deal size
- Investing in key people
- 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 the year and summaries on each of the above initiatives are set out below.

Focus on core own-book lending products

The remaining "non-core" division, the consumer bridging loans business in Cardiff, was divested in October 2022. This was the last remaining consumer finance business after the rationalisation plan embarked on in the previous financial year and left the Group with a clear market position; being an alternative lender to small-medium sized businesses, offering two core products: Asset and Invoice Finance. Although a smaller part of the proposition, we continue to offer Commercial Loans as developing our multi-product offering remains a key objective. In April 2023, we also launched an Asset Based Lending ("ABL") proposition aimed at businesses who need to raise finance against a wider range of assets, including debtors, plant & machinery, property and stock. This has been well received in the market with our first transaction completed in May. During the year we increased our gross lending book by 24% to £170m and we expect this trend is to continue over the course of our medium-term plan.

Predominantly focus on secured lending with an increasing average deal size

In the majority of cases, tangible security is taken to underpin our lending. This involves taking title to professionally valued fixed assets or book debts, supported by registering debentures and/or property charges. A key aim over the last twelve months was to increase the average ticket size of the 'Hard' asset business which reduced significantly during the pandemic when market demand led to smaller assets being funded. I am pleased to report that this has been achieved with the average deal size increasing from £22k in FY21/22 to £36k in FY22/23 and during Q4 this increased further to £40k. The maximum limit to any one customer within the Hard Asset division also increased from £500k to £750k. In addition, we took the decision to exit the unsecured loans market where most of the business was sub £25k and not secured by a tangible asset. The one exception to this overall trend, 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, funding business critical assets. During the year we repositioned this offering, targeting mainly lends up to £15k with an auto approval system implemented to improve efficiencies. The majority of future growth, however, will continue to come from the Hard Asset and Invoice Finance businesses, along with the ABL offering.

Investment in key resources

In order to grow the business, the Group has continued to invest in a number of key recruits. We appointed a Head of Credit in June 2022 and his skills and experience have been crucial in supporting the move to increase the hard asset deal size and maximum customer limit. The sales teams within both Asset and Invoice Finance have been expanded further and by the end of September 2023 the overall New Business team will have doubled in size since inception of our current plan. We also invested in Business Improvement, focusing on improving efficiencies and ultimately the customer journey. A number of projects have been successfully delivered over the last twelve months, including enhancements to our operating system in the Asset Finance division, the introduction of electronic signatures for executing legal documents in our Invoice Finance division and a new Group-wide HR platform that has allowed us to digitalise the employee appraisal process.

Reposition the brand and investment in marketing

Since the Group was rebranded to Time Finance at the end of 2020, we have worked hard to reposition the business in line with our strategy and this has delivered some pleasing results over the past twelve months. Our PR strategy, promoting our core business news and client case studies and testimonials, led to a 26% increase in media coverage achieved across key industry titles in the regional and national press. We also invested in our digital presence and SEO efforts which complemented our traditional marketing channels, achieving a 201% increase in website traffic. We continue to invest in our in-house marketing team, combined with external agency partnerships, to further strengthen the Time Finance brand within the commercial finance market and we are pleased that these efforts were recognised through being awarded 'Asset Finance Provider of the Year' at the 2023 Asset Finance Connect awards ceremony.

Bring further liquidity into the business as and when required

During the financial year, a healthy liquidity position was maintained with sufficient cash resources in place to deliver our current plan. As the growth accelerates further, however, we will likely need to review the current funding strategy. Finding suitable long-term liquidity at sensible pricing is therefore a key focus over the course of the next twenty four 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 used to track the Group's meaningful progress are detailed below.

- Continuing Operations Revenue – £27.0m (prior year £22.5m)
- Continuing Operations Gross Profit margin - 59% (prior year 64%)
- Continuing Operations Profit Before Tax– £4.1m (prior year £1.4m)
- Continuing Operations Diluted Earnings Per Share – 3.63p (prior year 1.38p)
- Own-Book New Business Origination – £73.4m (prior year £64.4m)
- Core business own book vs broked-on ratios – 96/4 (prior year 87/13)

Refreshed Strategy

During the second half of the financial year, we took the opportunity to refresh the current strategy along with our purpose, values and key objectives. This process proved to be highly beneficial, providing a more robust linkage with our financial budgets and forecasts for the next two years. A summary of the refreshed plan is shown below.

Our Purpose

"To help UK businesses to thrive and survive"

Our Objectives

- Ambitious growth in our target markets
- Improve customer experience and productivity
- Prepare our people for the future
- Build strong foundations

Each of the above have a number of initiatives in place in order to deliver the set targets and I look forward to reporting on progress as we travel through the year.

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 its performance, future prospects or reputation. 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 and 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 Senior Management Team 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 credit exposures and a Head of Compliance who reviews all significant operating risks and adherence to regulatory requirements.

Group Strategic Priorities (continued)

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

- **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 funding facilities across Block Discounting, a Secured Loan Note programme and Back-to-Back invoice finance facilities, aggregating to £148m 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

SMEs continue to face significant challenges with increasing interest rates, high inflation, disrupted supply chains and, in many sectors, a shortage of labour. Access to finance in order to provide the vital working capital for businesses to function and grow is therefore increasing in importance and this provides significant opportunities to alternative lenders like Time Finance. We have a clear strategy to not only maximise these opportunities, but ensure growth is achieved in a sensible and robust way, given the risks the economic environment also poses.

Ed Rimmer
Chief Executive Officer

Culture and Environmental, Social and Corporate Responsibility Report

for the Year Ended 31 May 2023

Dear Shareholder

I am pleased to present the Culture and Environmental, Social and Corporate Responsibility Report for the year to 31 May 2023.

This report encapsulates what being a responsible business means to us – our purpose and values, where we have focussed our efforts for both our business and our local communities over the past year, and what we plan to do next in further embedding a proportional ESG mindset across the Group.

The last two to three years have brought a huge amount of change and degree of uncertainty both across the business and the wider country as a whole. We, as a Board, are proud of how our staff have responded and the position the business now finds itself in. It has reinforced our belief in the importance of working together in the interests of and for the benefit of all our customers, our employees, our shareholders and our local communities.

Culture

Our Purpose

Time Finance exists "*to help UK businesses thrive and survive*". The business is a non-bank, alternative finance provider, that supports UK small and medium sized businesses. We offer a multi-product range of flexible funding solutions, including Asset Finance, Invoice Finance and Commercial Loans. We aim to be the UK's preferred independent SME funder and we feel that our 'People First' approach and the resulting personal touch helps to really differentiate us from the competition.

Our Values

Our Values are at the very heart of our business. They underpin our culture and have also helped set our ESG strategy. As mentioned earlier in this report and accounts, our values are:

- **We Put People First**

We are a "people business", empowering all our colleagues to make a difference

- **We Are Bold**

We have the courage to do things differently and make the most of our opportunities

- **We Are Flexible**

We have a can-do attitude and take a commercial approach to business

- **We Are Genuine**

Integrity and transparency are at the heart of how we build trust and foster great relationships

We monitor and measure how we put these standards into practice through:

- regular, group-wide, celebrated staff recognition, often focusing on those demonstrating that they embody our values
- a bi-annual appraisal process for all staff which includes assessment of bringing our values to life
- open and transparent communication with our staff. This is through monthly "Team Talk" newsletters and regular, office-based "Town Hall" meetings. Employees are also encouraged to share their views and for managers to adopt an 'open door' policy
- review and feedback on our external TrustPilot score to establish what our clients think of our products and services and where we can look to improve

Our ESG Strategy

While financial services as a whole tends not to have a huge impact on the environment when compared to some industries, we are still very conscious of the environmental impact that our business does have. There is, therefore, a need for us to play our part in minimising our impact on the environment and in creating sustainable business practices wherever practical. We very much believe in "substance over form" and in making demonstrable undertakings rather than just adding soundbites.

