Renaissance Asset Finance Limited

Annual Report for the year ended 31 December 2018

Registered Number 08885289

Contents

Company Information

Directors

Victoria Fisher (Joint Managing Director)

Anthony M Lester (Joint Managing Director)

James R Cobb (Director)

Stephen J Fletcher (Director)

Andrew A Salmon (Director)

Richard MJ Lane (Director)

Secretary

Nicholas Jennings

Registered Office

Arbuthnot House

7 Wilson Street

London

EC2M 2SN

Registered Number

08885289

Auditor

KPMG LLP

Altius House

One North Fourth Street

Milton Keynes

MK9 1NE

Strategic Report

Our Business

Renaissance Asset Finance Limited ('the Company' or 'Renaissance') was established by its founder shareholders in February 2014. Following the exchange of contracts on 20 December 2016 between the Company's shareholders and Arbuthnot Latham & Co., Limited ('the Bank'), and subsequent regulatory approval, Renaissance Asset Finance Limited became a wholly owned subsidiary of the Bank in April 2017. This therefore represents the first full financial year since the acquisition.

Senior debt facilities are provided by Arbuthnot Latham & Co., Limited the parent Company and 100% shareholder to enable Renaissance to provide unregulated fixed term finance to its chosen customer market of small and medium sized enterprises and high net worth individuals. These are generally introduced to Renaissance via a network of brokers with whom Renaissance establishes close working relationships

The majority of the assets financed by Renaissance comprise higher value private cars, collectors' cars, purpose built taxis, coaches and other specialist vehicles. However, Renaissance also funds the purchase of a range of commercial plant and machinery as well as a limited volume of business critical soft assets. Renaissance prefers to finance assets that have strong collateral characteristics and identifiable second hand markets. Risk is further diversified by having a wide spread of leases such that, at 31 December 2018, Renaissance had 1,402 live credit agreements with gross balances outstanding of £86.4m, with an average balance of £61,663. The largest single exposure as at that date was £3.78m, representing 4.5% of the portfolio.

In addition to a careful assessment of asset quality, Renaissance places considerable reliance upon the soundness of the borrower's covenant and in the majority of cases new customers are visited by our sales team. Thus, the underwriting process avoids score cards and automated decision taking, relying on the skill and expertise of our underwriters to assess finance applications on a case by case basis.

The average transaction size for the period was £78,974 at inception and finance is typically provided for terms of between 12 and 60 months.

Annual Review

Renaissance has continued to perform well during the year and continues to have access to secure funding, provided by our parent company Arbuthnot Latham & Co., Ltd, at competitive rates of interest on which to further build on past successes and achieve greater growth.

During the period, Renaissance's volume of new lending totalled £56.3m and, with a net interest margin on the loan book of 5.7%, profits before tax of £2,194,000 were achieved (2017: £2,591,000 for an 18 month period). This result showed the benefit of operational gearing as the lease portfolio before impairments developed from £71.4m to £86.4m, whilst credit losses were strictly controlled.

Throughout the period, the Company has benefited from loan facilities provided to it by Arbuthnot Latham & Co., Limited, drawings under which amounted to £80.6m at the year end.

The Board looks forward to developing further growth opportunities.

Strategic Report

Key Performance Indicators

	2018	2017
New loan originations	£56.3m	£59.0m
Year end receivables (before impairment)	£86.4m	£71.4m
Profit before tax	£2,194k	£2,591k
Return on average receivables	2.83%	3.68%

Principal Risks and Uncertainties

The Company regards the monitoring and controlling of risks and uncertainties as a fundamental part of the management process. Consequently, senior management are involved in the development of risk management policies and in monitoring their application. A detailed description of the risk management framework and associated policies is set out in note 6.

The principal risks inherent in the business are credit, security, interest rate, capital, funding, regulatory and conduct.

Credit risk

The Company is exposed to the risk that customers may not fulfil their obligations. The Company has defined lending criteria and monitors its exposures. However, default may arise from events beyond the Company's control, such as the customer's business failure, changes in personal circumstances or fraud.

Successful management of credit risk is critical to the Company's success. The substantial majority of the Company's lending is secured on tangible assets with material resale value and amortised over the lives thereof. Concentration risk is avoided by limiting the size of individual facilities and seeking a diversified range of underlying assets. Careful attention is paid to the covenant quality of the borrower.

Security

The Company is exposed to the risk that the security on which leases are made may reduce in value and prove inadequate to provide for a full recovery of leases in default. This risk is mitigated by limiting the size of leases facilities, restricting the term of the leases in accordance with the nature of the asset and procuring independent assessment of realistic resale values at the inception of the facility. Additionally, many facilities are supported by personal guarantees.

Interest rate risk

The Company provides its customers with fixed rate finance for a fixed term. It is the Company's policy to eliminate this risk through the raising of finance on interest rates fixed having regard to the terms of the underlying leases.

Capital and funding

The Company has a level of shareholders' funds that is small in proportion to the size of its lease portfolio. Access to a continued supply of realistically priced loan facilities is therefore critical to its ability to continue to trade. Our parent company Arbuthnot Latham & Co., Limited have continued to provide loan facilities, the terms of which reflect our finance agreements with our customers.

Regulatory and conduct risk

Renaissance is regulated by the FCA and is subject to the risks of legislative and regulatory rule changes, albeit that it's leasing facilities are in fact unregulated agreements. Nevertheless, care is taken to comply with appropriate Anti-Money Laundering regulations and the fair treatment of customers is monitored through the completion of periodic surveys.

V Fisher
Director
25 April 2019

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Principal Activities
Renaissance Asset Finance Limited provides unregulated fixed term finance to its chosen customer market of small and medium sized enterprises and high net worth individuals.

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

V Fisher
AM Lester
IA Henderson (resigned 31 August 2018)
JR Cobb
P Marrow (resigned 11 September 2018)
SJ Fletcher (appointed 10 July 2018)
AA Salmon (appointed 8 May 2018)
Richard MJ Layne (appointed 9 April 2019)

Financial Instruments
Details of the Company's policy for funding its operations and controlling its associated risks are provided in the Strategic Report on pages 1-2 and the risk management note on page 21.

Proposed dividend
No dividends were paid during the year. The Directors do not recommend the payment of a dividend.

Political Donations
The Company made no political donations nor incurred any political expenditure during the year.

Other information
Any indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1-2.

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

Statement of Disclosure of Information to the Auditor
The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

V Fisher
Director
25 April 2019

Statement of Directors' Responsibilities

In Respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law.

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 their profit or loss 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 its 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.

Independent Auditor's Report

to the members of Renaissance Asset Finance Limited

Opinion

We have audited the financial statements of Renaissance Asset Finance Limited ("the Company") for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Positon, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 3.

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 year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 its 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 its 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 twelve months 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, including the impact of Brexit, 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.

Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and 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 Strategic Report and 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.

