Registered number 2129734

Absolute Invoice Finance (Oxford) Limited

(Formerly Cattles Invoice Finance (Oxford) Limited)

Annual Report and Financial Statements

for the year ended 31 December 2008

Absolute Invoice Finance (Oxford) Limited

Annual Report and Financial Statements for the year ended 31 December 2008

Contents

Absolute Invoice Finance (Oxford) Limited

Directors and advisers

Directors
D J Crawford
G S Smallpage
A Clarke
T B Howe
A Wynn

Company Secretary
A Wynn

Registered Office
St James's House
7 Charlotte Street
Manchester
M1 4DZ

Registered in England
Registered number 2129734

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Absolute Invoice Finance (Oxford) Limited

Directors' report for the year ended 31 December 2008

The directors submit their Annual Report together with the audited financial statements of the company for the year ended 31 December 2008.

Principal activities
The company's principal activity is the provision of invoice financing services focussing on small to medium sized enterprises offering businesses funding lines of between £25,000 and £2.5m. The company and its parent, Absolute Invoice Finance Limited operate from a network of six fully operational regional centres across the United Kingdom.

Change of name
The company changed its name from Cattles Invoice Finance (Oxford) Limited to Absolute Invoice Finance (Oxford) Limited on 14 September 2009.

Review of business
The whole of the share capital of the company's parent undertaking was acquired by Absolute Invoice Finance (Holdings) Limited on 14 September 2009. Absolute Invoice Finance (Holdings) Limited is wholly owned by AnaCap Financial Partners II LP, a Guernsey Limited Partnership, advised by London Private Equity Firm, Anacap Financial Partners LLP ("Anacap").

The acquisition provides the company with significant new funding lines, because as a part of the acquisition the company has repaid all of its borrowings to its former ultimate holding company, Cattles plc and, with its parent undertaking has entered into a £100 million Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The new facility provides room for significant future growth which is very welcome as the two companies were required to operate with much reduced funding for large parts of 2008 and 2009 as subsidiaries of Cattles plc.

The effect of the reduced levels of funding is evident in the company's 2008 figures – customer lending is down by £4.2m (20%) to £16.8m and borrowings, net of cash are down £5.2m (35%) to £9.7m.

The company has suffered a high level of loan losses again this year as it has unwound several poor client positions and as a consequence reports a loss before tax of £2.2m (2007: loss £1.6m). The director's consider the 2008 performance to be unsatisfactory although the company's year end financial position was satisfactory.

Results and dividends
The loss for the year, after taxation, amounted to £1,600,100 (2007: loss £1,153,191). The directors do not propose a final ordinary dividend in respect of the year (2007: £nil).

Directors
The directors of the company during the year and up to the date of signing the financial statements were:

D J Crawford
G S Smallpage
A Clarke
T B Howe (appointed 9 September 2008)
A Wynn (appointed 14 September 2009)
P McIntyre (resigned 30 September 2009)
D J Postings (resigned 30 June 2009)
J J Corr (resigned 3 July 2009)
I S Cummine (resigned 3 July 2009)
M W G Collins (resigned 3 July 2009)
R D East (appointed 3 July 2009, resigned 14 September 2009)
J R D Smith (appointed 30 April 2009, resigned 14 September 2009)

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;

- Make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Disclosure of information to auditors
So far as each director who held office on 28 October 2009 (the date of the approval of this report) is aware, there is no relevant audit information of which the company's auditors are unaware and he or she 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.

Qualifying third party indemnity provisions
Whilst a member of the Cattles plc group, qualifying third party indemnity provisions (as defined in section 309B of the Companies Act 1985) were made by the company for the benefit of all of the directors indemnifying them to the maximum extent permitted by law against liabilities attaching to them as directors of the company. Following the sale of the company on 14 September 2009, the company has purchased separate Professional Indemnity and Directors and Officers insurance for the benefit of itself and its directors.

Absolute Invoice Finance (Oxford) Limited

Directors' report for the year ended 31 December 2008 (continued)

Financial risk management

Detail of the company's financial risk management polices are set out in the sections entitled 'Credit and concentration risk' on pages 17 and 18, 'Management of liquidity risk' on page 31, 'Management of interest rate risk' on page 32 and 'Management of capital risk' on page 34.

Independent auditors

The company has passed an elective resolution to dispense with the obligation to re-appoint auditors annually. PricewaterhouseCoopers LLP will stand down as auditors on completion of this audit. KPMG Audit Plc, who are already auditors of other investments advised by Anacap, are to be appointed auditors in their place. Their appointment is expected to provide synergies to the company's shareholders.

By Order of the Board

TB Howe
Director
28 October 2009

Absolute Invoice Finance (Oxford) Limited

Independent auditors' report to the members of Absolute Invoice Finance (Oxford) Limited

We have audited the financial statements of Absolute Invoice Finance (Oxford) Limited for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the statement of changes in shareholders' equity, the cash flow statement, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Absolute Invoice Financ (Oxford) Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
28 October 2009

Absolute Invoice Finance (Oxford) Limited

Income statement for the year ended 31 December 2008

	Notes	2008 £	2007 £
Interest income	2	**1,428,597**	1,745,308
Interest expense	3	**(908,506)**	(941,706)
Net interest income		**520,091**	803,602
Fee and related income		**2,370,608**	2,299,319
Total income		**2,890,699**	3,102,921
Loan loss charge	8	**(3,290,933)**	(3,021,189)
Staff costs	4	**(1,008,007)**	(933,263)
Other operating expenses	5	**(816,669)**	(791,329)
Loss before taxation		**(2,224,910)**	(1,642,860)
Taxation	7	**624,810**	489,669
Loss for the year attributable to equity holders of the company		**(1,600,100)**	(1,153,191)

