Annual Report and Financial Statements

LDF Finance No.1 Limited

For the Year Ended 31 December 2021

Registered number: 04893877

Company Information

Directors	A Davies D Banks K Berry T Otte
Company Secretary	R Rutherford
Registered Number	04893877
Registered Office	Second Floor, HQ Offices 58 Nicholas Street Chester England CH1 2NP
Bankers	HSBC Bank plc London Commercial Banking Centre Level 6, 71 Queen Victoria Street London EC4V 4AY

Contents

Directors' Report

For the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity of the business

The principal activity of LDF Finance No.1 Limited (the "Company") remains that of a funder to commercial counterparties operating in the UK SME market.

Directors' Responsibilities Statement

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 then 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 and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Results

The results for the year are shown in the Statement of Comprehensive Income on Page 6. The profit for the period after taxation amounted to £80,052 (2020: £24,234).

Directors

The Directors who served during the year and upto the date of this report were:

A Davies

K Berry (appointed 11 March 2022)

T Otte (appointed 11 March 2022)

D Banks (appointed 26 April 2022)

J Felton (resigned 25 April 2022)

A Gadsby (resigned 18 November 2021)

Directors' Indemnity and Directors' and Officers' Liability Insurance

The Company maintains a Directors' and Officers' Liability Insurance policy which is a qualifying third party indemnity. In accordance with the Company's Articles of Association, the Board may also indemnify a Director from the assets of the Company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the Company provide cover for fraudulent or dishonest actions by the Directors. However, costs may be advanced to Directors for their defence in investigations or legal actions.

Directors' Report (continued)

For the Year Ended 31 December 2021

Dividends

Dividends of £1,861,372.87 were proposed and distributed for the period ending 31 December 2021 (2020 : £Nil).

This report was approved by the Board on 26 May 2022 and signed on its behalf.

A Davies
Director

Statement of Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	94,632	343,066
Gross profit		**94,632**	**343,066**
Administrative expenses	8	27,897	(94,512)
Other operating charges		-	-
Operating profit		**122,529**	**248,554**
Interest payable and similar charges	7	(2,226)	(36,289)
Profit before tax		**120,303**	**212,265**
Tax credit/(charge) on profit on ordinary activities	6	(40,251)	(188,031)
Profit for the financial year		**80,052**	**24,234**

There are no items of other comprehensive income, therefore a statement of other comprehensive income has not been prepared. All of the above amounts relate to continuing operations and are attributable to equity holders.

The notes on pages 9 to 18 form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Note	2021	2020
		£	£
Current Assets			
Debtors: Amounts falling due within one year	9	14,245,905	19,317,324
Cash at bank and in hand	10	21,024	466,840
		14,266,929	**19,784,164**
Creditors: Amounts falling due within one year	13	(793,682)	(4,571,107)
Net current assets		**13,473,247**	**15,213,057**
Debtors: Amounts falling due after more than one year	9	-	1,260
Total assets less current liabilities		**13,473,247**	**15,214,317**
Creditors: Amounts falling due after more than one year	14	(164,335)	(124,084)
Net assets		**13,308,912**	**15,090,233**
Capital and reserves			
Called up share capital	18	1	1
Retained Earnings		13,308,911	15,090,232
		13,308,912	**15,090,233**

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 May 2022.

A Davies
Director

The notes on pages 9 to 18 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2021

	Share Capital	Retained Earnings	Total Equity
	£	£	£
At 1 January 2021	1	15,090,232	15,090,233
Comprehensive income for the year			
Profit for the year	-	80,052	80,052
Dividends paid	-	(1,861,373)	(1,861,373)
At 31 December 2021	**1**	**13,308,911**	**13,308,912**

For the Year Ended 31 December 2020

	Share Capital	Retained Earnings	Total Equity
	£	£	£
At 1 January 2020	1	15,065,998	15,065,999
Comprehensive income for the year			
Profit for the year	-	24,234	24,234
At 31 December 2020	**1**	**15,090,232**	**15,090,233**

Notes to the Financial Statements

For the Year Ended 31 December 2021

1. Accounting Policies

1.1. General information and Basis of preparation of financial statements

LDF Finance No.1 Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England. The address of the registered office is given on the Company Information page. The principal activities of the company are set out in the Directors' Report on page 4.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The principle accounting policies are summarised below. All accounting policies have been consistently applied throughout the year and the preceding year.

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.

