Registration number: 03101359

Kingsway Finance and Leasing Limited

Annual Report and Financial Statements

for the Period from 1 October 2017 to 31 December 2018

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Kingsway Finance and Leasing Limited

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Kingsway Finance and Leasing Limited

Company Information

Directors	Mr Adrian Anthon
	Mr Martin Harrison
	Mr Martin Richards
	Mr Paul Bradbury
	Mr Peadar O'Reilly
	Mr Jack Summers
Company secretary	Mr Michael Walling
Registered office	Barons Court Manchester Road Wilmslow SK9 1BQ
Auditors	RSM UK Audit LLP Chartered Accountants 3 Hardman Street Manchester M3 3HF

Kingsway Finance and Leasing Limited

Directors' Report for the Period from 1 October 2017 to 31 December 2018

The directors present their report and the financial statements for the period from 1 October 2017 to 31 December 2018.

Principal activities

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

Results and dividends

The profit for the year before taxation, amounted to £64,227 (2017: restated profit before tax of £70,585)

Dividends

The Company has made a dividend payment of £60,000 in the year (2017: £nil)

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

Mr Adrian Anthon

Mr Martin Harrison

Mr Martin Richards

Mr Paul Bradbury

Mr Peadar O'Reilly (appointed 21 December 2018)

Mr Jack Summers (appointed 21 December 2018)

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 has been no significant events affecting the Company since the year end.

Auditors
During the year, RSM UK Audit 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 28/6/2019 and signed on its behalf by:

A.J. Anthon
Mr Adrian Anthon
Director

Kingsway Finance and Leasing Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and apply them consistently;
- make judgements and 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 period from 1 October 2017 to 31 December 2018, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

Opinion on other matter 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where 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
- 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

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

RSM UK Audit LLP
....
DALE THORPE (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Date: 1 July 2019

Kingsway Finance and Leasing Limited

Profit and Loss Account for the Period from 1 October 2017 to 31 December 2018

	Note	2018 £	(As restated) 2017 £
Turnover	3	68,455	199,999
Cost of sales		(2,630)	(52,122)
Gross profit		65,825	147,877
Administrative expenses		(1,706)	(78,500)
Other operating income		108	1,208
Operating profit		64,227	70,585
Profit before tax		64,227	70,585
Taxation	6	(18,290)	(71,436)
Profit/(loss) for the financial period		45,937	(851)

The above results were derived from continuing operations.

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

The comparative year figures have been restated, details of the restatement can be found in notes 19 and 20.

Kingsway Finance and Leasing Limited

(Registration number: 03101359)
Balance Sheet as at 31 December 2018

	Note	2018 £	(As restated) 2017 £
Fixed assets			
Tangible assets	7	2,220	27,110
Current assets			
Debtors (including £nil (2017: £214,840) due after more than one year)	8	174,350	401,799
Cash at bank and in hand		3,254	7,971
		177,604	409,770
Creditors: Amounts falling due within one year	10	(143,602)	(386,595)
Net current assets		34,002	23,175
Net assets		36,222	50,285
Capital and reserves			
Called up share capital	12	50,000	50,000
Profit and loss account	13	(13,778)	285
Total equity		36,222	50,285

Approved and authorised by the Board on 28/6/2019 and signed on its behalf by:

A. J. Anthon
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Mr Adrian Anthon
Director

The notes on pages 10 to 22 form an integral part of these financial statements.

Kingsway Finance and Leasing Limited

Statement of Changes in Equity for the Period from 1 October 2017 to 31 December 2018

	Share capital £	Profit and loss account £	Total £
At 1 October 2017	50,000	285	50,285
Profit for the period	-	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

	Share capital £	Profit and loss account £	Total £
At 1 October 2016	50,000	7,230	57,230
Prior period adjustment	-	(6,094)	(6,094)
At 1 October 2016 (As restated)	50,000	1,136	51,136
Loss for the period (previously stated as £5,819 (loss))	-	(851)	(851)
Total comprehensive income	-	(851)	(851)
At 30 September 2017	50,000	285	50,285

1 Accounting policies

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

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 PAF Group Limited as at 31 December 2018 and these financial statements may be obtained from the registered office..

Disclosure of long or short period
The current accounting period is 15 months long due to the change in accounting reference date to align with the new group companies, therefore comparative amounts presnted in the financial statements are not entirely comparable.

Going concern
As part of its going concern review the directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk 2016". The directors have prepared financial forecasts and cash flows looking 12 months ahead from the date the accounts are signed. In drawing up these forecasts the directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on their review the directors consider that the use of the going concern basis of accounting is appropriate because there are no material uncertainties, related events or conditions
that may cast significant doubt about the ability of the company to continue as a going concern. In the event of the company being unable to pay its liabilities it will be able to rely on the support of other group companies.

Revenue recognition
Turnover represents the fair value consideration receivable, net of Value Added Tax, from finance leases, hire purchases and loans made to customers. Interest is recognised in accordance with the actuarial method of accounting.

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

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

Fixtures & 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.

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

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

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

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

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.

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

Leases

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

Interest income and 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.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

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 and provision of loans.

