Registered number 2483505

Absolute Invoice Finance Limited

(formerly Cattles Invoice Finance Limited)

Annual Report and Financial Statements

for the year ended 31 December 2008

Absolute Invoice Finance Limited

Annual Report and Financial Statements for the year ended 31 December 2008

Contents

Absolute Invoice Finance Limited

Directors and advisers

Directors
D J Crawford
I J Wilkins
G S Smallpage
A Clarke
T B Howe
A Wynn

Company Secretary
A Wynn

Registered Office
St James's House
7 Charlotte Street
Manchester
M1 4DZ

Registered in England
Registered number 2483505

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Absolute Invoice Finance Limited

Directors' report for the year ended 31 December 2008

The directors submit their Annual Report together with the audited financial statements of the company for the year ended 31 December 2008.

Principle activities
The company's principal activity is the provision of invoice financing services focussing on small to medium sized enterprises offering businesses funding lines of between £25,000 and £2.5m. The company and its wholly owned subsidiary, Absolute Invoice Finance (Oxford) Limited operate from a network of six fully operational regional centres across the United Kingdom.

Change of name
The company changed its name from Cattles Invoice Finance Limited to Absolute Invoice Finance Limited on 14 September 2009.

Business review
The whole of the company's share capital was acquired by Absolute Invoice Finance (Holdings) Limited on 14 September 2009. Absolute Invoice Finance (Holdings) Limited is wholly owned by AnaCap Financial Partners II LP, a Guernsey Limited Partnership, advised by London Private Equity Firm, Anacap Financial Partners LLP("Anacap").

The acquisition provides the company with significant new funding lines, because as a part of the acquisition the company has repaid all of its borrowings to its former ultimate holding company, Cattles plc and, with its subsidiary undertaking has entered into a £100 million Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The new facility provides room for significant future growth which is very welcome as the two companies were required to operate with much reduced funding for large parts of 2008 and 2009 as subsidiaries of Cattles plc.

The effect of the reduced levels of funding is evident in the company's 2008 figures – although the results for the year and the company's year end financial position were entirely satisfactory - profit before tax is lower than prior year (£2.9m v £3.1m); customer lending is down by £6.8m (8%) to £74.6m and borrowings, net of cash are down £8.9m (13%) to £58m.

Results and dividends
The profit for the year, after taxation, amounted to £2,003,853 (2007: £2,175,428). The directors have not declared a final dividend in respect of the year ended 31 December 2008 (2007: £800,000). During the year an interim dividend of £600,000 was paid (2007: £700,000).

Directors
The directors of the company during the year and up to the date of signing the financial statements were:

D J Crawford
I J Wilkins
G S Smallpage
A Clarke
T B Howe (appointed 9 September 2008)
A Wynn (appointed 14 September 2009)
P McIntyre (resigned 30 September 2009)
D J Postings (resigned 30 June 2009)
J J Corr (resigned 3 July 2009)
I S Cummine (resigned 3 July 2009)
M W G Collins (resigned 3 July 2009)
R D East (appointed 3 July 2009, resigned 14 September 2009)
J R D Smith (appointed 30 April 2009, resigned 14 September 2009)

Absolute Invoice Finance Limited

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit of the company for that period.

In preparing those financial statements, the directors are required to, select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 director who held office on 28 October 2009 (the date of the approval of this report) is aware, there is no relevant audit information of which the company's auditors are unaware and he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Qualifying third party indemnity provisions
Whilst a member of the Cattles plc group, qualifying third party indemnity provisions (as defined in section 309B of the Companies Act 1985) were made by the company for the benefit of all of the directors indemnifying them to the maximum extent permitted by law against liabilities attaching to them as directors of the company. Following the sale of the company on 14 September 2009, the company has purchased separate Professional Indemnity and Directors and Officers insurance in respect of itself and its directors.

Financial risk management
Detail of the company's financial risk management policies are set out in the sections entitled 'Credit and concentration risk' on pages 16 and 17, 'Management of liquidity risk' on page 32, 'Management of interest rate risk' on pages 32 and 33, and 'Management of capital risk' on page 35.

Independent auditors
The company has passed an elective resolution to dispense with the obligation to re-appoint auditors annually. PricewaterhouseCoopers LLP will stand down as auditors on completion of this audit. KPMG Audit Plc, who are already auditors of other investments advised by Anacap, are to be appointed auditors in their place. Their appointment is expected to provide synergies to the company's shareholders.

By order of the board

TB Howe
Director
28 October 2009

Independent auditors' report to the members of Absolute Invoice Finance Limited

We have audited the financial statements of Absolute Invoice Finance Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Absolute Invoice Finance Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
28 October 2009

Absolute Invoice Finance Limited

Income statement for the year ended 31 December 2008

	Notes	2008 £	2007 £
Interest income	2	**7,272,833**	6,555,014
Interest expense	3	**(4,541,481)**	(3,495,329)
Net interest income		**2,731,352**	3,059,685
Fee and related income		**12,686,807**	10,788,366
Total income		**15,418,159**	13,848,051
Loan loss charge	9	**(941,495)**	(288,376)
Staff costs	4	**(7,612,326)**	(6,570,255)
Other operating expenses	6	**(4,012,672)**	(3,871,377)
Profit before taxation		**2,851,666**	3,118,043
Taxation	8	**(847,813)**	(942,615)
Profit for the year attributable to equity holders of the company		**2,003,853**	2,175,428

Absolute Invoice Finance Limited

Balance sheet as at 31 December 2008

	Notes	2008 £	2007 (Restated – note 1) £
Assets			
Cash and bank balances		**4,153,804**	4,967,647
Loans and advances to customers	9	**73,025,949**	80,494,926
Investments in subsidiaries	10	**839,692**	839,692
Other intangible assets	11	**156,740**	109,983
Property, plant and equipment	12	**694,398**	843,377
Deferred tax assets	13	**122,680**	96,245
Other assets	14	**193,628**	-
Prepayments		**394,774**	519,195
Total assets		**79,581,665**	87,871,065
Liabilities			
Other borrowings	15	**62,146,749**	71,919,566
Current tax liabilities		**531,705**	410,548
Other liabilities	17	**4,804,186**	5,473,972
Accruals		**1,326,482**	816,105
Total liabilities		**68,809,122**	78,620,191
Equity			
Share capital	19	**350,000**	350,000
Retained earnings		**10,422,543**	8,900,874
Shareholders' equity		**10,772,543**	9,250,874
Total equity and liabilities		**79,581,665**	87,871,065

The financial statements on pages 6 to 41 were approved by the board of directors on 28 October 2009 and were signed on its behalf by:

