

REGISTERED NUMBER: 06519981 (England and Wales)

**Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2018
for
Granite Finance Ltd**



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for the Year Ended 31 December 2018**

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Granite Finance Ltd
Company Information
for the Year Ended 31 December 2018

DIRECTORS: Mrs N K McLachlan
A P Keating

SECRETARY: Mrs N K McLachlan

REGISTERED OFFICE: 98 Liverpool Road
Formby
Liverpool
Merseyside
L37 6BS

REGISTERED NUMBER: 06519981 (England and Wales)

AUDITORS: Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

**Strategic Report
for the Year Ended 31 December 2018**

The directors present their strategic report for the year ended 31 December 2018.

REVIEW OF BUSINESS

Granite Finance Limited (the Company) is specialist finance provider to the insurance industry. Providing a range of products that enables clients to spread the cost of their insurances premiums over monthly instalments.

The Company has continued to experience excellent growth in turnover and pre-tax profits. Turnover has seen a rise from the previous year of 25% to £16,197,531 and an increase to pre-tax profits of 63% to £13,089,968.

The Company continues to invest heavily in its technology and infrastructure which has enabled the growth seen this year. The scalability of the technology solutions in place and in development will continue to support the company's next period of growth in a competitive and continuously evolving marketplace.

The Company's primary intermediary partners are Acorn Insurance and Financial Services Limited and Flag Insurance Brokers Limited, both group owned companies, and by working closely and effectively with these partners we expect the company to continue to grow profitability in the coming years.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risk to our business is loss of client referrals from our intermediary partners due to a lack of competitiveness in their core markets. We mitigate this risk by working closely with our intermediary partners to understand any competitive pressures and work to ensure we provide a best in class customer proposition which works hand in hand with the core insurance product being provided.

Additionally, an ever-changing regulatory environment is a risk to all businesses involved in providing instalment finance. We mitigate this risk by continually monitoring our processes and procedures to ensure we remain compliant with all the latest regulatory requirements and guidance. We continually seek the support of external compliance consultants to test our processes and procedures and adapt where necessary.

The company's financial instruments consist of items arising directly from operations such as trade debtors and trade creditors. The main risk arising from these financial instruments is the liquidity risk. This is managed by the Company and any necessary impairments reflected in these financial statements.

The outstanding loan book is supported by intragroup capital, the amount of capital is monitored on a regular basis to ensure appropriate headroom to support the projected growth of the business. Whilst Granite Finance is not expected to reach any limits in its current funding source, the Company does have access to additional lines of third part credit should it ever be required and to ensure the planned growth of the Company can be fully supported.

ON BEHALF OF THE BOARD:



A P Keating - Director

27 June 2019

**Report of the Directors
for the Year Ended 31 December 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

DIVIDENDS

Interim dividends per share were paid as follows:

£7,192.958	- 31 July 2018
£3,401.0778	- 27 December 2018
<u>£10,594.0358</u>	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2018 will be £10,594,036.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

Mrs N K McLachlan
A P Keating

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors
for the Year Ended 31 December 2018**

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'A P Keating', written over a horizontal line.

A P Keating - Director

27 June 2019

Report of the Independent Auditors to the Members of Granite Finance Ltd

Opinion

We have audited the financial statements of Granite Finance Ltd for the year ended 31 December 2018 which comprise the Income Statement, Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related Notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
Granite Finance Ltd**

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to:

- 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Ernst & Young LLP

Robert Bruce (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Date: *28 June 2019*

**Income Statement
for the Year Ended 31 December 2018**

	Notes	31.12.18 £	31.12.17 £
TURNOVER		16,197,531	12,987,006
Cost of sales		2,227,839	4,381,880
GROSS PROFIT		13,969,692	8,605,126
Administrative expenses		879,724	586,391
OPERATING PROFIT and PROFIT BEFORE TAXATION		13,089,968	8,018,735
Tax on profit	5	2,487,094	1,543,332
PROFIT FOR THE FINANCIAL YEAR		10,602,874	6,475,403


**Other Comprehensive Income
for the Year Ended 31 December 2018**

	Notes	31.12.18 £	31.12.17 £
PROFIT FOR THE YEAR		10,602,874	6,475,403
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>10,602,874</u>	<u>6,475,403</u>

Balance Sheet
31 December 2018

	Notes	31.12.18 £	31.12.17 £
CURRENT ASSETS			
Debtors	8	61,158,631	51,414,159
Cash at bank and in hand		3,470,520	5,294,219
		<u>64,629,151</u>	<u>56,708,378</u>
CREDITORS			
Amounts falling due within one year	9	61,726,269	53,814,334
		<u>61,726,269</u>	<u>53,814,334</u>
NET CURRENT ASSETS		<u>2,902,882</u>	<u>2,894,044</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,902,882</u>	<u>2,894,044</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Retained earnings	13	2,901,882	2,893,044
		<u>2,901,882</u>	<u>2,893,044</u>
SHAREHOLDERS' FUNDS		<u>2,902,882</u>	<u>2,894,044</u>

The financial statements were approved by the Board of Directors on 27 June 2019 and were signed on its behalf by:



A P Keating - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	1,000	2,917,641	2,918,641
Changes in equity			
Dividends	-	(6,500,000)	(6,500,000)
Total comprehensive income	-	6,475,403	6,475,403
Balance at 31 December 2017	<u>1,000</u>	<u>2,893,044</u>	<u>2,894,044</u>
Changes in equity			
Dividends	-	(10,594,036)	(10,594,036)
Total comprehensive income	-	10,602,874	10,602,874
Balance at 31 December 2018	<u><u>1,000</u></u>	<u><u>2,901,882</u></u>	<u><u>2,902,882</u></u>

**Notes to the Financial Statements
for the Year Ended 31 December 2018**

1. STATUTORY INFORMATION

Granite Finance Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The financial statements cover the individual entity known as Granite Finance Ltd. The company's registered office and principal place of business is 98 Liverpool Road, Formby, Liverpool, L37 6BS.

