

The Asset Management Corporation Limited

Report and Financial statements

31 March 2011

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COMPANIES HOUSE

Directors

Z R Kerse
S D Maybury
R J Murray

Secretary

R J Murray

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

39 Victoria Street
London SW1H 0EU

Directors' report

The directors present their report and financial statements for the year ended 31 March 2011

Results and dividends

The Company profit for the year before taxation was £378,349 (2010 – profit of £404,682) The taxation charge for the year was £122,009 (2010 – £113,811)

The directors do not recommend the payment of a final dividend (2010 – £nil)

	2011 £000	2010 £000
<i>Financial highlights and key performance indicators</i>		
Turnover	3,946	3,717
Gross profit	1,266	1,471
Profit before taxation	378	405
Loans and receivables (net of unearned income and impairment charges)	5,582	6,406
Shareholders' funds	879	623

Principal activities, business review and future developments

The Company's principal activities are the purchase, hire, financing and sale of vehicles and equipment and the provision of related fee-based services. The Company will continue to administer its portfolio of financial assets to improve profitability

Directors

The directors of the Company during the year ended 31 March 2011 were those listed on page 1

International financial reporting standards (IFRS)

The results for the year ended 31 March 2011 have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board, as adopted by the European Union

Supplier payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided that trading terms have been complied with. At 31 March 2011, the Company had an average of 32 days purchases outstanding in trade payables (2010 – 57 days)

Directors' report

Principal risks and uncertainties

Credit risk

The Company is exposed to the risk that customers owing the Company money will not fulfil their obligations. The Company regularly reviews its lending criteria as well as its credit exposure for all customers. However, default risk may arise from events which are outside the Company's control, primarily customer under-performance due to factors such as loss of employment, family circumstances, illness, business failure, adverse economic conditions or fraud.

The successful management of credit risk is central to the Company's business. The majority of the Company's lending is secured and amortised over the life of the assets. The credit risk from concentration is limited due to the relatively low value of each customer's debt and to the Company's large and diverse customer base. In order to ensure that arrears are minimised, emphasis is placed on retaining a well diversified portfolio by prudent underwriting methods and resisting the inclination to increase credit risk in the quest for increased volumes of new business.

The counterparties to the Company's financial liabilities are financial institutions. Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to perform completely as contracted. It is the Company's policy to monitor the financial standing of these counterparties on an on-going basis and to limit the exposure to any individual counterparty.

Inadequate security

The Company is exposed to the risk that the security upon which its advances are made may reduce in value, so that the Company may not recover some or all of its advances in the event of a customer default. This risk is mitigated by maintaining a diverse portfolio of customers, spreading risk across a variety of assets and sectors, lending for a period of time appropriate to the assets' lives and forming detailed assessments on both the value of the security and the customer's ability to service the debt. Specialist third party asset and vehicle valuations are obtained where considered necessary.

Treasury management

The Company is exposed to the liquidity and interest rate risk arising from the requirement to fund its operations. Liquidity risk is the risk arising from unplanned decreases or changes in funding sources. The Company funds itself through bi-lateral facilities with UK and international banks with original maturities of up to three years. The Company has minimal risk to income from changes in market interest rates. All loans and receivables are fixed over the term of the contract. Facilities provided by banks are at fixed and floating rates, and interest rate swaps are used, where appropriate, to reduce interest rate fluctuations. It is and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The Company does not operate in, nor have exposure to, currencies other than pounds sterling.

Capital management

The Company's objective is to maintain a strong capital base to support current operations and planned growth in line with relevant budgets. Capital base for these purposes comprises equity shareholder funds. The Company is not subject to external regulatory capital requirements.

Directors' report

Principal risks and uncertainties (continued)

Funding

The Company's financial instruments include borrowings and overdraft facilities. The main purpose of these financial instruments is to raise finance to fund the Company's principal activities. Continued, sustainable growth is dependent on the Company seeking further debt facilities or increases to those already in place. The Company continues to operate within an industry-wide scarcity of funding and Company borrowings are not expected to increase significantly in the next year.

