Financial Statements

# LDF Finance No. 3 Limited

**For the year ended 31 December 2019**

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COMPANIES HOUSE

**Registered number: 08822799**

# Company Information

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|---|---|
| **Directors** | P Brereton<br>A Davies<br>C Heeley<br>R Corcoran |
| **Company secretary** | R Rutherford (appointed 14 August 2019) |
| **Registered number** | 08822799 |
| **Registered Office** | Dee House<br>St David's Park<br>Ewloe<br>Flintshire<br>CH5 3XF |
| **Independent Auditor** | Deloitte LLP<br>Statutory Auditor<br>2 Hardman Street<br>Manchester<br>United Kingdom<br>M3 3HF |
| **Bankers** | HSBC Bank plc<br>London Commercial Banking Centre<br>Level 6, 71 Queen Victoria Street<br>London<br>EC4V 4AY |

# Contents

# Strategic Report

For the year ended 31 December 2019

### Introduction

The Directors are pleased to present their report and audited financial statements for the year ended 31 December 2019.

### Principal activity and review of the business

The principal activity of LDF Finance No.3 Limited (the 'Company') is that of a funder to commercial counterparties operating in the UK SME market.

The Company's key financial information during the year was as follows:

| | | 31 December 2019 | | 31 December 2018 |
|---|---|---|---|---|
| Turnover | £ | 32,150,115 | £ | 28,027,295 |
| Pre-tax profit | £ | 5,468,944 | £ | 10,091,117 |

The Company started trading in November 2016. New business originations for the period to 31 December 2019 were £243.9 (2018: £240.6m). This origination was generated through the LDF Group's direct sales channels, external broker, vendor and referral introductions. As at December 2019 the value of the book had grown to £133.1m (2018: £125.4m) and was comprised of commercial loans, finance leases and hire purchase agreements.

The Directors meet monthly to assess the performance of the portfolio. The Directors are happy with the portfolio which is performing well and within agreed parameters through competitive and challenging underlying economic conditions. The key KPI's which the Directors consider when reviewing the performance of the portfolio are new business volumes, the average yield of the portfolio, impairment levels and its adherence to its funding facility covenants.

Pre tax Profits have reduced year on year from £10.1m to £5.5m. This reduction is principally down to an increased level of impairments incurred during the period. This increase is a result of both an underlying increased level of impairment activity as the UK economy moves through the credit cycle and secondly an adjustment to the Company's impairment policy in the period which has had the effect of accelerating the recognition of some impairment charges during the period.

LDF Finance No. 3 Limited earns interest income from the monies it lends to its SME customer base. Income is recognised over the term of the underlying contracts.

The lending activities of LDF Finance No. 3 Limited are supported by a £150m committed securitisation warehouse facility provided by Citi Bank. The facility is committed to the 31st March 2021. The Directors actively review the performance of the funding line with Citi Bank, ensuring the company adheres to any facility criteria and covenants. The company submits monthly servicing reports to Citi Bank which detail the portfolio performance to facility triggers and covenants.

LDF Finance No. 3 Limited pays its sister company, LDF Operations Limited, a management charge for the functions it performs on the book on its behalf. These functions include, but are not limited to: Credit Underwriting, Customer Services and Collections Support.

On 31 January 2020 Britain left the European Union, with a transition period which is expected to last until 31 December 2020. It is difficult to determine any financial impact of this but the Company expects it to be minimal.

### Future developments

The Company is committed in its support to UK SME's and will continue to evolve and develop its product offering to its customer base and introducer channels.

# Strategic Report (continued)

For the year ended 31 December 2019

**Principal risks and uncertainties**

The Company faces credit, financing, liquidity, interest rate and regulatory risk in the course of its normal business activities. The Board of Directors meet monthly to discuss the detailed management accounts, portfolio performance and key performance indicators which highlight the results for the month and the year to date in comparison to budget.

Since year end significant social and economic disruption has occurred as a result of the Covid-19 outbreak. The Directors of the business with the support of its shareholder are monitoring this situation closely and are focused on ensuring the safety and wellbeing of its staff while maintaining business as usual operations supporting its UK SME clients with financial products originated on its own book and through third party lenders.

The Company is providing support to a number of its customers who are experiencing short term liquidity pressures as a direct consequence of the virus. The Company continues to enjoy the support of its senior funding lines enabling it to support its client base with business as usual operations.

