Company Registration No. 08426091 (England and Wales)

PRAETURA ASSET FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

PRAETURA ASSET FINANCE LIMITED

COMPANY INFORMATION

Directors	J Summers	
	M I Dalzell	
	R Simmons	
	P O'Reilly	
	D Heald	(Appointed 20 June 2022)
	M P McClelland	(Appointed 20 April 2023)
Secretary	M Walling	
Company number	08426091	
Registered office	Ewood House Walker Park Guide Lancashire BB1 2QE	
Auditor	MHA 6th Floor 2 London Wall Place London EC2Y 5AU	

PRAETURA ASSET FINANCE LIMITED

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PRAETURA ASSET FINANCE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business
During the year ended 31 December 2022, the company has recognised a profit before tax of £2.7m (2021: £3.0m).

Praetura Asset Finance Limited have net assets of £2.6m (2021: net liabilities of £0.1m). The movement in the year relates to the movement within the profit and loss account.

At the year end of 31 December 2022, the company has a gross receivable of £148m (2021: £102m), representing a £46m (45%) growth since the prior year.

Principal risks and uncertainties
The principal risks and uncertainties within the company relate to credit, liquidity, and market risk. The board of Directors have a robust control mechanism to be able to suitably deal with the risks presented to the business.

PAF Group credit policy is used to reduce the credit risk with specific credit principles used at the underwriting stage of a deal, whereby the group assess the credit worthiness of the customer, alongside the security from an underlying asset or guarantee. Post inception of a deal, the arrears management process ensures the impact of delinquent loans is minimised.

The treasury committee meet regularly to review the short and long-term funding requirements of the business. The group has several funding stream options for both senior and junior creditors which provides flexibility for the business to be able to optimise its funding structure. The PAF Group has secured the long-term funding lines across its senior funders, including an increase of £50m (2021: £25m increase) to our primary funder.

Interest rate exposure is managed by the PAF Group using fixed rate deposits and loans ensuring that any movements in interest rate will not create material impacts on profit or loss. Throughout 2022, management believe the group's portfolio has performed strongly, which is supported by low levels of arrears, defaults and write-offs.

Key performance indicators
The company's key financial and other performance indicators during the year were as follows:

Financial indicators

	Unit	2022	2021
Revenue	£,000	14,852	10,438
EBTDA	£,000	2,872	3,110
Gross Receivable	£,000	147,885	101,905

For each of the key performance indicators, progress against budget is monitored monthly by the Directors.

Strategy
The company is focused on a strategy of diverse, sustained growth whilst maintaining robust credit principles based upon sustainable long term treasury policies.

This report was approved by the board and signed on its behalf by

DocuSigned by:
Jack Summers
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J Summers
Director

25 September 2023

PRAETURA ASSET FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities
The principal activity of the company continued to be the provision of asset finance to SME customers.

Results and dividends
The profit for the year before taxation amounted to £2,728,120 (2021: £3,049,491).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Summers	
M H Hartley	(Resigned 9 June 2023)
D Johnson	(Resigned 23 June 2023)
M I Dalzell	
R Simmons	
P O'Reilly	
D Heald	(Appointed 20 June 2022)
M P McClelland	(Appointed 20 April 2023)

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and MHA will therefore continue in office.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

PRAETURA ASSET FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern
The accounts have been prepared on a going concern basis.

The directors have assessed the company's ability to continue as a going concern using forecasts and which included modelling several severe downside scenarios. In compiling these forecasts, particular attention was paid to any future impact on the company's operations, funding and liquidity both in the short and longer term which may be impacted as a result of the current economic environment in the UK including higher inflation and base interest rates. The scenarios considered incorporate an increase in bad debt write-off in 2023, downgrade in expected origination and assume a phased recovery in the lending book, origination and turnover over a period of at least 12 months from the date these financial statements have been approved.

In the scenarios that have been considered by the directors, after taking management actions as required, the company maintains sufficient liquidity and remain in compliance with covenant requirements to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

The PAF Group had a number of primary sources of funding as at 31 December 2022, including four senior asset based lending facilities, a junior growth capital facility and subordinated investor loan notes. Financial covenants across all facilities relate primarily to interest cover and liquidity. The PAF Group remained fully compliant with all financial covenants in the financial year and in the stressed forecast do not expect to breach any financial covenants for at least a period of 12 months from the date of approval of these financial statements.

The headroom within both the senior and junior facilities provides the PAF Group with sufficient funding to grow the lending book whilst continuing to fund working capital requirements required to support this anticipated growth. Since the balance sheet date, there have been no material change to in the headroom of the facilities. The directors continue to monitor the funding requirements of the company and will take appropriate action to extend or renegotiate existing facilities as appropriate. There have been no changes to existing facilities or new facilities entered into since the balance sheet date.