Absolute Invoice Finance (Oxford) Limited

Balance sheet as at 31 December 2008

	Notes	2008 £	2007 (Restated – note 1) £
Assets			
Cash and bank balances		**2,664,979**	1,754,805
Loans and advances to customers	8	**11,045,446**	18,095,496
Other intangible assets	9	**31,930**	26,840
Property, plant and equipment	10	**89,335**	109,587
Deferred tax assets	11	**35,826**	36,779
Current tax asset		**966,047**	616,981
Other assets	12	**32,105**	14,983
Prepayments		**74,952**	321,597
Total assets		**14,940,620**	20,977,068
Liabilities			
Other borrowings	13	**12,323,549**	16,592,819
Other liabilities	15	**1,140,291**	1,392,933
Accruals		**221,862**	147,773
Total liabilities		**13,685,702**	18,133,525
Equity			
Share capital	17	**30,000**	30,000
Retained earnings		**1,224,918**	2,813,543
Shareholders' equity		**1,254,918**	2,843,543
Total equity and liabilities		**14,940,620**	20,977,068

The financial statements on pages 7 to 39 were approved by the board of directors on 28 October 2009 and were signed on its behalf by:

DJ Crawford
Director

Absolute Invoice Finance (Oxford) Limited

Statement of changes in shareholders' equity for the year ended 31 December 2008

	Share capital (note 17)	Retained earnings	Total equity
	£	£	£
At 1 January 2007	30,000	3,960,736	3,990,736
Loss for the year	-	(1,153,191)	(1,153,191)
Share-based payments:			
- Value of services provided	-	5,998	5,998
At 1 January 2008	30,000	2,813,543	2,843,543
Loss for the year	-	(1,600,100)	(1,600,100)
Share-based payments:			
- Value of services provided	-	11,475	11,475
At 31 December 2008	**30,000**	**1,224,918**	**1,254,918**

Absolute Invoice Finance (Oxford) Limited

Cash flow statement for the year ended 31 December 2008

	Note	2008 £	2007 £
Cash flows from operating activities			
Cash inflow from operations	19	**4,962,860**	249,006
Income tax received		**276,697**	154,919
Net cash inflow from operating activities		**5,239,557**	403,925
Cash flows from investing activities			
Purchase of property, plant and equipment		**(21,910)**	(26,657)
Purchase of intangible assets		**(21,081)**	(7,450)
Net cash outflow from investing activities		**(42,991)**	(34,107)
Cash flows from financing activities			
Repayment of intra-group borrowings		**(4,286,392)**	(83,780)
Net cash outflow from financing activities		**(4,286,392)**	(83,780)
Net increase in cash and cash equivalents		**910,174**	286,038
Cash and cash equivalents at 1 January		**1,754,805**	1,468,767
Cash and cash equivalents at 31 December		**2,664,979**	1,754,805
For the purposes of the cash flow statement, cash and cash equivalents comprise:			
Cash and bank balances		**2,664,979**	1,754,805
Bank overdrafts		**-**	-
		2,664,979	1,754,805

Absolute Invoice Finance (Oxford) Limited

Accounting policies

Absolute Invoice Finance (Oxford) Limited (the 'company') is a company domiciled in the UK.

1. Statement of compliance

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board.

These financial statements have also been prepared in accordance with the Companies Act 1985 as applicable to companies reporting under IFRS.

2. Basis of preparation

The financial statements are prepared on the going concern basis and under the historical cost convention, and are presented in Pounds Sterling, the company's functional and presentational currency.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 17.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change described below.

Revised format to the balance sheet

The format of the balance sheet and associated notes adopted by the company has been revised in order that the balance sheet is presented in a format consistent with that used by the company's peers in the financial services and banking sector. This revised format presents information on a more relevant and comparable basis. Certain comparative amounts within the balance sheet and notes have been reclassified to conform to the current period presentation. The impact of these presentational changes on the current and prior year's balance sheet is set out in note 1.

Absolute Invoice Finance (Oxford) Limited

Accounting policies (continued)

3. Income recognition

Income comprises the fair value receivable for the provision of invoice financing services, net of value-added tax, and is recognised as follows:

a) Interest income

The company charges its clients interest each day on the balance of their outstanding loan. This interest income is recognised in the income statement each day as it is added to the clients' borrowing.

Interest income continues to be recognised once a customer loan has been written down as a result of an impairment loss, irrespective of the terms of the facility and whether interest has been suspended on the client's account. This is referred to as the 'gross-up adjustment' to income and is offset by a corresponding 'gross-up adjustment' to the loan loss charge.

b) Fee and related income

The company charges its clients a factoring fee for managing their sales ledgers. This fee is recognised in the income statement on a straight line basis over the period in which the ledger management service is provided.

Other fee income, which includes disbursements, is credited to the income statement when the service has been provided or the disbursement expenditure incurred.

4. Interest expense

Interest expense primarily comprises the expense arising on the company's borrowings from the ultimate parent company.

5. Impairment of loans and advances to customers

In respect of loans and advances to customers, the company assesses on an ongoing basis, whether there is objective evidence that an individual loan asset is impaired. A loan asset is impaired and an impairment loss is incurred 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 the loss event has an impact on the estimated future cash flows of the loan asset that can be reliably estimated.

Accounting policies (continued)

5. Impairment of loans and advances to customers (continued)

The company determines that there is objective evidence of an impairment loss, as part of a process termed 'collect out'. This process commences should a client have served notice that they wish to end their facility or when management become aware that the client is encountering trading difficulties. At this point the client's facilities are withdrawn, no further funds are made available and client managers begin the process of recovering the outstanding balance. Where, based upon an individual assessment of each client in collect out, it is apparent that there are no further routes to recovery and that as a consequence funds will not be recovered in full, an impairment loss has occurred. The amount of the loss is measured as the difference between the loan asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the asset's original EIR ('effective interest rate'). The carrying amount of the asset is reduced through the use of a loan loss provision. The amount of the loss is recognised in the income statement as a loan loss charge.

