

Company Registration No. 07368004 (England and Wales)

CALEDONIAN CONSUMER FINANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022

CALEDONIAN CONSUMER FINANCE LIMITED

COMPANY INFORMATION

Directors C Murray
S Dowdells

Secretary G Bulloch

Company number 07368004

Registered office Pacific House Fletcher Way
Parkhouse
Carlisle
England
CA3 0LJ

Auditor Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

CALEDONIAN CONSUMER FINANCE LIMITED

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CALEDONIAN CONSUMER FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2022

The directors present their annual report and financial statements for the year ended 31 October 2022.

Principal activities

There has been no change to the principal activities of the company during the year ended 31 October 2022. These activities continue to be as follows:

- Unsecured Consumer Lending
- Acquiring Unsecured Loan Books or Lending Businesses
- Loan Administration and Collection Services

Review of the Year Ended 31 October 2022

The year to 31 October 2022 marked a period where the ongoing impact of the COVID-19 pandemic gradually reduced to be replaced over the second half of the year by the growing threat created by inflation and the associated cost of living challenges. Whilst our consumer credit lending volumes continued to be robust in the early months of the trading year there was a noticeable slowing of credit applications from around June 2022 through to the end of the financial year and this was exacerbated by a tightening of our own credit risk appetite linked to the ongoing cost of living pressures.

As a consequence of the tightening of lending volumes from June 2022 onwards our core consumer lending book actually reduced marginally over the year to 31 October 2022 which is the first time in the history of the business that this has happened. In respect of our loan administration activity we can report a similar outcome where reduced new business activity from our active Clients wasn't sufficient to offset the reducing activity levels from Clients where the lending activity had ceased and these loan books were effectively in collect out mode. In addition a combination of the economic and regulatory environment resulted in a delay in the launch of our most recent new Client gain although we can now report that this Client has now commenced its planned lending activity and we will see a growth in accounts under management moving forward. The impact of all of the above resulted in gradual reduction in our loan administration activity throughout the year although this had largely bottomed out by the end of the trading year even in spite of the continuing cost of living challenges and their impact on credit appetite and credit quality.

Based on the above analysis it comes as no surprise to report that our finance subsidy income and our loan administration income both reduced "year on year" with a fall off in consumer credit appetite, a tightening of our own credit risk appetite and the growing impact of higher energy prices and the associated cost of living challenges being the key reasons, however, we were able to control our administrative expenses that helped to protect our Operating Profit.

Outside of the comments above in respect of our Operating Profit the completion of the merger of Honeycomb Investment Trust plc with Pollen Street Capital in the final quarter of the trading year resulted in a circa 20% reduction in the share price of the merged businesses and as we continue to hold a significant number of shares in the merged business this had a significant impact on our Profit Before Tax which fell from £1,336,704 in 2021 down to £680,399 in 2022 largely as a result of the associated drop in the value of our investments shortly before the financial year end.

Prospects for the Year Ending 31 October 2023

Our view on our prospects for 2023 mirror the comments expressed above in respect of our trading activity over the second half of 2022, namely, that we anticipate further short term challenges driven largely by cost of living pressures that will continue to result in a gradual reduction in customers appetite to borrow for the services we finance leading to a fall in our consumer lending activities and consequently the size of our consumer loan book, however, the outlook for our loan administration activities is a little more positive where we do expect the growth in accounts under management from our active Clients to at least offset the reducing account activity in respect of the collect out loan books that we manage.

As with a significant number of finance related businesses we continue to operate utilising a "hybrid" approach to work with colleagues currently working 2 days per week in the office and the remaining 3 days per week from home, although from April 2023 we anticipate that this will evolve to become 3 days per week in the office with Monday's/Friday's becoming the work from home days.

CALEDONIAN CONSUMER FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

In addition to the above we will see the introduction of the FCA's new Consumer Duty Guidance later this year which adds to our existing focus on Good Outcomes for Consumers and an enhanced focus on Vulnerable Customers and therefore the Regulatory environment will also become more challenging as we progress through 2023.