1.2 Financial Reporting Standard 102 - reduced disclosure exemption

Related party transactions

The Company has taken advantage of the exemptions available under paragraph 33.1A of FRS 102 Related Party Disclosures, not to disclose transactions that have taken place between members of the group where the party to the transaction is a wholly owned member.

Cash flow statement

The Company meets the definition of a 'qualifying entity' under FRS 102 and as such has elected to take the exemption under FRS 102, para 1.12 (b) not to present the Company statement of cash flows.

1.3 Going concern

Based on the performance of the portfolio to date, current market conditions, excess interest spread within the portfolio and because receivables within its portfolio are fixed rate and matched to fixed rate funding from third party funders the Directors anticipate that the Company will continue to be profit making for the year ended 31 December 2022. The Company, through the substantial capital investment of White Oak Europe Acquisition Limited into the LDF Group, has a strong net assets position and the Directors are satisfied they have adequate funds to fund the Company's operations. The Directors therefore consider the use of the going concern assumption to be appropriate.

Specifically in relation to Covid-19, the Directors have reviewed and considered the Company's liquidity structure and resilience and are satisfied that the Company is well positioned to manage any ongoing impacts and potential for increased credit losses. The Company has successfully demonstrated operational capability, with all staff working remotely during the periods of lock-down during the financial year, and is well positioned to continue to support customers and the safety of staff in event of any further periods of remote working.

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Interest Income

Income derives from financial assets that are classified as loans and receivables (including finance lease receivables) and is determined using the effective interest method. Effective interest when applied against a financial asset, is a method of calculating the amortised cost of a financial asset and allocating the interest income over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instruments initial carrying value.

1.5 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loan receivables 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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.6 Provision for bad and doubtful debts

Specific provision is made against trade debtors when, in the opinion of the Directors, full repayment is considered to be unlikely. The level of impairment identified is based on the Directors' calculated estimate of the future recoverable amount, taking into account the level of arrears, security held, past recoveries and other relevant factors.
In addition, a provision is made to reflect losses incurred but not yet recognised, based upon historic experience and the judgement of the Directors.

1.7 Cash and cash equivalents

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

1.8 Leasing

Assets obtained under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

When acting as a lessor the advance is shown within debtors net of future finance charges. This is split between debt due within and over one year. The interest element of the repayments received is credited to the Statement of Comprehensive Income across the life of the lease. Where a lease is repaid early the remaining interest due on the lease is recognised at that point.

1.9 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 Statement of Comprehensive Income.

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 Statement of Financial Position 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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.9 Financial Instruments (continued)

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are 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:
- delinquency in contractual payments of principal or interest;
- cash flow difficulties;
- breach of loan covenants or conditions; and
- initiation of bankruptcy proceedings.

1.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.11 Finance Costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.12 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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 historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

There are no critical judgements involved in applying the Group's accounting policies, apart from those involving estimations (which are dealt with separately below), which affect the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The accounting estimates and assumptions which affect the reported amounts of assets and liabilities within the financial statements are set out below:

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of receivables

The main area in the financial statements where a judgement is made is in the impairment of its own book agreements. Receivables are written off when there is judged to be no realistic prospect of recovery. Specific provisions are made to reduce all impaired balances to their estimated realisable values. A provision is also made to reflect impaired balances within the general population of receivables where no specific indicators of impairment have yet been demonstrated. This provision is calculated using historical arrears experience, credit risk characteristics and expected cashflows. The Company has considered the potential impact of Covid 19 as part of the calculation.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are 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:
- delinquency in contractual payments of principal or interest;
- cash flow difficulties;
- breach of loan covenants or conditions; and
- initiation of bankruptcy proceedings.

The provisioning rates applied when a loan hits a loss event trigger are informed by historical experience and are deemed a key source of estimation uncertainty.

3. Analysis of turnover

The total turnover of the Company for the year has been derived from its principal activities wholly undertaken in the United Kingdom and relates to funder services to commercial counterparties. None of this income is derived from group undertakings.

An analysis of turnover by class of business is as follows:

	2021	2020
	£	£
Interest Income	94,632	343,066

4. Operating profit

Auditor's fees were borne by LDF Operations Ltd and for the year ended 31 December 2021, the amount relating to the Company was £4,000 (2020: £5,720). These costs were recharged in 2021 (2020: £5,750).