The main risks arising from the Company's financial instruments are detailed in the notes to the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the Company financial statements unless they are satisfied they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing those financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with IFRS subject to any material departures disclosed and explained in the financial statements.

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 Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

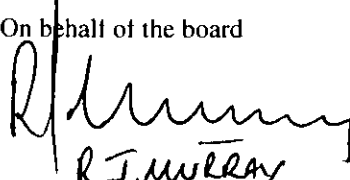
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Re-appointment of auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting

On behalf of the board


R. J. Murray
Director and Secretary

14 NOVEMBER 2011

Independent auditors' report

to the members of The Asset Management Corporation Limited

We have audited the financial statements of The Asset Management Corporation Limited for the year ended 31 March 2011 which comprise the Balance Sheet, Income Statement and Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended,
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of The Asset Management Corporation Limited

Matters on which we are required to report by exception

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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Ernst & Young LLP

Javier Faiz (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

14 November 2011

Income statement

for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Company turnover	2	3,946	3,717
Cost of sales	3	(2,680)	(2,246)
Gross profit		1,266	1,471
Administration expenses		(635)	(783)
Operating profit		631	688
Interest payable	4	(253)	(283)
Profit on ordinary activities before taxation	5	378	405
Income tax expense	6	(122)	(114)
Profit for the year attributable to equity holders		256	291

Statement of comprehensive income

for the year ended 31 March 2011

	2011 £000	2010 £000
Profit for the year	256	291
Total comprehensive income for the year	256	291

Balance sheet

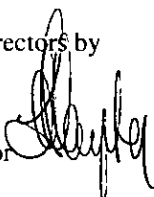
at 31 March 2011

	Notes	2011 £000	2010 £000
Assets – non-current assets			
Loans and receivables	7	2,574	3,713
Deferred tax	13	224	58
		<u>2,798</u>	<u>3,771</u>
Current assets			
Amount due from group companies	15	645	890
Loans and receivables	7	3,008	2,693
Trade and other receivables	8	1	6
Cash and cash equivalents		20	24
		<u>3,674</u>	<u>3,613</u>
Total assets		<u>6,472</u>	<u>7,384</u>
Liabilities – current liabilities			
Interest-bearing loans and borrowings	10	2,374	1,946
Amount due to group companies	15	2,312	2,345
Trade and other payables	9	48	44
Corporation tax		57	232
		<u>4,791</u>	<u>4,567</u>
Non-current liabilities			
Interest-bearing loans and borrowings	10	802	2,194
		<u>802</u>	<u>2,194</u>
Total liabilities		<u>5,593</u>	<u>6,761</u>
Net assets		<u>879</u>	<u>623</u>
Capital and reserves			
Called-up share capital	11	150	150
Profit and loss account	12	729	473
Shareholders' funds		<u>879</u>	<u>623</u>

Signed on behalf of the Board of Directors by


Director

Director



2011

Z R Kerse

S. D. MAYBURY

14 NOVEMBER 2011

Statement of changes in equity

for the year ended 31 March 2011

	2011 £000	2010 £000
Total comprehensive income for the year	256	291
Net addition to shareholders' funds	256	291
Opening shareholders' funds	623	332
Closing shareholders' funds	879	623

Statement of cash flows

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities			
Profit before taxation		378	405
Adjustments for			
Decrease/(Increase) in loans and other receivables		824	(854)
Decrease in trade and other receivables		5	92
Increase in trade and other payables		4	17
Cash flows from/(used in) operations		1,211	(340)
Net cash flows from/(used in) operating activities		1,211	(340)
Cash flows from financing activities			
Proceeds from borrowings		-	440
Repayment of borrowings		(1,215)	-
Net cash flows (used in)/from financing activities		(1,215)	440
Net (decrease)/increase in cash and cash equivalents		(4)	100
Cash and cash equivalents at beginning of the year		24	(76)
Cash and cash equivalents at end of the year		20	24
Cash at bank		20	24
		20	24
The amount of interest paid during the year is as follows			
Interest paid	4	253	283