Independent Auditor's Report

to the members of Renaissance Asset Finance Limited

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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 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.

PMarco.

Pamela Marco (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

25 April 2019

Statement of Comprehensive Income

	Note	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Lease income	7	7,536	9,706
Interest expense	7	(2,192)	(3,540)
Net lease income	7	5,344	6,166
Fee and commission income	8	151	96
Fee and commission expense		(14)	(5)
Net fee and commission income		137	91
Operating income		5,481	6,257
Net impairment loss on lease receivables	9	(437)	(158)
Other income	10	73	65
Operating expenses	11	(2,923)	(3,573)
Profit before tax		2,194	2,591
Income tax expense	13	(431)	(498)
Profit for the year		1,763	2,093

The Company has no other Comprehensive Income for the year and hence the profit for the year represents the total Comprehensive Income for the year.

The notes on pages 11 to 37 are an integral part of these financial statements

Statement of Financial Position

	Note	At 31 December 2018 £000	At 31 December 2017 £000	At 30 June 2016 £000
ASSETS				
Cash at bank and in hand	14	354	1,087	3,469
Lease receivables	15	85,958	71,265	64,825
Other assets	17	525	137	275
Deferred tax asset	18	116	22	-
Property, plant and equipment	19	38	11	41
Total assets		**86,991**	**72,522**	**68,610**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	24	220	220	220
Share premium account	24	30	30	30
Retained earnings	25	4,863	3,136	1,043
Total equity		**5,113**	**3,386**	**1,293**
LIABILITIES				
Intercompany loan and overdraft	20	80,632	68,259	-
Hire purchase creditors	21	-	-	62,943
Current tax liability		243	515	222
Deferred tax liability		-	-	116
Other liabilities	22	1,003	362	4,036
Total liabilities		**81,878**	**69,136**	**67,317**
Total equity and liabilities		**86,991**	**72,522**	**68,610**

The financial statements on pages 7 to 37 were approved and authorised for issue by the Board of Directors on 25 April 2019 and were signed on their behalf by:

V Fisher
Director
Registered Number: 08885289

The notes on pages 11 to 37 are an integral part of these financial statements

Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	£000
Balance at 1 July 2016	**220**	**30**	**1,043**	**1,293**
Total comprehensive income for the period				
Profit for the 18 month period to 31 December 2017	-	-	2,093	2,093
Total comprehensive income for the period	**-**	**-**	**2,093**	**2,093**
Balance at 31 December 2017	**220**	**30**	**3,136**	**3,386**
Adjustment on initial application of IFRS 9 (net of tax) - see note 2	-	-	(36)	(36)
Restated balance at 1 January 2018	**220**	**30**	**3,100**	**3,350**
Total comprehensive income for the period				
Profit for 2018	-	-	1,763	1,763
Balance at 31 December 2018	**220**	**30**	**4,863**	**5,113**

The notes on pages 11 to 37 are an integral part of these financial statements

Statement of Cash Flows

	Note	Year ended 31 December 2018 £000	18 Month Period ended 31 December 2017 £000
Cash flows from operating activities			
Profit for the year		1,763	2,093
Adjustments for:			
Depreciation		13	32
Taxation		431	498
		2,207	2,623
Increase in trade and other receivables		(15,126)	(6,324)
(Decrease)/increase in trade and other payables		630	(55,609)
		(12,289)	(59,310)
Tax paid		(777)	(342)
Net cash from operating activities		**(13,066)**	**(59,652)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	19	(40)	(2)
Net cash outflow from investing activities		**(40)**	**(2)**
Cash flows from financing activities			
Repayment of borrowings		-	(4,251)
Proceeds from new loan		-	61,523
Increase in borrowings		12,373	-
Net cash from financing activities		**12,373**	**57,272**
Net decrease in cash and cash equivalents		(733)	(2,382)
Cash and cash equivalents at 1 January		1,087	3,469
Cash and cash equivalents at 31 December	14	**354**	**1,087**

The notes on pages 11 to 37 are an integral part of these financial statements

Notes to the Financial Statements

1. Reporting entity

Renaissance Asset Finance Limited is a company domiciled in the United Kingdom. The registered address of Renaissance Asset Finance Limited is 7 Wilson Street, London, EC2M 2SN.

2. Basis of preparation

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs as adopted and endorsed by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS for the first time and consequently has applied IFRS 1.

An explanation of how the transition to adopted IFRS has affected the reported financial position, financial performance and cash flows of the company is provided in note 26.

(b) Basis of measurement

The Company financial statements have been prepared under the historical cost convention.

(c) Functional and presentational currency

The functional and presentational currency of the Company is Pounds Sterling.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(e) Going concern

Notwithstanding operating cash outflows for the year of £13.1m 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 21 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, through its overdraft facility and term loan intercompany loan funding from its ultimate parent company, Arbuthnot Latham & Co., Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Arbuthnot Latham & Co., Limited not seeking repayment of the amounts currently due to it, which at 31 December 2018 amounted to £4.1m and renewing the existing term loan facility, at appropriate levels, when it expires in April 2020. £76.5m was outstanding on that facility as at 31 December 2018. Arbuthnot Latham & Co., Limited has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(f) Accounting developments

As noted above, the Company has adopted IFRS from 1 January 2018 and IFRS 1 has been applied. The following new accounting standards have also been applied:

IFRS 9 'Financial Instruments'

IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018. It replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company previously reported under FRS 102. On transition to IFRS and as permitted under IFRS 1, the comparative information does not have to comply with IFRS 9 and the comparatives have therefore been presented on an IAS 39 basis. The Company has adopted IFRS 9 on 1 January 2018. This results in changes in accounting policies previously recognised in the financial statements.

Notes to the Financial Statements

In accordance with the transitional arrangements of IFRS 9 comparative figures have not been restated. However, as required by the transitional arrangements if prior periods are not restated, any difference arising between IAS 39 carrying amounts and IFRS 9 carrying amounts at 1 January 2018 are recognised in opening retained earnings (or in other comprehensive income, as applicable) at 1 January 2018.

IFRS 9 introduces key changes in the following areas:

• Classification and measurement, that is based on the business model and contractual cash flow characteristics of the financial instruments.
• Impairment, introducing an expected credit loss model using forward looking information which replaces the incurred loss model. The expected loss model introduces a three stage approach to impairment.

a) Classification and measurement
The Company classifies financial assets into one of the three following categories:
• Amortised cost, financial assets held in a business model in order to collect contractual cash flows, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.
• Fair value through other comprehensive income ("FVOCI"), financial assets held in a business model which collects contractual cash flows and sells financial assets where the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. The Company currently has no financial assets within this business model.
• Fair value through profit or loss ("FVPL"), assets not measured at amortised cost or FVOCI. There is an option to make an irrevocable election on initial recognition for non-traded equity investments to be measured at FVOCI, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon de-recognition, and impairment is not recognised in the income statement. The election is made on an instrument by instrument basis.