We have chosen to align ourselves with the United Nations Sustainable Development Goals ("UN SGDs") and we will be looking to make progress against each of our chosen objectives. In following our substance over form mantra, we have decided to adopt and focus on four of the UN SDGs. These are the ones where we feel we can really help to make the biggest impact. These are numbers 4, 8, 11 and 12, namely Quality Education; Decent Work and Economic Growth; Sustainable Cities and Communities, and Responsible Consumption and Production. In real terms this means our focus will be on the training and development of our staff; on our systems and reporting; on increasing our community contributions, and on proactively managing our environmental footprint. Our ESG vision, therefore, focusses on:

- continually developing our staff and offering positive employment opportunities
- developing systems which allow our customers to deal with us in as easy and, where possible, environmentally friendly way as possible
- controlling our carbon footprint
- positively impacting the local communities near to our offices

Culture and Environmental, Social and Corporate Responsibility Report (continued)

To help deliver on these commitments we have recently created an internal ESG Committee. The Committee's focus is to help embed an appropriate and proportionate ESG mentality across the business by promoting environmental responsibility internally. The Committee is helping to devise and implement our ESG policy and will help to drive it forward year on year. A number of steps have already been taken with others planned for the near future. These are set out below:

Environmental

We are committed, wherever possible, to minimising the environmental impact of our business. Environmental initiatives that have already been put in place and are making a difference include:

- reducing printing levels and, therefore, the amount of paper used across our offices
- reducing the energy outputs across our offices. This includes moving our on-premises IT servers to cloud-based solutions and using LED lighting and motion sensitive lighting in our offices wherever possible
- implementing green travel options. These include reducing the travel impact of our commuting to work and reducing our business travel impact. This is being achieved through initiatives such as our group Cycle to Work scheme; adopting hybrid working arrangements in all of our offices, and, where appropriate, by replacing intra-office 'face to face' meetings with online meetings
- establishing green lending facilities with some of our funding partners. This enables us to provide funding for certain renewable assets
- encouraging increased recycling with the provision of recycling facilities in each of our offices
- reducing single use plastic through the provision of onsite drinking water dispensers
- planting trees across the UK for every employee and any future new joiners
- reducing the use of paper communications by defaulting our communications to email wherever possible
- further embedding new technology, e-sign, to enable us to move from 'wet' signature, hard copy legal documents to digital versions and so further reducing printing

Future Environmental initiatives being put in place include:

- using recyclable paper in all our offices and further focusing on reducing the amount of paper printed
- working with our landlords to switch to green energy providers wherever possible
- launching a Salary Sacrifice Electric Car Scheme
- launching a Disposal of IT Equipment Policy

We will continue to further develop and hone the plan as we move forward.

Social

We are committed to providing a positive working environment for all our staff and to, wherever possible, positively impact the local communities surrounding our offices. The Group has:

- 130 employees, an increase of 2% in comparison to last year's 128
- Women make up 57% of our workforce and men 43% (consistent with last year's ratio of 56:44)
- The Leadership Team comprises 42% women and 58% men
- 13% of our employees are in the 17-26 age bracket, 29% are 27-36, 24% 37-46, 23% 47-56, 10% 55-64, and 1% are 65 and over

We have a strong belief in allowing our staff to develop, progress and have the opportunity to succeed. In doing so we try and look after their well-being; ensure they are safe and appropriately cared for; and that they work in an environment in which they are valued and respected. We hope our staff feel that they can really make a difference and are not simply a cog in a corporate machine. Our business itself also supports the wider community by providing funding solutions to small and medium sized businesses – the life-blood of the UK economy. In addition, through our various charity focused initiatives, we are also able to support a wide range of causes in a variety of ways including fundraising, volunteering and raising awareness at both a local and national level. Social initiatives that have already been put in place and are making a difference include:

- formalising hybrid working arrangements in all our offices for all our staff. We feel this helps the well-being of our staff, striking the right balance between the benefits of home working and the benefits of collaboration, idea sharing and face-to face interactions that are gained from working in an office-based environment

- focusing on the financial wellbeing of our staff. We have become a Living Wage Employer; offered fair, benchmarked pay reviews; supported all our staff with cost-of-living assistance; provided pension and life assurance; provided private medical insurance, and enrolled staff in annual bonus schemes to reward exceptional performance
- establishing a Social Committee to ensure regular and wide-ranging social events for any of our staff who wish to be involved in them
- holding our first company-wide strategy conference. This enabled all our staff to come together to celebrate their successes, share ideas and best practice, and further understand the strategy and plans of the Group
- regularly celebrating staff recognition for those excelling in a variety of fields
- embedding an open and transparent communication culture with the distribution of monthly all-staff "Team Talk" newsletters and the holding of office-based "Town Hall" meetings
- provision of funding solutions to some 11,000 UK businesses. This included essential support during the pandemic. After receiving accreditation for Government backed funding, this was through the provision of new funding to those businesses affected by the Covid-19 pandemic
- implementing annual Equality, Diversity and Inclusion training for all staff alongside additional Unconscious Bias training
- introducing a greater focus on vulnerable clients by supporting our staff in understanding the range of indications of actual and potential vulnerability, and the needs that can arise from these vulnerabilities
- continuing and expanding the excellent work of our Charity Committee, which was established in the previous year. This body is responsible for coordinating and driving forward our fundraising and volunteering initiatives. During the year we have supported many charities, both national and also local to our offices. These include the Starlight Children's Foundation, Jackson's Animal Rescue, SSAFA, Jessie May Children's Hospice, and Breast Cancer Now
- supporting local schools and local youth sports teams. Work experience placements were offered for local children from secondary schools in Somerset, Merseyside and Cheshire; while sponsorship was made to under 13s and under 12s sports teams, including Cheshire and Somerset based football teams, a Greater Manchester based rugby league team, a Somerset based rugby union team and a Gloucestershire based table tennis team.

Future Social initiatives being put in place include:

- launching an internal "Talent Leadership Programme" to recognise and further develop our next generation of leaders
- formalising the Vulnerable Customers policy to ensure that frontline staff have the skills to engage with these clients to understand their vulnerability, and embed an escalation process so that our staff are supported appropriately
- launching a charity volunteering day whereby staff will be able to volunteer at local charities near our offices should they wish to

Governance

Leading by example is a key tenant for us. In doing so we believe we show commitment to strong governance and high ethical standards.

Companies listed on AIM are required to adopt a recognised corporate governance code. We have adopted the Quoted Companies Alliance ("QCA") code. Focusing on board composition, board effectiveness and accountability. This is explained further on page 26.

In respect of the governance aspect particularly relating to ESG, we continually strive for good business practice and we always try to do the right thing. It is the same with our staff, and they are encouraged to speak up and challenge the way we do things so that we can create open and honest relationships. All employees have a range of mandatory training sessions to complete through our HR and Compliance platforms, ensuring understanding across a broad spectrum of topics, many of which relate to ESG. Governance initiatives that have already been put in place and are making a difference include:

- establishing our ESG Committee to provide staff from within the Group with a voice and the ability to input into how our ESG strategy is embedded and should evolve
- only dealing with UK businesses as clients and in striving hard to ensure we comply with all the relevant legislation. This is the same with our tax status where all our income arises in the UK and we ensure that we meet all the obligations expected of us
- not working with industries where we believe making funds available to them may have a detrimental impact on the wider community. These include, amongst others, gambling, pornography and arms-dealing
- ensuring that we comply with our obligations under the Bribery Act 2010. This means we conduct our business in a way that is transparent and fair to all

Culture and Environmental, Social and Corporate Responsibility Report (continued)

- ensuring our clients feel confident that we will safeguard their data appropriately as we know data protection is extremely important to them. As such, we ensure we adhere to all current legislation
- focusing on Financial Crime to protect both our customers and our business. All our staff go through continual learning and development, so that they are up to speed with the latest rules and techniques in spotting Financial Crime. We are also involved in financial crime prevention within our industry so that we can help others in the wider financial services community to stop further criminal activity wherever possible

Future Governance initiatives being put in place include:

- Upskilling our staff by increasing training throughout the year and also when new staff are inducted
- Assessing the potential to enrol in the Women in Finance charter and work towards better representation, not only at board level but at each level within the Group

This report reflects the start of our ESG journey. All our developments are underpinned by the aim of, wherever possible, minimising any environmental impact we create as a business; providing as positive a place to work as is reasonably possible for all our staff; trying to positively impact the local communities around our offices where we can; and in leading by example from the top in holding ourselves to account in terms of strong governance and by operating to high standards.