Where interest income continues to be recognised on impaired loans, which cannot be collected from the client, referred to as the 'gross-up adjustment' to income, a corresponding loan loss charge is made. This is referred to as the 'gross-up adjustment' to the loan loss charge.

6. Staff costs

a) Short-term benefits

Wages, salaries, commissions, bonuses, social security contributions, paid annual leave and non-monetary benefits, including death-in-service premiums, are accrued in the period in which the associated services are rendered by employees of the company.

b) Pension obligations

The company operates a defined contribution pension plan. The company pays contributions into a privately administered pension plan on a contractual basis. The contributions are recognised as a staff cost as they fall due. The company provides no other post-retirement benefits to its employees or directors.

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either the termination of employment or a voluntary redundancy offer.

Accounting policies (continued)

6. Staff costs (continued)

d) Share-based payments

At 31 December 2008 the company was a member of a group which operated a number of equity-settled share-based payment plans. In respect of share awards granted after 7 November 2002 (and not vested by 1 January 2005), an expense is recognised in respect of the fair value of employee services received in exchange for the grant of shares or share options. A corresponding amount is recorded as an increase in equity within retained earnings. The expense is spread over any relevant vesting period and is calculated by reference to the fair value of the shares or share options granted, excluding the effect of any non-market vesting conditions.

The company's ultimate parent at 31 December 2008, Cattles plc, in whose shares the share-based payments awards are made, has not made a recharge to the company for the cost of the awards granted to its employees.

In arriving at fair values, the Black-Scholes pricing model is used and various assumptions are made, for example, on expected forfeiture rates, dividend yields, share price volatility and risk free rates. The estimate for the number of options that are expected to become exercisable is revised at each balance sheet date. Any impact from the revision of original estimates is recognised in the income statement over the remaining vesting period.

7. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash and bank balances and bank overdrafts. Bank overdrafts are shown within borrowings from banks in the balance sheet.

8. Financial assets

Management determines the classification of the company's financial assets at initial recognition into one of the following categories: loans and advances to customers, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss; and re-evaluates this designation at each reporting date.

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money directly to a client with no intention of trading the receivable.

The company has not held any held-to-maturity, available-for-sale financial assets or financial assets at fair value through profit or loss at any point during the year.

Loans and advances to customers are recognised when cash is advanced to clients. These assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all the risks and rewards of ownership.

Accounting policies (continued)

9. Other intangible assets

Acquired computer software licences are stated at cost less accumulated amortisation. Cost represents expenditure that is directly attributable to the purchase of the licence. The licences are amortised over their useful lives (3-5 years) on a straight line basis.

All other software development costs, which do not meet the asset recognition criteria of IAS 38, and maintenance costs are recognised as an expense as incurred.

10. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost represents expenditure that is directly attributable to the purchase of the asset.

Buildings are not subject to regular revaluations.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably.

Depreciation on assets is calculated using the straight line method to allocate the costs to their residual values over their estimated useful lives, as follows:

Leasehold buildings	15% pa
Fixtures, equipment and computer hardware	10% to 33% pa
Motor vehicles	20% pa

The depreciation charge is recognised within other operating expenses, except in the case of company cars where it is recognised within staff costs.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement within other operating expenses.

11. Other borrowings

Other borrowings include intra-group borrowings.

Intra-group borrowings are recognised initially at fair value. These borrowings are subsequently stated at amortised cost using the effective interest method.

Accounting policies (continued)

12. Leasing – as lessee

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases or hire purchase contracts are capitalised on inception of the agreement at an amount equal to their fair value or, if lower, the present value of the minimum lease payments. The interest element of the lease cost is charged to the income statement, within other operating expenses, over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Liabilities under finance leases or hire purchase contracts are included within other liabilities in the balance sheet.

Property, plant and equipment acquired under finance leases or hire purchase contracts is depreciated over the shorter of the period of the agreement and the estimated useful lives of the assets.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement, within other operating expenses or staff costs (in the case of company cars), on a straight line basis over the period of the lease.

13. Current tax

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted or substantively enacted at the balance sheet date.

14. Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

15. Share capital

Ordinary shares are classified as equity. Shares are recorded at their nominal value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

16. Dividend distribution

Ordinary dividends payable to the company's shareholders are recognised as a distribution in the period in which the dividends are paid or, if earlier, when they become a contractual liability under a promissory note.

Accounting policies (continued)

17. Key sources of estimation uncertainty

Loan loss provisioning

The company reviews its loans and advances to customers on an ongoing basis to assess the level of impairment. Future cash flows are estimated on the basis of the contractual cash flows of the asset, experience of the specific client and historic experience of similar clients. To the extent that the net present value of estimated future cash flows differs by +/- 1%, the loan loss provision in the balance sheet would be an estimated £110,000 lower / higher (2007: £190,000 lower / higher).

18. Financial risk management

a) Strategy in using financial instruments

The company issues advances to its clients, which are financed through borrowings from its ultimate parent. The parent company is responsible for managing the interest rate and liquidity risk associated with these borrowings.

The company does not use derivative financial instruments.

b) Credit and concentration risk

The company takes on exposure to credit risk in respect of loans and advances to customers, which is the risk that a client will be unable to pay amounts in full when due. Loan loss provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The company has a defined process, contained within its credit policy, for the sanctioning of facilities to clients. This includes an assessment of the prospective client in relation to:

(i) the suitability of security offered (supported by professional valuations where necessary);

(ii) the robustness and appropriateness of the prospective client's systems to provide all information necessary to establish and maintain a facility; and

(iii) the availability of the most recent statutory financial information, together with management information, defining the current trading position and future projections of the prospective client.

