Registration number: 08426091

# Praetura Asset Finance Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

# Praetura Asset Finance Limited

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# Praetura Asset Finance Limited

## Company Information

| | |
|---|---|
| **Directors** | Mr Jack Summers |
| | Mr Michael C Hartley |
| | Mr Daryl L Johnson |
| | Mr Michael I Dalzell |
| | Mr Richard Simmons |
| | Mr Peadar O'Reilly |
| **Company secretary** | Mr Michael Walling |
| **Registered office** | Ewood House<br>Walker Park<br>Walker Road<br>Blackburn<br>Lancashire<br>BB1 2QE |
| **Auditors** | KPMG LLP<br>Chartered Accountants & Statutory Auditor<br>One St Peter's Square<br>Manchester<br>M2 3AE |

## Praetura Asset Finance Limited

## Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

**Principal activities**

The principal activities of the company in the year under review were those of asset finance.

**Results and dividends**

The loss for the year before taxation, amounted to £2,740,566 (2017: £2,899,528)

On 27 December 2018 Praetura Asset Finance Limited sold receivable receivables totaling £51.1m to PAF Securitisation No.1 Plc who have secured a £75m facility with NatWest Markets with the ability to increase in £25m tranches. At 31 December £44.4m of the NatWest Markets facility was utilised. On securing the NatWest Markets facility, both the Praetura Asset Finance Limited's facility with RBS and Kingsway Leasing Limited facility with NatWest were fully repaid. During the year, the Company has incurred significant costs in relation to the set up of the new funding structure but the Company is confident that it is in a strong position to expand its origination capacity, enabling growth in its loan book to provide up to £200m to SMEs across the UK.

The Board of Directors continue to monitor and assess the impact of "Brexit". The Board believe that the new funding structure has positioned the Company so that it is in a strong position to take advantage of any restriction of liquidity within the market place. The Company continues to closely monitor and work with customers to ensure that bad debts are kept to a minimum, and it is considered that the strong policies and procedures in place ensure that the Company can keep a tight control going forward. Having assessed the customer and suppliers of the Company it is considered that there is a wide variety of customers and suppliers who are predominantly based in the UK with no significant reliance on the EU market place.

**Dividends**

The directors have not proposed payment of a dividend in the year (2017: £nil)

**Directors of the company**

The directors who held office during the year were as follows:

Mr Jack Summers

Mr Michael C Hartley

Mr Daryl L Johnson

Mr Michael I Dalzell

Mr Richard Simmons

Mr Michael J Fletcher (resigned 20 September 2018)

Mr Peadar O'Reilly

**Disclosure of information to the auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Praetura Asset Finance Limited

## Directors' Report for the Year Ended 31 December 2018

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

During the year, KPMG LLP were re-appointed as auditor pursuant to Section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approved by the Board on 28 June 2019 and signed on its behalf by:

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Mr Peadar O'Reilly

Director

# Praetura Asset Finance Limited

## Statement of Directors' Responsibilities

The directors are responsible for preparing Directors' 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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Independent Auditor's Report to the Members of Praetura Asset Finance Limited

## Opinion

We have audited the financial statements of Praetura Asset Finance Limited ("the company") for the year ended 31st December 2018 which comprise the Profit and Loss account, the Statement of Other Comprehensive income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

• give a true and fair view of the state of the company's affairs as at 31st December 2018 and of its loss for the year then ended;
• have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

## Independent Auditor's Report to the Members of Praetura Asset Finance Limited

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

# Independent Auditor's Report to the Members of Praetura Asset Finance Limited

**The purpose of our audit work and to whom we owe our responsibilities**

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.

David Allen

**David Allen (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
One St Peter's Square
Manchester
M2 3AE

28 June 2019

## Praetura Asset Finance Limited

## Profit and Loss Account for the Year Ended 31 December 2018

| | Note | 2018<br>£ | 2017<br>£ |
|---|---|---|---|
| Turnover | 3 | 4,011,398 | 2,273,387 |
| Cost of sales | | (1,474,103) | (2,154,688) |
| Gross profit | | 2,537,295 | 118,699 |
| Administrative expenses | | (5,280,046) | (3,018,296) |
| Operating loss | 4 | (2,742,751) | (2,899,597) |
| Other interest receivable and similar income | 5 | 2,185 | 69 |
| | | 2,185 | 69 |
| Loss before tax | | (2,740,566) | (2,899,528) |
| Taxation | 9 | 14,414 | 16,209 |
| Loss for the financial year | | (2,726,152) | (2,883,319) |

The above results were derived from continuing operations.

