Registration number: 03101359

Kingsway Finance and Leasing Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Kingsway Finance and Leasing Limited

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Kingsway Finance and Leasing Limited

Company Information

Directors	Mr Martin David Harrison
	Mr Michael James Day
	Mr Peadar James O'Reilly
	Mr Paul Nicholas Bradbury
	Mr Jack Daniel Summers
	Mr Adrian James Anthon
Company secretary	Mr Michael Walling
Registered office	Barons Court Manchester Road Wilmslow Cheshire SK9 1BQ
Auditors	KPMG LLP One St Peter's Square Manchester M2 3AE

Kingsway Finance and Leasing Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity
The principal activities of the company in the year under review were that of asset finance and the provision of business loans.

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

Mr Martin David Harrison

Mr Martin Basil Richards (ceased 31 December 2019)

Mr Peadar James O'Reilly

Mr Paul Nicholas Bradbury

Mr Jack Daniel Summers

Mr Adrian James Anthon

The following director was appointed after the year end:

Mr Michael James Day (appointed 2 January 2020)

Results
The profits for the year before taxation, amounted to £10,697 (2018: £64,227)

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 2019 and the outlook for the Company.

In assessing the appropriateness to adopt the going concern basis of accounting, the directors have undertaken a review of the Company's liquidity requirements and stress tested financial forecasts through the modelling of several downside scenarios for a period beyond 12 months from the date of approval of these accounts. These forecasts have been subject to detailed assessment of the lending book and underlying collateral, overlaid with significant stress testing and have considered, amongst other factors, the potential impact that COVID-19 may have on the Company's cash flows. 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.

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 to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Small companies provision statement
This report has been prepared in accordance with section 415A of the small companies regime under the Companies Act 2006.

Approved by the Board on 24 December 2020 and signed on its behalf by:

Peadar O'Reilly

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Mr Peadar James O'Reilly
Director

Kingsway Finance and Leasing Limited

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *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 accounting 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.

Kingsway Finance and Leasing Limited

Independent Auditor's Report to the Members of Kingsway Finance and Leasing Limited

Opinion
We have audited the financial statements of Kingsway Finance and Leasing Limited ("the company") for the year ended 31 December 2019 which comprise the the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of it's profit 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 group 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
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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

Independent Auditor's Report to the Members of Kingsway Finance and Leasing Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Directors' responsibilities
As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

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.

Independent Auditor's Report to the Members of Kingsway Finance and Leasing Limited

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

24 December 2020

Kingsway Finance and Leasing Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Finance income	3	53,669	68,455
Finance costs		(616)	(2,630)
Gross profit		53,053	65,825
Administrative expenses		(42,356)	(1,706)
Other operating income	4	-	108
Operating profit	6	10,697	64,227
Profit before tax		10,697	64,227
Taxation	8	2,424	(18,290)
Profit for the financial year		13,121	45,937

The above results were derived from continuing operations.

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

Kingsway Finance and Leasing Limited

(Registration number: 03101359)
Balance Sheet as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	9	-	2,220
Current assets			
Debtors (including £36,972 (2018: £nil) due after more than one year	10	145,426	174,350
Cash at bank and in hand		7,351	3,254
		152,777	177,604
Creditors: Amounts falling due within one year	13	(103,434)	(143,602)
Net current assets		49,343	34,002
Net assets		49,343	36,222
Capital and reserves			
Called up share capital		50,000	50,000
Profit and loss account		(657)	(13,778)
Total equity		49,343	36,222

Approved and authorised by the Board on 24 December 2020 and signed on its behalf by:

Peadar O'Reilly
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Mr Peadar James O'Reilly
Director

Kingsway Finance and Leasing Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2018	50,000	285	50,285
Profit for the year	-	45,937	45,937
Total comprehensive income	-	45,937	45,937
Dividends	-	(60,000)	(60,000)
At 31 December 2018	50,000	(13,778)	36,222

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2019	50,000	(13,778)	36,222
Profit for the year	-	13,121	13,121
Total comprehensive income	-	13,121	13,121
At 31 December 2019	50,000	(657)	49,343

The notes on pages 11 to 23 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
Barons Court
Manchester Road
Wilmslow
Cheshire
SK9 1BQ

These financial statements were authorised for issue by the Board on 24 December 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

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' and the Companies Act 2006.

Basis of preparation
These financial statements have been prepared using the historical cost convention..

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

Summary of disclosure exemptions
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 3 Financial Statement Presentation paragraph 3.17(d);
• the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Name of ultimate parent of group
These financial statements are consolidated in the financial statements of PAF Group Limited.

The financial statements of PAF Group Limited may be obtained from the registered office.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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

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..

Other operating income
Other operating income relates to miscellaneous income which is recognised upon receipt.

Finance income and costs policy
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 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.