In addition, information from external credit reference agencies in relation to the prospective client's directors and contracting parties will be sourced.

The company's credit policy is regularly updated and distributed to all business facing staff.

As well as establishing appropriate underwriting criteria and systems, providing personal attention to clients is key to controlling arrears. The company has structured itself in order to provide exceptionally high levels of client contact and service, with each client manager handling only 25-30 client relationships. In addition, the business has a dedicated team of auditors performing site reviews at clients to ensure there is ongoing adequacy in the clients' systems and that the business of the client has remained consistent with that indicated at the commencement of the facility.

Accounting policies (continued)

18. Financial risk management (continued)

b) Credit and concentration risk (continued)

A portfolio review pack is prepared on a monthly basis, which provides the company's senior management with an appreciation of the performance of the portfolio and allows trends in client activity to be identified. This reporting mechanism ensures the robustness of internal procedures and is used to manage portfolio dispersion ensuring that no one single exposure exceeds a prescribed percentage of total advances and that the top ten clients do not exceed a prescribed proportion of total advances.

The company's credit risk procedures have been further strengthened since the year end to comply with the conditions of the Back to Back, Receivables Finance Agreement.

1 Revised format to the balance sheet

As permitted by IAS 1 'Presentation of financial statements', the format of the balance sheet adopted by the company has been revised in order that the balance sheet is presented in a format consistent with that used by the company's peers in the financial services and banking sector. This revised format presents information on a more relevant and comparable basis.

The impact of this change on the company's balance sheet is that certain assets and liabilities are presented in order of liquidity without a current/non-current split. These changes are explained below, and illustrated in the tables on pages 20 and 21.

(a) The heading Cash and cash equivalents is replaced by the heading Cash and bank balances.

(b) The heading Loans and receivables is replaced by the heading Loans and advances to customers.

(c) Other intangible assets retain the heading Other intangible assets.

(d) Property, plant and equipment retains the heading Property, plant and equipment.

(e) Deferred tax assets retain the heading Deferred tax assets.

(f) Current tax assets retain the heading Current tax assets.

(g) Trade and other receivables and Intra group receivables are included within the heading Other assets rather than shown separately.

(h) Prepayments are shown separately rather than included within the heading Trade and other receivables.

(i) Unsecured external borrowings and unsecured intra-group borrowings are extracted from the heading Borrowings and included within the heading Other borrowings.

(j) Obligations under finance leases and hire purchase contracts are extracted from within the heading Borrowings and included within the heading Other liabilities. Trade payables, other taxes and social security and other payables are included within the heading Other liabilities, rather than within the heading Trade and other payables.

(k) Accruals are shown separately rather than included within the heading Trade and other payables.

(l) Share capital retains the heading Share capital.

(m) Retained earnings retain the heading Retained earnings.

These changes to the balance sheet have also been reflected in the supporting balance sheet notes.

Absolute Invoice Finance (Oxford) Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Revised format to the balance sheet (continued)

	Old format		2007 £
	Assets		
	Non-current assets		
(c)	Other intangible assets		26,840
(d)	Property, plant and equipment		109,587
(e)	Deferred tax assets		36,779
			173,206
	Current assets		
(b)	Loans and receivables	18,095,496	
(g)	Intra group receivables	14,983	18,110,479
(f)	Current tax asset		616,981
	Trade and other receivables:		
(h)	Prepayments and accrued income		321,597
(a)	Cash and cash equivalents		1,754,805
			20,803,862
	Total assets		20,977,068
	Liabilities		
	Current liabilities		
	Borrowings:		
(i)	Unsecured intra-group borrowing	16,592,819	
(j)	Obligations under finance leases and hire purchase contracts	9,949	16,602,768
	Trade and other payables:		
(j)	Trade payables	36,742	
(j)	Other taxes and social security	47,977	
(j)	Other payables	456,231	
(k)	Accruals	147,773	688,723
			17,291,491
	Non-current liabilities		
	Borrowings:		
(j)	Obligations under finance leases and hire purchase contracts		33,438
	Trade and other payables:		
(j)	Other payables		808,596
			842,034
	Total liabilities		18,133,525
	Net assets		2,843,543
	Shareholders' equity		
(l)	Share capital		30,000
(m)	Retained earnings		2,813,543
	Total shareholders' equity		2,843,543

	Revised format	2007 £
	Assets	
(a)	Cash and bank balances	1,754,805
(b)	Loans and advances to	18,095,496
(c)	Other intangible assets	26,840
(d)	Property, plant and equipment	109,587
(e)	Deferred tax assets	36,779
(f)	Current tax assets	616,981
(g)	Other assets	14,983
(h)	Prepayments	321,597
	Total assets	20,977,068
	Liabilities	
(i)	Other borrowings	16,592,819
(j)	Other liabilities	1,392,933
(k)	Accruals	147,773
	Total liabilities	18,133,525
	Equity	
(l)	Share capital	30,000
(m)	Retained earnings	2,813,543
	Shareholders' equity	2,843,543
	Total equity and liabilities	20,977,068

Absolute Invoice Finance (Oxford) Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Revised format to the balance sheet (continued)