On balance the directors continue to remain confident regarding the medium to long term outlook for the business but anticipate that 2023 will be a challenging year given the ongoing impact of the cost of living challenges and enhanced Regulatory oversight although we continue to remain confident that the steps we've taken to tighten up on credit risk appetite has minimised the impact of the cost of living pressures as they impact on Impairment as we move through 2023. Based on the current economic forecasts we can reasonably expect inflation to be much reduced over the second half of 2023 and we will also by then have implemented our Consumer Duty plans and perhaps by then we'll have more of an insight in respect of how the Regulators will enforce this new guidance.

Going Concern

The business continues to successfully manage the declining impact of the COVID-19 pandemic and is gradually moving towards a hybrid working model with enhanced levels of office based working and this continues to work satisfactorily both from a Client and Colleague perspective.

Although new lending volumes have reduced in recent months linked to consumer concerns relating to the current cost of living challenges we expect these pressures to ease as we move through 2023 and beyond thus we continue to expect future growth both in respect of consumer lending volumes and linked to this future growth in our core consumer lending book. Crucially we continue to have a very good working relationship with our key lender and have retained a very comfortable level of lending headroom in spite of lower new business activity during 2022 and into the early months of 2023 and therefore we remain fully confident that we have all the financial support required to fund the scale of our existing business.

As a result of the comments above the directors are confident that there are no going concern issues that can be anticipated in the months ahead and that the trading prospects for 2023 although challenging at present remain positive for late 2023 and beyond even if we do finally start to see some Impairment challenges in the months ahead linked to existing cost of living pressures.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Murray
S Dowdells

Auditor

Johnston Carmichael LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

CALEDONIAN CONSUMER FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

On behalf of the board

C Murray
Director

31 July 2023

CALEDONIAN CONSUMER FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2022

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

CALEDONIAN CONSUMER FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CALEDONIAN CONSUMER FINANCE LIMITED

Qualified opinion

We have audited the financial statements of Caledonian Consumer Finance Limited ('the Company') for the year ended 31 October 2022, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. 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). In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2022 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 qualified opinion

Note 20 to the financial statements describes a contingent liability in relation to an ongoing HMRC enquiry that may impact the Company and where the final outcome is unknown and, as such, may have a material impact on the financial statements. We requested from the Directors, but were not provided with, tax due diligence reports connected with the purchase of its subsidiaries, which we considered could be relevant to our assessment of the sufficiency and appropriateness of the disclosure of this matter as a contingent liability in the financial statements. We were therefore unable to obtain sufficient, reliable and appropriate evidence to enable us to determine whether amendments or adjustments to the financial statements might be required.

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 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 qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

CALEDONIAN CONSUMER FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CALEDONIAN CONSUMER FINANCE LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, 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 Directors' Report.

Arising solely from the limitation on the scope of our work relating to the contingent liability, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- The Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

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 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

CALEDONIAN CONSUMER FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CALEDONIAN CONSUMER FINANCE LIMITED

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102;
- Companies Act 2006; and
- VAT legislation.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls;
- Valuation of subsidiaries;
- Bad debt provisions; and
- Revenue recognition.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

CALEDONIAN CONSUMER FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CALEDONIAN CONSUMER FINANCE LIMITED

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.

Richard Sutherland (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

31 July 2023

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

CALEDONIAN CONSUMER FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	2022 £	2021 £
Turnover	3	5,792,048	6,205,268
Administrative expenses		(4,128,889)	(5,417,875)
Operating profit	4	1,663,159	787,393
Income from group undertakings	7	300,000	800,000
Income from fixed assets investments	7	177,000	378,129
Interest receivable and similar income	7	344,033	156,194
Interest payable and similar expenses	8	(799,845)	(1,003,527)
Investment revaluations	9	(1,003,948)	218,515
Profit before taxation		680,399	1,336,704
Tax on profit	10	(268,834)	(64,340)
Profit for the financial year		411,565	1,272,364

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2022 (2021: £nil).

The notes on pages 12 to 23 form part of these financial statements.