IFRS 9 has not changed the classification or measurement of the Company's financial liabilities.

(b) Impairment
IFRS 9 replaced the IAS 39 "incurred loss" impairment recognition framework with a three stage expected credit loss approach ("ECL"). The three stages under IFRS 9 are as follows:
• Stage 1 – entities are required to recognise a 12 month ECL allowance on initial recognition.
• Stage 2 – a lifetime loss allowance is held for assets where a significant increase in credit risk has been identified since initial recognition for financial assets that are not credit impaired. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period for the life of the finance lease.
• Stage 3 – a lifetime ECL allowance is required for financial assets that are credit impaired at the reporting date.

Measurement of ECL
The assessment of credit risk and the estimation of ECL are unbiased and probability weighted. ECL is measured on either a 12 month (Stage 1) or lifetime (Stage 2) basis depending on whether a significant increase in credit risk has occurred since initial recognition or where an account meets the Company's definition of default (Stage 3).

The ECL calculation is a product of an individual lease's probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') discounted at the effective interest rate ('EIR').

Significant increase in credit risk ("SICR") (movement to Stage 2)
The Company's transfer criteria determines what constitutes a significant increase in credit risk, which results in a lease being moved from Stage 1 to Stage 2. The Company has determined that a significant increase in credit risk arises when an individual lessee is more than 30 days past due or if forbearance measures have been put in place.

The Company monitors the ongoing appropriateness of the transfer criteria, where any proposed amendments will be reviewed and approved by the Company's Credit Committees at least annually and more frequently if required.

A lessee will move from Stage 2 back into Stage 1 providing that there is either a minimum of 6 months' good account conduct or the improvement of the Client's situation to the extent that the probability of default has receded sufficiently and a full repayment of the lease, without recourse to the collateral, is likely.

Notes to the Financial Statements

Definition of default (movement to Stage 3)
The Company uses a number of qualitative and quantitative criteria to determine whether an account meets the definition of default and as a result moves into Stage 3. The criteria are as follows:
• The rebuttable assumption that more than 90 days past due is an indicator of default. The Company therefore deems more than 90 days past due as an indicator of default except for cases where the customer is already within forbearance.
• The Company has also deemed it appropriate to classify accounts where there has been a breach in agreed forbearance arrangements, recovery action is in hand or Bankruptcy proceedings or similar insolvency process of a client, or director of a company.

A lessee will move out of Stage 3 when their credit risk improves such that they are no longer past due and remain up to date for an internally approved period.

Forward looking macroeconomic scenarios
IFRS 9 requires the entity to consider the risk of default and impairment loss taking into account expectations of economic changes that are reasonable.

The Company uses a bespoke macroeconomic model to determine the most significant factors which may influence the likelihood of an exposure defaulting in the future. At present, the most significant macroeconomic factor relates to asset values. The model adopts five probability weighted scenarios no change, severe, moderate, growth and decline. The Company has derived an approach for factoring probability weighted macroeconomic forecasts into ECL calculations, adjusting PD and LGD estimates.

Expected life
IFRS 9 requires lifetime expected credit losses to be measured over the expected life. Currently the Company considers the lease's behavioural life is equal to the contractual lease term. This approach will continue to be monitored and enhanced if and when deemed appropriate.

Transition disclosures
The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018:

	Original classification under IAS 39	Carrying amount under IAS 39 as at 31 Dec 2017	New classification under IFRS 9	Carrying amount under IFRS 9 as at 1 Jan 2018
Financial assets		£000		£000
Cash at bank and in hand	Loans and receivables	1,087	Amortised cost	1,087
Lease receivables	Loans and receivables	71,265	Amortised cost	71,220
Trade receivables	Loans and receivables	51	Amortised cost	51
Total financial assets		72,403		**72,358**

	Original classification under IAS 39	Carrying amount under IAS 39 as at 31 Dec 2017	New classification under IFRS 9	Carrying amount under IFRS 9 as at 1 Jan 2018
Financial liabilities		£000		£000
Intercompany loan	Amortised cost	68,259	Amortised cost	**68,259**
Other liabilities	Amortised cost	121	Amortised cost	**121**
Total financial liabilities		68,380		**68,380**

Notes to the Financial Statements

The following table sets out the impact of adopting IFRS 9 on the statement of financial position carrying amounts and retained earnings as at 1 January 2018. Only balances impacted by the transition to IFRS 9 are included in the table; all other balances are unchanged.

Retained Earnings	£000
Recognition of expected credit losses under IFRS 9	45
Related tax	(9)
Impact at 1 January 2018	**36**

Impact of adopting IFRS 9 on the impairment of the financial assets
The most significant impact on the Company's financial statements from the adoption of IFRS 9 results from the new impairment requirements. On the adoption of IFRS 9 on 1 January 2018, the increase in loss allowances (before tax) was £45k.

	IAS 39 carrying amount as at 31 Dec 2017	Re-measurement	IFRS 9 opening balance as at 1 Jan 2018	Of which Stage 1	Stage 2	Stage 3
	£000	£000	£000	£000	£000	£000
Lease receivables (gross)	71,426	-	71,426	70,685	-	741
Impairment losses	(161)	(45)	(206)	(76)	-	(130)
Lease receivables (net)	71,265	(45)	71,220	70,609	-	611

The ECL coverage as a percentage of the lease portfolio at 1 January 2018 was 0.29% and by Stage as follows: Stage 1- 0.11%; Stage 2- nil% and Stage 3- 0.18%.

Forward looking information
The Company incorporates forward looking information (FLI) into the assessment of whether there has been a significant increase in credit risk and the calculation of ECLs.

IFRS 15 Revenue from Contracts with customers
On 1 January 2018, the Company adopted the requirements of IFRS 15. IFRS 15 established a comprehensive framework for revenue recognition. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

IFRS 15 establishes the principles to apply when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The standard introduces a five step revenue recognition model to be applied to all contracts with customers to determine whether, how much, and when revenue is recognised.

The new standard replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. It applies to all revenue arising from contracts with customers but does not apply to insurance contracts, financial instruments or lease contracts, which fall under the scope of other IFRS standards. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Of particular note, interest income in respect of lease receivables, the main source of revenue for the Company, falls outside the scope of IFRS 15.

The Company also generates fees from broking commissions and administrative fees. Fees in respect of broking and administrative fees are recognised in line with the satisfaction of performance obligations. The broking commissions and administrative fees are performed at a point in time and payment is due from a customer at the time a transaction takes place. The costs of providing these services are incurred as the services are rendered. The price is fixed and always determinable.

Notes to the Financial Statements

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), as such the standard is applied as of 1 January 2018 and comparative information is not restated. The cumulative effect of initially applying IFRS 15 is recognised as an adjustment to the opening balance of retained earnings. IFRS 15 is only applied retrospectively to contracts that are not completed contracts at 1 January 2018.