5. Employees

The Company has no employees other than the Directors, who did not receive any remuneration (2020: £Nil). The Directors' emoluments were borne by other Group companies during the current and prior year.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

6. Taxation

	2021	2020
	£	£
Current tax:		
UK Corporation tax on profits for the year	-	-
Adjustment in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	88	3,260
Adjustment in respect of previous periods	723	172,053
Effect of changes in tax rates	39,440	12,718
Total deferred tax:	40,251	188,031
Total tax per Statement of Comprehensive Income	**40,251**	**188,031**

Factors affecting tax charges for the year

The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2021	2020
	£	£
Profit for the period	120,303	212,265
Tax on profit at standard UK tax rate of 19% (2020: 19%)	22,858	40,330
Effects of:		
Group relief/other reliefs	(22,770)	(37,070)
Adjustment from previous periods	723	172,053
Tax rate changes	39,440	12,718
Tax credit for the period	**40,251**	**188,031**

The adjustment from previous periods arises due to the interaction of the capital allowance calculations on finance leased assets and the final group relief claims and surrenders

7. Interest payable and similar expense

	2021	2020
	£	£
Other loan interest payable	2,226	36,289
	2,226	**36,289**

None of the interest payable relates to group undertakings.

8. Management Recharge

	2021	2020
	£	£
Intercompany management recharge	-	27,512

The management recharge is included within Administrative expenses

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

9. Debtors

	2021	2020
	£	£
Due after more than one year		
Loan and lease receivables	-	1,260
Deferred taxation	-	-
	-	**1,260.00**
Due within one year		
Loan and lease receivables	8,018	358,623
Amounts owed by group undertakings	14,220,259	18,939,284
Other debtors	17,628	19,417
	14,245,905	19,317,324
	14,245,905	**19,318,584**

10. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	21,024	466,840

11. Loan and lease receivables

	2021	2020
	£	£
Finance lease	60,141	264,982
Loans	122,852	375,407
Less: allowance for impairment	(174,975)	(280,506)
	8,018	**359,883**

12. Allowance for impairment

	2021	2020
	£	£
At 1 January	280,506	307,678
Charge for the year	446	127,518
Reversal of impairment losses	(56,217)	(82,955)
Utilisation of impairment allowance	(49,760)	(71,735)
At 31 December	**174,975**	**280,506**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

13. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Trade creditors	1,027	35,374
Other creditors	18,193	38,098
Other loans	-	230,073
Corporation tax	774,462	774,462
Amounts owed to group undertakings	-	3,493,099
	793,682	**4,571,107**

At the reporting date, Other loans comprised the block discounting agreements between the Company and facility providers.

On the 25 September 2018, following their provision of additional funding to the Company, a fixed and floating charge was created in favour of Aldermore Bank PLC over all property and undertakings of the Company.

14. Creditors: Amounts falling due after more than one year

	2021	2020
	£	£
Deferred tax	164,335	124,084
	164,335	**124,084**

15. Loans

Analysis of the maturity of loans is given below:

	2021	2020
Amounts falling due within one year	£	£
Other loans	-	232,299
Amounts falling due 1-2 years		
Other loans	-	-
Total	**-**	**232,299**

The above loans comprise a block discounting facility. All loans are at a fixed rate of interest with a fixed repayment profile. The terms of the loans match the underlying customer agreements to which they relate. Values shown above reflect actual amounts to be repaid, including interest.

16. Deferred taxation

	2021	2020
	£	£
(Asset)/provision at start of period	124,084	(63,947)
Adjustment in respect of previous years	723	172,052
Deferred tax charge to Statement of Comprehensive Income for the period	39,528	15,979
(Asset)/Provision at end of period	**164,335**	**124,084**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

16. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2021	2020
	£	£
Fixed asset timing differences	164,335	124,084
Deferred tax asset/(liability)	**164,335**	**124,084**

17. Financial Instruments

	2021	2020
	£	£
Categorisation of financial instruments		
Financial assets that are basic debt instruments, including trade debtors and finance lease receivables that are measured at amortised cost or net investment, less any impairment provision	8,018	359,883
Other financial assets including other debtors, amounts owed by group undertakings and cash and cash equivalents, that are measured at amortised cost	14,258,911	19,425,541
	14,266,929	**19,785,424**
Financial liabilities that are external and internal financial debt liabilities including overdrafts, loans and borrowings, measured on an amortised cost basis	-	230,073
Other financial liabilities, including trade and other payables that are measured on an amortised cost basis	18,690	3,547,284
	18,690	**3,777,357**

Financial assets

The objective of credit risk management is to enable the Group to achieve the appropriate risk versus reward performance whilst maintaining credit risk exposure in line with the approved appetite for the risk that customers will be unable to meet their obligations to the Group. The following table provide an analysis of the credit quality of third party financial assets based on the performing/impaired status of the asset.