CALEDONIAN CONSUMER FINANCE LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		61,943		18,970
Investments	12		4,377,303		6,550,149
			<u>4,439,246</u>		<u>6,569,119</u>
Debtors falling due after more than one year			15,007,432		17,109,219
Current assets					
Debtors	13	29,660,213		22,790,209	
Cash at bank and in hand		67,866		270,649	
		<u>29,728,079</u>		<u>23,060,858</u>	
Creditors: amounts falling due within one year	14	(15,075,227)		(19,202,150)	
Net current assets			<u>14,652,852</u>		<u>3,858,708</u>
Total assets less current liabilities			<u>34,099,530</u>		<u>27,537,046</u>
Provisions for liabilities	15	(30,556,268)		(24,405,349)	
Net assets			<u><u>3,543,262</u></u>		<u><u>3,131,697</u></u>
Capital and reserves					
Called up share capital	17		100		100
Profit and loss reserves			<u>3,543,162</u>		<u>3,131,597</u>
Total equity			<u><u>3,543,262</u></u>		<u><u>3,131,697</u></u>

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

The notes on pages 12 to 23 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 31 July 2023 and are signed on its behalf by:

C Murray
Director

Company Registration No. 07368004

CALEDONIAN CONSUMER FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 November 2020	100	1,859,233	1,859,333
Year ended 31 October 2021:			
Profit and total comprehensive income for the year	-	1,272,364	1,272,364
Balance at 31 October 2021	100	3,131,597	3,131,697
Year ended 31 October 2022:			
Profit and total comprehensive income for the year	-	411,565	411,565
Balance at 31 October 2022	100	3,543,162	3,543,262

The notes on pages 12 to 23 form part of these financial statements.

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

Company information

Caledonian Consumer Finance Limited is a private company limited by shares incorporated in England and Wales. The registered office is Pacific House Fletcher Way, Parkhouse, Carlisle, England, CA3 0LJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

Further to comments detailed in the Directors' Report, given the business's proven ability to continue to service its clients and customers with colleagues working from both office and home, and having made allowance for the subdued trading volumes being experienced in early 2023 which is expected to continue for the first half of 2023, the directors are satisfied that there are no going concern issues as at the date of this Directors' Report nor are any going concern issues anticipated in the next 12 months from the date of signing of this Directors' Report.

1.3 Turnover

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured, and excludes value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Interest and similar income

Interest and similar income represent the amounts derived from the arranging of loans and the interest earned on those loans.

Interest income on loans at amortised cost is calculated using the effective interest rate method which allocates interest over the expected life of the asset. The effective interest rate method requires the company to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the trade receivables.

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

Rendering services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & IT	50% straight line basis
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and other loans that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

The Training Indemnity provision is an agreed sum which is withheld as part of the Retailer Settlement process to ensure that in the unlikely event of any Education and Training Retailer being unable to provide the student training obligations being funded by Caledonian Consumer Finance Limited these retained funds can be utilised to ensure that the contractual training commitments to students can be honoured directly by Caledonian Consumer Finance Limited thereby mitigating any potential S.75 claims.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares are remeasured to fair value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period. Fair value is calculated as the market value of each investment.

1.15 Bad debt expense

Bad debt expense comprises the impairment charge for loan advances which have been previously recognised, but for which the customer is subsequently in default, or there is a decrease in the likelihood of full recovery.

2 Judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements and other key sources of estimation uncertainty including:

2.1 Loans and receivables

Loans and receivables are regularly considered for possible impairment losses, which require the company to make best estimates of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgements about the probable effects of relevant observable data, including present economic conditions such as default rates, financial health of specific customers, collateral values, and in the present and expected future levels of interest rates.

The Company's risk management process, which includes standards and policies for reviewing major risk exposures and concentrations, ensures that relevant data are identified and considered either for individual loans, or on a portfolio basis, as appropriate.

2.2 Listed and unlisted investments

The carrying value of investments are reviewed regularly to identify any indication of impairment. Listed investments are valued at listed share price at year end.

3 Turnover

	2022	2021
	£	£
Turnover analysed by class of business		
Interest and similar income	4,851,685	5,165,510
Other operating income	940,363	1,039,758
	<u>5,792,048</u>	<u>6,205,268</u>

All turnover arose within the United Kingdom.