James Roberts
Chief Financial Officer

Section 172 Statement and Stakeholder Engagement

for the Year Ended 31 May 2023

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 growing the more secured lending arms of the business and in reducing arrears.** This approach has seen significant growth in the Invoice Finance and Hard Asset parts of the business. Both areas operate in the more secured lending space and help drive a fall in bad debts. It is hoped an evermore robust balance sheet will increase shareholder value.

ii. **Diversifying from non-core consumer led parts of the business.** The financial year under review in this report saw the completion of the simplification of the business with the final divestment of any remaining non-core brokerage or consumer businesses. Management are now fully 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. 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

Focusing solely on providing commercial lending, our customers now fall into one distinct category, the business-to-business ("B2B") sector. We are 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. We work 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, we invest in our technology infrastructure to enable our customers and key suppliers to have a constantly improving experience with a view to becoming market-leading over time.

We adopted a more proactive policy with regards to our interactions with investors during the year. This approach will continue as we aim to foster an open and ongoing dialogue with shareholders throughout the year. Our Chair, CEO and CFO have and will continue to make themselves available to meet investors, as well as provide updates through investor presentations on the Investor Meet Company platform. Roadshows, presenting at shareholder events and the publication of regular RNS Reach updates augmented the standard programme throughout the year. We hope this will continue to help manage the expectations of shareholders and understand the motivation behind shareholder voting decisions whilst striving to make the right decisions as we navigate the macro-economic environment in which we operate. We continually aim to strike an appropriate balance between long-term shareholder value and short-term business needs.

Section 172 Statement and Stakeholder Engagement (continued)

Our communities and the environment

Whilst we have limited direct impact on the environment, we are mindful of our responsibility in this regard. To this end, a committee was established during the year under review to focus specifically on the ESG agenda and the impact the business has on these important areas. Further details can be found in the Culture and Environmental, Social and Corporate Responsibility report on page 19.

Our standards

Acting with integrity is one of our key pillars as we continually strive to maintain a high standard of business conduct. All our staff are trained thoroughly and are subject to rigorous continual professional development standards.

The Strategy section of the Annual Report on pages 8-24 was approved by the Board on 26 September 2023 and signed on its behalf by:

Tanya Raynes
Chair

Governance

"We welcome open and regular dialogue with our shareholders."

Chair’s Introduction to Governance

for the Year Ended 31 May 2023

Dear Shareholder

On behalf of the Board, I am pleased to introduce our Corporate Governance Statement for the year ended 31 May 2023.

Corporate governance, the way in which companies are directed and controlled, is ultimately the responsibility of the Board. To achieve good governance, companies require an efficient and effective management framework that is accompanied by clear communication to promote confidence and trust. We believe that good corporate governance is vital to support long-term growth in shareholder value and, as such, the purpose of this section of the Annual Report is to set out our commitment to maintaining good corporate governance across the business.

Compliance with the QCA Corporate Governance Code

Companies listed on AIM are required to adopt a recognised code of corporate governance. We have adopted the Quoted Companies Alliance Corporate Governance Code (“QCA”). We believe that QCA is a pragmatic, principles-based tool that enhances our ability to explain our approach to corporate governance. We feel it is appropriate for the needs and circumstances of small and mid-sized quoted companies on a public market like ourselves.

QCA is based around a set of ten principles to which we must either comply or explain why we have chosen not to. The ten principles of the code are set out in the table on page 29 and I can confirm that, to the best of our knowledge, we are in compliance with the requirements and the table provides signposts to the relevant disclosures and explanations.

Shareholder engagement

An important part of QCA concerns engagement and communication with our shareholders. We welcome open and regular dialogue with our shareholders and the Investor Relations section of our website provides many useful reports and presentations highlighting how we have sought to do this.

In October 2022 we were pleased to be able to invite shareholders to attend our Annual General Meeting in person for the first time since 2019. This hiatus in physical attendance was due to the restrictions in place in both 2020 and 2021 which had arisen from the ongoing impact of Covid-19. It is our intention that this year we will adopt the same approach, giving shareholders the opportunity to attend the AGM face-to-face. I would, therefore, like to extend an invitation to all our 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 2023

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 business. James also supports the Board, as Company Secretary, with compliance and governance matters. Ed and James are supported in their roles by the Leadership Team – a team of experienced leaders across the business (refer to page 7 for their biographies). The Board believes this is appropriate for the size and complexity of our business. 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 (refer to page 6 for their biographies). The Nomination Committee is responsible for considering the make-up of the Board and identifies any succession planning requirements. No individual or group dominates the Board's decision-making processes.

All Directors of the Board are subject to ratification by the Shareholders at the first AGM following their appointment. 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 business 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 business; 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. This can be found on page 17.

The Board meets 10 times during each financial year 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 and when required throughout the year. Members of the Board also chair or 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 conducted an effectiveness review in the second half of 2022 considering topics such as Board composition and governance, Board operations, strategy, stakeholder relations and the performance of individual Directors and the various Board committees. The review concluded that the structure and governance, performance and investor relations approach was appropriate for a business of our size and complexity. One imminent change is that, following the decision of Ron Russell and Julian Telling to retire from the Board at the upcoming AGM, two new NEDs have been identified and have recently joined the board. Both Tracy Watkinson and Paul Hird will add a fresh perspective on the business and bring a wealth of relevant experience and skills to the Board.

Internal control

The business has appropriate policies on internal control and corporate governance. These exist 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 business 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 business' activities are followed in preparing the financial statements; and interim and annual accounts are prepared and submitted in time to enable the business to meet statutory filing deadlines. The business 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. Given the size of the business, the Board continues to consider 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

Governance Statement (continued)

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. Tracy Watkinson and Paul Hird will replace Julian Telling and Ron Russell on this committee from November 2023 onwards.

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 in monitoring the level and structure of remuneration of the senior management. Tracy Watkinson and Paul Hird will replace Julian Telling and Ron Russell on this committee from November 2023 onwards.

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 in giving full consideration to succession planning. Tracy Watkinson and Paul Hird will replace Julian Telling and Ron Russell on this committee from November 2023 onwards.

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. Tracy Watkinson and Paul Hird will replace Julian Telling and Ron Russell on this committee from November 2023 onwards.

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	2/2
JP Telling	10/10	2/2	1/1	1/2
R Russell	9/10	2/2	1/1	1/2
EJ Rimmer	10/10	1/2*	n/a	2/2*
JMA Roberts	10/10	2/2*	n/a	2/2*

Accountability and stakeholders

The Board considers the 2023 Annual Report and Financial Statements, taken as a whole, to be fair, balanced and understandable, and that it 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 at page 30.

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 and our Governance Statement.

* By invitation

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 are 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 23) • 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 27)
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 23)
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	• Chair's Report (page 9) • Governance Statement (page 27)
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 23)
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 27)
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 23)

The Audit Committee Report

for the Year Ended 31 May 2023

I am pleased to present my report of the Audit Committee for the year ended 31 May 2023. The Audit Committee meets at least twice annually with the Group's Auditor (and as otherwise required), with the CEO and CFO attending part of the meetings 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 their 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 2022, Moore were re-appointed for the financial year to 31 May 2023. 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. As with the previous financial year, there were, again, 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 2023. 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 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 key 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. Despite the improving results in the year, this remains an area of key focus for the Committee given the size of the balance. Having written-off the goodwill associated with the non-core vehicles division in the previous financial year and 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 remaining carrying value of goodwill existed.

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

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 2024, being approximately 12 months from the date of signing of the 2023 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 cash balances and funding facilities. In all of the scenarios the Group has modelled it remains within its funding covenants for the foreseeable future. The Directors, therefore, consider the going concern basis of accounting to be appropriate. Based on this review, the Committee has a reasonable expectation that the 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 adopted 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 grows and evolves.