DJ Crawford
Director

Absolute Invoice Finance Limited

Statement of changes in shareholders' equity for the year ended 31 December 2008

	Share capital (note 19) £	Retained earnings £	Total equity £
At 1 January 2007	350,000	8,142,334	8,492,334
Profit for the year	-	2,175,428	2,175,428
Ordinary dividend (£4.29 per share)	-	(1,500,000)	(1,500,000)
Share-based payments:			
- Value of services provided	-	83,112	83,112
At 1 January 2008	350,000	8,900,874	9,250,874
Profit for the year	-	2,003,853	2,003,853
Ordinary dividend (£1.71 per share)	-	(600,000)	(600,000)
Share-based payments:			
- Value of services provided	-	117,816	117,816
At 31 December 2008	**350,000**	**10,422,543**	**10,772,543**

Absolute Invoice Finance Limited

Cash flow statement for the year ended 31 December 2008

	Note	2008 £	2007 £
Cash flows from operating activities			
Cash inflow/(outflow) from operations	21	**10,740,056**	(17,181,951)
Tax paid		**(753,091)**	(1,142,533)
Net cash inflow/(outflow) from operating activities		**9,986,965**	(18,324,484)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(118,776)**	(135,239)
Proceeds from sale of property, plant and equipment		**9,823**	67,246
Purchase of intangible assets		**(125,410)**	(49,375)
Net cash outflow from investing activities		**(234,363)**	(117,368)
Cash flows from financing activities			
Issue of intra-group payables		**-**	22,989,562
Repayment of intra-group payables		**(9,166,445)**	-
Dividends paid to equity shareholders		**(1,400,000)**	(1,800,000)
Net cash (outflow)/inflow from financing activities		**(10,566,445)**	21,189,562
Net (decrease)/increase in cash and cash equivalents		**(813,843)**	2,747,710
Cash and cash equivalents at 1 January		**4,967,647**	2,219,937
Cash and cash equivalents at 31 December		**4,153,804**	4,967,647
For the purposes of the cash flow statement, cash and cash equivalents comprise:			
Cash and bank balances		**4,153,804**	4,967,647

Absolute Invoice Finance Limited

Accounting policies

Absolute Invoice Finance Limited (the 'company') is a company domiciled in the UK. Consolidated financial statements have not been prepared in accordance with section 228 of the Companies Act 1985 as at 31 December 2008 the company was a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, which has prepared consolidated financial statements for the years ended 31 December 2008 and 31 December 2007.

1. Statement of compliance

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board.

These financial statements have also been prepared in accordance with the Companies Act 1985 as applicable to companies reporting under IFRS.

2. Basis of preparation

The financial statements are prepared on the going concern basis and under the historical cost convention, and are presented in Pounds Sterling, the company's functional and presentational currency.

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 16.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change described below:

Revised format to the balance sheet

The format of the balance sheet and associated notes adopted by the company has been revised in order that the balance sheet is presented in a format consistent with that used by the company's peers in the financial services and banking sector. This revised format presents information on a more relevant and comparable basis. Certain comparative amounts within the balance sheet and notes have been reclassified to conform to the current period presentation. The impact of this presentational change on the current year and prior year's balance sheets is set out in note 1.

Accounting policies (continued)

3. Revenue recognition

Income comprises the fair value receivable for the provision of invoice financing services, net of value-added tax, and is recognised as follows:

a) Interest income

The company charges its clients interest each day on the balance of their outstanding loan. This interest income is recognised in the income statement as it is added to the clients' borrowings.

Interest income continues to be recognised once a customer loan has been written down as a result of an impairment loss, irrespective of the terms of the facility and whether interest has been suspended on the client's account. This is referred to as the 'gross-up adjustment' to income and is offset by a corresponding 'gross-up adjustment' to the loan loss charge.

b) Fee and related income

The company charges its clients a factoring fee for managing their sales ledgers. This fee is recognised in the income statement on a straight line basis over the period in which the ledger management service is provided.

Other fee income, which includes disbursements, is credited to the income statement when the service has been provided or the disbursement expenditure incurred.

4. Interest expense

Interest expense primarily comprises the expense arising on the company's borrowings from the ultimate parent company.

5. Impairment of loans and advances to customers

In respect of loans and advances to customers, the company assesses on an ongoing basis, whether there is objective evidence that an individual loan asset is impaired. A loan asset is impaired and an impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and the loss event has an impact on the estimated future cash flows of the loan asset that can be reliably estimated.

Accounting policies (continued)

5. Impairment of loans and advances to customers (continued)

The company determines that there is objective evidence of an impairment loss, as part of a process termed 'collect out'. This process commences should a client have served notice that they wish to end their facility or when management become aware that the client is encountering trading difficulties. At this point the client's facilities are withdrawn, no further funds are made available and client managers begin the process of recovering the outstanding balance. Where, based upon an individual assessment of each client in collect out, it is apparent that there are no further routes to recovery and that as a consequence funds will not be recovered in full, an impairment loss has occurred. The amount of the loss is measured as the difference between the loan asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the asset's original EIR ('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 a loan loss charge.

Where interest income continues to be recognised on impaired loans, which cannot be collected from the client, referred to as the 'gross-up adjustment' to income, a corresponding loan loss charge is made. This is referred to as the 'gross-up adjustment' to the loan loss charge.

6. Staff costs

a) Short-term benefits

Wages, salaries, commissions, bonuses, social security contributions, paid annual leave and non-monetary benefits, including death-in-service premiums, are accrued in the period in which the associated services are rendered by employees of the company.

b) Pension obligations

The company was a member of a group at 31 December 2008, which operated both a defined benefit and a number of defined contribution pension plans. The company provides no other post-retirement benefits to its employees or directors.

There is no contractual agreement or stated policy in place for charging the net expense of the defined benefit plan as a whole to the participating group companies. Consequently, the net defined benefit expense and the retirement benefit obligation are recognised in full by the plan's sponsoring employer, Cattles plc. The company, and other participating members, recognise a pension expense equal to their contributions payable for the period.

For defined contribution plans, the company pays contributions into privately administered pension plans on a contractual basis. The contributions are recognised as a staff cost as they fall due.

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either the termination of employment or a voluntary redundancy offer.

Accounting policies (continued)

6. Staff costs (continued)

d) Share-based payments

At 31 December 2008 the company was a member of a group which operated a number of equity-settled share-based payment plans. In respect of share awards granted after 7 November 2002 (and not vested by 1 January 2005), an expense is recognised in respect of the fair value of employee services received in exchange for the grant of shares or share options. A corresponding amount is recorded as an increase in equity within retained earnings. The expense is spread over any relevant vesting period and is calculated by reference to the fair value of the shares or share options granted, excluding the effect of any non-market vesting conditions.