After performing this assessment, the directors concluded that it was appropriate for them to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the board

DocuSigned by:
Jack Summers
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J Summers
Director

25 September 2023

PRAETURA ASSET FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 *The Accounting 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, including FRS 102 *The Accounting The financial reporting standard applicable in the UK and Republic of Ireland*, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRAETURA ASSET FINANCE LIMITED

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 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The *Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PRAETURA ASSET FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PRAETURA ASSET FINANCE LIMITED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

R Shaunak

Rakesh Shaunak FCA, CTA.
(Senior Statutory Auditor)
For and on behalf of MHA
Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5AU

25 September 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

PRAETURA ASSET FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	14,852,309	10,437,907
Cost of sales		(9,180,712)	(4,905,541)
Gross profit		5,671,597	5,532,366
Administrative expenses		(3,993,477)	(3,982,875)
Other operating income		1,050,000	1,500,000
Profit before taxation		2,728,120	3,049,491
Tax on profit	7	-	-
Profit for the financial year		2,728,120	3,049,491

The accounting policies and notes set out on pages 12 - 28 form an integral part of these financial statements.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

PRAETURA ASSET FINANCE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	8		216,405		105,343
Tangible assets	9		52,811		154,041
Investments	10		5		5
			269,221		259,389
Current assets					
Debtors falling due after more than one year	12	83,194,149		56,404,929	
Debtors falling due within one year	12	53,734,656		38,337,035	
Cash at bank and in hand		713,514		(1,435,373)	
		137,642,319		93,306,591	
Creditors: amounts falling due within one year	13	(10,549,438)		(6,606,881)	
Net current assets			127,092,881		86,699,710
Total assets less current liabilities			127,362,102		86,959,099
Creditors: amounts falling due after more than one year	14		(124,771,117)		(87,096,234)
Net assets/(liabilities)			2,590,985		(137,135)
Capital and reserves					
Called up share capital	17		3		3
Profit and loss reserves			2,590,982		(137,138)
Total equity			2,590,985		(137,135)

The financial statements were approved by the board of directors and authorised for issue on 25 September 2023 and are signed on its behalf by:

DocuSigned by:

Jack Summers

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J Summers

Director

Company Registration No. 08426091

PRAETURA ASSET FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2021	3	(3,186,629)	(3,186,626)
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	3,049,491	3,049,491
Balance at 31 December 2021	3	(137,138)	(137,135)
Year ended 31 December 2022:			
Profit and total comprehensive income for the year	-	2,728,120	2,728,120
Balance at 31 December 2022	3	2,590,982	2,590,985

PRAETURA ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Praetura Asset Finance Limited is a private company limited by shares incorporated in England and Wales. The registered office is Ewood House, Walker Park, Guide, Lancashire, BB1 2QE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions *available under* FRS *102 in respect of the following disclosures:*

- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 33 Related Party Disclosures paragraph 33.7

This information is included in the consolidated financial statements of PAF Group Limited as at 31 December 2022 and these financial statements may be obtained from the registered office.

1.2 Going concern

To assess the Company's ability to continue as a going concern, the directors have considered both the position as at 31 December 2022 and the outlook for the Company.

The directors have assessed the Group's ability to continue as a going concern using forecasts and which included modelling several severe downside scenarios. In compiling these forecasts, particular attention was paid to any future impact on the Group's operations, funding and liquidity both in the short and longer term which may be impacted as a result of the current economic environment in the UK including higher inflation and base interest rates. The scenarios considered incorporate an increase in bad debt write-off in 2023, downgrade in expected origination and assume a phased recovery in the lending book, origination and turnover over a period of at least 12 months from the date these financial statements have been approved.

These forecasts have been subject to detailed assessment of the lending book and underlying collateral, overlaid with significant stress testing. A key aspect of the considerations reflected within the stress testing is credit risk and the risk that a client is unable to repay amounts due. Management believe this risk is largely mitigated for the going concern consideration through the Company's risk management controls and procedures which the Company has embedded throughout the business and the security in place as a *result of the asset backed nature of lending.*

In all scenarios considered to be reasonable by the directors, the Company maintains sufficient liquidity to continue as a going concern. The directors are therefore of the opinion that it remains appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

PRAETURA ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies **(Continued)**

Finance 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 or 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. 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 original EIR. 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.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	10% straight line

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	50% straight line
Computer equipment	20-50% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies (Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

1 Accounting policies **(Continued)**

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

PRAETURA ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

A defined contribution scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which the services are rendered by the employees.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

1 Accounting policies **(Continued)**

1.15 *Foreign exchange*

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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.