The Company assessed its non-interest revenue streams that fall under the scope of IFRS 15 and determined that there was no material impact on the amount or timing of revenue to be recognised as a result of the adoption of IFRS 15. As such there is no adjustment to the opening balance of retained earnings or related tax balances. Furthermore, there is no impact to the Statement of Financial Position or the Statements of Profit and Loss and other Comprehensive Income.

3. Significant accounting policies

The 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, unless otherwise stated.

3.1. Lease receivables and Interest income

As a lessor

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. Amounts due from customers under hire purchase contracts and finance leases are recognised as lease receivables at an amount equal to the net investment in the lease. The net investment in a lease is the gross investment, including initial direct costs, discounted at the rate implicit in the lease. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease interest of the Company is attributable to the financing of assets and comprises imputed interest on finance and hire purchase contracts.

3.2. Operating leases

Rentals made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

3.3. Interest expense

Interest expense is recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate method.

3.4. Fee and commission income

Fees and commissions which are not part of the lease receivable are recognised as the related services are performed, under IFRS 15.

Types of fee	Description
Broking commissions	Commission from passing direct business to asset finance lenders.
Administrative fees	Option to purchase fee on completion of a finance lease agreement, administration and document fees.

The principles in applying IFRS 15 to fee and commission use the following 5 step model:

- Identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when or as the Company satisfies its performance obligations.

3.5. Financial assets and financial liabilities

Classification

IFRS 9 requires financial assets to be classified as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through the profit and loss ("FVTPL"). Liabilities are measured at amortised cost or FVTPL. The Company classifies financial assets and financial liabilities at amortised cost. Management determines the classification of its financial assets at initial recognition.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue with the exception of financial assets at FVTPL where these costs are debited to the income statement.

(a) Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

Financial assets includes lease receivables as disclosed in note 3.1.

(b) Financial assets and financial liabilities at FVTPL

Financial assets and liabilities are classified at FVTPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where financial assets are designated at FVTPL to reduce an accounting mismatch. They are measured at fair value in the statement of financial position, with fair value gains/losses recognised in the income statement.

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVTPL, because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and-sell contractual cash flows.

At 31 December 2018 the Company had no financial instruments classified as FVTPL.

(c) Financial instruments at FVOCI

Financial instruments at FVOCI are those not classified as another category of financial assets. Financial instruments are initially recognised at cost, which is considered as the fair value of the instruments including any acquisition costs. The interests are subsequently measured at fair value in the statement of financial position.

Fair value changes in the securities are recognised directly in equity (OCI).

At 31 December 2018 the Company had no financial instruments classified as FVOCI.

Basis of measurement for financial assets and liabilities

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

Fair value measurement

Fair value is 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the Statement of Financial Position. In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partially derecognised.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, expire, are modified or exchanged.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

3.5.1 Financial assets and financial liabilities (Policy applicable before 1 January 2018)
The Company classifies financial assets and financial liabilities in the following categories: loans and receivables and other financial liabilities. Management determines the classification of its investments at acquisition.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(a) Loans and receivables (policy applicable before 1 January 2018)
Amounts due from customers under hire purchase contracts and finance leases are recognised as a receivable at an amount equal to the net investment in the lease. The net investment in a lease is the gross investment, including initial direct costs, discounted at the interest rate implicit in the lease. The interest income is recognised as turnover.

(b) Financial assets and financial liabilities at FVTPL (policy applicable before 1 January 2018)
This category comprises listed securities and derivative financial instruments. Derivative financial instruments utilised by the Company include embedded derivatives and derivatives used for hedging purposes. Financial assets and liabilities at fair value through profit or loss are initially recognised on the date from which the Company becomes a party to the contractual provisions of the instrument. Subsequent measurement of financial assets and financial liabilities held in this category are carried at fair value through profit or loss.

(c) Other financial liabilities
Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments.

3.6. Impairment of finance lease receivables
Impairment of lease receivables is now considered under IFRS 9 as described under note 2. Previously under IAS 39 on an ongoing basis the Company assesses whether there is objective evidence that a finance lease receivable is impaired. Objective evidence is the occurrence of a loss event, after the initial recognition of the lease that impacts on the estimated contractual future cash flows of the lease receivable or group of leases receivable, and can be reliably estimated.

If there is objective evidence that an impairment loss on leases and receivables has been incurred, the amount of the loss is measured as the difference between the leases carrying amount and the present value of estimated future cash flows discounted at the lease's original effective interest rate. The carrying amount of the lease is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income.

The Company considers evidence of impairment for leases at both a specific asset and collective level. All individually significant leases are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment the Company uses historical trends of the probability of default, emergence period, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be significantly different to historic trends.

When a lease is uncollectible, it is written off against the related provision for lease impairment. Such leases are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for lease impairment in the Statement of Comprehensive Income.

A customer's account may be modified to assist customers who are in financial difficulties and have demonstrated both the ability and willingness to meet the current or modified lease contractual payments. Leases that have renegotiated or deferred terms, resulting in a substantial modification to the cash flows, are no longer considered to be past due but are treated as new leases recognised at fair value, provided the customers comply with the renegotiated or deferred terms.

3.7. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3.8. Property, plant and equipment

Fixtures, fittings and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives, applying the following annual rates, which are subject to regular review:

Leasehold improvements	3 years
Computer equipment	3 years
Fixtures and fittings	4 years

Gains and losses on disposals are determined by deducting carrying amount from proceeds. These are included in the Statement of Comprehensive Income.

3.9. Employee benefits

Post-retirement obligations

The Company contributes to a defined contribution scheme and to individual defined contribution schemes for the benefit of certain employees. The schemes are funded through payments to insurance companies or trustee-administered funds at the contribution rates agreed with individual employees.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

There are no post-retirement benefits other than pensions.

3.10. Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, when they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3.11. New standards and interpretations not yet adopted

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2019 or later periods, but the Company has not early adopted them:

IFRS 16, 'Leases' (effective from 1 January 2019).

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 removes the distinction between finance and operating leases and instead provides a single lessee accounting model for lessees.

IFRS 16 does not significantly change the accounting for finance leases by lessors.

The Company, as a lessee, will be required to recognise lease liabilities and corresponding right-of-use assets for all applicable leases. The new standard also provides the option not to recognise 'short-term' leases and leases of 'low-value' assets. Where this exemption is taken, such leases will continue to be expensed to the income statement over the term of the lease.

The income statement recognition pattern for the Company's leases will differ from the current pattern for operating leases, with interest on the liabilities and depreciation expense on the right-of-use assets recognised separately. In the cash flow statement, lease payments will be categorised within financing activities rather than operating activities.

Management have reviewed all long-term contractual agreements to ensure all leases are correctly transitioned.

Transition
The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach option 2. As a result there will be no impact to retained earnings on adoption of IFRS 16, with no restatement of comparative information.