As a result of the pandemic the Company expects new business volumes to be impacted for the financial year ending 31st December 2020. It anticipates this reduction will be both from its own book lending and the deals it brokers out to its third party lenders. The Company also acknowledges that there may be potential for higher credit losses as a consequence of the virus.

The Directors have considered in detail the impact of Covid-19 on the Company's going concern assessment.

**Going concern**

The financial statements have been prepared on a going concern basis as the Directors are satisfied that the Company has adequate resources including support from its Shareholders to continue in business for the foreseeable future.

In making this decision the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections on profitability, cash flows and capital resources.

Specifically in relation to Covid-19 the Directors have considered the adequacy of the Company's liquidity structure; the impact on new business volumes and the effect on income levels; the potential for increased credit losses and the resiliency of its IT and operational infrastructure. Management has modelled a downside scenario in line with Bank of England forecasts, considering a stress on funding arrangements in place as a result of underlying loan book performance. A letter of support from the shareholder is the ultimate mitigating action available in this downside scenario. In addition, post year-end, White Oak UK has been approved as an accredited CBILS lender, which will allow it to provide an alternative source of liquidity to some of the Group's customers, the impact of which has been considered in the Group's forecasts.

As a result of this assessment, the Directors are satisfied the Company and the Group has adequate resources to continue in business for at least 12 months following the year end date and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the Company and Consolidated Financial Statements.

This report was approved by the Board on 21 May 2020 and signed on its behalf.

**P Brereton**
Director

# Directors' Report

For the year ended 31 December 2019

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

### Directors' responsibilities statement

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 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.

An analysis of likely future developments in the business and use of financial instruments is given in the Strategic Report and further detail is shown in Note 22.

### Results

The results for the year are shown in the Statement of Comprehensive Income on Page 10. The profit for the period after taxation amounted to £5,396,023 (2018: £9,248,846).

### Directors

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

P Alderson (resigned 31 July 2019)

K Applewhite (resigned 6 September 2019)

P Brereton

A Davies

C Heeley

C D'Ammassa (appointed 25 July 2019, resigned 4 March 2020)

A Ross (resigned 30 September 2019)

R Corcoran

### 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 2019

**Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

• so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
• the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Dividends**

Dividends of £8,515,489 were proposed and distributed for the period ending 31 December 2019 (2018: £nil).

**Auditor**

Deloitte LLP was appointed as the Company's auditor for the year commencing 1 January 2019. Deloitte LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Post Balance Sheet Events**

The impact of the Covid-19 outbreak was not present at the balance sheet date and is therefore considered a non-adjusting post balance sheet event. No changes have been made to the carrying values of the assets and liabilities within these financial statements.

This report was approved by the Board on 21 May 2020 and signed on its behalf.

**P Brereton**
Director

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LDF FINANCE NO.3 LIMITED

### Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of LDF Finance No.3 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LDF FINANCE NO.3 LIMITED (continued)

### Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Heaton

David Heaton BSc FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
21 May 2020

# Statement of Comprehensive Income

For the year ended 31 December 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | £ | £ |
| Turnover | 3 | 32,150,115 | 28,027,295 |
| **Gross profit** | | **32,150,115** | **28,027,295** |
| Administrative expenses | | (13,881,708) | (4,329,286) |
| Other operating charges | 8 | (8,462,489) | (8,458,621) |
| **Operating profit** | | **9,805,918** | **15,239,388** |
| Other interest receivable and similar income | | 2,404 | - |
| Interest payable and similar expense | 7 | (4,339,378) | (5,148,271) |
| **Profit before tax** | | **5,468,944** | **10,091,117** |
| Tax on profit on ordinary activities | 6 | (72,921) | (842,271) |
| **Profit for the financial year** | | **5,396,023** | **9,248,846** |

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 13 to 23 form part of these financial statements.