The company has no recognised gains or losses for the current or prior year other than the results above.

The notes on pages 11 to 26 form an integral part of these financial statements.

# Praetura Asset Finance Limited

## (Registration number: 08426091)
## Balance Sheet as at 31 December 2018

| | Note | 2018<br>£ | 2017<br>£ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | 154,015 | 172,010 |
| Tangible assets | 11 | 31,325 | 43,828 |
| Investments | 12 | 5 | 5 |
| | | 185,345 | 215,843 |
| **Current assets** | | | |
| Debtors (including £27,454,459 (2017: £nil) due after more than one year | 13 | 54,841,726 | 5,550,153 |
| Cash at bank and in hand | | 1,552,182 | 486,685 |
| | | 56,393,908 | 6,036,838 |
| **Creditors**: Amounts falling due within one year | 15 | (21,732,883) | (9,016,543) |
| **Net current assets/(liabilities)** | | 34,661,025 | (2,979,705) |
| **Total assets less current liabilities** | | 34,846,370 | (2,763,862) |
| **Creditors**: Amounts falling due after more than one year | 15 | (40,486,384) | (150,000) |
| **Net liabilities** | | (5,640,014) | (2,913,862) |
| **Capital and reserves** | | | |
| Called up share capital | 17 | 3 | 3 |
| Profit and loss account | | (5,640,017) | (2,913,865) |
| Total equity | | (5,640,014) | (2,913,862) |

Approved and authorised by the Board on 28 June 2019 and signed on its behalf by:

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Mr Peadar O'Reilly

Director

The notes on pages 11 to 26 form an integral part of these financial statements.

**Praetura Asset Finance Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2018**

| | Share capital £ | Profit and loss account £ | Total £ |
|---|---|---|---|
| At 1 January 2018 | 3 | (2,913,865) | (2,913,862) |
| Loss for the year | - | (2,726,152) | (2,726,152) |
| Total comprehensive income | - | (2,726,152) | (2,726,152) |
| At 31 December 2018 | 3 | (5,640,017) | (5,640,014) |

| | Share capital £ | Profit and loss account £ | Total £ |
|---|---|---|---|
| At 1 January 2017 | 3 | (30,546) | (30,543) |
| Loss for the year | - | (2,883,319) | (2,883,319) |
| Total comprehensive income | - | (2,883,319) | (2,883,319) |
| At 31 December 2017 | 3 | (2,913,865) | (2,913,862) |

The notes on pages 11 to 26 form an integral part of these financial statements.

## 1 Accounting policies

**Statement of compliance**
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

**Basis of preparation**
The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The following principal accounting policies have been applied:

**Summary of disclosure exemptions**
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Praetura Asset Finance (Holdings) Limited as at 31 December 2017 and these financial statements may be obtained from the registered office.

The following principal accounting policies have been applied:.

**Going concern**
Notwithstanding net current liabilities of £5,640,014 as at 31 December 2018, a loss before tax for the year then ended of £2,726,152 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of (at least 12) months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, PAF Group Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on PAF Group Limited providing additional financial support during that period. PAF Group Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

**Intangible assets**
Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Amortisation**
Amortisation is provided on the following bases:

| | |
|---|---|
| Software | 10% straight line |

**Tangible assets**
Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**Depreciation**
Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| | |
|---|---|
| Fixtures and Fittings | 50% straight line |
| Computer equipment | 20-50% straight line |

**Investments**
Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

**Debtors**
Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Borrowings**
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**Defined contribution pension obligation**
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Company either (a) transfers the contractual rights to receive the assets cash flows; or (b) retains the right to the assets cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Company assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. The asset remains on the balance sheet if substantially all the risks and rewards have been retained. It is derecognised if substantially all the risks and rewards have been transferred.

**Tax**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

**Leases**
When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included in net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

**Interest income and payable**
Interest income and expense are recognised in the profit and loss account for all instruments 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 of a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points, paid or received, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset, or group of similar financial assets, has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment loss. When the Company revises its estimates of payments or receipts on a financial instrument measured at amortised cost, the carrying amount of the financial instrument (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

**Impairment of financial assets**
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or a group of financial assets, is impaired and impairment losses are incurred if, and 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 that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Company about the following loss events:
- deliquency in contractual payments of principal or interest;
- cash flow difficulties;
- breach of loan covenants or conditions; and
- initiation of bankruptcy proceedings.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates.