	Old format		2008 £
	Assets		
	Non-current assets		
(c)	Other intangible assets		31,930
(d)	Property, plant and equipment		89,335
(e)	Deferred tax assets		35,826
			157,091
	Current assets		
(b)	Loans and receivables	11,045,446	
(g)	Intra group receivables	32,105	11,077,551
(f)	Current tax asset		966,047
	Trade and other receivables:		
(h)	Prepayments and accrued		74,952
(a)	Cash and cash equivalents		2,664,979
			14,783,529
	Total assets		14,940,620
	Liabilities		
	Current liabilities		
	Borrowings:		
(i)	Unsecured intra-group	12,323,549	
(j)	Obligations under finance leases and hire purchase contracts	7,092	12,330,641
	Trade and other payables:		
(j)	Trade payables	11,928	
(j)	Other taxes and social security	26,946	
(j)	Other payables	631,537	
(k)	Accruals	221,862	892,273
			13,222,914
	Non-current liabilities		
	Borrowings:		
(j)	Obligations under finance leases and hire purchase contracts		26,346
	Trade and other payables:		
(j)	Other payables		436,442
			462,788
	Total liabilities		13,685,702
	Net assets		1,254,918
	Shareholders' equity		
(l)	Share capital		30,000
(m)	Retained earnings		1,224,918
	Total shareholders' equity		1,254,918

	Revised format	2008 £
	Assets	
(a)	Cash and bank balances	2,664,979
(b)	Loans and advances to customers	11,045,446
(c)	Other intangible assets	31,930
(d)	Property, plant and equipment	89,335
(e)	Deferred tax assets	35,826
(f)	Current tax assets	966,047
(g)	Other assets	32,105
(h)	Prepayments	74,952
	Total assets	14,940,620
	Liabilities	
(i)	Other borrowings	12,323,549
(j)	Other liabilities	1,140,291
(k)	Accruals	221,862
	Total liabilities	13,685,702
	Equity	
(l)	Share capital	30,000
(m)	Retained earnings	1,224,918
	Shareholders' equity	1,254,918
	Total equity and liabilities	14,940,620

Absolute Invoice Finance (Oxford) Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Revised format to the balance sheet (continued)

The revision to the format of the balance sheet has had no impact on the company's profit after taxation for the years ended 31 December 2007 and 2008. The only impact on the cash flows of the company in either of these years is that repayments of obligations under finance leases and hire purchase contracts are now classified as an operating cash flow, rather than a financing cash flow as was the case previously.

2 Interest income

Interest income from loans and advances to customers of £1,428,597 (2007: £1,745,308) includes amounts totalling £113,000 (2007: £229,000) which the company must continue to accrue in accordance with IAS 39 'Financial instruments: Recognition and measurement' in respect of impaired loans. This additional income, which cannot be collected from the client due to clients trading difficulties, referred to as the 'gross-up adjustment' to income, is fully provided against as part of the loan loss charge.

3 Interest expense

	2008	2007
	£	£
Interest expense	**908,506**	941,706

4 Staff costs

	2008	2007
	£	£
Wages and salaries	**794,948**	752,788
Social security costs	**94,893**	106,014
Pension costs - defined contribution pension schemes	**13,517**	13,149
Share-based payments (note 18)	**11,475**	5,998
Other benefits	**93,174**	55,314
Total staff costs	**1,008,007**	933,263

Other benefits principally comprise the cost of providing company cars, health insurance and life assurance cover.

The directors receive no emoluments in respect of their services to the company (2007: £nil).

The average monthly number of persons employed by the company (including directors) during the year was as follows:	**2008 Number**	2007 Number
	25	32

Notes to the financial statements for the year ended 31 December 2008 (continued)

5 Other operating expenses

	2008	2007
	£	£
Administrative expenses	**235,880**	261,597
Occupancy costs	**176,123**	168,129
Introducer commissions	**93,378**	96,685
Motor and travel expenses	**88,125**	72,294
Other	**223,163**	192,624
	816,669	791,329

Other includes hire purchase interest expense of £1,097 (2007: £552)

6 Auditors' remuneration

The cost of remuneration charged by the auditors for audit and non-audit services is recharged to the company by its immediate parent, Absolute Invoice Finance Limited, and amounted to £6,320 (2007: £5,000) and £nil (2007: £1,000) respectively for the year ended 31 December 2008.

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Taxation

Analysis of credit in the year	2008 £	2007 £
Current tax:		
UK corporation tax at 28.5% (2007: 30%)	**(625,149)**	(488,217)
Adjustments in respect of previous years	**(614)**	(7,919)
Total current tax credit	**(625,763)**	(496,136)
Deferred tax:		
Origination and reversal of timing differences	**(2,599)**	4,256
Adjustments in respect of previous years	**309**	(416)
Change in tax rate	**3,243**	2,627
Total deferred tax charge (note 11)	**953**	6,467
Total tax credit in the income statement	**(624,810)**	(489,669)

The rate of tax for the year is 28.5% (2007: 30%) and represents a blended tax rate following the reduction in the rate of corporation tax from 30% to 28% which was effective from 1 April 2008. Deferred tax has been recognised at 28%. The tax credit for the year is less (2007: less) than the tax on profit/(loss) on ordinary activities at the standard rate for the reasons set out in the following reconciliation:

	2008 £	2007 £
Loss on ordinary activities before tax	**(2,224,910)**	(1,642,860)
Tax on loss on ordinary activities at 28.5% (2007: 30%)	**(634,100)**	(492,858)
Factors affecting tax credit for the year:		
Expenses not deductible for tax purposes	**9,595**	8,897
Adjustments in respect of previous years	**(305)**	(8,335)
Change in tax rate	**-**	2,627
Total tax credit for the year	**(624,810)**	(489,669)

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Loans and advances to customers

	2008 £	2007 £
Loans and advances to customers	**11,045,446**	18,095,496

Maximum exposure to credit risk

The maximum exposure to credit risk of the company's loans and advances to customers is £11,045,446 (2007: £18,095,496).