Tanya Raynes
Chair of the Audit Committee

The Remuneration Committee Report

for the Year Ended 31 May 2023

Dear Shareholder

I am pleased to present the report of Remuneration Committee for the financial year ended 31 May 2023.

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 2023 by the Group's Directors. 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. This includes all share-based compensation. The remuneration of the Non-Executive Directors is approved by the Board of Directors who always act fairly and reasonably and 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 and Senior Management Team 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

For the last two years, since June 2021, CEO Ed Rimmer and CFO James Roberts' salaries have been set at £220,000 and £160,000 respectively. From 1 June 2023, these will increase by £5,000 each to £225,000 and £165,000 respectively. This is a rise of approximately 3%. The awarding of this increase is felt to be reasonable given the external inflationary pressures experienced over the last two years and given that it remains significantly lower than the average salary increases awarded to the Group's employees of 6% this year and the 5% last year. Ed Rimmer's salary remains at approximately 5 times the average basic salary of the Group's employees.

As regards the Non-Executive Directors, Tanya Raynes, Non-Executive Chair, received a pay rise from 1 June 2023. This increases her salary to £57,500 from £52,500 and reflects completion of her first full financial year in the role. Both Ron Russell and Julian Telling, having decided to step down from the Board after the upcoming AGM in November 2023, will not be receiving pay rises and remain on £28,000 and £34,000 respectively. The Group's two new Non-Executives, Tracy Watkinson and Paul Hird, have had their remuneration set at base salaries of £30,000 each.

Annual bonuses

The annual bonus for the period through to 31 May 2023 was assessed against financial performance targets. Given the significant overperformance of the Group in respect of Profit Before Tax to market expectations, where the initial market guidance was exceeded by approximately 45% and three profit upgrades were announced during the financial year, the threshold target was achieved and therefore both Ed Rimmer and James Roberts have been awarded a bonus payment. Ed Rimmer has been awarded £123,389 and James Roberts £89,739.

Directors' Detailed Remuneration

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

	Salary	Pension	Benefits	Bonus	2023 Total	2022 Total
EJ Rimmer	220	-	16	123	359	236
JMA Roberts	160	7	16	90	273	183
T Raynes	53	2	-	-	55	40
JP Telling	34	-	-	-	34	34
R Russell	28	-	-	-	28	28
	495	**9**	**32**	**213**	**749**	**521**

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 2023 number of ordinary shares	As at 31 May 2022 number of ordinary shares
Executives		
EJ Rimmer	**66,606**	-
JMA Roberts	**535,550**	448,999
Non-Executives		
T Raynes	**21,156**	-
JP Telling	**248,166**	222,166
R Russell	**11,322,788**	10,977,967

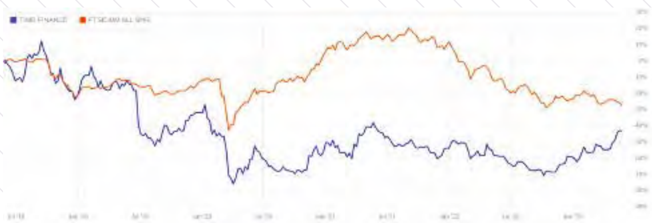
Directors' Share Options

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	31 May 2022	Granted	Exercised	Cancelled	31 May 2023
JMA Roberts	Unapproved	247,000	-	123,500	-	**123,500**
EJ Rimmer	Unapproved	-	1,235,000	-	-	**1,235,000**

James Roberts' shares were issued as part of Unapproved 2020 Share Option Scheme. Ed Rimmer's were issued under the Unapproved 2022 Share Option Scheme. Further details are provided in Note 26 to the consolidated financial statements and on the Group's website.

Performance History



The market price of ordinary shares at 31 May 2023 was 28.50p (31 May 2022: 21.20p). The range during the year to 31 May 2023 was from 15.30p to 29.30p (year to 31 May 2022: 20.50p to 30.25p). The graph shows the percentage movement in the share price of Time Finance from 1 June 2018 to 31 May 2023 compared to the FTSE AIM All-Share index.

Recent Developments

There have been no further significant developments in the Executive remuneration since the financial year-end. As explained in last year's Annual Report and Financial Statements, both a cash bonus scheme and a medium-term incentive plan were established in July 2022. The details of which included:

- a cash bonus scheme for the Executive Directors in respect of the financial years ending 31 May 2023, 31 May 2024 and 31 May 2025. Each annual element being conditional upon the achievement of results above market expectations and capped at 100% of basic salary.
- a long-term incentive plan for 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 granted to Ed Rimmer and 600,000 to other senior staff within the Group. The awarded options vest in equal tranches over a three-year period subject to stretching annual performance conditions in excess of market expectations in respect of the Group's profitability.

It remains the expectation of the Remuneration Committee that all share options in place at year-end, should they vest, will be met from the Group's Employee Benefit Trust. As such, there should be no issuance of new shares and so no associated dilution of shareholders with regards the various share options schemes in place.

Conclusion

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

Julian Telling
Chair of the Remuneration Committee

Directors' Report

for the Year Ended 31 May 2023

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 May 2023.

Principal Activity

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

Results and Dividends

The Group's profit after tax for the year was £3.4m (2022: £0.9m). The Directors do not propose a final dividend (2022: 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 pages 16–18.

Events Since the End of the Year

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

Directors

The Directors shown below have held office during the whole of the period from 1 June 2022 to the date of this report unless otherwise stated.

T Raynes	Non-Executive Chair
JP Telling	Non-Executive Director
R Russell	Non-Executive Director
TE Watkinson	Non-Executive Director (appointed 19 September 2023)
PGS Hird	Non-Executive Director (appointed 19 September 2023)
EJ Rimmer	Chief Executive Officer
JMA Roberts	Chief Financial Officer

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 2023 is disclosed in the Directors' Share Interests section within the Remuneration Committee Report on page 32. Details of the Directors' share options are provided in the Directors' Share Options section within the same report on page 33.

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 it 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 2023:

	Number of shares	% of issued share capital
Arena Investors, LP	**18,425,000**	19.92
GPIM Limited	**16,997,431**	18.37
R Russell	**11,322,788**	12.24
Aeternitas Imperium Privatstiftung	**3,563,000**	3.85

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.

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
26 September 2023

Financial Statements

"The lending book is at a record high, as are Net Tangible Assets; cash reserves remain solid, and arrears remain well below pre-pandemic levels"

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 2023 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 2023 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 Directors' 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.

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
Recoverability of trade receivables and valuation of the expected credit loss provision The financial statements include net trade receivables of £149m (2022:£120m), which represents 82% (2022:79%) of the Group's total assets. The credit loss provision is £4.2m (2022:£3.6m). 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. – We 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 a sample of new contracts to ensure they were entered into the system accurately and revenue recognised appropriately. – We reperformed a sample of calculations to test that the operating system was allocating interest to the correct periods. – We reviewed the disclosures in the Group's accounting policy over revenue to gain assurance they were consistent with both the conclusions from the audit testing performed as well as being in line with IFRS.	We have no matters to communicate in respect of revenue recognition.
Goodwill Impairment Assessment The Group has goodwill across two cash generating units ("CGUs") at 31 May 2023: £27.3m (2022: £27.3m). 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 2022/23 to determine management's ability to forecast accurately and understand the reasons for any material variances. – Performed additional sensitivities, to challenge the strength of the forecasting model; this involved running combined sensitivities using increased discount rates. – Performed a model integrity check, including reviewing the model for mathematical and clerical accuracy. – Reviewed the disclosures in the financial statements.	Based on the audit procedures performed we are satisfied that the valuation of goodwill at year end is appropriate.