Additionally, on transition, the Company plans to apply the practical expedient to grandfather the definition of a lease on transition This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

It estimates that the IFRS 16 transition amount will:
• increase assets and liabilities by approximately £763k as at 1 January 2019;
• increase operating expenditure by approximately £33k in 2019.

4. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty
Expected credit losses ("ECL") on financial assets
The Company reviews its lease portfolios to assess impairment at least on a monthly basis. The basis for evaluating impairment losses is described in accounting policy 3.6. The measurement of ECL required by the implementation of IFRS 9, from 1 January 2018, necessitates a number of significant judgements. Specifically judgements and estimation uncertainties relate to assessment of whether credit risk on the financial asset has increased significantly since initial recognition, incorporation of forward-looking information ("FLI") in the measurement of ECLs and key assumptions used in estimating recoverable cash flows. These estimates are driven by a number of factors that are subject to change which may result in different levels of ECL allowances.

The Company incorporates FLI into the assessment of whether there has been a significant increase in credit risk. Forecasts for key macroeconomic variables that most closely correlate with the Company's portfolio are used to produce five economic scenarios, comprising of a no change, upside case, downside case, moderate stress and severe stress, and the impacts of these scenarios are then probability weighted. The estimation and application of this FLI will require significant judgement supported by the use of external information.

12 month ECLs on lease receivables (leases within Stage 1) are calculated using a statistical model. The key assumptions are the probability of default and the economic scenarios. Life time ECLs on lease receivables (leases within Stage 2 and 3) are calculated based on an individual valuation of the underlying asset and other expected cash flows.

For individually significant financial assets in Stage 2 and 3, ECL is calculated on an individual basis and all relevant factors that have a bearing on the expected future cash flows are taken into account. These factors can be subjective and can include the individual circumstances of the lessee, the realisable value of collateral, the Company's position relative to other claimants, and the likely cost to sell and duration of the time to collect. The level of ECL is the difference between the value of the recoverable amount (which is equal to the expected future cash flows discounted at the lease's original effective interest rate), and its carrying amount.

Management considered a range of variables in determining the level of future ECL. The two key judgements were in relation to "time to collect" and "collateral valuations". Sensitivity analysis was carried out based on what was considered reasonably possible in the current market conditions.

Notes to the Financial Statements

If time to collect increased by three months across all Stage 2 and 3 customer exposures, this would lead to a negative £27k impact through the Profit and loss. A three month reduction in time to collect would lead to a £12k favourable impact on the Profit or Loss.

If the collateral valuations increased by 10% across all Stage 3 client exposures, this would lead to a positive £46k impact through the Profit or Loss. If the collateral valuations decreased by 10% across all Stage 3 client exposures, this would lead to a £74k adverse impact on the Income Statement.

Another of the judgements concerns the probability of the economic scenarios to the measurement of the ECL. The probability weighting and forward looking economic scenarios as at 31 December 2018 are as follows:

	Probability weighted forward looking economic scenarios				
	Highest Stress	Moderate Stress	No Change	Growth	Decline
Probability of scenario	**1.0%**	**3.0%**	**21.0%**	**25.0%**	**50.0%**
Impact of scenario					
- Change in collateral values					
High Value Cars	-20.0%	-10.0%	-	2.0%	-2.0%
Classic Cars	-10.0%	-5.0%	-	2.0%	-2.0%
Commercial	-30.0%	-15.0%	-	2.0%	-2.0%
London PBT	-30.0%	-15.0%	-	2.0%	-2.0%
Plant and machinery	-40.0%	-20.0%	-	2.0%	-2.0%
Engineering	-40.0%	-20.0%	-	2.0%	-2.0%
Soft Assets	-40.0%	-20.0%	-	2.0%	-2.0%
Print equipment	-30.0%	-15.0%	-	2.0%	-2.0%
Other Cars	-30.0%	-15.0%	-	2.0%	-2.0%

Management assess a range of scenarios and in the current economic climate it is reasonably possible that the moderate scenario could increase to 9% probability, the decline scenario increase to 60% probability and the growth scenario reduce to 10% probability this would lead to a negative £10k impact through the Income Statement.

5. Maturity analysis of assets and liabilities

The table below shows the maturity analysis of assets and liabilities of the Company as at 31 December 2018:

At 31 December 2018	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash at bank and in hand	354	-	354
Lease receivables	29,834	56,124	85,958
Other assets	525	-	525
Deferred tax asset	-	116	116
Property, plant and equipment	-	38	38
	30,713	**56,278**	**86,991**
LIABILITIES			
Intercompany loan and overdraft	4,081	76,551	80,632
Current tax liability	243	-	243
Other liabilities	1,003	-	1,003
	5,327	**76,551**	**81,878**

Notes to the Financial Statements

The table below shows the maturity analysis of assets and liabilities of the Company as at 31 December 2017:

At 31 December 2017	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash at bank and in hand	1,087	-	1,087
Lease receivables	22,551	48,714	71,265
Other assets	137	-	137
Deferred tax asset	-	22	22
Property, plant and equipment	-	11	11
	23,775	**48,747**	**72,522**
LIABILITIES			
Intercompany loan and overdraft	7,386	60,873	68,259
Current tax liability	515	-	515
Other liabilities	362	-	362
	8,263	**60,873**	**69,136**

The table below shows the maturity analysis of assets and liabilities of the Company as at 30 June 2016:

At 30 June 2016	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash at bank and in hand	3,469	-	3,469
Lease receivables	21,010	43,815	64,825
Other assets	275	-	275
Property, plant and equipment	-	41	41
	24,754	**43,856**	**68,610**
LIABILITIES			
Hire purchase creditors	21,182	41,761	62,943
Current tax liability	222	-	222
Deferred tax liability	-	116	116
Other liabilities	4,036	-	4,036
	25,440	**41,877**	**67,317**

6. Financial risk management

Strategy

The Directors and senior management of the Company have formally adopted a Credit Policy which sets out the Board's attitude to risk and internal controls. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of the Company, variances against budget and prior year, and other performance data.

The principal non-operational risks inherent in the Company's business are credit and liquidity risks.

(a) Credit risk
The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for expected credit losses. Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Company's portfolio could result in losses that are different from those that are provided for at the balance sheet date. Credit risk is managed through the Company's internal Credit Committee and ultimately the Credit Committee of Arbuthnot Latham & Co., Limited.

The Company seeks to minimise exposure to credit losses by the following, but not limited to:

- Applying a robust Credit Policy when assessing credit risk in a transaction:
- Comprehensive testing of the covenant of the counterparty:
- Lending predominantly on a secured basis against identifiable, accessible and re-sellable assets of value:
- Maintaining rigorous and timely collections and arrears management processes:
- Operating strong control and governance within the Company and with oversight from Arbuthnot Latham & Co., Limited.

The Company's maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Credit risk exposures relating to on-balance sheet assets are as follows:			
Cash at bank and in hand	354	1,087	3,469
Lease receivables	85,958	71,265	64,825
Other assets	443	51	275
	86,755	**72,403**	**68,569**

The above tables represent the maximum credit risk exposure (net of impairment) to the Company at 31 December 2018, 2017 and 2016 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures are based on the net carrying amounts as reported in the Statement of Financial Position.