Notes to the financial statements

at 31 March 2011

1. Accounting policies

General information

The Asset Management Corporation Limited ('the Company') is a Company domiciled in the United Kingdom

The principal activity of the Company is the provision of finance for vehicles, plant and equipment for consumers and businesses

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the mark to market valuation of derivatives and in accordance with applicable accounting standards. The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000), except where otherwise indicated

Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the Company has adopted all standards, amendments and interpretations which became effective during the year. The adoption of these standards, amendments and interpretations did not have any effect on the financial position or performance of the Company but have resulted in additional disclosures

Statement of compliance

These financial statements have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board ('IASB')

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors which are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS which have a significant effect on the financial statements and estimates with a significant risk of material adjustment within the next financial year are provided below

Loan loss provisioning

The Company reviews its loans and receivables on an on-going basis to assess the level of impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets and historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions, which did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period which do not exist currently

Notes to the financial statements

at 31 March 2011

1. Accounting policies (continued)

Summary of significant accounting policies

Borrowing costs

Borrowing costs are recognised as an expense when incurred in accordance with the effective interest rate method

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount and a previously recognised impairment is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Financial assets

The Company classifies its financial assets as either loans and receivables or derivative financial instruments used for hedging. In accordance with IAS 17 'Leases', leases where the Company does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases and all other leases are treated as finance leases within loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

Conditional sale agreements, hire purchase contracts and finance leases are initially recognised at the lower of fair value of the leased asset or the present value of the minimum lease payments. These assets are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Other loans and receivables, including personal loans, are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate, less any provision for impairment.

The Company has not held any financial assets at fair value through profit or loss, held to maturity or available for sale during the year.

Notes to the financial statements

at 31 March 2011

1. Accounting policies (continued)

Impairment of financial assets

The Company assesses, on an on-going basis, whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a loan loss provision. The amount of the loss is recognised in the income statement as loan loss provisioning charge.

The Company first assesses whether objective evidence of impairment exists individually for financial assets which are individually significant and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Future cash flows for a group of loan assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with similar credit characteristics.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and at hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are de-recognised as well as through the amortisation process.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset have expired or where the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

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

Notes to the financial statements

at 31 March 2011

1. Accounting policies (continued)

Operating leases

Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term

Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following criteria must also be met

Interest income

Interest income is recognised in the income statement for all financial assets measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the contractual life, or expected life, if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, such as early settlement options, but does not include an expectation for future credit losses. The calculation includes all fees charged to customers, such as acceptance or similar fees, and direct and incremental transactions costs, such as broker commissions

Amounts due under instalment credit contracts and finance leases are recorded as receivables at the amount of the Company's net investment in the contract. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment, before tax, outstanding in respect of the contract

Insurance commission

Commission received from third party insurers for all insurance broking business, for which the Company does not bear any underlying insurance risk, is credited to the income statement at inception of the policies

Other income

Other income includes fees and commissions charged to customers and third parties for the collection of debts and fees charged for other services, which are credited to the income statement when the service has been provided

Notes to the financial statements

at 31 March 2011

1. Accounting policies (continued)

Taxes

Current tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted, or substantially enacted, by the Balance Sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax is determined using tax rates and laws which have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT except in the case of overdue loans and receivables, other receivables and other payables which are shown inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Notes to the financial statements

at 31 March 2011

1. Accounting policies (continued)

Future changes in accounting policies

The following accounting standards, amendments and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee are effective for the Company's accounting periods beginning on or after 1 April 2011

	<i>Effective from</i>
• IFRS 9 'Financial instruments'	1 January 2013
• IAS 24 (amendment), 'Related party disclosures'	1 January 2011
• IAS 32 (amendment), 'Financial instruments, presentation'	1 February 2011
• IFRIC 14 (amendment), 'Prepayment of a minimum funding requirement'	1 January 2011
• IFRIC 19 'Extinguishing financial liabilities with equity instruments'	1 January 2010
• Improvements to IFRS	1 May 2010

Adoption of these standards and interpretations is not expected to have a material impact on the Company Financial Statements

Notes to the financial statements

at 31 March 2011

2. Turnover and segmental analysis

Turnover represents gross rental and instalment credit income receivable, the hire, financing and sale of equipment, and the provision of related fee based services, stated net of value added tax. The Company operates within the United Kingdom market only.