	2021	2020
	£	£
Neither past due nor impaired	8,701	360,468
Past due and not impaired	9	9
Past due and impaired	174,283	279,912
Impairment provision	(174,975)	(280,506)
	8,018	**359,883**

Aging of past due but not impaired debtors:

	2021	2020
	£	£
30-60 days	-	-
60-90 days	-	-
90-120 days	-	-
More than 120 days	9	9
	9	9

When considering whether a financial asset is impaired the Company considers any change to the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

18. Share Capital

	2021	2020
Authorised, allotted, called up and fully paid	£	£
1 ordinary share of £1	1	1

19. Lessor

	Gross Investment	Unearned Income	Capital
2021	£	£	£
Not later than 1 year	60,141	-	60,141
	60,141	-	60,141

	Gross Investment	Unearned Income	Capital
2020	£	£	£
Not later than 1 year	270,470	5,488	264,982
	270,470	5,488	264,982

These figures do not include hire purchase agreements which are included in the overall balance of Finance leases in note 11. The accumulated allowance for uncollectible lease payments is £60,141 (2020: £123,457).

20. Ultimate parent undertaking and controlling party

100% of the share capital of LDF Finance No. 1 Limited is owned by LDF Group Finance Limited. LDF Group Finance Limited is owned by LDF Group Holdco Limited. The ultimate controlling party of LDF Group Holdco Limited is White Oak Europe Acquisition Limited as it holds the majority shareholding in LDF Group Holdco Limited. White Oak Europe Acquisition Limited acquired LDF Group Holdco Limited on 30 June 2018.

The smallest group into which the results of the Company are consolidated is LDF Group Holdco Limted. Copies of these consolidated financial statements can be obtained from its registered office at Second Floor, HQ Offices, 58 Nicholas Street, Chester, England, CH1 2NP. The largest group into which the results of the Company are consolidated is White Oak Europe Limited. Copies of these consolidated financial statements can be obtained from its registered office at Second Floor, HQ Offices, 58 Nicholas Street, Chester, England, CH1 2NP.

21. Risk management

Credit risk

Credit risk is one of the main risks the Company faces as it is principally linked to the performance of the loans and finance leases on its own books. The performance of the portfolio is regularly discussed and reviewed by the Directors and mitigating action is taken where necessary.

The maximum exposure to credit risk for the Company is as follows:

	2021	2020
	£	£
Cash at bank	21,024	466,840
Loan and lease receivables	8,018	359,883
Trade and other debtors	17,628	19,417
	46,670	**846,140**

The above table represents the maximum credit risk exposure, net of impairment, to the Company at 31 December 2021 without taking into account any collateral held or other credit enhancement. No assets have been found to be individually impaired as a result of this risk.

Notes to the Financial Statements

For the Year Ended 31 December 2021

21. Risk management (continued)

The Company defines three classifications of credit quality (low, medium and higher risk) for all credit exposures. These classifications are based on the maturity of the outstanding loan and collateral held against it. The Company considers all assets shown in the above table to be low risk.

Liquidity risk

The Company mitigates this risk by financing itself to the level required to meet its liquidity needs. Cash flows for the business are monitored by the Directors on a frequent basis.

Reputational risk

The Company mitigates this risk by putting TCF (Treating Customers Fairly) at the heart of the business and providing exceptional customer service to its client base. This is evidenced by the amount of repeat business it provides for its clients. The Company regularly benchmarks its performance through customer feedback, complaints and internal reviews. All complaints are handled in a fair and transparent manner and are reported to the Board on a monthly basis.

Operational risk

The Company mitigates this risk by undertaking regular risk reviews of the operational procedures and undertaking departmental internal audits. There is a commitment by the business to report and review any operational failings and these are reported to the Board on a monthly basis.

Regulatory risk

The Company is subject to regulatory control and supervision by the Financial Conduct Authority (FCA). The Company has successfully gained all the permissions required by the FCA to perform its trade. The Company continually assesses the changing regulatory requirements and its adherence to them through regular reviews and updates to the Board.

Interest rate risk

All contracts are fixed rate, and matched to fixed rate loans from third party funders thus ensuring the company is not exposed to interest rate risk.

Currency risk

The Company manages it's foreign exchange risk against its functional currency. Foreign exchange risk arises when the Company's currency income and the cost of services provided to the Company from external suppliers are denominated in a currency that is not the Company's functional currency. Currency risk to the Company is deemed to be minimal.