Impairment Policy
The Company has an Impairment Policy in place in respect of Impairment Provisioning for potential and problem debt exposures and the methodology to be adopted for Expected Credit Losses ("ECL") and specific impairment provisions for all of the lease receivables on the adoption of IFRS9.

As at 31 December 2018, lease receivables for which forbearance measures were in place totalled 0.7% (2017: 0.0%) of total leases to customers for the Company. These are set out in the following tables:

	31 Dec 2018		31 Dec 2017 and 30 June 2016	
	Number	Lease Receivables £000	Number	Lease Receivables £000
Payment holiday	10	592	-	-
Total forbearance	**10**	**592**	-	-

Concentration risk
The Company is a small ticket asset financier providing hire purchase and finance lease products to business users in the small and medium sized enterprise market. The customer base is made up of small private limited companies, partnerships and sole traders but the Company does also provide finance to High Net Worth Individuals for the acquisition of expensive motor cars.

The Company does not specialise in any industry sector and finances a broad range of assets, 97% of which are considered as 'hard' assets which are robust in that they are identifiable, up-liftable and with an established second hand market. By diversifying business written across the spectrum of industry sectors and the different types of 'hard' assets financed by the Company thus mitigating the risk from an economic downturn.

The tables below shows the concentration of the lease portfolio based on the product type.

	Lease receivables		
	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Concentration by product			
Hire purchase	75,673	62,269	56,326
Finance lease	10,285	8,996	8,499
	85,958	**71,265**	**64,825**

(b) Market risk

Price risk
The Company is not exposed to any price risk.

Currency risk
The Company is not exposed to currency risk as all exposures are in Pound Sterling.

(c) Liquidity risk
The Company manages liquidity risk on an expected maturity basis and expects the inter-group lending to remain matched to the maturities on the asset portfolio of the lease receivables. The Company's liquidity risk is monitored by its parent whose aim is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding to maintain full confidence in the solvency of the Company and to meet its financial obligations.

Notes to the Financial Statements

The tables below show the undiscounted contractual cash flows of the Company's financial liabilities and assets as at 31 December 2018:

At 31 December 2018	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial liability by type						
Non-derivative liabilities						
Intercompany loan and overdraft	(80,632)	(83,903)	(4,246)	-	(79,657)	-
Other liabilities	(763)	(763)	(763)	-	-	-
	(81,395)	**(84,666)**	**(5,009)**	**-**	**(79,657)**	**-**

At 31 December 2018	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial asset by type						
Non-derivative assets						
Cash at bank and in hand	354	354	354	-	-	-
Lease receivables	85,958	99,363	8,616	27,992	62,541	214
Other assets	443	443	443	-	-	-
	86,755	**100,160**	**9,413**	**27,992**	**62,541**	**214**

The tables below show the undiscounted contractual cash flows of the Company's financial liabilities and assets as at 31 December 2017:

At 31 December 2017	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial liability by type						
Non-derivative liabilities						
Intercompany loan and overdraft	(68,259)	(72,685)	(7,889)	-	(64,796)	-
Other liabilities	(32)	(32)	(32)	-	-	-
	(68,291)	**(72,717)**	**(7,921)**	**-**	**(64,796)**	**-**

At 31 December 2017	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial asset by type						
Non-derivative assets						
Cash at bank and in hand	1,087	1,087	1,087	-	-	-
Lease receivables	71,265	82,677	7,487	20,816	54,374	-
Other assets	51	51	51	-	-	-
	72,403	**83,815**	**8,625**	**20,816**	**54,374**	**-**

Notes to the Financial Statements

The tables below show the undiscounted contractual cash flows of the Company's financial liabilities and assets as at 30 June 2016:

At 30 June 2016	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial liability by type						
Non-derivative liabilities						
Hire purchase creditors	(62,943)	(68,486)	(6,031)	(17,823)	(44,502)	(130)
Other liabilities	(3,619)	(3,619)	(3,619)	-	-	-
	(66,562)	**(72,105)**	**(9,650)**	**(17,823)**	**(44,502)**	**(130)**

At 30 June 2016	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial asset by type						
Non-derivative assets						
Cash at bank and in hand	3,469	3,469	3,469	-	-	-
Lease receivables	64,825	76,636	6,956	19,753	49,810	117
Other assets	275	275	275	-	-	-
	68,569	**80,380**	**10,700**	**19,753**	**49,810**	**117**

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

7. Interest lease income in respect of lease receivables

	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Interest income in respect of lease receivables	6,779	8,685
Settlement income	757	1,021
Total lease income	**7,536**	**9,706**
Intercompany loan interest	(2,192)	(3,540)
Total interest expense	**(2,192)**	**(3,540)**
Net lease income	**5,344**	**6,166**

8. Fee and commission income

	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Other fee income	151	96
	151	**96**

Notes to the Financial Statements

9. Net impairment loss on lease receivables

	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Net Impairment losses on leases to customers	(437)	(158)
	(437)	**(158)**

During the year, the Company recovered £54k (2017: £10k) of leases which had previously been written off.

10. Other income

Other income mainly consists of retention of sale proceeds in respect of finance leases and admin fees.

11. Operating expenses

Operating expenses comprise:	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Staff costs, including Directors:		
Wages, salaries and bonuses	1,708	1,891
Social security costs	213	241
Pension costs	93	107
Depreciation (note 19)	13	32
Operating lease rentals	82	3
Other administrative expenses	814	1,299
Total operating expenses from continuing operations	**2,923**	**3,573**

Remuneration of the auditor and its associates, excluding VAT, was as follows:	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	39	38
Fees payable to the Company's auditor and its associates for other services:		
Other assurance services	7	-
Total fees payable	**46**	**38**

12. Average number of employees

	2018	2017
Directors	2	3
Employees	24	16
	26	**19**

Notes to the Financial Statements

13. Income tax expense

	Year ended 31 December 2018	18 Month period ended 31 December 2017
United Kingdom corporation tax at 19.00% (2017: 19.25%)	£000	£000
Current taxation		
Corporation tax charge - current year	477	515
Corporation tax charge - adjustments in respect of prior years	39	-
	516	**515**
Deferred taxation		
Origination and reversal of temporary differences	(59)	(17)
Adjustments in respect of prior years	(26)	-
	(85)	**(17)**
Income tax expense	**431**	**498**
Tax reconciliation		
Profit before tax	2,194	2,591
Tax at 19.00% (2017: 19.25%)	417	499
Permanent differences	-	(1)
Adjustments in respect of prior years	14	-
Corporation tax charge for the year/period	**431**	**498**

On 26 October 2015 the Government substantively enacted a reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017). An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on the rate of 19%.