The company's ultimate parent at 31 December 2008, Cattles plc, in whose shares the share based payment awards are made, has not made a recharge to the company for the cost of awards granted to employees.

In arriving at fair values, the Black-Scholes pricing model is used and various assumptions are made, for example, on expected forfeiture rates, dividend yields, share price volatility and risk free rates. The estimate for the number of options that are expected to become exercisable is revised at each balance sheet date. Any impact from the revision of original estimates is recognised in the income statement over the remaining vesting period.

7. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash and bank balances and bank overdrafts. Bank overdrafts are shown within borrowings from banks in the balance sheet.

8. Financial assets

Management determines the classification of the company's financial assets at initial recognition into one of the following categories: loans and advances to customers, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss; and re-evaluates this designation at each reporting date.

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money directly to a client with no intention of trading the receivable. Loans and advances to customers are recognised when cash is advanced to clients. These assets are initially recognised at fair value. Loans and advances to customers are carried at amortised cost using the effective interest method.

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all the risks and rewards of ownership.

Accounting policies (continued)

9. Investments in subsidiaries

Investments in subsidiaries are initially recognised at cost. The company recognises income from the investment only to the extent that it receives distributions from post-acquisition accumulated profits. Distributions received in excess of such profits are regarded as a recovery of investment and recognised as a reduction in the cost of the investment.

At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired. If such an indication exists, the company estimates the investment's recoverable amount. The investment is written down to the recoverable amount if this is lower than its carrying value. The impairment loss is recognised in the income statement within other operating expenses.

10. Other intangible assets

Acquired computer software licences are stated at cost less accumulated amortisation. Cost represents expenditure that is directly attributable to the purchase of the licence. The licences are amortised over their useful lives (3-5 years) on a straight line basis.

All other software development costs, which do not meet the asset recognition criteria of IAS 38, and maintenance costs are recognised as an expense as incurred within other operating expenses.

11. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost represents expenditure that is directly attributable to the purchase of the asset.

Buildings are not subject to regular revaluations.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably.

Depreciation on assets is calculated using the straight line method to allocate the costs to their residual values over their estimated useful lives, as follows:

Leasehold buildings	15% to 20% pa
Fixtures equipment and computer hardware	10% to 33% pa
Motor vehicles	20% pa

The depreciation charge is recognised within other operating expenses, except in the case of company cars where it is recognised within staff costs.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement within other operating expenses.

Absolute Invoice Finance Limited

Accounting policies (continued)

12. Other borrowings

Other borrowings include intra-group borrowings.

Intra-group borrowings are recognised initially at fair value. These borrowings are subsequently stated at amortised cost using the effective interest method.

13. Leasing – as lessee

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases or hire purchase contracts are capitalised on inception of the agreement at an amount equal to their fair value or, if lower, the present value of the minimum lease payments. The interest element of the lease cost is charged to the income statement, within other operating expenses, over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Liabilities under finance leases and hire purchase contracts are included within other liabilities in the balance sheet.

Property, plant and equipment acquired under finance leases or hire purchase contracts is depreciated over the shorter of the period of the agreement and the estimated useful lives of the assets.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement, within other operating expenses or staff costs (in the case of company cars), on a straight line basis over the period of the lease.

14. Current tax

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted or substantively enacted at the balance sheet date.

15. 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 that have been enacted or substantially 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

16. Share capital

Ordinary shares are classified as equity.

Shares are recorded at their nominal value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Accounting policies (continued)

17. Dividend distribution

Ordinary dividends payable to the company's shareholders are recognised as a distribution in the period in which the dividends are paid or, if earlier, when they become a contractual liability under a promissory note.

18. Key sources of estimation uncertainty

Loan loss provisioning

The company reviews its loans and advances to customers on an ongoing basis to assess the level of impairment. Future cash flows are estimated on the basis of the contractual cash flows of the asset, experience of the specific client and historic experience of similar clients. To the extent that the net present value of estimated future cash flows differs by +/- 1%, the loan loss provision in the balance sheet would be an estimated £730,000 lower/higher (2007: £800,000 lower/higher).

19. Financial risk management

a) Strategy in using financial instruments

The company issues advances to its clients, which until the sale of the company on 14 September 2009, were financed through borrowings from its ultimate parent, Cattles plc. Cattles plc was responsible for managing the interest rate and liquidity risk associated with these borrowings.

The company repaid all of its borrowings from its ultimate parent on 14 September 2009 when, with its subsidiary undertaking, Absolute Invoice Finance (Oxford) Limited, it entered into a £100 million Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The company is responsible for managing the interest rate and liquidity risk associated with these borrowings.

The company does not use derivative financial instruments.

b) Credit and concentration risk

The company takes on exposure to credit risk in respect of loans and advances to customers, which is the risk that a client will be unable to pay amounts in full when due. Loan loss provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The company has a defined process, contained within its credit policy, for the sanctioning of facilities to clients. This includes an assessment of the prospective client in relation to:

(i) the suitability of security offered (supported by professional valuations where necessary);

(ii) the robustness and appropriateness of the prospective client's systems to provide all information necessary to establish and maintain a facility; and

(iii) the availability of the most recent statutory financial information, together with management information, defining the current trading position and future projections of the prospective client.

In addition, information from external credit reference agencies in relation to the prospective client's directors and contracting parties will be sourced.

19. Financial risk management (continued)

b) Credit and concentration risk (continued)

The company's credit policy is regularly updated and distributed to all business facing staff.

As well as establishing appropriate underwriting criteria and systems, providing personal attention to clients is key to controlling arrears. The company has structured itself in order to provide exceptionally high levels of client contact and service, with each client manager handling only 25-30 client relationships. In addition, the business has a dedicated team of auditors performing site reviews at clients to ensure there is ongoing adequacy in the clients' systems and that the business of the client has remained consistent with that indicated at the commencement of the facility.

A portfolio review pack is prepared on a monthly basis, which provides the company's senior management with an appreciation of the performance of the portfolio and allows trends in client activity to be identified. This reporting mechanism ensures the robustness of internal procedures and is used to manage portfolio dispersion ensuring that no one single exposure exceeds a prescribed percentage of total advances and that the top ten clients do not exceed a prescribed proportion of total advances.

The company's credit risk procedures have been further strengthened since the year end to comply with the conditions of the Back to Back, Receivables Finance Agreement.

Absolute Invoice Finance Limited

Notes to the financial statements for the year ended 31 December 2008

1 Revised format to the balance sheet

As permitted by IAS1 'Presentation of financial statements', the format of the balance sheet adopted by the company has been revised in order that the balance sheet is presented in a format consistent with that used by the company's peers in the financial services and banking sector. This revised format presents information on a more relevant and comparable basis.