In the application of the accounting policies management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historic experience and other factors that are considered to be relevant and are reviewed on an on-going basis.

Management have considered the key assumptions used to estimate the company's assets and liabilities as at the balance sheet date, and believe these assumptions to be entirely appropriate. The estimates and judgements most likely to have a significant effect are in the following areas:

Impairment loss provisions

Impairment provisions are made in respect of agreements where a loss event has occurred. The impairment provisions are deducted from the net investment in finance agreements. Management review agreements individually and an assessment of the recoverability of the balance is made based upon management's experience and knowledge of the customer and asset. The charge in the statement of income comprises write offs, recoveries and the movement in the impairment provision in the period.

## 3 Analysing turnover

The whole of the turnover is attributable to the principal activity of the company and all relates to the leasing of goods.

## 4 Operating loss

Arrived at after charging

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Depreciation expense | 32,068 | 33,014 |
| Amortisation expense | 24,843 | 22,863 |

## 5 Other interest receivable and similar income

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Interest income on bank deposits | 2,185 | 69 |

## 6 Auditor's remuneration

| | 2018 £ | 2017 £ |
|---|---|---|
| Audit of the financial statements | 13,000 | 13,000 |
| **Other fees to auditors** | | |
| Taxation compliance services | 4,375 | 4,250 |

## 7 Employees

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Wages and salaries | 1,100,205 | 1,196,312 |
| Social security costs | 124,102 | 135,515 |
| Pension costs, defined contribution scheme | 183,946 | 155,524 |
| | 1,408,253 | 1,487,351 |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2018 No. | 2017 No. |
|---|---|---|
| Administration and support | 21 | 21 |

## 8 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Remuneration | 478,644 | 229,015 |
| Contributions paid to money purchase schemes | 113,759 | 40,419 |
| | 592,403 | 269,434 |

## 9 Taxation

Total tax expense recognised in the profit and loss account

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax adjustment to prior periods | (14,414) | (16,209) |
| Current tax on income for the period | (14,414) | (16,209) |
| Total tax | (14,414) | (16,209) |

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences is explained below:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Loss before tax | (2,740,566) | (2,899,528) |
| Corporation tax at standard rate | (520,708) | (558,061) |
| Expenses not deductible | 328,032 | 14,145 |
| Deferred tax not recognised | 702,523 | 136,366 |
| Decrease in current tax from adjustment for prior periods | (14,414) | (16,209) |
| Assets transferred intra group at TWDV (but NBV for accounts) | (653,654) | - |
| Tax increase arising from group relief | 143,807 | 407,492 |
| Qualifying charitable donations unutilised | - | 58 |
| Total tax credit | (14,414) | (16,209) |

A reduction in the UK Corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

## 10 Intangible assets

| | Internally generated software development costs £ | Total £ |
|---|---|---|
| **Cost or valuation** | | |
| At 1 January 2018 | 243,119 | 243,119 |
| Additions internally developed | 6,848 | 6,848 |
| At 31 December 2018 | 249,967 | 249,967 |
| **Amortisation** | | |
| At 1 January 2018 | 71,109 | 71,109 |
| Amortisation charge | 24,843 | 24,843 |
| At 31 December 2018 | 95,952 | 95,952 |
| **Carrying amount** | | |
| At 31 December 2018 | 154,015 | 154,015 |
| At 31 December 2017 | 172,010 | 172,010 |

## 11 Tangible assets

| | Fixtures and fittings £ | Computer equipment £ | Total £ |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2018 | 39,582 | 102,120 | 141,702 |
| Additions | 1,251 | 18,314 | 19,565 |
| At 31 December 2018 | 40,833 | 120,434 | 161,267 |
| **Depreciation** | | | |
| At 1 January 2018 | 37,006 | 60,868 | 97,874 |
| Charge for the year | 3,012 | 29,056 | 32,068 |
| At 31 December 2018 | 40,018 | 89,924 | 129,942 |
| **Carrying amount** | | | |
| At 31 December 2018 | 815 | 30,510 | 31,325 |
| At 31 December 2017 | 2,576 | 41,252 | 43,828 |

## 12 Investments in subsidiaries, joint ventures and associates

| | 2018 £ | 2017 £ |
|---|---|---|
| Investments in subsidiaries | 5 | 5 |

| Subsidiaries | £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2018 | 5 |
| At 31 December 2018 | 5 |
| **Provision** | |
| At 1 January 2018 | - |
| At 31 December 2018 | - |
| **Carrying amount** | |
| At 31 December 2018 | 5 |
| At 31 December 2017 | 5 |