Area of focus	Work performed to address this risk	Conclusion of findings
Going concern During the year ended 31 May 2023 the Group saw strong growth despite the impact of in the 'cost of living' crisis which has seen arrears and credit risk provision grow. This has resulted in some customers struggling to meet their repayment obligations. Despite the long lasting impact of the Covid pandemic now easing, the Group is still below its pre pandemic levels. Management have concluded that the Group remains a going concern at the date of signing these financial statements. Due to the potential significance of the 'cost of living' crisis 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: – We have considered the impact of the current cost of living crisis and inflationary pressures on the budgets and projections of the Group within our sensitivity testing 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 £150,000 (2022: £145,000) and £35,000 (2022: £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 cost of living crisis/covid and the 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 £7,500 (2022: £7,250) 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.

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

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 Directors' Responsibilities Statement set out on page 34, 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 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.

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.

S Cunningham
(Senior Statutory Auditor)
for and on behalf of Moore
Chartered Accountants & Statutory Auditor
30 Gay Street
Bath
BA1 2PA
26 September 2023

Consolidated Income Statement

for the Year Ended 31 May 2023

	Notes	Continuing Operations 2023 £'000	Discontinued Operations 2023 £'000	Total 2023 £'000	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000
Revenue		**26,968**	**602**	**27,570**	22,488	1,123	23,611
Other Income	8	**–**	**–**	**–**	22	7	29
Total Revenue		**26,968**	**602**	**27,570**	22,510	1,130	23,640
Cost of Sales		**(11,172)**	**(227)**	**(11,399)**	(8,061)	(587)	(8,648)
GROSS PROFIT		**15,796**	**375**	**16,171**	14,449	543	14,992
Administrative expenses		**(11,371)**	**(277)**	**(11,648)**	(11,059)	(712)	(11,771)
Exceptional Items	11	**(70)**	**(10)**	**(80)**	(1,685)	(184)	(1,869)
Share-based payments	26	**(125)**	**–**	**(125)**	(43)	–	(43)
OPERATING PROFIT		**4,230**	**88**	**4,318**	1,662	(353)	1,309
Finance costs	5	**(152)**	**–**	**(152)**	(255)	–	(255)
Finance income	5	**1**	**–**	**1**	1	–	1
PROFIT BEFORE INCOME TAX	6	**4,079**	**88**	**4,167**	1,408	(353)	1,055
Adjusted earnings before tax, exceptional items and share-based payments		**4,274**	**98**	**4,372**	3,136	(169)	2,967
Exceptional items	11	**(70)**	**(10)**	**(80)**	(1,685)	(184)	(1,869)
Share-based payments	26	**(125)**	**–**	**(125)**	(43)	–	(43)
PROFIT BEFORE INCOME TAX		**4,079**	**88**	**4,167**	1,408	(353)	1,055
Income tax	7	**(720)**	**–**	**(720)**	(134)	–	(134)
PROFIT FOR THE YEAR		**3,359**	**88**	**3,447**	1,274	(353)	921
Profit attributable to: Owners of the parent company		**3,359**	**88**	**3,447**	1,274	(353)	921
Earnings per share expressed in pence per share	10						
Basic		**3.63**	**0.10**	**3.73**	1.38	(0.38)	1.00
Diluted		**3.63**	**0.10**	**3.73**	1.38	(0.38)	1.00

The notes on pages 49 to 72 form part of these financial statements

Consolidated Statement of Comprehensive Income

for the Year Ended 31 May 2023

	Notes	Continuing Operations 2023 £'000	Discontinued Operations 2023 £'000	Total 2023 £'000	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000
PROFIT FOR THE YEAR		**3,359**	**88**	**3,447**	1,274	(353)	921
OTHER COMPREHENSIVE INCOME		**–**	**–**	**–**	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,359**	**88**	**3,447**	1,274	(353)	921
Total comprehensive income attributable to: Owners of the parent company		**3,359**	**88**	**3,447**	1,274	(353)	921

The notes on pages 49 to 72 form part of these financial statements

Consolidated Statement of Financial Position

31 May 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	**27,263**	27,263
Intangible assets	13	**231**	298
Property, plant and equipment	14	**238**	320
Right-of-use property, plant and equipment	14,22	**573**	30
Trade and other receivables	16	**58,530**	50,344
Deferred tax	23	**1,236**	1,036
		88,071	79,291
CURRENT ASSETS			
Trade and other receivables	16	**91,847**	70,852
Cash and cash equivalents	17	**3,772**	3,170
		95,619	74,022
TOTAL ASSETS		**183,690**	153,313
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	**9,252**	9,252
Share premium	19	**25,543**	25,543
Employee shares	19	**231**	106
Treasury shares	19	**(770)**	(820)
Retained earnings	19	**27,419**	23,972
TOTAL EQUITY		**61,675**	58,053
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	20	**52,822**	39,033
Financial liabilities - borrowings	21	**1,319**	2,344
Lease liability	22	**428**	–
		54,569	41,377
CURRENT LIABILITIES			
Trade and other payables	20	**65,207**	51,956
Financial liabilities - borrowings	21	**1,625**	1,879
Tax payable		**423**	18
Lease liability	22	**191**	30
		67,446	53,883
TOTAL LIABILITIES		**122,015**	95,260
TOTAL EQUITY AND LIABILITIES		**183,690**	153,313

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2023 and were signed on its behalf by:

J M A Roberts
Chief Financial Officer

The notes on pages 49 to 72 form part of these financial statements

Company Statement of Financial Position

31 May 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	**221**	272
Property, plant and equipment		**14**	15
Investments	15	**21,030**	21,052
		21,265	21,339
CURRENT ASSETS			
Trade and other receivables	16	**25,276**	21,990
Cash and cash equivalents	17	**686**	945
		25,962	22,935
TOTAL ASSETS		**47,227**	44,274
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	18	**9,252**	9,252
Share premium	19	**25,543**	25,543
Employee shares	19	**194**	106
Treasury shares	19	**(770)**	(820)
Retained earnings	19	**8,858**	2,812
TOTAL EQUITY		**43,077**	36,893
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	21	**1,319**	2,344
Deferred tax	23	**41**	54
		1,360	2,398
CURRENT LIABILITIES			
Trade and other payables	20	**1,602**	3,958
Financial liabilities – borrowings	21	**1,025**	1,025
Tax payable		**163**	
		2,790	4,983
TOTAL LIABILITIES		**4,150**	7,381
TOTAL EQUITY AND LIABILITIES		**47,227**	44,274
Company profit for the financial year		**518**	1,386

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 26 September 2023 and were signed on its behalf by:

J M A Roberts

Chief Financial Officer

The notes on pages 49 to 72 form part of these financial statements

Consolidated Statement of Changes in Equity

for the Year Ended 31 May 2023

	Called up share capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
Balance at 31 May 2021	9,252	23,051	23,543	(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**
Total comprehensive income	–	3,447	–	–	–	3,447
Transactions with owners						
Share Capital reduction	–	–	–	–	–	–
Sale of treasury shares	–	–	–	50	–	50
Value of employee services	–	–	–	–	125	125
Balance at 31 May 2023	**9,252**	**27,419**	**25,543**	**(770)**	**231**	**61,675**

Company Statement of Changes in Equity

for the Year Ended 31 May 2023

	Called up share capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
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**
Total comprehensive income	–	518	–	–	–	518
Transactions with owners						
Purchase of treasury shares	–	–	–	50	–	50
Dividends	–	5,528	–	–	–	5,528
Value of employee services	–				88	88
Balance at 31 May 2023	**9,252**	**8,858**	**25,543**	**(770)**	**194**	**43,077**

The notes on pages 49 to 72 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 May 2023