The impact of this change on the company's balance sheet is that certain assets and liabilities are presented in order of liquidity without a current/non-current split. These changes are explained below, and illustrated in the tables on pages 19 and 20.

(a) The heading Cash and cash equivalents is replaced by the heading Cash and bank balances.

(b) The heading Loans and receivables is replaced by the heading Loans and advances to customers.

(c) The heading Investments in subsidiary undertakings is replaced by the heading Investments in subsidiaries.

(d) Other intangible assets retain the heading Other intangible assets.

(e) Property, plant and equipment retains the heading Property, plant and equipment.

(f) Deferred tax assets retain the heading Deferred tax assets.

(g) Trade and other receivables and Intra group receivables are included within the heading Other assets rather than shown separately.

(h) Prepayments are shown separately rather than included within the heading Trade and other receivables.

(i) Unsecured external borrowings and unsecured intra-group borrowings are extracted from the heading Borrowings and included within the heading Other borrowings.

(j) Current tax liabilities retains the heading Current tax liabilities.

(k) Obligations under finance leases and hire purchase contracts are extracted from within the heading Borrowings and included within the heading Other liabilities. Trade payables, other taxes and social security and other payables are included within the heading Other liabilities, rather than within the heading Trade and other payables.

(l) Accruals are shown separately rather than included within the heading Trade and other payables.

(m) Share capital retains the heading Share capital.

(n) Retained earnings retain the heading Retained earnings.

These changes to the balance sheet have also been reflected in the supporting balance sheet notes.

Absolute Invoice Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Revised format to the balance sheet (continued)

	Old format		2007
			£
	Assets		
	Non-current assets		
(d)	Other intangible assets		109,983
(e)	Property, plant and equipment		843,377
(c)	Investments in subsidiary undertakings		839,692
(f)	Deferred tax assets		96,245
			1,889,297
	Current assets		
(b)	Loans and receivables		80,494,926
	Trade and other receivables:		
(g)	Prepayments and accrued income		519,195
(a)	Cash and cash equivalents		4,967,647
			85,981,768
	Total assets		87,871,065
	Liabilities		
	Current liabilities		
	Borrowings:		
(i)	Unsecured intra-group borrowings	71,919,566	
(k)	Obligations under finance leases and hire purchase contracts	99,612	72,019,178
(j)	Current tax liabilities		410,548
	Trade and other payables:		
(k)	Trade payables	323,582	
(k)	Other taxes and social security	449,077	
(k)	Other payables	2,075,006	
(l)	Accruals	816,105	3,663,770
			76,093,496
	Non-current liabilities		
	Borrowings:		
(k)	Obligations under finance leases and hire purchase contracts		354,444
	Trade and other payables:		
(k)	Other payables		2,172,251
			2,526,695
	Total liabilities		78,620,191
	Net assets		9,250,874
	Shareholders' equity		
(m)	Share capital		350,000
(n)	Retained earnings		8,900,874
	Total shareholders' equity		9,250,874

	Revised format	2007
		£
	Assets	
(a)	Cash and bank balances	4,967,647
(b)	Loans and advances to customers	80,494,926
(c)	Investments in subsidiaries	839,692
(d)	Other intangible assets	109,983
(e)	Property, plant and equipment	843,377
(f)	Deferred tax assets	96,245
(h)	Prepayments	519,195
	Total assets	87,871,065
	Liabilities	
(i)	Other borrowings	71,919,566
(j)	Current tax liabilities	410,548
(k)	Other liabilities	5,473,972
(l)	Accruals	816,105
	Total liabilities	78,620,191
	Equity	
(m)	Share capital	350,000
(n)	Retained earnings	8,900,874
	Shareholders' equity	9,250,874
	Total equity and liabilities	87,871,065

Absolute Invoice Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Revised format to the balance sheet (continued)

	Old format		2008
			£
	Assets		
	Non-current assets		
(d)	Other intangible assets		156,740
(e)	Property, plant and equipment		694,398
(c)	Investments in subsidiary undertakings		839,692
(f)	Deferred tax assets		122,680
			1,813,510
	Current assets		
	Loans and receivables:		
(b)	Customer loans and advances	73,025,949	
(g)	Intra-group receivables	193,628	73,219,577
	Trade and other receivables:		
(h)	Prepayments and accrued income		394,774
(a)	Cash and cash equivalents		4,153,804
			77,768,155
	Total assets		79,581,665
	Liabilities		
	Current liabilities		
	Borrowings:		
(i)	Unsecured intra-group borrowings	62,146,749	
(k)	Obligations under finance leases and hire purchase contracts	102,588	62,249,337
(j)	Current tax liabilities		531,705
	Trade and other payables:		
(k)	Trade payables	242,782	
(k)	Other taxes and social security	463,246	
(k)	Other payables	2,514,070	
(l)	Accruals	1,326,482	4,546,580
			67,327,622
	Non-current liabilities		
	Borrowings:		
(k)	Obligations under finance leases and hire purchase contracts		260,346
	Trade and other payables:		
(k)	Other payables		1,221,154
			1,481,500
	Total liabilities		68,809,122
	Net assets		10,772,543
	Shareholders' equity		
(m)	Share capital		350,000
(n)	Retained earnings		10,422,543
	Total shareholders' equity		10,772,543

	Revised format	2008
		£
	Assets	
(a)	Cash and bank balances	4,153,804
(b)	Loans and advances to customers	73,025,949
(c)	Investments in subsidiaries	839,692
(d)	Other intangible assets	156,740
(e)	Property, plant and equipment	694,398
(f)	Deferred tax assets	122,680
(g)	Other assets	193,628
(h)	Prepayments	394,774
	Total assets	79,581,665
	Liabilities	
(i)	Other borrowings	62,146,749
(j)	Current tax liabilities	531,705
(k)	Other liabilities	4,804,186
(l)	Accruals	1,326,482
	Total liabilities	68,809,122
	Equity	
(m)	Share capital	350,000
(n)	Retained earnings	10,422,543
	Shareholders' equity	10,772,543
	Total equity and liabilities	79,581,665

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Revised format to the balance sheet (continued)

The revision to the format of the balance sheet has had no impact on the company's profit after taxation for the years ended 31 December 2007 and 2008. The only impact on the cash flows of the company in either of these years is that repayments of obligations under finance leases and hire purchase contracts are now classified as an operating cash flow, rather than a financing cash flow as was the case previously.