**Details of undertakings**

Details of the investments are as follows:

| Undertaking | Registered office address | Holding | Proportion of voting rights and shares held 2018 | 2017 |
|---|---|---|---|---|
| **Subsidiary undertakings** | | | | |
| Praetura Asset Finance (A) Limited | Ewood House, Walker Park, Guide, Blackburn, BB1 2QE | Ordinary | 100% | 100% |
| Praetura Asset Finance (L) Limited | Ewood House, Walker Park, Guide, Blackburn, BB1 2QE | Ordinary | 100% | 100% |
| Praetura Asset Finance (SB) Limited | Ewood House, Walker Park, Guide, Blackburn, BB1 2QE | Ordinary | 100% | 100% |
| Praetura Asset Finance (IFF) Limited | Ewood House, Walker Park, Guide, Blackburn, BB1 2QE | Ordinary | 100% | 100% |
| Praetura Asset Finance (BB) Limited | Ewood House, Walker Park, Guide, Blackburn, BB1 2QE | Ordinary | 100% | 100% |

The principal activity of all the subsidiary undertakings is that of asset finance.

## 13 Debtors

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| Amounts owed by related parties | 22 | - | 4,860,953 |
| Other debtors | | 1,083,368 | 523,779 |
| SPV debtor | | 3,253,486 | - |
| Prepayments | | 934,990 | 64,452 |
| Net investment in finance leases | 14 | 49,569,882 | 84,760 |
| Income tax asset | 9 | - | 16,209 |
| Total debtors | | 54,841,726 | 5,550,153 |
| Less non-current portion | | (27,454,459) | - |
| Current debtors | | 27,387,267 | 5,550,153 |

**Details of non-current trade and other debtors**

Debtors include net investment in finance leases of £27,454,459 (2017: £nil) due after more than one year.

An impairment provision of £579,746 (2017: £61,711) was recognised against net investment in finance leases. The following table shows the movement in the impairment provision:

| | 2018 £ | 2017 £ |
|---|---|---|
| At 1 January | 61,711 | 277,434 |
| Charge/(credit) to the P&L | 28,964 | (215,723) |
| Transfer from group company | 489,071 | - |
| At 31 December | 579,746 | 61,711 |

### 14 Loans and advances to customers

| | 2018 £ | 2017 £ |
|---|---|---|
| Finance lease and hire purchase receivables | 50,149,628 | 146,471 |
| Less: Allowance for impairment charges on loans and advances to customers | (579,746) | (61,711) |
| | 49,569,882 | 84,760 |

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed below.

| | 2018 £ | 2017 £ |
|---|---|---|
| **Gross investment in finance leases** | | |
| Less than one year | 26,278,442 | 146,471 |
| between one and five years | 32,622,500 | - |
| Less: Allowance for impairment charges on loans and advances to customers | (579,746) | (61,711) |
| Unearned future finance income on finance leases | (8,751,314) | - |
| Net investment in finance leases | 49,569,882 | 84,760 |

| | 2018 £ | 2017 £ |
|---|---|---|
| **Net investment in finance leases** | | |
| less than one year | 22,115,423 | 84,760 |
| between two and five years | 27,454,459 | - |
| Net investment in finance leases | 49,569,882 | 84,760 |

## 15 Creditors

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| **Due within one year** | | | |
| Fixed rate secured loan notes | | - | 8,138,184 |
| Trade creditors | | 470,081 | 253,952 |
| Amounts due to related parties | 22 | 989,700 | - |
| SPV creditor | | 18,460,088 | - |
| Social security and other taxes | | 38,097 | 47,969 |
| Other payables | | 184,961 | 25,605 |
| Accruals | | 1,589,956 | 550,833 |
| | | 21,732,883 | 9,016,543 |
| **Due after one year** | | | |
| Fixed rate secured loan notes | | 7,886,669 | 150,000 |
| SPV creditor | | 32,599,715 | - |
| | | 40,486,384 | 150,000 |

**Secured loans**

The 10% fixed rate secured loan notes are secured by the way of a fixed and floating charge over the company's assets or undertaking, entitled by P J O'Reilly, M Fletcher, and S Sealey.

## 16 Pension and other schemes

**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £183,946 (2017 - £155,524).

## 17 Share capital

**Allotted, called up and fully paid shares**

| | 2018 No. | 2018 £ | 2017 No. | 2017 £ |
|---|---|---|---|---|
| Ordinary of £1 each | 3 | 3 | 3 | 3 |

### 18 Operating leases

Non-cancellable operating lease rentals are as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Not later than one year | - | 17,100 |
| | - | 17,100 |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £17,100 (2017 - £22,800).