Tax
Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

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.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Fixture and Fittings	20-33% straight line
Office equipment	20-33% straight line
Motor Vehicles	25% straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade 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.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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.

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.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Financial instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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.

3 Finance income

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Interest received	53,669	68,455

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £	2018 £
Other operating income	-	108

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2019 £	2018 £
Gain (loss) on disposal of property, plant and equipment	-	9,067

6 Operating profit

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	2,220	10,239
Profit on disposal of property, plant and equipment	-	(9,067)

7 Auditors' remuneration

Audit and tax fees for the period were borne by Kingsway Asset Finance Limited.

8 Taxation

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax adjustment to prior periods	264	-
Deferred taxation		
Arising from origination and reversal of timing differences	2,032	18,290
Arising from changes in tax rates and laws	(4,720)	-
Total deferred taxation	(2,688)	18,290
Tax (receipt)/expense in the income statement	(2,424)	18,290

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	10,697	64,227
Corporation tax at standard rate	2,032	12,203
Foreign deferred tax credit relating to changes in tax rates or laws	(214)	(2,152)
Decrease in UK and foreign current tax from adjustment for prior periods	(4,242)	-
Tax increase arising from group relief	-	8,239
Total tax (credit)/charge	(2,424)	18,290

Deferred tax

Deferred tax assets and liabilities

2019	Asset £
Losses	14,718
Fixed assets	76,867
	91,585

2018	Asset £
Losses	-
Fixed assets	88,897
	88,897

9 Tangible assets

	Fixtures and fittings £	Office equipment £	Total £
Cost			
At 1 January 2019	1,774	44,055	45,829
At 31 December 2019	1,774	44,055	45,829
Depreciation			
At 1 January 2019	1,702	41,907	43,609
Charge for the year	72	2,148	2,220
At 31 December 2019	1,774	44,055	45,829
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	72	2,148	2,220

10 Debtors

	Note	2019 £	2018 £
Trade debtors		-	59,365
Prepayments		-	6,107
Finance lease receivables	11	50,591	16,467
Deferred tax assets	8	91,585	88,897
Income tax asset		3,250	3,514
		145,426	174,350
Less amounts due after more than one year		(36,972)	-
Amounts due in less than one year		108,454	174,350

Details of trade and other receivables due after more than one year
£36,972 (2018: £Nil) of finance lease receivables is classified as due after more than one year.

An impairment provision of £nil (2018: £nil) was recognised against net investment in finance leases. The following table shows the movement in the impairment provision:

	2019 £	2018 £
At 1 January	-	5,992
Charge/(credit) to the P&L	-	(5,992)
At 31 December	-	-

11 Finance lease receivables

	2019 £	2018 £
Finance lease and hire purchase lease receivables	50,591	16,467
Finance lease receivables	50,591	16,467

Finance lease receivables include finance leases and hire purchase receivables, which are analysed as below:

	2019 £	2018 £
Gross investment in finance leases		
Less than one year	14,940	17,100
Between one and five years	40,558	-
Unearned future finance income on finance leases	(4,907)	(633)
Net investment in finance leases	50,591	16,467

	2019 £	2018 £
Net investment in finance leases		
Less than one year	13,619	16,467
Between two and five years	36,972	-
	50,591	16,467

12 Cash and cash equivalents

	2019 £	2018 £
Cash at bank	7,351	3,254

13 Creditors

	Note	2019 £	2018 £
Due within one year			
Amounts due to related parties		103,304	134,948
Social security and other taxes		-	2,360
Other payables		130	6,294
		103,434	143,602

14 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary of £1 each	50,000	50,000	50,000	50,000

15 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 finance lease receivables 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, 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 statement of income and retained earnings.

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.

16 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.

17 Parent and ultimate parent undertaking

The company's immediate parent is Kingsway Financial Group Holdings Limited, incorporated in England and Wales.

The ultimate parent is PAF Group Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is PAF Group Limited. These financial statements are available upon request from the companies registered office

The parent of the largest group in which these financial statements are consolidated is PAF Group Limited, incorporated in England and Wales.

The address of PAF Group Limited is:
Ewood House
Walker Park
Guide
Blackburn
BB1 2QE

PAF Group Limited is also the smallest group in which the results of the company are consolidated. No other group financial statements include the results of the company..

18 Non adjusting events after the financial period

Since year end significant social and economic disruption has occurred as a result of the coronavirus outbreak. The Directors of the business with the support of its shareholders are monitoring this situation closely and are focused on ensuring the safety and wellbeing of its staff while maintaining business as usual operations supporting its UK SME clients with financial products originated on its own book and through third party lenders.

The impact of the Covid-19 outbreak was not present at the balance sheet date and is therefore considered a non-adjusting post balance sheet event. No changes have been made to the carrying value of the assets and liabilities within these financial statements. At this stage while there is uncertainty around the financial impact, the Directors believe the Company are in a strong position to manage the risk.