2 Interest income

Interest income from loans and advances to customers of £7,272,833 (2007: £6,555,014) includes amounts totalling £63,768 (2007: £39,554) which the company must continue to accrue in accordance with IAS 39 'Financial instruments: Recognition & measurement' in respect of impaired loans. This additional income, which cannot be collected from the client due to the client's trading difficulties, referred to as the 'gross-up adjustment' to income, is fully provided against as part of the loan loss charge (refer to note 9).

3 Interest expense

	2008	2007
	£	£
Finance costs:		
Inter-company finance charge	**4,610,781**	3,497,220
Bank interest	**-**	4,700
	4,610,781	3,501,920
Finance revenue:		
Bank interest	**(69,300)**	(6,591)
Total	**4,541,481**	3,495,329

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Staff costs and directors' emoluments

	2008 £	2007 £
Wages and salaries	**5,855,645**	5,035,713
Social security costs	**708,573**	640,315
Pension costs - defined benefit pension scheme (note 22)	**185,469**	198,342
Pension costs - defined contribution pension schemes (note 22)	**140,990**	110,288
Share-based payments (note 20)	**117,816**	83,112
Other benefits	**603,833**	502,485
Total staff costs	**7,612,326**	6,570,255

Other benefits principally comprise the cost of providing company cars, health insurance and life assurance cover.

The average monthly number of persons employed by the company (including directors) during the year was as follows:	2008 Number	2007 Number
	144	131

The emoluments earned by the directors during the year were as follows:	2008 £	2007 £
Aggregate emoluments	**842,538**	607,240
Contributions to defined contribution pension schemes	**55,484**	40,770

Those directors of the company who are also directors of the ultimate parent undertaking, Cattles plc, receive no emoluments in respect of their services to the company (2007: £nil).

The number of directors to whom retirement benefits are accruing under pension schemes is:	2008 Number	2007 Number
Under defined benefit scheme	**1**	1
Under defined contribution scheme	**9**	6

The emoluments for the highest paid director were:	2008 £	2007 £
Aggregate emoluments	**226,930**	170,390
Contributions to defined contribution pension scheme	**16,250**	15,500

Notes to the financial statements for the year ended 31 December 2008 (continued)

5 Key management compensation

	2008	2007
	£	£
Short-term employee benefits	**925,281**	758,499
Post-employment benefits	**63,247**	47,515
Share-based payments	**51,089**	46,945
	1,039,617	804,001

One member of key management is a member of the Cattles plc Long-Term Incentive Plans and 86,326 shares were notionally held in respect of him at 31 December 2008 (2007: 51,915 shares). During the year 48,689 shares (2007: 15,465 shares) with an estimated fair value of £42,353 (2007: £39,620) were notionally awarded to this individual under these Plans.

6 Other operating expenses

	2008	2007
	£	£
Administrative expenses	**1,165,279**	1,129,418
Occupancy costs	**671,537**	640,923
Motor and travel expenses	**644,170**	513,634
Advertising	**237,284**	281,730
Other	**1,294,402**	1,305,672
	4,012,672	3,871,377

Other includes hire purchase interest expense of £11,799 (2007: £22,534).

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Auditors' remuneration

The cost of remuneration charged by the auditors for audit and non-audit services for the year ended 31 December 2008 was £30,500 (2007: £26,500) and £12,155 (2007: £9,850) respectively. A proportion of these costs are recharged to the company's subsidiary, Absolute Invoice Finance (Oxford) Limited.

8 Taxation

Analysis of charge in the year	2008 £	2007 £
Current tax:		
UK corporation tax at 28.5% (2007: 30%)	**875,794**	949,085
Adjustments in respect of previous years	**(1,546)**	(44,036)
Total current tax charge	**874,248**	905,049
Deferred tax:		
Origination and reversal of timing differences	**(22,479)**	43,990
Adjustments in respect of previous years	**(4,006)**	(13,298)
Change in tax rate	**50**	6,874
Total deferred tax charge (note 13)	**(26,435)**	37,566
Total tax charge in the income statement	**847,813**	942,615

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Taxation (continued)

The rate of tax for the year is 28.5% (2007: 30%) and represents a blended tax rate following the reduction in the rate of corporation tax from 30% to 28% which was effective from 1 April 2008. Deferred tax has been recognised at 28%. The tax charge for the year is more (2007: more) than the tax on profit on ordinary activities at the standard rate for the reasons set out in the following reconciliation:

	2008	2007
	£	£
Profit on ordinary activities before tax	**2,851,666**	3,118,043
Tax on profit on ordinary activities at 28.5% (2007: 30%)	**812,726**	935,413
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	**40,639**	64,536
Adjustments to tax charge in respect of previous years	**(5,552)**	(57,334)
Total tax charge for the year	**847,813**	942,615

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Loans and advances to customers

	2008 £	2007 £
Customer loans and receivables	**73,025,949**	80,494,926

Customer loans and receivables

The maximum exposure to credit risk of the company's loans and advances to customers is £73,025,949 (2007: £80,494,926).

Credit risk

Credit risk in relation to loans and advances to customers is the risk that financial loss arises from the failure of a client to meet its obligations under an invoice financing agreement. The company has policies and procedures in place to monitor this risk, which are explained in the section on Financial Risk Management on pages 16 and 17.

Credit quality

A summary of the arrears status of the company's loans and advances to customers is shown below as at 31 December 2008 and 2007:

	2008 £	2007 £
Neither past due nor impaired	**70,782,913**	79,293,718
Past due but not impaired	**1,363,992**	1,351,843
Impaired	**2,426,283**	703,281
Outstanding client balance	**74,573,188**	81,348,842
Deferred income	**(307,348)**	(294,733)
Gross loans and advances to customers	**74,265,840**	81,054,109
Loan loss provision	**(1,239,891)**	(559,183)
	73,025,949	80,494,926

Invoices financed by the company are formally assigned to it and are typically repaid within 60 days.

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Loans and advances to customers (continued)

Loans and advances to customers – past due but not impaired

	2008	2007
	£	£
Past due up to 29 days	627,299	798,666
Past due 30-59 days	234,046	122,519
Past due 60-89 days	146,247	70,217
Past due 90-119 days	34,895	5,704
Past due 120 days or more	321,505	354,737
	1,363,992	1,351,843

Collateral

In addition to the value of the underlying assigned sales ledger balances, the company will wherever possible obtain additional security before offering invoice finance facilities to a client. These include limited personal guarantees from major shareholders, charges over personal and other business property, cross guarantees from associated companies, and unlimited warranties in the case of frauds. These additional forms of security are impracticable to fair value, as valuations of the guarantees or warranties are not capable of being accurately determined at any point during the agreement.

