RNS Number : 6552N
Time Finance PLC
26 September 2023

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**Time Finance plc**
("Time Finance", the "Group" or the "Company")

**Final Results for the year ended 31 May 2023**

***Strong growth in Revenue, PBT and EPS***
***Own-Book origination and lending portfolio significantly increase***

Time Finance plc (AIM: TIME), the AIM listed independent specialist finance provider, is pleased to announce its final results for the year ended 31 May 2023.

**Commenting on the results, Tanya Raynes, Non-executive Chair, said:**
*"The Group's strong financial performance over the past year further strengthens our confidence in the strategic plan and the capability of our team to deliver it. Revenue and profits increased strongly during the period with the lending book and Net Tangible Assets both standing at record highs; cash reserves remain solid and arrears have remained static and are well below pre-pandemic levels, notwithstanding the significant and ongoing growth in the lending book. With the balance sheet further strengthened through this organic growth the delivery of our strategic plan remains well on track."*

**Financial Highlights:**
• Revenue of £27.6m (2022: £23.6m), an increase of 17%
• Profit Before Tax ("PBT") of £4.2m (2022: £1.1m), an increase of 281%
· Earnings per share ("EPS") (fully diluted) of 3.7pps (2022: 1.0pps)
• Own-Book deal origination of £73.4m (2022: £64.4m), an increase of 14%
• Lending book of £170.1m at 31 May 2023 (2022: £136.8m), an increase of 24%
• Consolidated Net Assets at 31 May 2023 of £61.7m (2022: £58.1m), an increase of 15%
• Consolidated Net Tangible Assets at 31 May 2023 of £34.2m (2022: £30.5m), an increase of 12%
• Future visibility of earnings with unearned income of £21.2m (2022: £16.7m), an increase of 27%
• Net deals in arrears at 31 May 2021 of 6% (31 May 2022: 7%), an improvement of 1%

**Operational Highlights:**
• Ratio of own-book lending to broked-on lending increased to 96% vs 4% during the year (up from 87% vs 13% in the prior year)
· Strong growth within both Invoice Finance division (lending increased 30% over previous year to £56m) and in the "Hard Asset" offering within the Asset Finance division (up 55% to £62m)
• Business streamlining completed with divestment of non-core, consumer mortgage brokerage
• Supportive funding partners with unused lending headroom of approximately £50m

**Ed Rimmer, Chief Executive Officer, added:**
*"The financial year to 31 May 2023 marked the halfway point in our four-year, medium-term strategic plan through to the end of May 2025. Our performance to date and the steps taken throughout the year suggest we are well on track to achieve our stated targets.*

*The Group remains very well positioned to take advantage of the opportunities that the market presents, whilst our gathering trading momentum provides real optimism in our ability to increase shareholder value through the delivery of our stated four-year strategy."*

The Board continues to expect the Group's trading for the current financial year to 31 May 2024 to be in line with market expectations.

Chief Executive Officer, Ed Rimmer, and Chief Financial Officer, James Roberts, will deliver a live presentation relating to these audited annual results and the simultaneously released Q1 trading update via the Investor Meet Company platform at 1.00pm BST today. The presentation is open to all existing and potential shareholders and questions can be submitted at any time during the live presentation via the Investor Meet Company dashboard. Investors can sign up to Investor Meet Company for free and add to meet Time Finance plc via: https://www.investormeetcompany.com/time-finance-plc/register-investor.

*This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended), which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018. Upon publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.*

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**About Time Finance:**
Time Finance's core strategy is to focus on providing the finance UK SMEs require to fund their businesses. It offers a multi-product range for SMEs including asset, loan, invoice and vehicle finance. While primarily an 'own-book' lender the Group does operates a 'hybrid' lending and broking model enabling it to optimize business levels through market and economic cycles.

More information is available on the Company website www.timefinance.com.

**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.

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.

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.

**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. 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 - 26 September 2002

## 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.

**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.

**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

**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 - 26 September 2002

**Group Strategic Priorities**
**For 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.

<u>Our Purpose</u>

"To help UK businesses to thrive and survive"

<u>Our Objectives</u>

- 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.