# Statement of Financial Position

As at 31 December 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | £ | £ |
| **Current assets** | | | |
| Debtors: Amounts falling due within one year | 9 | 112,750,870 | 102,674,564 |
| Cash at bank and in hand | 10 | 6,203,906 | 5,910,159 |
| | | **118,954,776** | **108,584,723** |
| Creditors: Amounts falling due within one year | 13 | (19,997,192) | (16,181,686) |
| **Net current assets** | | **98,957,584** | **92,403,037** |
| Debtors: Amounts falling due after more than one year | 9 | 44,849,160 | 41,237,445 |
| **Total assets less current liabilities** | | **143,806,744** | **133,640,482** |
| Creditors: Amounts falling due after more than one year | 14 | (132,423,576) | (119,137,848) |
| **Net assets** | | **11,383,168** | **14,502,634** |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 1 | 1 |
| Retained earnings | | 11,383,167 | 14,502,633 |
| | | **11,383,168** | **14,502,634** |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 May 2020.

**P Brereton**

Director

The notes on pages 13 to 23 form part of these financial statements.

# Statement of Changes in Equity

For the year ended 31 December 2019

| | Share Capital | Retained Earnings | Total Equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2019 | 1 | 14,502,633 | 14,502,634 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 5,396,023 | 5,396,023 |
| Dividends paid | - | (8,515,489) | (8,515,489) |
| At 31 December 2019 | 1 | 11,383,167 | 11,383,168 |

| | Share Capital | Retained Earnings | Total Equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2018 | 1 | 5,253,787 | 5,253,788 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 9,248,846 | 9,248,846 |
| At 31 December 2018 | 1 | 14,502,633 | 14,502,634 |

# Notes to the Financial Statements

For the year ended 31 December 2019

## 1. Accounting policies

### 1.1. General information and Basis of preparation of financial statements

LDF Finance No.3 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 nature of the group's operations and its principal activities are set out in the Strategic Report on pages 4-5.
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 2020 and beyond. 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 considered the adequacy of the Company's liquidity structure; the impact on new business volumes and the effect on income levels; the potential for increased credit losses and the resiliency of its IT and operational infrastructure. Management has modelled a downside scenario in line with Bank of England forecasts, considering a stress on funding arrangements in place as a result of underlying loan book performance. A letter of support from the shareholder is the ultimate mitigating action available in this downside scenario. In addition, post year-end, White Oak UK has been approved as an accredited CBILS lender, which will allow it to provide an alternative source of liquidity to some of the Group's customers, the impact of which has been considered in the Group's forecasts.

### 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. The following criteria must also be met before revenue is recognised:

**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 2019

### 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.

#### 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 2019

**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 reporting date in the countries where the Company operates and generates income.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### 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:

***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.

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:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Interest Income | 32,150,115 | 28,027,295 |

# Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### 4. Operating profit

Auditor's fees for the year ended 31 December 2019 and 2018 were borne by LDF Operations Ltd and are not recharged. The total amount borne by LDF Operations Ltd in relation to the Company for the year ended 31 December 2019 was £33,520 (2018: £33,910).

### 5. Employees

The Company has no employees other than the Directors, who did not receive any remuneration (2018: £nil). The Directors' emoluments were borne by other Group companies during the current and prior year.

### 6. Taxation

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Current tax:** | | |
| UK Corporation tax on profits for the year | - | 1,164,927 |
| Adjustments in respect of previous periods | 190,619 | (207,416) |
| Total current tax | 190,619 | 957,511 |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | (135,230) | (161,622) |
| Adjustment in respect of previous periods | 3,296 | 29,369 |
| Effect of changes in tax rates | 14,235 | 17,013 |
| Total deferred tax: | (117,699) | (115,240) |
| **Total tax per Statement of Comprehensive Income** | 72,920 | 842,271 |

**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:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | 5,468,944 | 10,091,117 |
| Tax on profit at standard UK tax rate of 19% (2018: 19%). | 1,039,099 | 1,917,312 |
| **Effects of:** | | |
| Group relief/other reliefs | (1,174,329) | (914,007) |
| Adjustment from previous periods | 193,915 | (178,046) |
| Tax rate changes | 14,235 | 17,012 |
| **Total tax charge for the year** | 72,920 | 842,271 |

# Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### 7. Interest payable and similar expense

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Other loan interest payable | 4,339,378 | 5,148,271 |

None of the interest payable relates to group undertakings.