14. Cash at bank and in hand

	31 Dec 2018	31 Dec 2017	30 June 2016
	£000	£000	£000
Cash at bank and in hand	**354**	**1,087**	**3,469**

15. Lease receivables

			2018		
	IAS 39	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	£000	£000	£000	£000	£000
At 31 December 2017	71,426	-	-	-	71,426
IFRS 9 reclassification	(71,426)	70,685	-	741	-
Restated at 1 January 2018	-	70,685	-	741	71,426
Originations*	-	57,993	-	-	57,993
Repayments and write-offs	-	(42,073)	-	(899)	(42,972)
To Stage 1	-	(845)	845	-	-
To Stage 2	-	(1,180)	1,180	-	-
To Stage 3	-	(206)	(845)	1,051	-
At 31 December 2018	-	**84,374**	**1,180**	**893**	**86,447**
Less allowances for ECLs (see note 16)	-	**(98)**	-	**(391)**	**(489)**
Net investment in finance lease receivables at 31 December 2018	-	**84,276**	**1,180**	**502**	**85,958**

*Originations includes deferred broker fees of £1.7m.

Comparative data for 2017 and 2016 has been prepared under IAS 39.

	31 Dec 2018	31 Dec 2017	30 June 2016
	£000	£000	£000
Gross finance leases	86,447	71,426	64,991
Less: allowances for impairment on lease receivables (note 16)	(489)	(161)	(166)
	85,958	71,265	64,825

For a maturity profile of lease receivables, refer to note 5.

Finance leases to customers comprise finance lease receivables as follows:

	31 Dec 2018	31 Dec 2017	30 June 2016
	£000	£000	£000
Gross investment in finance lease receivables:			
- No later than 1 year	36,608	28,911	26,709
- Later than 1 year and no later than 5 years	62,541	53,766	49,810
- Later than 5 years	214	-	117
	99,363	82,677	76,636
Unearned future finance income on finance leases	(13,405)	(11,412)	(11,811)
Net investment in finance leases	**85,958**	**71,265**	**64,825**
The net investment in finance leases may be analysed as follows:			
- No later than 1 year	29,834	22,551	21,010
- Later than 1 year and no later than 5 years	55,917	48,714	43,701
- Later than 5 years	207	-	114
	85,958	**71,265**	**64,825**

Analysis of past due lease receivables:

Gross lease balance of agreements in arrears – arrears balances are reported in note 17	31 Dec 2018 £000
Up to 30 days	2,519
Stage 1	2,078
Stage 2	154
Stage 3	287
30 - 60 days	775
Stage 2	565
Stage 3	210
60 - 90 days	297
Stage 2	175
Stage 3	122
Over 90 days	546
Stage 2	272
Stage 3	274
At 31 December	**4,137**

Comparative data for 2017 and 2016 has been prepared under IAS 39.

	31 Dec 2017 £000	30 June 2016 £000
Past due up to 30 days	1,262	590
Past due 30 - 60 days	142	62
Past due 60 - 90 days	478	19
Over 90 days	-	110
Total	**1,882**	**781**

Finance leases fall into this category when due payments are not made typically due to when there is a delay in either the sale of the underlying collateral or the completion of formalities to extend the credit facilities for a further period. Management have no material concerns regarding the quality of the collateral that secures the lending.

16. Allowances for impairment of finance leases

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Finance lease receivables	98	-	391	489
At 31 December 2018	98	-	391	489

	Stage 1	Stage 2	Stage 3	IAS 39	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2017	-	-	-	161	161
IFRS 9 transitional adjustment	76	-	130	(161)	45
Restated balance at 1 January 2018	**76**	**-**	**130**	**-**	**206**
Transfer to Stage 2	(310)	310	-	-	-
Transfer to Stage 3	(81)	(310)	391	-	-
Current year charge	413	-	-	-	413
Repayments and write-offs	-	-	(130)	-	(130)
At 31 December 2018	**98**	**-**	**391**	**-**	**489**

Allowances for impairment of finance leases - IAS 39 Comparative

Reconciliation of specific allowance for impairments:

	31 Dec 2017 £000
At 1 July	51
Impairment losses	21
Leases written off during the year as uncollectible	(51)
At 31 December	**21**

Reconciliation of collective allowance for impairments:

	31 Dec 2017 £000
At 1 January	75
Impairment losses	65
At 31 December	**140**

17. Other assets

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Trade receivables	443	51	208
Prepayments and accrued income	82	86	67
	525	**137**	**275**

Notes to the Financial Statements

18. Deferred taxation

The deferred tax asset comprises:

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Accelerated capital allowances and other short-term timing differences	116	22	-
Deferred tax asset	**116**	**22**	-
At 1 January	22	22	-
IFRS 9 adjustment	9	-	-
Profit and loss account - accelerated capital allowances and other short-term timing differences	85	-	-
Deferred tax asset	**116**	**22**	-

19. Property, plant and equipment

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 1 July 2016	20	17	35	72
Additions	-	-	2	2
At 31 December 2017	**20**	**17**	**37**	**74**
Additions	16	1	23	40
At 31 December 2018	**36**	**18**	**60**	**114**
Depreciation				
At 1 July 2016	(11)	(5)	(15)	(31)
Depreciation charge	(9)	(6)	(17)	(32)
At 31 December 2017	**(20)**	**(11)**	**(32)**	**(63)**
Depreciation charge	(1)	(7)	(5)	(13)
At 31 December 2018	**(21)**	**(18)**	**(37)**	**(76)**
Net book amount				
At 30 June 2016	**9**	**12**	**20**	**41**
At 31 December 2017	-	**6**	**5**	**11**
At 31 December 2018	**15**	-	**23**	**38**

Notes to the Financial Statements

20. Intercompany loan

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Intercompany loan	76,551	60,851	-
Intercompany overdraft	4,081	7,408	-
	80,632	**68,259**	-

The intercompany loan is provided by the parent company Arbuthnot Latham & Co., Limited and the variable interest rate charged reflects the maturity of our leasing portfolio, it is part of a revolving credit facility as at 31 December 2018 of £80m. The loan has a review date of 28 April 2020 and an interest rate of 3.06% (2017 2.8%).

The Company has an overdraft facility of £15m at 31 December 2018 of which £4.1m had been utilised (2017: £7.4m). The facility is available until April 2020 and is repayable on demand.

21. Hire purchase creditors

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Hire purchase creditors	-	-	**62,943**

The obligations under finance leases represented the amounts borrowed under hire purchase contracts from Bank of London and the Middle East which were repaid during 2017.

22. Other liabilities

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Trade payables	409	111	109
Other financial liabilities	-	-	3,602
Amount due to Group companies	291	10	-
Accruals and deferred income	303	241	325
	1,003	**362**	**4,036**

Other financial liabilities were two amounts due to Bank of London and the Middle East; £3,000,000 with a deferred payment date of 29 July 2016 and a profit element of £8,241 and £600,000 deferred payment date of 13 July 2016 and a profit element of £1,427. These loans were extended and repaid during 2017.