Credit risk

Credit risk in relation to loans and advances to customers is the risk that a financial loss arises from the failure of a client to meet its obligations under an invoice financing agreement. The company has policies and procedures in place to monitor this risk, which are explained in the section on Financial Risk Management on pages 17 and 18.

Credit quality

A summary of the arrears status of the company's loans and advances to customers is shown below as at 31 December 2008 and 2007:

	2008 £	2007 £
Neither past due nor impaired	**11,008,390**	16,193,368
Past due but not impaired	**102,240**	1,018,928
Impaired	**5,722,144**	3,805,368
Outstanding client balance	**16,832,774**	21,017,664
Deferred income	**(39,863)**	(62,644)
Gross loans and advances to customers	**16,792,911**	20,955,020
Loan loss provision	**(5,747,465)**	(2,859,524)
	11,045,446	18,095,496

Absolute Invoice Finance (Oxford) Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Loans and advances to customers (continued)

Loans and advances to customers – past due but not impaired

	2008	2007
	£	£
Past due up to 29 days	-	31,287
Past due 30-59 days	200	36,310
Past due 60-89 days	-	45,720
Past due 90-119 days	53,623	115,390
Past due 120 days or more	48,417	790,221
	102,240	1,018,928

Collateral

In addition to the value of the underlying assigned sales ledger balances, the company will wherever possible obtain additional security before offering invoice finance facilities to a client. These include limited personal guarantees from major shareholders, charges over personal and other business property, cross guarantees from associated companies, and unlimited warranties in the case of frauds. These additional forms of security are impracticable to fair value, as valuations of the guarantees or warranties are not capable of being accurately determined at any point during the agreement.

Loan loss provision

	2008	2007
	£	£
As at 1 January	2,859,524	1,656,083
Utilised during the year	(348,271)	(1,679,110)
Recoveries of amounts previously written off	58,279	90,362
Charged to the income statement:		
- Additional provisions created	3,177,933	2,792,189
At 31 December	5,747,465	2,859,524
Loan loss charge before gross-up adjustment	3,177,933	2,792,189
Gross-up adjustment	113,000	229,000
Total loan loss charge	3,290,933	3,021,189

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Other intangible assets

Other intangible assets comprise acquired computer software licences.

	£
Cost	
At 1 January 2007	36,342
Additions	7,450
Reclassifications	50,217
At 1 January 2008	94,009
Additions	21,081
At 31 December 2008	**115,090**
Accumulated amortisation	
At 1 January 2007	27,715
Charge for the year	17,853
Reclassifications	21,601
At 1 January 2008	67,169
Charge for the year	15,991
At 31 December 2008	**83,160**
Net book amount	
At 31 December 2008	**31,930**
At 31 December 2007	26,840
At 1 January 2007	8,627

All amortisation charges for the year have been charged to the income statement through other operating expenses.

10 Property, plant and equipment

	Leasehold buildings	Fixtures, equipment and computer hardware	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2007	140,638	218,632	-	359,270
Additions	-	26,657	47,352	74,009
Disposals	-	(550)	-	(550)
Intra-group transfers	-	1,993	-	1,993
At 1 January 2008	140,638	246,732	47,352	434,722
Additions	10,659	11,251	-	21,910
At 31 December 2008	**151,297**	**257,983**	**47,352**	**456,632**
Accumulated depreciation				
At 1 January 2007	102,238	175,381	-	277,619
Charge for the year	21,096	20,828	3,614	45,538
Disposals	-	(15)	-	(15)
Intra-group transfers	-	1,993	-	1,993
At 1 January 2008	123,334	198,187	3,614	325,135
Charge for the year	6,820	25,097	10,245	42,162
At 31 December 2008	**130,154**	**223,284**	**13,859**	**367,297**
Net book amount				
At 31 December 2008	**21,143**	**34,699**	**33,493**	**89,335**
At 31 December 2007	17,304	48,545	43,738	109,587
At 1 January 2007	38,400	43,251	-	81,651

Depreciation and profit/loss on disposal have been charged/credited to the income statement through other operating expenses or staff costs in the case of company cars.

The net book value of motor vehicles relates entirely to assets held under finance leases and hire purchase contracts. Included within the depreciation charge shown above was £10,245 (2007: £3,614) in respect of assets held under finance leases and hire purchase contracts.

11 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%). Deferred tax assets have been recognised in respect of temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered. All of the deferred tax liability is available for offset agains deferred tax assets and hence the deferred tax asset at each balance sheet date is shown net.

The movements in the deferred tax account are shown below:

	Accelerated capital allowances	Other timing differences	**Total**
	£	£	**£**
At 1 January 2007	11,973	31,273	43,246
Recognised in income	(1,139)	(5,328)	(6,467)
At 1 January 2008	10,834	25,945	36,779
Recognised in income	2,290	(3,243)	(953)
At 31 December 2008	**13,124**	**22,702**	**35,826**

Other timing differences as at 31 December 2008 relate to future Schedule 23 deductions in relation to share-based payments and timing differences arising from the change in accounting policies as a result of the transition to IFRS.

Of the company's deferred tax balance at 31 December 2008, £32,583 (2007: £33,536) is expected to be realised in more than one year.

12 Other assets

	2008	2007
	£	£
Intra-group receivables	**32,105**	14,983

All intra-group receivables are repayable on demand.