### 8. Management Recharge

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Intercompany management recharge | 8,462,489 | 8,458,621 |

### 9. Debtors

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Due after more than one year** | | |
| Loan and lease receivables | 44,683,449 | 41,189,433 |
| Deferred taxation | 165,711 | 48,012 |
| | 44,849,160 | 41,237,445 |
| **Due within one year** | | |
| Loan and lease receivables | 88,409,851 | 84,043,379 |
| Prepayments and accrued income | 21,455 | 1,334 |
| Trade debtors | 1,126,430 | 9,355 |
| Other debtors | 23,193,134 | 18,620,496 |
| | 112,750,870 | 102,674,564 |
| | 157,600,030 | 143,912,009 |

Other debtors include £17,112,262 of B Notes (2018: £11,242,091) and £1,559,404 (2018: £1,559,404) of C Notes in LDF Finance No.3 DD Limited.

### 10. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Cash at bank and in hand | 6,203,906 | 5,910,159 |

### 11. Loan and lease receivables

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Finance lease | 29,816,920 | 26,206,604 |
| Loans | 110,713,048 | 100,775,487 |
| Less: allowance for impairment | (7,436,668) | (1,749,279) |
| | 133,093,300 | 125,232,812 |

# Notes to the Financial Statements (continued)

For the year ended 31 December 2019

**12. Allowance for impairment**

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| At 1 January | 1,749,279 | 180,613 |
| Charge for the year | 9,495,860 | 2,619,144 |
| Reversal of impairment losses | (449,386) | (103,888) |
| Utilisation of the impairment allowance | (3,359,086) | (946,590) |
| At 31 December | **7,436,667** | **1,749,279** |

**13. Creditors: Amounts falling due within one year**

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Trade creditors | 131,391 | 9,674 |
| Other creditors | 383,042 | 115,554 |
| Accruals & deferred income | 80,905 | 63,155 |
| Corporation tax | 1,385,839 | 893,564 |
| Amounts owed to group undertakings | 18,016,015 | 15,099,739 |
| | **19,997,192** | **16,181,686** |

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

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Other loans | 132,423,576 | 119,137,848 |
| | **132,423,576** | **119,137,848** |

At the reporting date, Other loans comprised of the funding agreement between the Company and facility provider.

**15. Loans**

Analysis of the maturity of loans is given below:

| | 2019 | 2018 |
|---|---|---|
| **Amounts falling due 2-5 years** | £ | £ |
| Other loans | 134,461,574 | 120,971,379 |

The above loans comprise a committed warehousing facility at a variable rate of interest. The portfolio is repriced on a monthly basis and where appropriate risk is mitigated by the use of derivative financial instruments.Values shown above reflect actual amounts to be repaid, including interest.

**16. Deferred taxation**

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| (Asset)/Provision at start of period | (48,012) | 67,228 |
| Adjustment in respect of previous years | 3,296 | 29,369 |
| Deferred tax charge to Statement of Comprehensive Income for the period | (120,995) | (144,609) |
| **Asset at end of period** | (165,711) | (48,012) |

# Notes to the Financial Statements (continued)

For the year ended 31 December 2019

### 16. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Fixed asset timing differences | (165,711) | (48,012) |
| **Deferred tax asset** | (165,711) | (48,012) |

### 17. Financial instruments

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Financial assets** | | |
| 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 | 134,219,730 | 125,242,166 |
| Other financial assets including other debtors, amounts owed by group undertakings and cash and cash equivalents, that are measured at amortised cost | 29,397,040 | 24,711,092 |
| | 163,616,770 | 149,953,258 |
| **Financial liabilities** | | |
| Financial liabilities that are external and internal financial debt liabilities including overdrafts, loans and borrowings, measured on an amortised cost basis | 133,809,415 | 120,031,412 |
| Other financial liabilities, including trade and other payables that are measured on an amortised cost basis | 18,328,429 | 15,224,967 |
| | 152,137,844 | 135,256,379 |

**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.

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Neither past due nor impaired | 134,656,926 | 121,158,187 |
| Past due and not impaired | 878,784 | 2,128,858 |
| Past due and impaired | 6,120,689 | 3,704,402 |
| Impairment provision | (7,436,668) | (1,749,279) |
| | 134,219,731 | 125,242,168 |

Aging of past due but not impaired debtors:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| 30-60 days | 690,890 | 1,175,974 |
| 60-90 days | 116,048 | 549,332 |
| 90-120 days | 23,675 | 259,131 |
| More than 120 days | 48,171 | 144,421 |
| | 878,784 | 2,128,858 |