23. Contingent liabilities and commitments

Contingent liabilities
The Company is subject to regulation in the conduct of its business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the Company's business activities or other sanctions. The Company seeks to minimise this risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training, the use of appropriate documentation, and the involvement of outside legal counsel where appropriate.

Capital commitments
At 31 December 2018, the Company had capital commitments of £nil (2017: £nil) in respect of equipment purchases.

Credit commitments

The contractual amounts of the Company's off-balance sheet financial instruments that commit it to extend credit to customers are £nil (2017: £nil).

Operating lease commitments

Where the Company is the lessee, the future aggregate lease payments under non-cancellable operating leases are as follows:

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Within 1 year	111	26	63
Later than 1 year and no later than 5 years	445	2	245
Later than 5 years	435	-	12
	991	**28**	**320**

On 1 March 2018, Renaissance Asset Finance Limited entered into a 10 year lease to occupy the third floor of Phoenix Place, Christopher Martin Road, Basildon, with a break clause in March 2023. The initial rent is £92,660 per annum.

24. Share capital and share premium

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
220,000 Ordinary A shares of £1 each	220	220	220
10,000 Ordinary B shares of 1p each	-	-	-
10,000 Ordinary C shares of 1p each	-	-	-
10,000 Ordinary D shares of 1p each	-	-	-
Total ordinary capital	**220**	**220**	**220**
Share premium account	**30**	**30**	**30**

The Ordinary shares have a par value of £1 per share (2017: £1 per share).

25. Retained earnings

	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Retained earnings	4,863	3,136	1,043
Total reserves	**4,863**	**3,136**	**1,043**

Notes to the Financial Statements

26. Transition to IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018 and for the 18 months ended 31 December 2017. In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (FRS 102). An explanation of how the transition from previous GAAP to IFRS's has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of total comprehensive income for 18 month period ended 31 December 2017:

	FRS 102	Effect of transition to IFRS	IFRS
	£000	£000	£000
Turnover/Interest income	9,706	-	9,706
Cost of sales/Interest expense	(3,540)	-	(3,540)
Gross profit / Net interest income	**6,166**	-	**6,166**
Fee and commission income	-	96	96
Fee and commission expense	-	(5)	(5)
Net fee and commission income	-	**91**	**91**
Operating income	**6,166**	**91**	**6,257**
Net impairment loss on lease receivables	-	(158)	(158)
Other income	65	-	65
Administrative/Operating expenses	(3,640)	67	(3,573)
Profit before tax	**2,591**	-	**2,591**
Income tax expense	(498)	-	(498)
Profit for the year	**2,093**	-	**2,093**

The Company has no other Comprehensive Income for the year and hence the profit for the year represents the total Comprehensive Income for the year.

Fee and commission income and expense and net impairment loss on lease receivables were classified as administrative expenses under FRS 102 and are being shown separately under IFRS.

Notes to the Financial Statements

Reconciliation of equity at 1 January 2018:

	FRS 102	Effect of transition to IFRS	IFRS
	£000	£000	£000
FIXED ASSETS / ASSETS			
Tangible assets / Property, plant and equipment	11	-	11
CURRENT / ASSETS			
Debtors (including £48,714k due after more than one year) / Lease receivables	71,604	(339)	71,265
Cash at bank and in hand	1,087	-	1,087
Other assets	-	137	137
Deferred tax asset	-	22	22
Total current assets	72,691	(180)	72,511
Creditors: amounts falling due within one year	(8,442)	8,442	-
Net current assets	64,249	8,262	72,511
Total assets less current liabilities	64,260	8,262	72,522
Creditors amounts falling due after more than one year	(60,874)	60,874	-
Net assets / Total assets	**3,386**	**69,136**	**72,522**
CAPITAL AND RESERVES / EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital / Share capital	220	-	220
Share premium account	30	-	30
Profit and loss account / Retained earnings	3,136	-	3,136
Shareholders' funds / Total equity	**3,386**	-	**3,386**
LIABILITIES			
Intercompany loan and overdraft	-	68,259	68,259
Current tax liability	-	515	515
Other liabilities	-	362	362
Total liabilities	-	**69,136**	**69,136**
Shareholders' funds / Total equity and liabilities	**3,386**	-	**72,522**

Other assets and deferred tax assets were classified within Debtors under FRS 102.

Creditors: amounts falling due within one year and due after more than one year of £69,136k has been reclassified to liabilities as shown in the above table.

Debtors of £339k have been reclassified to deferred tax asset (£22k), other assets related to prepayments and accrued income (£137k), and other liabilities related predominantly to VAT (£180K).

The transition to IFRS has had no material impact on the cash flow statement.

The transition to IFRS had no impact on equity at 1 June 2016, the start of the earliest comparative period for which IFRS information is presented.

Notes to the Financial Statements

27. Related party transactions

Related parties of the Company include Arbuthnot Banking Group PLC and its subsidiaries, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members.

A number of intercompany transactions are entered into with Arbuthnot Latham & Co., Limited. The related party transactions, outstanding balances at year end, and related expense and income for the year are as follows:

Amounts recharged	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Interest on intercompany loan from the parent company	2,192	1,088	-
Costs recharged from the parent company	281	10	-

Intergroup balances	31 Dec 2018 £000	31 Dec 2017 £000	30 June 2016 £000
Balances due to the parent company	291	10	-
Balances due on intercompany loan	80,632	68,259	-

Emoluments for Directors / Key Management Personnel (including pension contributions and benefits in kind) for the year were as follows:

	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Salary payments	507	694
Social security costs	79	93
Pension contributions	39	51
	625	**838**

Pension contributions are being accrued under money purchase schemes for 2 directors (2017: 2 directors) in respect of qualifying service. JR Cobb, SJ Fletcher and AA Salmon did not receive any remuneration for their services to this company but their total emoluments are disclosed in the financial statements of Arbuthnot Banking Group PLC.

Remuneration paid to Directors and Key Management includes amounts paid to the highest paid person in respect of:

	Year ended 31 December 2018 £000	18 Month period ended 31 December 2017 £000
Salary payments	255	377
Pension contributions	20	26
	275	**403**

Notes to the Financial Statements

28. Ultimate controlling party

The Company is a subsidiary of Arbuthnot Latham & Co., Limited (a company registered in England and Wales), which in turn is a subsidiary of Arbuthnot Banking Group PLC (also a company registered in England and Wales), which is the ultimate parent company. Sir Henry Angest, the Group Chairman and CEO, has a beneficial interest in 56.1% of the issued share capital of Arbuthnot Banking Group PLC and is regarded by the Directors as the controlling entity. A copy of the consolidated financial statements of Arbuthnot Banking Group PLC may be obtained from 7 Wilson Street, London, EC2M 2SN.

29. Events after the balance sheet date

There are no material post balance sheet events to report.