Registration number: 08766580

Praetura Asset Finance (SB) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

Praetura Asset Finance (SB) Limited

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Praetura Asset Finance (SB) Limited

Company Information

Directors	Mr David C Foreman
	Mr Michael J Fletcher
	Mr Michael C Hartley
	Mr Peadar J O'Reilly
	Mr Michael I Dalzell
	Mr Daryl L Johnson
	Mr Jack D Summers
Company secretary	Mr Daryl L Johnson
Registered office	Giants Basin Potato Wharf Manchester M3 4NB
Auditors	KPMG LLP Chartered Accountants & Statutory Auditor One St Peter's Square Manchester M2 3AE

Praetura Asset Finance (SB) Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activities

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

Results and dividends

The profit for the year before taxation, amounted to £252,215 (2016: loss of £158,493)

Dividends

The directors have not proposed payment of a dividend in the year (2016: £nil)

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

Mr David C Foreman

Mr Michael J Fletcher

Mr Michael C Hartley

Mr Peadar J O'Reilly

Mr Michael I Dalzell

Mr Daryl L Johnson (appointed 27 November 2017)

Mr Jack D Summers (appointed 27 November 2017)

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.

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 41SA of the Companies Act 2006.

Approved by the Board on 28 June 2018 and signed on its behalf by:

....
Mr Peadar J O'Reilly
Director

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.

Praetura Asset Finance (SB) Limited

Independent Auditor's Report to the Members of Praetura Asset Finance (SB) Limited

Opinion

We have audited the financial statements of Praetura Asset Finance (SB) Limited ("the company") for the year ended 31st December 2017 which comprise the profit and loss account, 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 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Praetura Asset Finance (SB) Limited

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, thcy 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.

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.

A Simpson

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

28 June 2018

Praetura Asset Finance (SB) Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	728,672	910,686
Cost of sales		(276,457)	(357,473)
Gross profit		452,215	553,213
Administrative expenses		(200,000)	(711,705)
Operating profit/(loss)		252,215	(158,492)
Profit/(loss) before tax		252,215	(158,492)
Profit/(loss) for the financial year		252,215	(158,492)

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.

Praetura Asset Finance (SB) Limited

(Registration number: 08766580)
Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Current assets			
Debtors (including £5,251,928 (2016: £3,383,730) due after more than one year)	7	9,109,263	5,982,717
Creditors: Amounts falling due within one year	9	(5,163,789)	(4,825,288)
Total assets less current liabilities		3,945,474	1,157,429
Creditors: Amounts falling due after more than one year	9	(4,658,014)	(2,122,184)
Net liabilities		(712,540)	(964,755)
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account		(712,541)	(964,756)
Total equity		(712,540)	(964,755)

Approved and authorised by the Board on 28 June 2018 and signed on its behalf by:

....

Mr Peadar J O'Reilly

Director

The notes on pages 9 to 19 form an integral part of these financial statements.

Praetura Asset Finance (SB) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Profit and loss account £	Total £
At 1 January 2017	1	(964,756)	(964,755)
Profit for the year	-	252,215	252,215
Total comprehensive income	-	252,215	252,215
At 31 December 2017	1	(712,541)	(712,540)

	Share capital £	Profit and loss account £	Total £
At 1 January 2016	1	(806,264)	(806,263)
Loss for the year	-	(158,492)	(158,492)
Total comprehensive income	-	(158,492)	(158,492)
At 31 December 2016	1	(964,756)	(964,755)

The notes on pages 9 to 19 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
Going concern has been assessed as part of the Praetura Asset Finance group (PAF). The group commenced trading on 6th January 2014. In order to fulfil aspirations of growth, PAF has recruited an experienced sales and management team and an industry leading software system in order to facilitate this growth. The investment in infrastructure resulted in the business being loss making in the current and prior periods, which is in line with management expectations and forecasts. PAF has incurred costs during the current and prior periods to set up funding facilities. Going forward, PAF forecast a reduction in investment in infrastructure.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. As a result of the continued support of the parent company, they continue to adopt the going concern basis in preparing the financial statements. The group has seen strong levels of year on year growth of the debtor book, which is forecast to continue going forward. Given the funding structure and overheads of the business are now in place, the forecast is that the group will be profitable going forward. The group has sufficient headroom with investors and funders to meet the cash flow requirements of the business over the next 12 months.

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 recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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.

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.