3. Cost of sales

Cost of sales represents the amortisation of finance leases and instalment credit contracts (the difference between gross rental and income recognised, in accordance with note 1), and the depreciation of operating lease assets.

4. Interest payable

	2011 £000	2010 £000
Interest-bearing loans and borrowings and bank overdrafts	(253)	(283)

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting/(charging)

(a) Finance revenue

	2011 £000	2010 £000
Net income from finance leases	1,201	1,438
Insurance commission and other income	65	33
Gross profit	1,266	1,471

(b) Other revenue and expenses

	2011 £000	2010 £000
Included in administrative expenses		
Loan loss provisioning charge	(228)	(444)
Auditor's remuneration audit of the financial statements	(5)	(5)
- other services relating to taxation	(5)	(5)

(c) Directors' emoluments and staff costs

Salaries and fees for directors and staff for the group were paid by the ultimate parent Company in the year and recharged accordingly through administrative expenses.

Directors' emoluments	2011 £000	2010 £000
S D Maybury	12	12
R J Murray	11	11
Z R Kerse	10	10
	33	33

Notes to the financial statements

at 31 March 2011

6. Taxation

(a) Analysis of tax charge in the year

	2011 £000	2010 £000
<i>Current tax</i>		
UK Corporation Tax on profit of the year	(288)	(243)
Adjustments in respect of prior periods	-	4
	<u>(288)</u>	<u>(239)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	182	129
Adjustments in respect of prior years	1	(4)
Change in tax rate	(17)	-
	<u>166</u>	<u>125</u>
Total tax charge for the year	<u>(122)</u>	<u>(114)</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the year is greater than the standard rate for current Corporation Tax in the UK of 28% (2010 – 28%). The differences are explained below

Deferred tax has been recognised at 26% (2010 – 28%). On 23 March 2011 as part of the 2011 Budget, the UK government announced its intention to legislate to reduce the main rate of corporation tax to 26% with effect from 1 April 2011 and then by a further 1% per annum reaching 23% with effect from 1 April 2014. The reduction to 26% was subsequently enacted prior to 31 March 2011 under the provisions of the Provisional Collection of Taxes Act 1968 and the effect of this reduction is therefore reflected in the calculation of the deferred tax asset

The directors estimate that the maximum effect of the subsequent rate reductions will be to reduce company's recognised deferred tax asset by £22,882

	2011 £000	2010 £000
Profit on ordinary activities before tax	378	405
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 28% (2010 – 28%)	(106)	(114)
<i>Effects of</i>		
Adjustments in respect of prior periods	1	-
Change in Tax rate	(17)	-
Total tax charge for the year	<u>(122)</u>	<u>(114)</u>

Notes to the financial statements

at 31 March 2011

7. Loans and receivables

Maximum exposure and maturity

	2011 £000	2010 £000
Maturity profile		
Within one year	3,797	3,825
One to five years	2,843	4,355
Gross loans and receivables	6,640	8,180
Unearned future finance income	(687)	(1,423)
Loan loss provision	(371)	(351)
	5,582	6,406
Comprising		
Current assets	3,008	2,693
Non-current assets	2,574	3,713
	5,582	6,406

For terms relating to financial assets, loans and receivables refer to note 14

Credit quality

	2011 £000	2010 £000
Neither past due nor impaired	5,257	6,625
Past due but not impaired – one day up to one month	250	274
– one month to two months	92	148
Impaired	1,041	1,133
Gross loans and receivables	6,640	8,180

The credit risk inherent in loans and receivables is reviewed under impairment policies as detailed in note 1. Under this review, the credit quality of assets which are neither past due nor impaired were considered good. The carrying amount of gross loans and receivables whose terms have been renegotiated which would otherwise be past due or impaired is £47,887 at 31 March 2011 (2010 – £25,132).