### 19 Capital commitments

The company had no capital commitments at 31 December 2018 (2017: £nil).

### 20 Contingent liabilities

The company had no contingent liabilities at 31 December 2018 (2017: £nil).

## 21 Risk

**Credit risk**
Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Company in respect of a financial instrument. Credit risk arises primarily from the Company's exposure to losses from loans and advances to customers that default on their repayments in excess of the collateral held within the underlying asset(s).

Praetura Asset Finance Group Credit policy document sets out the fundamental credit principles within which the Company operates.

The quality of all lending is monitored and measured using loan to value ("LTV") calculations and ongoing monitoring and discussions with the customers, brokers and industry experts.

The LTV calculator uses an industry asset class and sub class matrix provided by professional valuers. It is updated annually to ensure that the latest industry recognised depreciation rates are used. If there are any material shifts in depreciation rates for an asset class or sub class during the year, these are communicated by the valuers and the matrix updated immediately. Each deal going through credit has an LTV report attached (depreciated values over time and a graph showing the reducing capital balance as well as the depreciating trade and retail valuations).

A robust arrears management process ensures that the impact of delinquent loans on the Company's performance is minimised.

The methodology for impairment provisioning is set out below:

All credit exposures are regularly reviewed for objective evidence of impairment. Where such evidence of impairment exists the exposures are collectively measured for an impairment provision. The criteria used to determine if there is objective evidence of impairment relates to an inability to recoup the principal balance and interest outstanding on the contract. Where objective evidence of impairment exists, as a result of one or more past events, the Company is required to estimate the recoverable amount of the exposure.

For financial reporting purposes, loans and advances to customers on the balance sheet that become impaired are written down to the estimated recoverable amount. The amount of this write down is taken as an impairment charge in the statement of income and retained earnings.

For the Company 100% of the balances are secured against the assets being financed.

**Liquidity risk**
Liquidity risk is the risk that the Company will experience difficulty in financing its assets and/or meeting contractual payment obligations as they fall due, or will only be able to do so at substantially above prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by, among other things, the maturity structure of loans and advances to customers whilst cash outflows are primarily driven by loan and bank overdraft repayment obligations. Liquidity risk can increase due to unexpected lengthening of maturities and non-repayment of assets.

It is company policy to ensure that resources are available during all reasonably foreseeable circumstances to meet its obligations. Development, implementation and monitoring of this policy are the responsibility of the company.

**Market risk**
Market risk is the risk of loss in the company's income or net worth arising from an adverse change in interest rates, exchange rates, or other market prices. The company considers that the most significant aspect of market risk for the company is interest rate risk. The company is not exposed to currency risk as all financial assets and liabilities are denominated in sterling.

Interest rate risk arises primarily from the company's exposure to interest rate fluctuations whilst offering customer products which are at a fixed rate of interest. Exposure to interest rate risk is managed by the Company using fixed rate deposits and loans. As the company's fixed rate borrowings and receivables from customers are both carried at amortised cost, interest rate risk is eliminated since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

There would therefore be no effect on profit if interest rates were to change.

### 22 Financial assets and liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

All financial assets and liabilities recorded in the balance sheet are held at amortised cost.

It is considered that the carrying amount is a reasonable approximation of fair value for all financial assets and liabilities.

### 23 Related party transactions

The company has taken exemption under FRS 102 paragraph 33.1A 'Related Party Disclosures' not to disclose related party transactions with other group companies.

During the year M C Hartley repaid £15,500 (2017: £nil) to Praetura Asset Finance Limited. During the year Praetura Asset Finance Limited advanced £nil (2017: £10,000) to M C Hartley, no interest has been charged on the advance. At the year end Praetura Asset Finance Limited was owed £nil (2017: £15,500) from M C Hartley.

### 24 Controlling party

The company is a subsidiary undertaking of Praetura Asset Finance (Holdings) Limited, incorporated in England and Wales. The ultimate parent company is PAF Group Limited, incorporated in England and Wales. The registered address for PAF Group Limited is 3rd Floor Giants Basin, Potato Wharf, Manchester, England, M3 4NB.

The largest and smallest group in which the results of the company are consolidated is that headed by PAF Group Limited. No other group financial statements include the results of the company. The consolidated financial statements of this group are available to the public and may be obtained from the company's registered office.