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

**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 MAY 2023**

| | 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 | - | - | **-** | 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 | (70) | (10) | **(80)** | (1,685) | (184) | **(1,869)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Share-based payments | (125) | - | **(125)** | (43) | - | **(43)** |
| **OPERATING PROFIT** | 4,230 | 88 | **4,318** | 1,662 | (353) | **1,309** |
| Finance costs | (152) | - | **(152)** | (255) | - | **(255)** |
| Finance income | 1 | - | **1** | 1 | - | **1** |
| **PROFIT BEFORE INCOME TAX** | **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 | (70) | (10) | **(80)** | (1,685) | (184) | **(1,869)** |
| Share-based payments | (125) | - | **(125)** | (43) | - | **(43)** |
| **PROFIT BEFORE INCOME TAX** | **4,079** | **88** | **4,167** | **1,408** | **(353)** | **1,055** |
| Income tax | (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** | | | | | | |
| 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** |

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MAY 2023

| | | | | | | |
|---|---|---|---|---|---|---|
| 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** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## 31 MAY 2023

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | | |
| Goodwill | **27,263** | 27,263 |
| Intangible assets | **231** | 298 |
| Property, plant and equipment | **238** | 320 |
| Right-of-use property, plant & equipment | **573** | 30 |
| Trade and other receivables | **58,530** | 50,344 |
| Deferred tax | **1,236** | 1,036 |
| | **88,071** | 79,291 |
| **CURRENT ASSETS** | | |
| Trade and other receivables | **91,847** | 70,852 |
| Cash and cash equivalents | **3,772** | 3,170 |
| | **95,619** | 74,022 |
| **TOTAL ASSETS** | **183,690** | 153,313 |
| **EQUITY** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Called up share capital | **9,252** | 9,252 |
| Share premium | **25,543** | 25,543 |
| Employee shares | **231** | 106 |
| Treasury shares | **(770)** | (820) |
| Retained earnings | **27,419** | 23,972 |
| **TOTAL EQUITY** | **61,675** | 58,053 |
| **LIABILITIES** | | |
| **NON-CURRENT LIABILITIES** | | |
| Trade and other payables | **52,822** | 39,033 |
| Financial liabilities - borrowings | **1,319** | 2,344 |
| Lease Liability | **428** | - |
| | **54,569** | 41,377 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | **65,207** | 51,956 |
| Financial liabilities - borrowings | **1,625** | 1,879 |
| Tax payable | **423** | 28 |
| Lease Liability | **191** | 20 |
| | **67,446** | 53,883 |
| **TOTAL LIABILITIES** | **122,015** | 95,260 |
| **TOTAL EQUITY AND LIABILITIES** | **183,690** | 153,313 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MAY 2023

| | Called up Share Capital | Retained Earnings | Share Premium | Treasury Shares | Employee Shares | Total Equity |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'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** | | | | | | |
| 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** |

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2023

| | 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) |
| (Gain)/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** | **2,755** | **(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) |
| **(Decrease)/increase in net cash and cash equivalents** | **1,198** | **(342)** | **856** | (4,771) | 22 | (4,749) |
| **Net cash and cash equivalents at beginning of year** | 2,574 | 342 | 2,916 | 7,674 | (9) | 7,665 |
| **Net cash and cash equivalents at end of year** | **3,772** | **-** | **3,772** | 2,903 | 13 | 2,916 |

**ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IRFS") as adopted 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.

1. **SEGMENTAL REPORTING**

The Group provides a range of financial services and product offerings throughout the UK. This financial year has seen the Group has 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 | (1,534) | **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** |

| **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** |

## 2. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Depreciation - owned assets | **289** | 388 |
| Amortisation - computer software | **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 audit of Company's subsidiaries | **68** | 72 |
| Fees payable to the Company's auditor for the audit of the Company | **16** | 14 |

## 3. DIVIDENDS

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Ordinary shares £0.10 each | | |
| Final | **-** | - |
| Interim | **-** | - |
| **Total** | **-** | **-** |

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.

## 4. 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** |
|---|---|---|---|
| **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** |

| 2022 | Earnings £'000 | Weighted average number of shares | Per-share amount pence |
|---|---|---|---|
| **Basic EPS** | | | |
| Earnings attributable to ordinary shareholders | 921 | 92,512,704 | 1.00 |
| **Diluted EPS** | | | |
| Adjusted earnings | 921 | 912,512,704 | 1.00 |

## 5. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 May 2023 and 31 May 2022. The financial information has been extracted from the statutory accounts of the Group for the years ended 31 May 2023 and 31 May 2022. The auditors' opinion on those accounts was unmodified and did not contain a statement under section 498 (1) or 498 (3) Companies Act 2006 and did not include references to any matters to which the auditor drew attention by the way of emphasis. The statutory accounts for the year ended 31 May 2022 have been delivered to the Registrar of Companies. Those for the year ended 31 May 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

## 6. ANNUAL REPORT AND ANNUAL GENERAL MEETING

The Annual Report and Accounts will be available from the Company's website, www.timefinance.com, from 26 September 2023. Notice of the Annual General Meeting, which will be held at the Apex Hotel, Bath, BA1 2DA on 7 November 2023 at 10am, will be communicated electronically or posted to Shareholders.

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