Loan loss provision

	20058	20047
	£	£
As at 1 January	559,183	535,325
Utilised during the year	(243,674)	(224,964)
Recoveries of amounts previously written off	46,655	-
Charged to the income statement:		
- Additional provisions created	877,727	248,822
At 31 December	1,239,891	559,183

Loan loss charge before gross-up adjustment	877,727	248,822
Gross-up adjustment	63,768	39,554
Total loan loss charge	941,495	288,376

Notes to the financial statements for the year ended 31 December 2008 (continued)

10 Investments in subsidiaries

Cost	£
At 1 January 2007, 31 December 2007 and **31 December 2008**	**839,692**

At 31 December 2008, the company held an investment in Absolute Invoice Finance (Oxford) Limited, an invoice financing company, which is wholly owned and registered in England and Wales.

11 Other intangible assets

Other intangible assets comprise acquired computer software licences.

	£
Cost	
At 1 January 2007	342,027
Additions	49,375
Intra-group transfer	(50,217)
At 1 January 2008	341,185
Additions	125,410
At 31 December 2008	**466,595**
Accumulated amortisation	
At 1 January 2007	175,976
Charge for the year	76,827
Intra-group transfer	(21,601)
At 1 January 2008	231,202
Charge for the year	78,653
At 31 December 2008	**309,855**
Net book amount	
At 31 December 2008	**156,740**
At 31 December 2007	109,983
At 1 January 2007	166,051

All amortisation charges for the year have been charged to the income statement through other operating expenses.

12 Property, plant and equipment

	Leasehold buildings	Fixtures, equipment and computer hardware	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2007	498,998	661,948	177,737	1,338,683
Additions	12,430	122,811	503,161	638,402
Disposals	-	(15,925)	(151,912)	(167,837)
Intra-group transfers	-	(1,993)	-	(1,993)
At 1 January 2008	511,428	766,841	528,986	1,807,255
Additions	40,513	78,263	20,725	139,501
Disposals	-	-	(25,825)	(25,825)
Reclassification	(2,874)	4,024	-	1,150
At 31 December 2008	**549,067**	**849,128**	**523,886**	**1,922,081**
Accumulated depreciation				
At 1 January 2007	331,295	386,515	105,951	823,761
Charge for the year	43,066	127,659	79,797	250,522
Disposals	-	(275)	(108,137)	(108,412)
Intra-group transfers	-	(1,993)	-	(1,993)
At 1 January 2008	374,361	511,906	77,611	963,878
Charge for the year	43,232	129,078	106,347	278,657
Disposals	-	-	(16,002)	(16,002)
Reclassification	-	1,150	-	1,150
At 31 December 2008	**417,593**	**642,134**	**167,956**	**1,227,683**
Net book amount				
At 31 December 2008	**131,474**	**206,994**	**355,930**	**694,398**
At 31 December 2007	137,067	254,935	451,375	843,377
At 1 January 2007	167,703	275,433	71,786	514,922

Depreciation and profit/loss on disposal have been charged/credited to the income statement through other operating expenses, or staff costs in the case of company cars.

The net book amount of motor vehicles relates entirely to assets held under finance leases and hire purchase contracts. Included within the depreciation charge shown above was £106,347 (2007: £79,797) in respect of assets held under finance leases and hire purchase contracts.

13 Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%).

Deferred tax assets have been recognised in respect of all temporary timing giving rise to deferred tax assets because it is probable that these assets will be recovered. All of the deferred tax liability is available for offset against deferred tax assets and hence the deferred tax asset at each balance sheet date is shown net.

The movements in the deferred tax account are shown below:

	Accelerated capital - allowances	Other timing differences	Total
	£	£	£
At 1 January 2007	49,570	84,241	133,811
Recognised in income (note 8)	(2,471)	(35,095)	(37,566)
At 1 January 2008	47,099	49,146	96,245
Recognised in income (note 8)	24,058	2,377	26,435
At 31 December 2008	**71,157**	**51,523**	**122,680**

Other timing differences as at 31 December 2008 relate to future Schedule 23 deductions in relation to share-based payments and timing differences arising from the change in accounting policies as a result of the transition to IFRS.

Of the company's deferred tax balance at 31 December 2008, £31,460 (2007: £91,003) is expected to be realised in more than one year.

14 Other assets

	2008	2007
	£	£
Intra-group receivables	**193,628**	-

All intra-group receivables are repayable on demand.

15 Other borrowings

	20020058	2007
	£	£
Unsecured intra-group borrowings	**62,146,749**	71,919,566

Unsecured intra-group borrowings include £nil (2007: £800,000) in relation to promissory notes between the company and its immediate parent undertakings. The promissory notes were settled on 9 May 2008.

Notes to the financial statements for the year ended 31 December 2008 (continued)

16 Financial risk management

Liquidity risk – borrowings

The contractual maturity of the company's borrowings, including both capital and interest payments, are analysed below. The amounts shown, therefore, do not reconcile to the company's balance sheet.

2008	On demand £	Up to 3 months £	3-12 months £	1-2 years £	2-3 years £	3-4 years £	Total £
Obligations under finance leases and hire purchase contracts		27,892	80,591	97,611	156,115	8,885	**371,094**
Intra-group borrowings	62,146,749	-	-	-	-	-	**62,146,749**
	62,146,749	27,892	80,591	97,611	156,115	8,885	**62,517,843**

2007	On demand £	Up to 3 months £	3-12 months £	1-2 years £	2-3 years £	3-4 years £	Total £
Obligations under finance leases and hire purchase contracts	-	28,208	82,226	104,951	94,079	162,408	471,872
Intra-group borrowings	71,119,566	-	800,000	-	-	-	71,919,566
	71,119,566	28,208	882,226	104,951	94,079	162,408	72,391,438

The company's gross obligations under finance lease and hire purchase contracts are as follows:

	2008 £	2007 £
Gross lease payments:		
Not later than one year	**108,483**	110,434
Later than one year but not more than five	**262,611**	361,438
	371,094	471,872
Future finance charges	**(8,160)**	(17,816)
Future minimum lease payments	**362,934**	454,056

The figures above relate to motor vehicles acquired under hire purchase contracts or finance leases.

Notes to the financial statements for the year ended 31 December 2008 (continued)

16 Financial risk management (continued)

Liquidity risk – obligations under operating lease contracts

The maturity profiles of the contractual cash flows associated with the company's operating leases are analysed below:

	Up to 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£	£
2008	101,171	286,611	337,763	283,825	117,979	32,090	-	**1,159,439**
2007	102,255	257,764	243,743	199,581	160,799	20,414	-	984,556

Management of liquidity risk

Liquidity risk is the risk to earnings or capital arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses. It includes the risk of inability to manage unplanned decreases or changes in funding sources and also any failure to recognise and address changes in market conditions that could affect the company's ability to liquidate assets quickly, with minimum value loss, if necessary.