Deferred tax asset

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised in the financial statements only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The financial model upon which management prepares forecasts extends over a four-year forecasting period. The PAFG board routinely considers and assesses performance in the context of the current year budget with strategic focus looking out over an 18–24-time horizon to inform capital requirements and other longer-term planning deemed necessary. Inherent in the model and basis of preparation is a focus on the current financial year with the accuracy and time invested lessening the further out the time period in question. Due to the relatively short life span of a deal of 4 years, forecasting future deal flow outside of this period is difficult and unreliable.

3 Turnover and other revenue

	2022	**2021**
	£	**£**
Turnover analysed by class of business		
Interest received	14,852,309	10,437,907

3 Turnover and other revenue (Continued)

	2022	2021
	£	£
Other significant revenue		
Other operating income	1,050,000	1,500,000

4 Operating profit

	2022	2021
Operating profit for the year is stated after charging:	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	125,997	20,800
Depreciation of tangible fixed assets	21,327	33,301
Amortisation of intangible assets	122,599	28,316

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Administration and support	35	31

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	1,517,369	1,529,169
Social security costs	218,872	211,025
Pension costs	144,069	285,348
	1,880,310	2,025,542

6 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	406,504	354,858
Company pension contributions to defined contribution schemes	27,126	56,238
	433,630	411,096

6 Directors' remuneration ***(Continued)***

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	161,651	167,563
Company pension contributions to defined contribution schemes	11,422	15,690

7 Taxation

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	2,728,120	3,049,491
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	518,343	579,403
Tax effect of expenses that are not deductible in determining taxable profit	177,571	1,460
Change in unrecognised deferred tax assets	(53,988)	(178,551)
Group relief	(565,943)	(398,505)
Difference between NBV and TWDV on transfers in/out of PAF	(75,185)	(3,807)
Super deduction	(798)	-
Taxation charge for the year	-	-

The company has an unrecognised deferred tax asset of £362,825 largely related to fixed asset timing differences, short term timing differences and losses.

PRAETURA ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Intangible fixed assets

	Development costs
	£
Cost	
At 1 January 2022	291,351
Additions	138,476
Transfers	157,015
At 31 December 2022	586,842
Amortisation and impairment	
At 1 January 2022	186,008
Amortisation charged for the year	122,599
Transfers	61,830
At 31 December 2022	370,437
Carrying amount	
At 31 December 2022	216,405
At 31 December 2021	105,343

9 Tangible fixed assets

	Fixtures and fittings	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2022	163,085	320,567	483,652
Additions	6,781	8,502	15,283
Transfers	6,817	(163,832)	(157,015)
At 31 December 2022	176,683	165,237	341,920
Depreciation and impairment			
At 1 January 2022	163,085	166,526	329,611
Depreciation charged in the year	3,018	18,309	21,327
Transfers	6,579	(68,408)	(61,829)
At 31 December 2022	172,682	116,427	289,109
Carrying amount			
At 31 December 2022	4,001	48,810	52,811
At 31 December 2021	-	154,041	154,041

PRAETURA ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	11	5	5

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held 2022	% Held 2021
Praetura Asset Finance (A) Limited	1	Asset finance	Ordinary	100.00	100.00
Praetura Asset Finance (L) Limited	1	Asset finance	Ordinary	100.00	100.00
Praetura Asset Finance (SB) Limited	1	Asset Finance	Ordinary	100.00	100.00
Praetura Asset Finance (IFF) Limited	1	Asset Finance	Ordinary	100.00	100.00
Praetura Asset Finance (BB) Limited	1	Asset Finance	Ordinary	100.00	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Ewood House, Walker Park, Guide, Blackburn, BB1 2QE

12 Debtors

Amounts falling due within one year:	2022 £	2021 £
Finance lease receivables	35,663,343	25,936,915
Corporation tax recoverable	4,765	-
Amounts owed by group undertakings	12,989,343	9,258,412
Amounts owed by undertakings in which the company has a participating interest	2,224,800	-
Other debtors	1,581,008	2,802,986
Prepayments and accrued income	1,271,397	338,722
	53,734,656	38,337,035
Amounts falling due after more than one year:		
Finance lease receivables	83,194,149	56,404,929
	83,194,149	56,404,929
Total debtors	136,928,805	94,741,964

12 Debtors **(Continued)**

Finance lease receivables

	2022	2021
	£	£
Gross amounts receivable under finance leases:		
Within one year	50,016,660	36,242,863
In two to five years	97,851,312	65,637,060
In over five years	17,471	25,566
	147,885,443	101,905,489
Unearned finance income	(27,042,152)	(17,628,820)
Accumulated allowance for uncollectible minimum lease payments	(1,985,799)	(1,934,825)
Present value of minimum lease payments receivable	118,857,492	82,341,844
The present value is receivable as follows:		
Within one year	35,663,343	25,936,915
In two to five years	83,178,486	56,381,732
In over five years	15,663	23,197
Total	118,857,492	82,341,844