13 Other borrowings

	2008	2007
	£	£
Unsecured intra-group borrowings	**12,323,549**	16,592,819

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Financial risk management

Liquidity risk - borrowings

The contractual maturity of the company's borrowings, including both capital and interest payments, are analysed as follows:

2008	On demand £	Up to 3 months £	3-12 months £	1-2 years £	2-3 years £	3-4 years £	Total £
Obligations under finance leases and hire purchase contracts	-	2,810	15,718	4,415	11,611	-	**34,554**
Intra-group borrowings	12,323,549	-	-	-	-	-	**12,323,549**
	12,323,549	2,810	15,718	4,415	11,611	-	**12,358,103**

2007	On demand £	Up to 3 months £	3-12 months £	1-2 years £	2-3 years £	3-4 years £	Total £
Obligations under finance leases and hire purchase contracts	-	2,810	8,431	18,528	4,415	11,611	45,795
Intra-group borrowings	16,592,819	-	-	-	-	-	16,592,819
	16,592,819	2,810	8,431	18,528	4,415	11,611	16,638,614

The company's gross obligations under finance lease and hire purchase contracts are as follows:

	2008 £	2007 £
Gross lease payments:		
Not later than one year	**18,528**	11,241
Later than one year but not more than five	**16,026**	34,554
	34,554	45,795
Future finance charges	**(1,116)**	(2,408)
Future minimum lease payments	**33,438**	43,387

The figures above relate to motor vehicles acquired under hire purchase contracts and finance leases.

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Financial risk management (continued)

Liquidity risk – obligations under operating lease contracts

The maturity profiles of the contractual cash flows associated with the company's operating leases are analysed below:

	Up to 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£	£
2008	33,629	95,944	69,951	68,755	13,518	-	-	**281,797**
2007	30,845	87,700	108,418	48,652	47,700	7,970	-	331,285

Management of liquidity risk

Liquidity risk is the risk to earnings or capital arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses. It includes the risk of inability to manage unplanned decreases or changes in funding sources and also any failure to recognise and address changes in market conditions that could affect the company's ability to liquidate assets quickly, with minimum value loss, if necessary.

At 31 December 2008 and through to the date of sale to Anacap on 14 September 2009, all of the company's borrowings were intra-group borrowings, repayable on demand from Cattles plc, the company's ultimate parent company.

Failures in the Cattles plc group's capital planning framework impacted on both this company and its parent, Absolute Invoice Finance Limited for much of 2008 and 2009. The businesses were required to reduce lending mid way through 2008 and to operate within that reduced lending until sold. The businesses were however able to operate within these reduced facilities with minimal impact on customer service, customer confidence and staff.

The purchase of the business provides the company with significant new funding - the company has now repaid all of its borrowings to Cattles plc and, with its parent undertaking has entered into a £100 million Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The new facility provides room for significant future growth.

As part of its ongoing management of liquidity risk, existing and forecast facility headroom levels are reported and reviewed at each board meeting.

14 Financial risk management (continued)

Management of interest rate risk

Whilst under Cattles plc ownership, all unsecured intra-group borrowings were subject to an interest charge based on the average cost of borrowing borne by the Cattles plc group. Cattles plc's facilities comprised a mixture of fixed and floating rate funding. Floating rate borrowings are exposed to the risk of rising interest rates, which Cattles plc managed by using appropriate hedging instruments, primarily interest rate swaps. As a part of the Cattles plc group, Absolute Invoice Finance (Oxford) Limited had a relatively low risk to changes in market interest rates.

Following the sale of the company, the company has entered into a Back to Back, Receivables Finance Agreement with Lloyds TSB Commercial Finance Limited. The facility provides for an interest charge linked to LIBOR together with an under utilisation fee. While base rate and LIBOR are similar the company has a relatively low risk to changes in market interest rates. To reduce the potential risk which may arise should base rate and LIBOR begin to diverge, the company's customer lending is subject to agreed minimum rates on all contracts.

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Other liabilities

	2008	2007
	£	£
Trade payables	11,928	36,742
Other taxes and social security	26,946	47,977
Other payables	1,067,979	1,264,827
Obligations under finance leases and hire purchase contracts	33,438	43,387
	1,140,291	1,392,933

All trade payables have a maturity of within one month.

Other payables primarily relate to a liability for cash receipts from non-debtors, which are held on the company's balance sheet until the expiry of the six-year period during which the party making the receipt can seek reimbursement. Any unclaimed receipts subsequent to the expiry date are recognised as income. It is not possible to provide a maturity analysis of this liability due to the uncertainty surrounding any reimbursements.

16 Financial instruments

Details of management's policies for controlling the risks associated with undue concentrations of credit risk are set out in the section on Financial Risk Management on pages 17 and 18.

The company holds no derivatives and has identified no embedded derivatives, which require separate accounting for in accordance with IAS 39 'Financial instruments: Recognition & measurement'.

Fair values of non-derivative financial instruments

The carrying value of the company's financial instruments (being loans and advances to customers, other assets, cash and bank balances, bank overdrafts, other liabilities, obligations under finance leases and hire purchase contracts and intra-group loans and receivables) approximate to their fair value.

17 Share capital

	Authorised			
	2008		2007	
	Number	£	Number	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

	Allotted, called up and fully paid			
	2008		2007	
	Number	£	Number	£
Ordinary shares of £1 each	30,000	30,000	30,000	30,000

The rights attached to the ordinary shares are as follows:

Voting

On a show of hands every ordinary shareholder who is present in person at a general meeting of the company and every proxy appointed by an ordinary shareholder and present at a general meeting of the company shall have one vote and on a poll every ordinary shareholder who is present in person or by proxy shall have one vote for every share held.

Dividends

Ordinary shareholders shall be entitled to receive such dividend as the company by ordinary resolution may from time to time declare as a final dividend (such dividend not to exceed the amount recommended by the board) or as the board may from time to time declare as an interim dividend.

Return of capital on a winding-up

Ordinary shareholders are entitled to participate in any surplus assets on the winding-up of the company in proportion to their shareholdings.

Management of capital risk

The company's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and to provide an appropriate level of dividend payment to shareholders.