At 31 December 2008 and through to the date of sale to Anacap on 14 September 2009, all of the company's borrowings were intra-group borrowings, repayable on demand from Cattles plc, the company's ultimate parent company. In 2007 all borrowings, except the promissory note referred to in note 15, were repayable on demand from Cattles plc.

Failures in the Cattles plc group's capital planning framework impacted on both this company and its subsidiary, Absolute Invoice Finance (Oxford) Limited for much of 2008 and 2009. The businesses were required to reduce lending mid way through 2008 and to operate within that reduced lending until sold. The businesses were however able to operate within these reduced facilities with minimal impact on customer service and confidence; staff and performance.

The purchase of the business provides the company with significant new funding - the company has now repaid all of its borrowings to Cattles plc and, with its subsidiary undertaking has entered into a £100 million Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The new facility provides room for significant future growth. As part of its ongoing management of liquidity risk, existing and forecast facility headroom levels are reported and reviewed at each board meeting.

Management of interest rate risk

Whilst under Cattles plc ownership, all unsecured intra-group borrowings, except for the liability in relation to the promissory notes, were subject to an interest charge based on the average cost of borrowing borne by the Cattles plc group. Cattles plc's facilities comprised a mixture of fixed and floating rate funding. Floating rate borrowings are exposed to the risk of rising interest rates, which Cattles plc managed by using appropriate hedging instruments, primarily interest rate swaps. As a part of the Cattles plc group Absolute Invoice Finance Limited, had a relatively low risk to changes in market interest rates.

Notes to the financial statements for the year ended 31 December 2008 (continued)

16 Financial risk management (continued)

Management of interest rate risk (continued)

Following the sale of the company, the company has entered into a Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The facility provides for an interest charge linked to LIBOR together with an under utilisation fee. While base rate and LIBOR are similar the company has a relatively low risk to changes in market interest rates. To reduce the potential risk which may arise should base rate and LIBOR begin to diverge, the company's customer lending is subject to agreed minimum rates on all contracts.

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Other liabilities

	2008	2007
	£	£
Trade payables	242,782	323,582
Other taxes and social security	463,246	449,077
Obligations under finance leases and hire purchase contracts	362,934	454,056
Other payables	3,735,224	4,247,257
	4,804,186	5,473,972

All trade payables have a maturity of within one month.

Other payables primarily relate to a liability for cash receipts from non-debtors, which are held on the company's balance sheet until the expiry of the six-year period during which the party making the receipt can seek reimbursement. Any unclaimed receipts subsequent to the expiry date are recognised as income. It is not possible to provide a maturity analysis of this liability due to the uncertainty surrounding any reimbursements.

18 Financial instruments

Details of management's policies for controlling the risks associated with undue concentrations of credit risk are set out in the section on Financial Risk Management on pages 16 and 17.

The company holds no derivatives and has identified no embedded derivatives which require separate accounting for in accordance with IAS 39 'Financial instruments: Recognition & measurement'.

Fair values of non-derivative financial instruments

The carrying value of the company's financial instruments (being loans and advances to customers, intra-group receivables and borrowings, other assets, cash and cash equivalents, other liabilities and obligations under finance leases and hire purchase contracts) approximate to their fair value.

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Share capital

	Authorised			
	2008		2007	
	Number	**£**	Number	£
Ordinary shares of £1 each	**500,000**	**500,000**	500,000	500,000
Irredeemable preference shares of £1 reach	**250,000**	**250,000**	250,000	250,000
	750,000	**750,000**	750,000	750,000

	Allotted, called up and fully paid			
	2008		2007	
	Number	**£**	Number	£
Ordinary shares of £1 each	**350,000**	**350,000**	350,000	350,000

None of the preference shares are in issue.

The rights attached to the ordinary shares are as follows:

Voting

On a show of hands every ordinary shareholder who is present in person at a general meeting of the company and every proxy appointed by an ordinary shareholder and present at a general meeting of the company shall have one vote and on a poll every ordinary shareholder who is present in person or by proxy shall have one vote for every share held.

Dividends

Ordinary shareholders shall be entitled to receive such dividend as the company by ordinary resolution may from time to time declare as a final dividend (such dividend not to exceed the amount recommended by the Board) or as the Board may from time to time declare as an interim dividend.

Return of capital on a winding-up

Ordinary shareholders are entitled to participate in any surplus assets on the winding-up of the company in proportion to their shareholdings.

Management of capital risk

The company's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and to provide an appropriate level of dividend payment to shareholders.

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Share-based payments

Equity-settled share option schemes

The ultimate parent company, Cattles plc, has a number of option schemes, the Cattles Executive Share Option Scheme (1994), the Cattles Executive Share Option Scheme (1996) and the Cattles Employee Sharesave Scheme. Cattles plc issued new shares through a rights issue on 5 June 2008. The rights issue resulted in a restatement of exercise prices and number of shares under option in respect of the Group's Executive Share Option Schemes and Employee Sharesave Scheme. This restatement has been reflected in the tables below.

Certain employees of the company have outstanding options under these schemes as at 31 December 2008 as follows:

Period granted	**Exercise price (pence) Restated**	**Exercise period**	**2008 Number**	2007 Number Restated
Executive Share Option Schemes				
1999	311.54	2002 – 2009	-	4,672
2002	284.10	2005 – 2012	**4,672**	4,672
			4,672	9,344
Employee Sharesave Scheme				
2003	244.47	2008 – 2009	**10,358**	12,953
2005	208.17	2010 – 2011	**21,644**	44,351
2007	255.25	2010 – 2011	**10,288**	20,815
2007	255.25	2012 – 2013	**26,705**	56,610
2008	64.60	2011 – 2012	**56,856**	-
2008	64.60	2013 - 2014	**129,397**	-
			255,248	134,729
Total			**259,920**	144,073

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Share-based payments (continued)

The outstanding share options may be analysed by range of exercise prices as follows:

	2008			2007		
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of share options	Weighted average remaining life (years)	Weighted average exercise price (pence) Restated	Number Restated	Weighted average remaining life (years) Restated
50.00 – 99.00	**46.60**	**186,253**	**4.81**	-	-	-
200.00 – 249.00	**219.92**	**32,001**	**1.77**	216.38	57,304	2.97
250.00 – 299.00	**258.49**	**41,665**	**3.80**	256.89	82,097	4.85
300.00 – 363.95	-	-	-	311.54	4,672	1.25
Total	**101.90**	**259,919**	**4.27**	242.55	144,073	3.98

The expected remaining life of the share options equates to their remaining contractual life.