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging:		
Depreciation of tangible fixed assets	38,128	11,425
Fees payable to the company's auditor for the audit of the company's financial statements	33,000	29,000
Defined contribution pension scheme	91,736	90,304
Operating lease charges	74,677	87,758
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was 36 (2021 - 33).

6 Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	163,820	174,786
Company pension contributions to defined contribution schemes	8,282	8,400
	<u> </u>	<u> </u>
	172,102	183,186
	<u> </u>	<u> </u>

7 Interest receivable and similar income

	2022	2021
	£	£
Interest receivable and similar income includes the following:		
Dividends receivable from group entities	300,000	800,000
Income from other fixed asset investments	177,000	378,129
Other interest receivable	344,033	156,194
	<u> </u>	<u> </u>
	821,033	1,334,323
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable and similar expenses includes the following:		
Interest payable on loan facility	799,845	1,003,527
	<u> </u>	<u> </u>

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

9 Investment Revaluations

	2022	2021
	£	£
Gains/(Losses) on listed investments	(1,003,948)	218,515
	<u>(1,003,948)</u>	<u>218,515</u>

10 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	268,061	63,736
Adjustments in respect of prior periods	-	(7,874)
Total current tax	<u>268,061</u>	<u>55,862</u>
Deferred tax		
Origination and reversal of timing differences	773	8,478
Total tax charge	<u>268,834</u>	<u>64,340</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	<u>680,399</u>	<u>1,336,704</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	129,276	253,974
Tax effect of expenses that are not deductible in determining taxable profit	205,327	1,029
Tax effect of income not taxable in determining taxable profit	(4,332)	(41,518)
Adjustments in respect of prior years	-	(7,874)
Remeasurement of deferred tax for changes in tax rates	186	11,761
Fixed Assets differences	(4,623)	(1,032)
Exempt distributions	(57,000)	(152,000)
Taxation charge for the year	<u>268,834</u>	<u>64,340</u>

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

11 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 November 2021	579,188
Additions	81,101
	<hr/>
At 31 October 2022	660,289
	<hr/>
Depreciation and impairment	
At 1 November 2021	560,218
Depreciation charged in the year	38,128
	<hr/>
At 31 October 2022	598,346
	<hr/>
Carrying amount	
At 31 October 2022	61,943
	<hr/>
At 31 October 2021	18,970
	<hr/>

12 Fixed asset investments

	2022 £	2021 £
Group undertaking	2,850,803	3,350,803
Listed investments	1,526,500	3,199,346
	<hr/>	<hr/>
	4,377,303	6,550,149
	<hr/>	<hr/>

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

12 Fixed asset investments

(Continued)

Movements in fixed asset investments

	Group undertaking £	Listed investments £	Total £
Cost or valuation			
At 1 November 2021	3,350,803	3,199,346	6,550,149
Revaluations	-	(503,948)	(503,948)
Disposals	-	(1,168,898)	(1,168,898)
At 31 October 2022	3,350,803	1,526,500	4,877,303
Impairment			
At 1 November 2021	-	-	-
Charge for the year	500,000	-	500,000
At 31 October 2022	500,000	-	500,000
Carrying amount			
At 31 October 2022	2,850,803	1,526,500	4,377,303
At 31 October 2021	3,350,803	3,199,346	6,550,149

Group undertakings

Name	Principal activity	Ordinary Share capital held
Career Development Finance Ltd	Consumer Credit	100%
Career Finance 4 Trade Skills Ltd	Consumer Credit	100%
Caledonian Loans Ltd	Consumer Credit	100%
Credit Expert Ltd	Consumer Credit	100%

The registered address for all group undertakings is Pacific House Fletcher Way, Parkhouse, Carlisle, England, CA3 0LJ.