18 Share-based payments

Equity-settled share option schemes

The ultimate parent company, Cattles plc, has a number of option schemes, including the Cattles Employee Sharesave Scheme. Cattles plc issued new shares through a rights issue on 5 June 2008. The rights issue resulted in a restatement of exercise prices and number of shares under option in respect of the Cattles Employee Sharesave Scheme. This restatement has been reflected in the tables below.

Certain employees of the company have outstanding options under this scheme as at 31 December 2008 as follows:

Period granted	**Exercise price (pence) Restated**	**Exercise period**	**2008 Number**	2007 Number Restated
Employee Sharesave Scheme				
2003	244.47	2008 – 2009	-	517
2007	255.26	2010 – 2011	**5,033**	5,335
			5,033	5,852

The outstanding share options may be analysed by range of exercise prices as follows:

	2008			2007		
Range of exercise prices (pence)	**Weighted average exercise price (pence)**	**Number of share options**	**Weighted average remaining life (years)**	Weighted average exercise price (pence) Restated	Number Restated	Weighted average remaining life (years) Restated
200.00 – 249.00	-	-	-	244.47	517	1.42
250.00 – 299.00	**255.26**	**5,033**	**2.41**	255.26	5,335	3.42
Total	**255.26**	**5,033**	**2.41**	232.70	5,852	3.11

The expected remaining life of the share options equates to their remaining contractual life.

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Share-based payments (continued)

A reconciliation of option movements during the year is shown below:

	2008		2007	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**5,852**	**232.70**	443	285.60
Granted during year	**-**	**-**	4,568	298.20
Exercised during year	**-**	**-**	-	-
Expired during year	**(819)**	**248.45**	-	-
Outstanding at 31 December	**5,033**	**255.25**	5,011	279.09
Outstanding at 31 December (as restated)			5,852	232.70
Exercisable at 31 December	**-**	**-**	-	-
Exercisable at 31 December (as restated)			-	-

Nil options were granted during 2008 (2007:4,568) with an estimated fair value of £nil (2007: £1,930). No options were exercised during 2007 or 2008.

The ultimate parent company also operates a Share Incentive Plan ('SIP'), which is open to all eligible UK employees of the company and is an HMRC-approved all-employee scheme. During the year 8,033 shares (2007: 2,359 shares) with an estimated fair value of £10,896 (2007: £7,249) were awarded to the company's employees under the SIP.

Fair value of share-based payments

The fair values of all share-based payments arising from share awards granted post 7 November 2002 have been estimated using the Black-Scholes option pricing model. The assumptions used in the calculations are set out in the financial statements of Cattles plc.

The company recognised a total charge of £11,475 (2007: £5,998) related to equity-settled share-based payment transactions during the year.

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Reconciliation of loss before taxation to cash inflow from operations

	2008 £	2007 £
Loss before taxation	**(2,224,910)**	(1,642,860)
Adjustments for:		
Depreciation of property, plant and equipment	**42,162**	45,538
Loss on disposal of property, plant and equipment	**-**	535
Amortisation of intangible assets	**15,991**	17,853
Share-based payments	**11,475**	5,998
Decrease in loans and advances to customers	**7,050,050**	2,091,395
Decrease/(increase) in prepayments	**246,645**	(114,538)
Decrease in other liabilities	**(252,642)**	(177,298)
Increase in accruals	**74,089**	22,383
Cash inflow from operations	**4,962,860**	249,006

The amount of interest paid and received during the year was £823,382 (2007: £1,003,324) and £34,599 (2007: £80,022) respectively.

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Non-cash transactions

	2008	2007
	£	£
Purchase of property, plant and equipment	-	47,352

21 Operating lease arrangements

At the balance sheet date the company had total future lease payments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	£	£	£	£
Future lease payments:				
Within one year	103,381	26,192	107,300	11,244
Between one and five years	103,241	48,983	206,916	5,825
After five years	-	-	-	-
	206,622	75,175	314,216	17,069

The following lease payments were recognised in the income statement during the year:

	2008		2007	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	£	£	£	£
Lease payments	87,879	34,767	87,879	27,016

22 Contingent liabilities

At 31 December 2008, the company together with other companies in the Cattles group, had entered into an unsecured unlimited multilateral bank guarantee. There were no fair values attached to the guarantee.

The guarantee was released on 14 September 2009 when all intercompany borrowing was repaid.

23 Related party transactions

Ultimate parent undertaking

At 31 December 2008, the company's ultimate parent undertaking and controlling party was Cattles plc, registered in England and Wales.

The whole of the share capital of the company's parent undertaking was acquired by Absolute Invoice Finance (Holdings) Limited on 14 September 2009. Absolute Invoice Finance (Holdings) Limited is wholly owned by AnaCap Financial Partners II LP, a Guernsey Limited Partnership, advised by London Private Equity Firm, Anacap Financial Partners LLP ("Anacap").

At 31 December 2008, the largest and smallest group in which the results of the company are consolidated is that headed by Cattles plc. The consolidated financial statements of this group are available to the public and may be obtained from the Registered Office, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD or from the Cattles plc website, www.cattles.co.uk.

Related party transactions

The company entered into related party transactions with its ultimate parent company and a fellow subsidiary undertaking during the year as outlined below:

- The company received borrowing facilities from its ultimate parent company, for which a financing charge was levied each month. This charge was based upon the parent's average cost of borrowing.

- The company's payroll was administered by a fellow subsidiary undertaking. The subsidiary undertaking did not make any charge for providing this service.

	2008	2007
	£	£
Repayment of funds	**(4,400,000)**	(100,000)
Intra-group finance charge	**932,438**	1,021,568

Receivables due from and payables to the ultimate parent company and fellow subsidiary undertakings are disclosed in notes 12 and 13 respectively.

Key management compensation

The directors of the company are considered to be the key management but are compensated by the parent company.