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 2019

### 18. Share Capital

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Authorised, allotted, called up and fully paid** | | |
| 1 ordinary share of £1 | 1 | 1 |

### 19. Lessor

| | Gross Investment | Unearned Income | Capital |
|---|---|---|---|
| | £ | £ | £ |
| **2019** | | | |
| Not later than 1 year | 3,890,787 | 522,768 | 3,368,019 |
| Later than 1 year and not later than 5 years | 4,681,057 | 500,594 | 4,180,463 |
| | 8,571,844 | 1,023,362 | 7,548,482 |

| | Gross Investment | Unearned Income | Capital |
|---|---|---|---|
| | £ | £ | £ |
| **2018** | | | |
| Not later than 1 year | 4,335,191 | 820,311 | 3,514,880 |
| Later than 1 year and not later than 5 years | 6,046,793 | 463,168 | 5,583,625 |
| | 10,381,984 | 1,283,479 | 9,098,505 |

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 £1,365,334.

### 20. Ultimate parent undertaking

100% of the share capital of LDF Finance No. 3 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 only 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 Dee House, St David's Park, Ewloe, Flintshire, CH5 3XF.

### 21. Subsidiaries

The following were subsidiary undertakings of the Company:

| Subsidiary | Immediate parent | Registered office | Country | Class of shares | Ownership | Principal Activity |
|---|---|---|---|---|---|---|
| LDF Finance No. 3 DD Limited | LDF Finance No. 3 Limited | 35 Great St. Helens, London, EC3A 6AP | UK | Ordinary | 0% | Securitisation |

The entire share capital of LDF Finance No. 3 DD Limited is held by the legal parent, Intertrust Corporate Services Limited a company registered in England and Wales, in its capacity as share trustee which holds the shares on a discretionary trust basis for the benefit of certain charities.

The only group in which LDF Finance No. 3 DD Limited is consolidated is White Oak Europe, Limited. Although White Oak Europe, Limited has no direct ownership interests in LDF Finance No. 3 DD Limited, it is considered to exert control over its activities and therefore the results of LDF Finance No. 3 DD Limited are included in the consolidated statements of White Oak Europe, Limited.

Borrowings:

The Company provides credit enhancement to the loans funded by a subsidiary in the form of B and C Notes with an interest rate of 10% and 15% respectively. As at the 31 December 2019 the Company had issued £17,112,262 of B notes (2018:£11,242,091) and £1,559,404 of C Notes (2018:£1,559,404) which mature in January 2026.

# Notes to the Financial Statements (continued)
For the year ended 31 December 2019

## 22. 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. All applications for funding are considered by the Group's Credit Team and must adhere to the Group's credit policy and credit appetite. 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:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Cash at bank | 6,203,906 | 5,910,159 |
| Loan and lease receivables | 133,093,300 | 125,232,812 |
| Trade and other debtors | 24,319,564 | 18,629,851 |
| | 163,616,770 | 149,772,822 |

The above table represents the maximum credit risk exposure, net of impairment, to the Company at 31 December 2019 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.

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
Interest rate risk is the loss arising from the adverse movements in market interest rates. The Company minimises its exposure to interest rate risk by ensuring the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Company will use derivative financial instruments to mitigate any residual interest rate risk.

### Financing risk
Key to the Company's success is the availability of funding for its own book. To ensure this availability the Company has a committed funding facility that enables it to continue writing business to their own book. This facility is committed to February 2021.

### 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.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2019

**22. Post Balance Sheet Events**

Since year end significant social and economic disruption has occurred as a result of the Covid-19 outbreak. The Directors of the business with the support of its shareholder are monitoring this situation closely and are focused on ensuring the safety and wellbeing of its staff while maintaining business as usual operations supporting its UK SME clients with financial products originated on its own book and through third party lenders.

The Company is providing support to a number of its customers who are experiencing short term liquidity pressures as a direct consequence of the virus. The estimated impact of the support being given to its customers as a result of the Covid-19 outbreak is difficult to objectively quantify. The final impact and effectiveness of these measures in reducing credit losses at this stage is uncertain and could be higher or lower than anticipated. The Company's assessment of its going concern status does not rely upon the impact of this mitigation.