13 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	17,161,872	12,382,368
Amounts owed by group undertakings	8,312,104	4,900,559
Other debtors	4,186,237	5,507,282
	29,660,213	22,790,209

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

13 Debtors (Continued)

	2022 £	2021 £
Amounts falling due after more than one year:		
Trade debtors	15,007,432	17,109,219
Total debtors	44,667,645	39,899,428

14 Creditors: amounts falling due within one year

	2022 £	2021 £
Loans	8,744,524	11,569,524
Corporation tax	204,831	6,770
Other taxation and social security	71,988	81,261
Accruals and deferred income	6,053,884	7,544,595
	15,075,227	19,202,150

The company has a revolving facility of £8,744,524 (2021: £11,569,524). The loan carry interest of 8.5% and is repayable on demand. The loan is measured at amortised cost and the contractual rates is deemed to be the effective rate of interest.

The company issued a cross guarantee in respect of this loan. Further details are disclosed in note 18.

15 Provisions for liabilities

	2022 £	2021 £
Training Indemnity provision	30,419,025	24,268,879
VAT claim provision	88,789	88,789
Deferred tax liabilities	48,454	47,681
	30,556,268	24,405,349

Movements on provisions apart from deferred tax liabilities:

	£
Training Indemnity Provision	
At 1 November 2021	24,268,879
Additional provisions in the year	6,150,146
At 31 October 2022	30,419,025

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

15 Provisions for liabilities

(Continued)

The Training Indemnity provision is an agreed sum which is withheld as part of the Retailer Settlement process to ensure that in the unlikely event of any Education and Training Retailer being unable to provide the student training obligations being funded by Caledonian Consumer Finance Limited these retained funds can be utilised to ensure that the contractual training commitments to students can be honoured directly by Caledonian Consumer Finance Limited thereby mitigating any potential S.75 claims.

The VAT claim provision is a potential VAT liability in respect of ongoing correspondence with the HMRC.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	49,778	(19,717)
Short term timing differences	(1,324)	68,722
Other	-	(1,324)
	<u>48,454</u>	<u>47,681</u>
		2022
Movements in the year:		£
Liability at 1 November 2021		47,681
Charge to profit or loss		773
		<u>48,454</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

17 Called up share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
100 Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

CALEDONIAN CONSUMER FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

18 Financial commitments, guarantees and contingent liabilities

In February 2016 the Company sold the future economic rights to a portfolio of consumer loans to an investment trust that specialises in lending in the UK consumer credit market and borrowed the sum of £11m. The future economic rights to a further portfolio of consumer loans were sold in September 2016 with a further sum of £1.5m borrowed.

The Company was joined in both of these transactions by Carnegie Consumer Finance Ltd (Carnegie), a business which utilises the loan administration services of the Company, and Carnegie Consumer Finance Ltd also sold the future economic rights to a portfolio of its consumer loans at the same time and on broadly the same commercial terms. In respect of both of these transactions the Company and Carnegie have jointly agreed to cross guarantee each other's repayment obligations in respect of the future sums due to be repaid including the guaranteed Rate of Return on the balances outstanding.

As at 31 October 2022 the outstanding amounts due including the guaranteed Rate of Return were £8.7m (2021 - £11.6m) in respect of the Company and £1.6m (2021 - £1.6m) in respect of the Carnegie guarantee.

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

2022	2021
£	£
35,845	83,447
<u> </u>	<u> </u>

20 Contingent liability

HMRC are conducting a wide-ranging enquiry into the affairs of a former client of the company. They have now extended the enquiry to cover a director of that client, and also directors of key business partners of the client. One such individual is a director, and person with significant control, of the company. HMRC have not identified any clear/material concern as regards the company's tax affairs although the enquiry is ongoing and the final outcome is unknown. Nor do the directors (in light of legal advice received by that individual) consider there to be any. Given these uncertainties it is not practicable to estimate any potential financial effect of these investigations on the company. As such no provision is specified in these accounts although this position will be kept under review as the enquiry progresses and any necessary change addressed in future periods. This note is made regardless of no provision being made, given the wide-ranging nature of HMRC's ongoing enquiry.

21 Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 'Related Party Disclosures' not to disclose transactions between Caledonian Consumer Finance Limited and other wholly owned subsidiaries within the group.

The company received loan servicing income from Scott Consumer Finance Limited, a company under common control, of £124,147 (2021: £53,802). The amount outstanding at the year end was £15,226 (2021: £9,588).

22 Controlling party

The company is controlled by Craig Murray, director.

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