A reconciliation of option movements during the year is shown below:

	2008		2007	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**144,073**	**242.55**	60,499	264.82
Granted during year	**194,493**	**46.60**	66,284	298.20
Expired during year	**(78,647)**	**(222.78)**	(3,442)	(243.20)
Outstanding at 31 December	**259,919**	**101.90**	123,341	283.36
Outstanding at 31 December (as restated)			144,073	242.55
Exercisable at 31 December	**4,672**	**284.10**	8,000	347.93
Exercisable at 31 December (as restated)			9,344	297.82

On 28 October 2008 194,493 options were granted (2007: 66,284) with an estimated fair value of £141 (2007: £27,421). No options were exercised in 2008 or 2007.

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Share-based payments (continued)

Shares issued under senior executive performance related plans and staff share incentive plan

The ultimate parent company also has a number of share award plans for senior executives, including one employee of the company. Details of each plan are set out in the financial statements of Cattles plc.

The ultimate parent company also operates a Share Incentive Plan ('SIP'), which is open to all eligible UK employees of the company, and is an HMRC approved all-employee scheme. During the year 66,531 shares (2007: 24,536 shares) with an estimated fair value of £90,245 (2007: £75,404) were awarded to the company's employees under the SIP.

Fair value of share-based payments

The fair values of all share-based payments arising from share awards granted post 7 November 2002 have been estimated using the Black-Scholes option pricing model. The assumptions used in the calculations are set out in the financial statements of Cattles plc. The company recognised a total charge of £117,816 (2007: £83,112) related to equity-settled share-based payment transactions during the year.

21 Reconciliation of profit before taxation to cash inflow / (outflow) from operations

	2008	2007
	£	£
Profit before taxation	**2,851,666**	3,118,043
Adjustments for:		
Depreciation of property, plant and equipment	**278,657**	250,522
Profit on disposal of property, plant and equipment	**-**	(7,823)
Amortisation of other intangible assets	**78,653**	76,827
Share-based payments	**117,816**	83,112
Decrease/(increase) in loans and advances to customers	**7,468,977**	(21,450,480)
Decrease/(increase) in prepayments	**124,421**	(202,913)
(Decrease)/increase in other liabilities	**(690,511)**	880,472
Increase in accruals	**510,377**	70,289
Cash inflow/(outflow) from operations	**10,740,056**	(17,181,951)

The amount of interest paid and received during the year was £4,807,047 (2007: £3,390,160) and £66,552 (2007: £16,174) respectively.

Absolute Invoice Finance Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

22 Pension obligations

While a subsidiary of Cattles plc, the company was a member of a group, which operated both defined benefit and defined contribution pension plans.

Defined benefit post-employment benefits plan

The defined benefit scheme provides benefits based on final salary for certain of the company's employees. The assets of the scheme are held in a separate trustee-administered fund. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The scheme was closed to new applicants from 1998.

The retirement benefit obligation is recognised in the balance sheet of the sponsoring employer, the ultimate parent company. The company's employee benefit expense for the year ended 31 December 2008 in relation to the defined benefit scheme represents the employer contributions payable of £185,469(2007: £198,342).

Further details on the valuation of the total retirement benefit obligation, including the assumptions upon which the valuation is based, are set out in the financial statements of Cattles plc and in note 25 to these financial statements

Defined contribution post-employment benefit plans

The expense recognised for the year ended 31 December 2008 in relation to defined contribution plans is £140,990 (2007: £110,288).

23 Non-cash transactions

	2008	2007
	£	£
Purchase of property, plant and equipment	**20,725**	503,161

24 Operating lease arrangements

At the balance sheet date the company had total future lease payments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	£	£	£	£
Future lease payments:				
Within one year	268,246	119,536	252,158	107,861
Between one and five years	596,594	175,063	535,352	89,184
After five years		-		-
	864,840	294,599	787,510	197,045

The following lease payments were recognised in the income statement during the year:

	2008		2007	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	£	£	£	£
Lease payments	345,966	150,378	330,863	152,886

25 Contingent liabilities

At 31 December 2008, the company together with other companies in the Cattles group, had entered into an unsecured unlimited multilateral bank guarantee. There were no fair values attached to the guarantee. The guarantee was released on 14 September 2009 when all intercompany borrowing was repaid.

The company was at 31 December 2008, a participating member of the Cattles group defined benefit pension scheme. The company had a contingent liability at that date in the deficit on the pension scheme of £15.0 million (2007: £14.1 million) as the company was required, along with other participating companies, to make additional shortfall contributions based on the advice of the scheme's independent actuary.

With the sale of the company, on 14 September 2009, the company took over actual responsibility for its share of the deficit on the pension scheme. The Trustees of the scheme have instructed Actuaries to calculate the company's share of the liability which is estimated at £3.0m. The scheme is now closed to company employees although participants have been offered the opportunity to join the company's defined contribution pension plan.

26 Related party transactions

Ultimate parent undertaking

At 31 December 2008, the company's ultimate parent undertaking and controlling party was Cattles plc, registered in England and Wales.

The whole of the company's share capital was acquired by Absolute Invoice Finance (Holdings) Limited on 14 September 2009. Absolute Invoice Finance (Holdings) Limited is wholly owned by AnaCap Financial Partners II LP, a Guernsey Limited Partnership, advised by London Private Equity Firm, Anacap Financial Partners LLP("Anacap").

At 31 December 2008, the largest and smallest group in which the results of the company are consolidated is that headed by Cattles plc. The consolidated financial statements of this group are available to the public and may be obtained from the Registered Office, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire WF17 9TD, or from the Cattles plc website, www.cattles.co.uk.

Related party transactions

The company entered into related party transactions with its ultimate parent company, its immediate parent companies and a fellow subsidiary undertaking during the year as outlined below:

- The company received borrowing facilities from its ultimate parent company, for which a financing charge was levied each month. This charge was based upon the parent's average cost of borrowing.
- The company entered into promissory notes with its immediate parent companies in relation to the commitment to settle dividends declared during the year.
- The company's payroll was administered by a fellow subsidiary undertaking with the relevant salary costs being recharged to the company. The subsidiary undertaking did not make any charge for providing this service.

	2008	2007
	£	£
Borrowing of funds	**-**	22,700,000
Repayment of funds	**(8,900,000)**	-
Intra-group finance charge (note 3)	**4,610,781**	3,497,220
Promissory notes	**600,000**	1,500,000

Receivables due from and payables to the parent companies and fellow subsidiary undertakings are disclosed in notes 14 and 15 respectively.