	Notes	Continuing Operations 2023 £'000	Discontinued Operations 2023 £'000	Total 2023 £'000	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000
Cash generated from operations							
Profit before tax		**4,079**	**88**	**4,167**	1,401	(346)	1,055
Depreciation & amortisation charges		**422**	**1**	**423**	571	40	611
Finance costs		**152**	**–**	**152**	236	–	236
Finance income		**(1)**	**–**	**(1)**	(1)	–	(1)
Loss on disposal of property, plant and equipment		**17**	**–**	**17**	12	134	146
(Increase) / Decrease in trade and other receivables		**(29,201)**	**20**	**(29,181)**	(22,147)	359	(21,788)
Increase / (Decrease) in trade and other payables		**27,056**	**(16)**	**27,040**	15,632	(84)	15,548
Movement in other non-cash items		**944**	**(435)**	**509**	1,288	(46)	1,242
		3,468	**(342)**	**3,126**	(3,008)	57	(2,951)
Cash flows from operating activities							
Interest paid		**(152)**	**–**	**(152)**	(236)	–	(236)
Tax paid		**(541)**	**–**	**(541)**	(430)	–	(430)
Net cash from operating activities		**2,775**	**(342)**	**2,433**	(3,674)	57	(3,617)
Cash flows from investing activities							
Purchase of software, property, plant & equipment		**(129)**	**–**	**(129)**	(149)	(5)	(154)
Interest received		**1**	**–**	**1**	1	–	1
Net cash from investing activities		**(128)**	**–**	**(128)**	(148)	(5)	(153)
Cash flows from financing activities							
Payment of lease liabilities		**(170)**	**–**	**(170)**	(178)	(21)	(199)
Loan repayments in year		**(1,025)**	**–**	**(1,025)**	(731)	–	(731)
Changes in overdrafts		**(254)**	**–**	**(254)**	(40)	(9)	(49)
Net cash from financing activities		**(1,449)**	**–**	**(1,449)**	(949)	(30)	(979)
Increase/(decrease) in net cash and cash equivalents		**1,198**	**(342)**	**856**	(4,771)	22	(4,749)
Net cash and cash equivalents at beginning of year	27	**2,574**	**342**	**2,916**	7,674	(9)	7,665
Net cash and cash equivalents at end of year	27	**3,772**	**–**	**3,772**	2,903	13	2,916

The notes on pages 49 to 72 form part of these financial statements

Company Statement of Cash Flows

for the Year Ended 31 May 2023

	Notes	2023 £'000	2022 £'000
Cash generated from operations			
Profit before tax		**518**	1,365
Depreciation & amortisation charges		**125**	193
Finance costs		**63**	41
(Increase)/Decrease in trade and other receivables		**(3,286)**	1,632
(Decrease) in trade and other payables		**(2,189)**	(3,403)
Movement in other non-cash items		**143**	(824)
		(4,626)	(996)
Cash flows from operating activities			
Interest paid		**(63)**	(41)
Net cash from operating activities		**(4,689)**	(1,037)
Cash flows from investing activities			
Purchase of software, property, plant & equipment		**(73)**	(46)
Dividends received		**5,528**	900
Net cash from investing activities		**5,455**	854
Cash flows from financing activities			
Loan repayments in period		**(1,025)**	(731)
Net cash from financing activities		**(1,025)**	(731)
Decrease in net cash and cash equivalents		**(259)**	(914)
Net Cash and cash equivalents at beginning of year	27	**945**	1,859
Net Cash and cash equivalents at end of year	27	**686**	945

The notes on pages 49 to 72 form part of these financial statements

Notes to the Consolidated Financial Statements

For the Year Ended 31 May 2023

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 relation to vehicles broking is recognised at the point when the vehicle has been delivered and the invoice to the funder has been raised. Brokerage commission income in relation to Leases and Loans is recognised at the point the loan or lease is paid out.

Notes to the Consolidated Financial Statements (continued)

2. Accounting Policies (cont.)

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 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.

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 twelve 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: (a) 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 twelve months after the end of the reporting period are discounted to their present value.

Notes to the Consolidated Financial Statements (continued)

2. Accounting Policies (cont.)

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 3 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.

3. Segmental Reporting

The Group provides a range of financial services and product offerings throughout the UK. This financial year has seen the Group amend its reporting on a segmental basis to more accurately reflect the fact it has only two core trading divisions, namely: Asset Finance and Invoice Finance. The Group's ancillary product offerings, Commercial Loans and Vehicles fleet brokering are included within the Asset Finance segment as they operate under the same management team, office locations and with the same back-office teams.

The operating segments, therefore, reflect the Group's 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; plc Board and listing costs, Marketing, Compliance, IT and Human Resource costs.

For the year ended 31 May 2023	Asset Finance £'000	Invoice Finance £'000	Other £'000	TOTAL £'000
Revenue	16,540	10,679	351	27,570
Cost of sales	(8,389)	(2,784)	(226)	(11,399)
GROSS PROFIT	8,151	7,895	125	16,171
Administrative expenses	(6,009)	(4,040)	(1,599)	(11,648)
Exceptional items	–	(34)	(46)	(80)
Share-based payments	(26)	(11)	(88)	(125)
OPERATING PROFIT	2,116	3,810	(1,608)	4,318
Finance costs	(75)	(14)	(63)	(152)
Finance income	1	–	–	1
PROFIT BEFORE INCOME TAX	2,042	3,796	(1,671)	4,167
Intra-group recharges	(855)	(816)	1,671	–
PROFIT BEFORE INCOME TAX	1,187	2,980	–	4,167
Adjusted earnings before interest, tax, exceptional items and share-based payments	2,068	3,841	(1,537)	4,372
Exceptional items	–	(34)	(46)	(80)
Share-based payments	(26)	(11)	(88)	(125)
PROFIT BEFORE INCOME TAX	2,042	3,796	(1,671)	4,167

Notes to the Consolidated Financial Statements (continued)

3. Segmental Reporting (cont.)

For the year ended 31 May 2022 (restated)	Asset Finance £'000	Invoice Finance £'000	Other £'000	TOTAL £'000
Revenue	15,810	7,809	21	23,640
Cost of sales	(7,380)	(1,268)	–	(8,648)
GROSS PROFIT	8,430	6,541	21	14,992
Administrative expenses	(5,997)	(3,078)	(2,696)	(11,771)
Exceptional items	(1,308)	(76)	(485)	(1,869)
Share-based payments	–	(5)	(38)	(43)
OPERATING PROFIT	1,125	3,382	(3,198)	1,309
Finance costs	(192)	(3)	(60)	(255)
Finance income	1	–	–	1
PROFIT BEFORE INCOME TAX	934	3,379	(3,258)	1,055
Intra-group recharges	(2,181)	(1,077)	3,258	–
PROFIT BEFORE INCOME TAX	(1,247)	2,302	–	1,055
Adjusted earnings before interest, tax, exceptional items and share-based payments	2,242	3,460	(2,735)	2,967
Exceptional items	(1,308)	(76)	(485)	(1,869)
Share-based payments	–	(5)	(38)	(43)
PROFIT BEFORE INCOME TAX	934	3,379	(3,258)	1,055

4. Employees and Directors

	2023 £'000	2022 £'000
Wages and salaries	**6,676**	6,903
Social security costs	**783**	827
Other pension costs	**252**	240
	7,711	7,970

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

	2023	2022
Management	**10**	14
Operational	**117**	130
	127	144

	2023 £'000	2022 £'000
Directors' remuneration	**749**	550
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 Directors' aggregate emoluments in respect of qualifying services were:

	Salary	Bonus	Pension	Benefits	2023 £'000 Total	2022 £'000 Total
T Raynes	53	–	2	–	**55**	40
EJ Rimmer	220	123	–	16	**359**	236
J M A Roberts	160	90	7	16	**273**	183
R Russell	28	–	–	–	**28**	28
J P Telling	34	–	–	–	**34**	34
JD Newman (*resigned on 21 October 2021*)	–	–	–	–	**–**	29
	495	**213**	**9**	**32**	**749**	**550**

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 63,911 were disposed of to meet associated tax liabilities.