Notes to the financial statements

at 31 March 2011

7. Loans and receivables (continued)

Loan loss provision

	2011 £000
At 1 April 2010	351
Utilised	(208)
Additional provisions created	228
At 31 March 2011	371

	2010 £000
At 1 April 2009	3
Utilised	(96)
Additional provisions created	444
At 31 March 2010	351

Collateral

	2011 £000	2010 £000
Finance leases of equipment, plant and vehicles	6,640	8,180
Gross loans and receivables	6,640	8,180

An estimate of the fair value of collateral on past due or impaired loans and receivables is not disclosed as it would be impractical to do so

8. Trade and other receivables

	2011 £000	2010 £000
Other receivables	1	6

Trade and other receivables are non-interest bearing and are generally on terms of up to 30 days

Notes to the financial statements

at 31 March 2011

9. Trade and other payables

	2011 £000	2010 £000
Trade payables	14	22
Other payables	32	20
Accruals	2	2
	<u>48</u>	<u>44</u>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms

10. Interest-bearing loans and borrowings

	2011 £000	2010 £000
Current		
Secured bank borrowings	2,374	1,946
Non-current		
Secured bank borrowings	802	2,194
Total interest-bearing loans and borrowings	<u>3,176</u>	<u>4,140</u>

Bank overdrafts

The bank overdrafts have effective interest rates of base rate plus a margin and are secured by a debenture. These facilities are repayable on demand.

Interest bearing loans and borrowings

£6.0 million block discounting facility

These loans have effective fixed interest rates of 7.0% and maturity dates of up to four years. The facility is secured by a charge over the loans and receivables of the group company to which it applies. The loan is supported by the guarantee of the ultimate parent company.

	2011 £000	2010 £000
Maturity of financial liabilities		
In one year or less or on demand	2,374	1,946
In more than one year but not more than two years	701	1,906
In more than two years but not more than five years	101	288
In more than five years	-	-
	<u>3,176</u>	<u>4,140</u>
Undrawn committed borrowing facilities		
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years but not more than five years	2,816	1,842
	<u>2,816</u>	<u>1,842</u>

Notes to the financial statements

at 31 March 2011

10. Interest bearing loans and borrowings (continued)

Principal covenants

The Company must comply with principal lending covenants in respect of the ratio of borrowings to net receivables. At 31 March 2011 and throughout both the accounting periods, none of these covenants had been breached.

11. Share capital

	<i>Number</i>	<i>£000</i>
<i>Authorised ordinary shares</i>		
At 1 April 2009, 1 April 2010 and 31 March 2011 – £1 each	500,000	500
<i>Allotted and fully paid ordinary shares</i>		
At 1 April 2009, 1 April 2010 and 31 March 2011 – £1 each	150,000	150

12. Reconciliation of changes in reserves

	<i>Profit and loss account £000</i>
At 1 April 2009	182
Profit for the year	291
Total recognised income and expense for the year	291
At 31 March 2010	473
Profit for the year	256
Total recognised income and expense for the year	256
At 31 March 2011	729

13. Deferred tax asset

	<i>2011 £000</i>	<i>2010 £000</i>
Decelerated capital allowances	224	58
Deferred tax asset at the start of the year	58	(67)
Recognised in income	166	125
Deferred tax asset at the end of the year	224	58

Notes to the financial statements

at 31 March 2011

14. Financial instruments

The Company's principal financial instruments are financial assets comprising loans and receivables and financial liabilities recorded at amortised cost comprising overdrafts and interest bearing loans and borrowings. The Company also enters into derivative financial instruments used for hedging, principally interest rate swaps. A description of the principal risks, as well as details on how the Company manages these risks is contained in the section of the Directors' Report entitled 'Principal risks and uncertainties'.

Liquidity and interest rate risks

The Company's policy on funding capacity is to ensure there is always sufficient long-term funding in place. The Company endeavours to have committed borrowing facilities in place in excess of its forecast gross borrowing requirements for the next six months. At 31 March 2011, the Company's principal committed borrowing facilities totalled £6.0 million (2010 – £6.0 million) of which 47% (2010 – 31%) were undrawn.