13 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Loans and borrowings	15	5,295,000	3,719,893
Payments received on account		123,823	123,384
Trade creditors		85,455	-
Taxation and social security		565,244	381,238
Other creditors		902,189	327,673
Accruals and deferred income		3,577,727	2,054,693
		10,549,438	6,606,881

14 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Other borrowings	15	21,588,333	10,837,224
Other creditors		103,182,784	76,259,010
		124,771,117	87,096,234

15 Loans and overdrafts

	2022 £	2021 £
Other loans	26,883,333	14,557,117
Payable within one year	5,295,000	3,719,893
Payable after one year	21,588,333	10,837,224

Fixed rate secured loan notes are denominated in £, the nominal interest rates are not disclosed in these accounts because they are deemed to be commercially sensitive. The carrying amount at year end is £26,883,333 (2021 - £14,557,117).

16 Retirement benefit schemes

Defined contribution schemes	2022 £	2021 £
Charge to profit or loss in respect of defined contribution schemes	144,069	245,574

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

PRAETURA ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

17 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
£1 each of 0p each	3	3	3	3

18 Operating lease commitments

Lessee
At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	70,000	70,000
Between two and five years	5,833	75,833

19 Related party transactions

Transactions with related parties
During the year the Company incurred management related fee expenses from Praetura Debt Services Limited of £587,000 (2021: £587,000), in addition to the recharge of £49,000 (2021: nil) of technology development related costs. The Company also incurred administrative costs of £79,000 (2021: £140,000) recharged from Praetura Group Limited, the Company's ultimate parent company during 2022.

During the year the Company incurred interest expenses of £64,000 (2021: £nil) in relation to a loan provided by Praetura Group Limited during 2022 and £2,175,000 (2021: £307,000) of interest expenses in relation to a loan provided by PAF Loanco Limited.

As at 31 December 2022, the Company owed £865,000 (2021: £391,000) to Praetura Debt Services Limited in respect of the management related fee expenses noted above. As at 31 December 2022 the Company was owed £1,195,000 (2021: £nil) from Praetura Debt Services Limited in relation to payments made in advance for usage of the Praetura Debt Services Limited technology platform. As at 31 December 2022 the Company owed Praetura Group Limited £196,000 (2021: £196,000) in relation to management related fee expenses, and £20,000 (2021: £52,000) in relation to recharged administrative costs.

In respect of intercompany loans, as at 31 December 2022 the Company was owed £1,112,000 (2021: £2,112,000) from Praetura Debt Services Limited, and was owed £1,112,000 from Praetura Group Limited (2021: £nil). As at 31 December 2022 the Company owed a total of £28,666,000 (2021: £14,774,000) to PAF Loanco Limited.

20 Ultimate controlling party

The company's immediate parent is Praetura Asset Finance (Holdings) Limited, a company incorporated in England and Wales.

As at 31 December 2022 the ultimate parent undertaking of the entity was Praetura Group Limited, a company incorporated in England and Wales. From 15 May 2023 the ultimate parent undertaking of the company is Praetura Debt Services Holding Ltd, a company registered in England and Wales.

The smallest group in which these financial statements are consolidated is PAF Group Limited, these consolidated accounts are available from its registered office, Ewood House, Walker Park, Guide, Blackburn, BB1 2QE.

The largest group in which these financial statements are consolidated is Praetura Group Limited, these consolidated accounts are available from its registered office, Level 8 Bauhaus, 27 Quay Street, Manchester, M3 3GY.

21 Risk

Financial instruments
The Company's exposure to risks on its financial instruments and the management of such risks are largely determined from the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and is required by the rating agencies to establish appropriate rating levels for the Notes. Following initial set-up, the directors monitor the Company's performance, reviewing reports on the performance of the Mortgage Loans. Such review is designed to ensure that the terms of the transaction documentation have been met, that no unforeseen risks have arisen and that the Noteholders have been paid on a timely basis.

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 finance lease receivables that default on their repayments in excess of the collateral held within the underlying asset(s).

The 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 valuation specialists. 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 valuation specialists and the matrix updated.

Each proposal submitted to credit goes through the Praetura Asset Finance Group custom-built tech platform, which aggregates individual and SME financial data from over 15 sources, providing underwriters with an accurate risk profile for each individual or SME that applies for finance, which includes a generated LTV report specific to that deal (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, finance lease receivables 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 profit and loss account.

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

22 Risk

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.