5. Net Finance Costs

	2023 £'000	2022 £'000
Finance income:		
Bank account interest	**1**	1
Finance costs:		
Bank loan interest	**86**	90
Interest payable	**66**	165
	152	255
Net finance costs	**151**	254

6. Profit before Income Tax

The profit before income tax is stated after charging:

	2023 £'000	2022 £'000
Depreciation - owned assets	**289**	388
Computer software amortisation	**134**	223
Net credit loss charge	**2,437**	930
Funding facility interest charges	**4,547**	2,515
Introducer commissions	**2,868**	3,014
Fees payable to the Company's auditor for the audit of Company's subsidiaries	**68**	72
Fees payable to the Company's auditor for the audit of Company	**16**	14

Notes to the Consolidated Financial Statements (continued)

7. Income Tax

Analysis of tax expense	2023 £'000	2022 £'000
Current tax:		
Tax	**920**	364
Deferred tax	**(200)**	(230)
Total tax expense in consolidated income statement	**720**	134

Factors affecting the tax expense

The tax assessed for the year is lower (2022 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £'000	2022 £'000
Profit before income tax	**4,167**	1,055
Profit multiplied by the standard rate of corporation tax in the UK of 19% for the period to 31 March 2023 and 25% for the period to 31 May 2023 (2022 – 19%)	**1,008**	200
Effects of:		
Permanent tax differences	**–**	(66)
Prior year adjustments	**(88)**	–
Deferred tax (credit)	**(200)**	–
Tax expense	**720**	134

Corporation tax is calculated at 17.3% (2022: 12.7%) 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.

	2023 £'000	2022 £'000
Government grants:		
Coronavirus Job Retention Scheme	**–**	8
Coronavirus Business Interruption Loan Scheme	**–**	21
	–	29

9. Dividends

	2023 £'000	2022 £'000
Ordinary shares of £0.10 each		
Final	**–**	–
Interim	**–**	–
	–	–

The Directors do not propose a final dividend relating to this financial period (2022: 0.0p per share). Future dividends will be kept under review with the next review expected at the time of the Interim results.

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.

There are no dilutive items impacting the Group and, as such, the Basic EPS and Diluted EPS are identical. Any share options that are vested are fully expected to be met from the Group's Employee Benefit Trust. Therefore, issuance of new shares is not expected to be required and as a result, there is no associated dilution.

2023	Earnings £'000	Weighted average number of shares	Per-share amount pence
TOTAL			
Basic EPS			
Earnings attributable to ordinary shareholders	**3,447**	**92,512,704**	**3.73**
Diluted EPS			
Adjusted earnings	**3,447**	**92,512,704**	**3.73**
CONTINUING OPERATIONS			
Basic EPS			
Earnings attributable to ordinary shareholders	**3,359**	**92,512,704**	**3.63**
Diluted EPS			
Adjusted earnings	**3,359**	**92,512,704**	**3.63**
DISCONTINUED OPERATIONS			
Basic EPS			
Earnings attributable to ordinary shareholders	**88**	**92,512,704**	**0.10**
Diluted EPS			
Adjusted earnings	**88**	**92,512,704**	**0.10**

Notes to the Consolidated Financial Statements (continued)

10. Earnings Per Share (cont.)

2022	Earnings £'000	Weighted average number of shares	Per-share amount pence
TOTAL			
Basic EPS			
Earnings attributable to ordinary shareholders	921	92,512,704	1.00
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
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)
Diluted EPS			
Adjusted earnings	(353)	92,512,704	(0.38)

11. Exceptional Items

During the year the Group incurred the following exceptional items:

	2023 £'000	2022 £'000
Restructuring	–	718
Disposal of subsidiary- goodwill write-off	–	978
Other	**80**	173
	80	1,869

The other exceptional costs relate largely to strategic initiatives.

12. Goodwill

Group	£'000
COST	
At 1 June 2022 and 31 May 2023	27,263
NET BOOK VALUE	
At 31 May 2023	27,263
At 31 May 2022	27,263

The value of goodwill carried on the Balance Sheet is required to be monitored at the "operating segment" level. As detailed in Note 3, management consider there to be two operating segments – Invoice Finance and Asset Finance. Goodwill has therefore been allocated appropriately to two 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 four-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 8.5%.

	2023 Carrying Value £'000	2022 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	15,302	15,302	6,036	2,166	2,898
Invoice Finance	11,961	11,961	9,081	4,759	5,474
	27,263	**27,263**	**15,117**	**6,925**	**8,372**

*total recoverable amount which exceeds the carrying amount including goodwill

A 1% increase in the discount rate would decrease the headroom by £8.2m to £6.9m. A reduction in the forecasted cash flows of 10% per annum would reduce the headroom by £6.7m to £8.4m.

Notes to the Consolidated Financial Statements (continued)

13. Intangible Assets

2023	Group Computer software £'000	Company Computer software £'000
COST		
At 1 June 2022	**1,192**	**865**
Additions	**71**	**66**
Disposals	**(6)**	**–**
At 31 May 2023	**1,257**	**931**
AMORTISATION		
At 1 June 2022	**894**	**593**
Charge for year	**134**	**117**
Eliminated on disposal	**(2)**	**–**
At 31 May 2023	**1,026**	**710**
NET BOOK VALUE		
At 31 May 2023	**231**	**221**
At 31 May 2022	**298**	**272**

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

14. Property, Plant and Equipment

Group 2023	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 2022	73	185	456	184	837	536	2,271
Additions	–	4	–	8	46	709	767
Disposals	–	–	(120)	(7)	(79)	(550)	(756)
At 31 May 2023	73	189	336	185	804	695	2,282
DEPRECIATION							
At 1 June 2022	56	182	257	174	746	506	1,921
Charge for year	8	2	55	7	51	166	289
Disposals	–	–	(109)	(7)	(73)	(550)	(739)
At 31 May 2023	64	184	203	174	724	122	1,471
NET BOOK VALUE							
At 31 May 2023	9	5	133	11	80	573	811
At 31 May 2022	17	3	199	10	91	30	350

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

Notes to the Consolidated Financial Statements (continued)

15. Investments

Company

	Shares in group undertaking £'000
COST	
At 1 June 2022 and 31 May 2023	21,052
DISPOSAL	(22)
NET BOOK VALUE	
At 31 May 2023	21,030
At 31 May 2022	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 2023	Proportion of voting equity 2022
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 Property Finance Limited	Direct	Commercial Loans	England	100	100
Time Invoice Finance Limited	Indirect	Invoice Finance	England	100	100
Time Commercial Finance Ltd	Direct	Holding company	England	100	100

Time Finance plc holds 100% of Time Commercial Finance Limited which in turn holds 100% of Time Invoice Finance Limited.

Three 100% owned entities, Bell Finance Limited ("Bell"), Time Invoice Finance (South) Limited ("TIFS") and Sterling Asset Finance Limited ("SAF") had all been closed by 31 May 2023. SAF was later dissolved on 15 August 2023, and Bell and TIFS on 22 August 2023.

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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current:				
Trade receivables	**90,328**	69,829	**–**	–
Provision for bad debts	**(4,240)**	(3,618)	**–**	–
Amounts owed by group undertakings	**–**	–	**24,760**	21,812
Other receivables	**956**	2,000	**361**	68
Prepayments and accrued income	**4,803**	2,641	**155**	110
	91,847	70,852	**25,276**	21,990
Non-current:				
Trade receivables	**58,530**	50,344	**–**	–
Aggregate amounts	**150,377**	121,196	**25,276**	21,990

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

	2023 £'000	2022 £'000
Gross receivables from finance leases, loans and invoice finance	**170,063**	136,845
Unearned future finance income on finance leases, loans and invoice finance	**(21,205)**	(16,716)
	148,858	120,129

Of the above gross receivables, £102.5m relates to finance leases (2022: £78.8), £11.2m relates to Loans (2022: £16.9m) and £56.4m (2022: £41.1m) relates to Invoice Financing. Of the unearned income, £18.9m relates to finance leases (2022: £13.4m) and £2.3m (2022: £3.3m) to Loans.

	2023 £'000	2022 £'000
Unimpaired trade receivables, net of unearned income	**148,858**	120,129
Allowance for credit risk provision	**(4,240)**	(3,618)
	144,618	116,511

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 approximately 39 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 1.1% of the total balance outstanding.