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 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 Auditor's remuneration

	2017 £	2016 £
Audit of the financial statements	5,000	5,000
Other fees to auditors		
Taxation compliance services	2,250	2,250
All other assurance services	-	500
	2,250	2,750

Audit and tax fees for the period were borne by the parent company.

5 Employees

None of the directors received any emoluments from the company during the current year (2016: Nil). All directors who served during the year were employed by the parent company and were remunerated through the parent company. The company had no employees during the current year (2016: Nil)

6 Taxation

Total tax expense recognised in the profit and loss account

	2017 £	2016 £
Current tax on income for the period	-	-
Total tax	-	-

The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences is explained below:

	2017 £	2016 £
Profit/(loss) before tax	252,215	(158,492)
Corporation tax at standard rate	48,543	(31,698)
Expenses not deductible	-	(1,246)
Tax rate changes	-	12,197
Deferred tax not recognised	(34,453)	15,365
Tax (decrease)/increase arising from group relief	(14,090)	5,382
Total tax charge/(credit)	-	-

A reduction in the UK Corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

7 Debtors

	Note	2017 £	2016 £
Prepayments		625,215	374,797
Net investment in finance leases (see note 8)		8,484,048	5,607,920
Total debtors		9,109,263	5,982,717
Less non-current portion		(5,251,928)	(3,383,730)
Current debtors		3,857,335	2,598,987

Details of non-current trade and other debtors

Debtors include net investment in finance leases of £5,251,928 (2016: £3,383,730) due after more than one year.

An impairment provision of £59,845 (2016: £10,379) was recognised against net investment in finance leases. The following table shows the movement in the impairment provision:

	2017 £	2016 £
At 1 January	10,379	88,834
(Credit)/charge to the P&L	49,466	(78,455)
At 31 December	59,845	10,379

8 Loans and advances to customers

	2017 £	2016 £
Finance lease and hire purchase receivables	8,543,893	5,618,299
Less: Allowance for impairment charges on loans and advances to customers	(59,845)	(10,379)
	8,484,048	5,607,920

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

	2017 £	2016 £
Gross investment in finance leases		
Less than one year	3,879,084	2,759,810
between one and five years	6,303,193	3,970,500
Less: Allowance for impairment charges on loans and advances to customers	(59,845)	(10,379)
Unearned future finance income on finance leases	(1,638,384)	(1,112,011)
Net investment in finance leases	8,484,048	5,607,920

	2017 £	2016 £
Net investment in finance leases		
less than one year	3,232,119	2,224,190
between two and five years	5,251,929	3,383,730
	8,484,048	5,607,920

9 Creditors

	Note	2017 £	2016 £
Due within one year			
Loans and borrowings	10	2,835,439	2,457,027
Amounts due to related parties	15	2,328,350	2,368,261
		5,163,789	4,825,288
Due after one year			
Loans and borrowings	10	4,658,014	2,122,184

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand (subject to bank consent).

10 Loans and borrowings

Analysis and maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans (see note 9)	2,835,439	2,457,027

	2017 £	2016 £
Amounts falling due after more than one year		
Bank loans (see note 9)	4,658,014	2,122,184

The company had available to it a total debt facility of £7,500,000. Borrowings totalling £7,493,453 were outstanding under this facility as at 31 December 2017 (2015: £4,579,211), with amounts being repayable on a repayment profile of monthly instalments.

Interest charges on amounts drawn are based on a rate of 6.65%.

Bank loans are secured by way of fixed and floating charges over the company's assets created on 7 November 2013.

11 Share capital

Allotted, called up and fully paid shares

	2017 No.	2017 £	2016 No.	2016 £
Ordinary of £1 each	1	1	1	1

12 Capital commitments

The company had no capital commitments at 31 December 2017 (2016: £nil).

13 Contingent liabilities

The company had no contingent liabilities at 31 December 2017 (2016: £Nil).

14 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.

15 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.

16 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.

17 Controlling party

The company is a subsidiary undertaking of Praetura Asset Finance Limited, incorporated in England and Wales. The ultimate parent company is Praetura Asset Finance (Holdings) Limited, incorporated in England and Wales. The registered address for Praetura Asset Finance (Holdings) Limited is Haydock House, Pleckgate Road, Blackburn, BB1 8QW.

The largest and smallest group in which the results of the company are consolidated is that headed by Praetura Asset Finance (Holdings) 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.