The Company borrows at both fixed and floating interest rates. At 31 March 2011, the proportion of the Company's borrowings at fixed rates was 100% (2010 – 100%), fixed for an average period of 1.0 years (2010 – 1.1 years). Based on the exposure to interest rate risk an increase in LIBOR by one half of one percentage point for the whole financial year would have had no impact on profit for the year (2010 – £nil) and no impact on equity (2010 – £nil).

The following tables set out the contractual maturities of the Company's financial instruments

Year ended 31 March 2011

<i>Fixed rate</i>	<i>Within 1 year £000</i>	<i>1-2 years £000</i>	<i>2-3 years £000</i>	<i>3-4 years £000</i>	<i>4-5 years £000</i>	<i>More than 5 years £000</i>	<i>Total £000</i>
Loans and receivables							
– gross	3,797	1,760	864	189	28	2	6,640
Trade and other receivables	1	-	-	-	-	-	1
Cash and cash equivalents	20	-	-	-	-	-	20
Trade and other payables	(48)	-	-	-	-	-	(48)
Interest bearing loans and borrowings	(2,512)	(730)	(105)	-	-	-	(3,347)

Notes to the financial statements

at 31 March 2011

14. Financial instruments (continued)

Liquidity and interest rate risks (continued)

Year ended 31 March 2010

<i>Fixed rate</i>	<i>Within</i>	<i>1-2</i>	<i>2-3</i>	<i>3-4</i>	<i>4-5</i>	<i>More than</i>	<i>Total</i>
	<i>1 year</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>5 years</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loans and receivables							
– gross	3,825	2,440	1,287	582	46	–	8,180
Trade and other							
receivables	6	–	–	–	–	–	6
Cash and cash equivalents	24	–	–	–	–	–	24
Trade and other							
payables	(44)	–	–	–	–	–	(44)
Interest bearing loans							
and borrowings	(1,670)	(1,669)	(1,669)	–	–	–	(5,008)

The financial instruments are shown gross to reflect capital and interest. The amounts shown therefore are not the carrying amounts as included on the Company Balance Sheet.

Interest on financial instruments classified as floating rate are repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Fair values of financial instruments

The following table sets out a comparison by category of carrying amounts and fair values of financial instruments that are carried in the financial statements.

	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	<i>2011</i>	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Financial assets				
Loans and receivables - net	5.6	5.8	6.4	7.3
Financial liabilities				
Interest bearing loans and borrowings	(3.1)	(3.2)	(4.1)	(4.2)

Fair values are calculated by discounting cash flows at prevailing interest rates for equivalent debt instruments or calculated by using the market interest rates for other financial assets or liabilities. The carrying value of all the other Company financial instruments is regarded as a reasonable approximation of the fair value.

Notes to the financial statements

at 31 March 2011

14. Financial instruments (continued)

Effective interest rates

The following profile of the Company's financial assets and liabilities is stated after taking into account the effects of interest rate swaps discussed above

	2011	2010
<i>Weighted average EIR</i>	%	%
Loans and receivables	18.7	19.4
Interest-bearing loans and borrowings	6.5	6.8

Interest on floating rate borrowing is determined by the relevant margin over LIBOR for each facility

15. Related parties

There are the following outstanding balances with other group companies

	2011	2010
<i>Group companies</i>	£000	£000
Amount due from other group companies	645	890
Amount due to other group companies	(2,312)	(2,345)
	(1,667)	(1,455)

These balances are unsecured and repayable on demand. There were no other material related party transactions.

The Company's immediate parent Company is PCF Group Holdings Limited and its ultimate parent company is Private & Commercial Finance Group plc, a Company incorporated in England and Wales. Private & Commercial Finance Group plc is both the smallest and largest group of which the Company is a member and for which group financial statements are prepared. Group financial statements are available from its registered office, 39 Victoria Street, London SW1H 0EU.