Movement in the credit risk provision

	2023 £'000	2022 £'000
Opening balance	**3,618**	5,229
Increase/(Decrease) in provision	**622**	(1,611)
	4,240	3,618

17. Cash and Cash Equivalents

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank accounts	**3,772**	3,170	**686**	945

As at 31 May 2023, the Group had cash of £3.8m

The Group also had £1.3m 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.

Notes to the Consolidated Financial Statements (continued)

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 2022 and				
At 31 May 2023	**92,512,704**	**9,252**	**25,543**	**34,795**

	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**

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. As at 31 May 2023, the Company's EBT held a total of 1,655,268 Ordinary Shares, representing approximately 1.8% 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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current:				
Trade payables	**61,570**	48,853	**–**	–
Amounts owed to group undertakings	**–**	–	**713**	3,457
Social security and other taxes	**183**	273	**195**	49
Other payables	**3,069**	2,761	**493**	295
VAT	**385**	69	**201**	157
	65,207	51,956	**1,602**	3,958
Non-current:				
Trade payables	**52,822**	39,033	**–**	–
	52,822	39,033	**–**	–
Aggregate amounts	**118,029**	90,989	**1,602**	3,958

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 3.75% to 8.75% (2022: 2.6% to 7.0%).

21. Financial Liabilities - Borrowings

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current borrowings at amortised cost				
Bank overdrafts	**–**	254	**–**	–
Other loans	**1,625**	1,625	**1,025**	1,025
	1,625	1,879	**1,025**	1,025
Non-current borrowings at amortised cost				
Other loans	**1,319**	2,344	**1,319**	2,344
Aggregate amounts	**2,944**	4,223	**2,344**	3,369

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 £2.3m as at 31 May 2023 (2022: £3.4m) with rates of 2.5% over bank base rate in relation to £1.6m of the outstanding balance, and 2.6% over bank base rate in relation to £0.7m of the outstanding balance. The loan from UKPHL has an interest rate of 6.0% 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	Other £'000	Total £'000
Right-of-use assets			
Cost			
At 1 June 2022	333	64	**397**
Additions	692	17	**709**
Disposals	(333)	(64)	**(397)**
At 31 May 2023	692	17	**709**
Depreciation			
At 1 June 2022	303	64	**367**
Depreciation charge for the year	161	4	**165**
Eliminated on disposal	(333)	(64)	**(397)**
At 31 May 2023	131	4	**135**
NET BOOK VALUE			
At 31 May 2023	561	13	**574**
At 31 May 2022	30	–	**30**

Notes to the Consolidated Financial Statements (continued)

22. Leasing (cont.)

Lease Liabilities

	Leasehold Property £'000	Other £'000	Total £'000
Discounted future cashflows			
Not later than one year	186	5	**191**
Later than one year and not later than five years	421	7	**428**
Later than five years	–	–	**–**
Total discounted future cash flows	**607**	**12**	**619**
Current lease liabilities	186	5	191
Non-current lease liabilities	421	7	428

Amounts recognised in Income Statement	Leasehold Property £'000	Other £'000	Total £'000
Interest on lease liabilities	26	1	**27**
Depreciation charge for right-of-use assets	142	4	**146**
Lease expense	–	–	**–**

Amounts recognised in consolidated statement of cashflows	£'000
Total cash outflow for leases	**170**

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:

	2023 £'000	2022 £'000
Within 1 year	**61**	98
More than 1 year but less than 5 years	**53**	104
	114	202

Finance lease receivables

The Group has the following net investment in finance leases:

	2023 £'000	2022 £'000
Within 1 year	**25,772**	18,054
More than 1 year but less than 5 years	**54,567**	43,562
	80,339	61,616

Amounts recognised in the Income Statement

	2023 £'000	2022 £'000
Operating lease income	**68**	173
Finance leases – finance income on the net investment in the lease	**10,365**	7,868
	10,433	8,041

23. Deferred Tax

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Balance at 1 June	**1,036**	806	**(54)**	(75)
Non-current assets timing differences	**200**	230	**13**	21
Balance carried forward	**1,236**	1,036	**(41)**	(54)

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 (2022: £600,000) and is included in current liabilities. Interest is charged at 6% per annum from 1 March 2023 (2022: 4%) and the loan is repayable with 3 months' notice. The loan is expected to be repaid in full by the end of September 2023. Interest paid in the year was £27,000 (2022: £24,000).

25. Events after the Reporting Period

Dividends

The Directors do not propose a final dividend for this financial period (2022: 0.0p per share). Future dividends will be kept under review.

Notes to the Consolidated Financial Statements (continued)

26. Share-Based Payment Transactions

The Group has two established unapproved share schemes. The first ("2020 Scheme") was established in October 2020 and the second ("2022 Scheme") in July 2022.

The 2020 Scheme:

- 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 1,575,000 lapsed as a result of leavers. 2,512,500 awards were exercised as part of the share price element and the first and second tranche of the time-based element. This results in outstanding awards of 202,500.

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	20/20/2020	202,500	0.177	01/10/2021 01/10/2022 01/10/2023	01/10/2023	3	n/a	-0.6%	Nil	0.177	0.010	123	16
Total		**202,500**										**123**	**16**

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.

The 2022 Scheme:

- 100% of Share Options awarded to each recipient vest in three equal annual tranches on 1 October 2023, 1 October 2024 and 1 October 2025 subject to stretching annual performance conditions in respect of the profitability of the Group and the recipients' continued employment with the Group on those respective dates.

A total of 1,835,000 awards were granted. As at 31 May 2023, no options had lapsed or been exercised.

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	21/07/2022	1,835,000	0.195	01/10/2023 01/10/2024 01/10/2025	01/10/2025	3	n/a	1.99%	Nil	0.103	0.010	109	109
Total		**1,835,000**										**109**	**109**

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.

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 2023	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash and cash equivalents	**3,772**	3,170	**686**	945
Bank overdrafts	**–**	(254)	**–**	–
	3,772	2,916	**686**	945

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

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 (2022: £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

	2023 £'000	2022 £'000
Financial assets		
Cash and bank balances	**3,772**	3,170
Net trade receivables	**144,618**	116,555
Financial liabilities		
Net trade payables and borrowings	**117,336**	92,109

Notes to the Consolidated Financial Statements (continued)

28. Financial Instruments (cont.)

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
2023						
Gross trade payables	**63,917**	**14,551**	**18,131**	**22,598**	**119,197**	**114,392**
Borrowings	**1,734**	**1,098**	**314**	**–**	**3,146**	**2,944**
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

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 2023, the Group reported credit risk impairment provisions of £4.2m which is £0.6m higher than the prior year amount of £3.6m.

Credit Risk Provision	**£'000**
Opening Credit Risk Provision at 1 June 2022	3,618
Increase in the provision measured at an amount equal to 12-month ECLs	204
Decrease in the provision measured at an amount equal to lifetime ECLs	(4)
Increase in the provision for assets that were credit impaired at the reporting date	422
Credit Risk Provision at 31 May 2023	**4,240**

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 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 twelve 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 thirty 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 ninety days. A non-performing agreement is an agreement which is credit impaired and has been passed over to the Group's legal department. These agreements typically have a trigger event which has detrimentally affected future cash flows. For these assets a lifetime ECL is recognised.

Financial assets are written off when there is no reasonable expectation of recovery. 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 2023	ECL rate	Basis for recognition of ECL provision	Credit loss provision £'000
Performing	1%	12-month ECL	721
Underperforming	3%	Lifetime ECL	54
Non-performing	55%	Lifetime ECL	3,465
Total			**4,240**

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

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 approximately two-thirds of all non-performing soft asset agreements, a performance which therefore accurately reflects the ECLs above. The ECL rates are applied to the net exposure in each bucket.

Notes to the Consolidated Financial Statements (continued)

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:

	2023 £'000	2022 £'000
Short term leases (less than 12 months)	**41**	62
Leases of low value assets (less than £5k)	**–**	–
Variable lease payments	**–**	–
Lease expense (IAS 17)	**–**	–
	41	62

At 31 May 2023, the Group did not have any other commitments to short term leases (2022: nil).

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