The functional and presentation currency is Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Significant judgements and estimates

There are no judgements (apart from those involving estimates) that have had a significant effect on amounts recognised in the financial statements.

Turnover

Turnover is derived from ordinary activities and represents interest income on loans provided and late payment fees received. Interest income is recognised in the profit and loss account for all loans and receivables measured at amortised cost using the effective interest rate method. Interest is recognised as it becomes due. Late payment fees are recognised as they are received.

Financial instruments

Loans receivable represent the future capital repayments of the short term finance provided to customers, less any provisions for impairment where applicable. Interest on the loans provided is recognised in the profit and loss account as it is received.

Trade creditors represent insurance premiums due to brokers in respect of finance plans taken by customers.

Amounts owed to group undertakings represents a loan provided by a fellow subsidiary within the group. Interest is charged monthly on the outstanding balance. Interest is recognised as a cost of sale in the financial statements.

Financial assets that are measured at 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 profit and loss.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. EMPLOYEES AND DIRECTORS

	31.12.18	31.12.17
	£	£
Wages and salaries	365,194	233,140
	<u> </u>	<u> </u>

The average number of employees during the year was as follows:

	31.12.18	31.12.17
Administration	17	11
	<u> </u>	<u> </u>

The directors are remunerated in the financial statements of another group undertaking, Acorn Insurance and Financial Services Limited.

4. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.18	31.12.17
	£	£
Auditors' remuneration	5,000	3,500
	<u> </u>	<u> </u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	31.12.18	31.12.17
	£	£
Current tax:		
UK corporation tax	2,487,094	1,543,332
	<u> </u>	<u> </u>
Tax on profit	2,487,094	1,543,332
	<u> </u>	<u> </u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

5. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

	31.12.18 £	31.12.17 £
Profit before tax	13,089,968	8,018,735
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	2,487,094	1,523,560
Effects of: Effect of varying rates	-	19,772
Total tax charge	2,487,094	1,543,332

6. **DIVIDENDS**

	31.12.18 £	31.12.17 £
Ordinary shares of £1 each Interim	10,594,036	6,500,000

7. **INTEREST PAYABLE**

Included within cost of sales is loan interest of £1,895,544 (2017 £1,469,999) payable to group undertakings.

8. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.18 £	31.12.17 £
Loans receivable	61,007,731	50,640,368
Other debtors	-	634,731
Prepayments and accrued income	150,900	139,060
	61,158,631	51,414,159

9. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.18 £	31.12.17 £
Trade creditors	40,004,379	31,976,979
Amounts owed to group undertakings	20,891,825	20,855,806
Tax	633,755	932,470
Other creditors	140,036	-
Accruals and deferred income	56,274	49,079
	61,726,269	53,814,334

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.18	31.12.17
	£	£
Due to group undertakings	20,296,494	20,441,018

Investec Bank PLC hold a debenture securing a loan in the immediate parent company, Granite Investments One Limited, against any debts due to Granite Finance Ltd.

A fellow subsidiary Acorn Insurance and Financial Services Limited hold a charge over the debts due to Granite Finance Ltd as security against the loan due.

11. FINANCIAL INSTRUMENTS

	31.12.18	31.12.17
	£	£
Financial assets measured at amortised cost		
Loans receivable	61,007,731	50,640,368
Other debtors	-	634,731
Financial liabilities measured at amortised cost		
Trade creditors	40,004,379	31,976,979
Amounts owed to group undertakings	20,891,825	20,855,806
Other creditors	140,036	-

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			31.12.18	31.12.17
Number:	Class:	Nominal value:	£	£
1,000	Ordinary	£1	1,000	1,000

13. RESERVES

	Retained earnings £
At 1 January 2018	2,893,044
Profit for the year	10,602,874
Dividends	(10,594,036)
At 31 December 2018	2,901,882

14. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group. The results of Granite Finance Limited are included in the consolidation of the parent company, Granite Holdings One Limited and can be obtained from Companies House. The parent's registered office is 98 Liverpool Road, Formby, Merseyside L37 6BS.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

15. ULTIMATE CONTROLLING PARTY

The parent company that produces consolidated accounts is Granite Holdings One Limited, a company registered in England and Wales. The registered office address is The Lighthouse, 98 Liverpool Road, Formby, L38 6BS. Consolidated accounts are available from Companies House.

The ultimate parent company is Quartz Holdings Limited, a company registered in Guernsey. Registered office address is Roseneath, The Grange, St Peter Port, Guernsey, GY1 2QJ.

In the opinion of the directors there is no ultimate controlling party.