4 Auditors' remuneration

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

5 Employees

None of the directors received any emoluments from the company during the current year (2017: Nil). All directors who served during the year were employed by and remunerated through Kingsway Asset Finance. The company had no employees during the current year (2017: Nil)

6 Taxation

Total tax expense recognised in the profit and loss account

	2018 £	(As restated) 2017 £
Current taxation		
UK corporation tax	-	(264)
UK corporation tax adjustment to prior periods	-	(340)
	-	(604)
Current tax on income for the period	-	(604)
Deferred taxation		
Arising from origination and reversal of timing differences	18,290	72,040
Total tax	18,290	71,436

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

	2018 £	(As restated) 2017 £
Profit before tax	64,227	70,585
Corporation tax at standard rate	12,203	13,411
Expenses not deductible	-	1,713
Deferred tax not recognised	-	(340)
Deferred tax credit relating to changes in tax rates or laws	(2,152)	-
Decrease in UK and foreign current tax from adjustment for prior periods	-	(894)
Tax increase from other short-term timing differences	-	33
Tax increase arising from group relief	8,239	47,072
Prior year adjustment	-	(264)
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	10,705
Total tax charge	18,290	71,436

Deferred tax

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

7 Tangible assets

	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2017	1,774	44,055	45,716	91,545
Disposals	-	-	(45,716)	(45,716)
At 31 December 2018	1,774	44,055	-	45,829
Depreciation				
At 1 October 2017	1,368	33,220	29,847	64,435
Charge for the period	334	8,687	1,218	10,239
Eliminated on disposal	-	-	(31,065)	(31,065)
At 31 December 2018	1,702	41,907	-	43,609
Carrying amount				
At 31 December 2018	72	2,148	-	2,220
At 30 September 2017	406	10,835	15,869	27,110

8 Debtors

	Note	2018 £	(As restated) 2017 £
Trade debtors		59,365	66,852
Other debtors		-	10,000
Prepayments		6,107	-
Net investment in finance leases (see note 8)		16,467	217,496
Deferred tax assets	6	88,897	107,187
Corporation tax	6	3,514	264
		174,350	401,799
Less non-current portion		-	(107,653)
Current debtors		174,350	294,146

Details of non-current trade and other debtors

Debtors include trade debtors of £nil (2017: £59,001) and net investment in finance leases of £nil (2017: £48,652) due after more than one year.

An impairment provision of £nil (2017: £5,992) was recognised against net investment in finance leases. The following table shows the movement in the impairment provision:

	31 December 2018 £	30 September 2017 £
At 1 January	5,992	18,415
(Credit)/charge to the P&L	(5,992)	(12,423)
At 31 December	-	5,992

9 Loans and advances to customers

	31 December 2018 £	30 September 2017 £
Finance lease and hire purchase receivables	16,467	223,488
Less: Allowance for impairment charges on loans and advances to customers	-	(5,992)
	16,467	217,496

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

	31 December 2018 £	30 September 2017 £
Gross investment in finance leases		
Less than one year	17,100	189,837
between one and five years	-	54,701
Less: Allowance for impairment charges on loans and advances to customers	-	(5,992)
Unearned future finance income on finance leases	(633)	(21,050)
Net investment in finance leases	16,467	217,496

	31 December 2018 £	30 September 2017 £
Net investment in finance leases		
less than one year	16,467	168,844
between two and five years	-	48,652
	16,467	217,496

10 Creditors

	Note	2018 £	2017 £
Due within one year			
Amounts due to related parties	17	134,948	247,835
Social security and other taxes		2,360	135,410
Other payables		6,294	-
Accruals		-	3,350
		143,602	386,595

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

11 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 October 2017	(107,187)	(107,187)
Charge/(credit) to profit and loss account	18,290	18,290
At 31 December 2018	(88,897)	(88,897)

12 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary of £1 each	50,000	50,000	50,000	50,000

13 Reserves

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.

14 Capital commitments

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

15 Contingent liabilities

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

16 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.

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.

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.

17 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.

18 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.

19 Controlling party

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

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

20 Reclassifications

The following reclassifications have been made to the current and prior year to ensure that the accounting treatment is consistent throughout all group companies:

Reclassification of bank interest payable to cost of sales

	31 December 2018 £	30 September 2017 £
Cost of sales	(390)	40,412
Interest payable	390	(40,412)
(Loss)/profit before tax	-	-

Reclassification of commission payable to cost of sales

	31 December 2018 £	30 September 2017 £
Cost of sales	3,020	16,414
Administrative expenses	(3,020)	(16,414)
(Loss)/profit before tax	-	-

21 Prior period adjustment

The following adjustments have been made to the prior years to align accounting policies in relation to the recognition and amortisation of commission in relation to receivables.

Revenue recognition

	Prior year adjustment £	As reported £	As restated £
Effect on comparative figures			
Profit and loss reserve bfwd at 1 October 2016	6,094	(7,230)	(1,136)
Direct costs	(4,704)	56,826	52,122
Finance lease receivables	(1,390)	218,886	217,496
Tax - P&L	(264)	71,700	71,436
Corporation Tax - BS	264	-	264

	Prior year adjustment £
Effect on periods prior to those presented	
Direct costs	6,094
Finance lease receivables	(6,094)