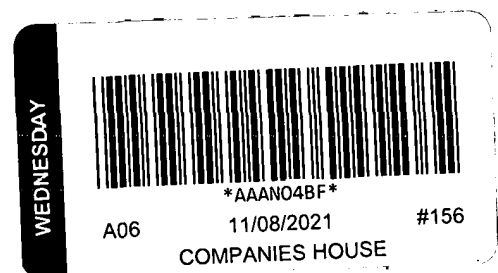


Registration number: 588708

Bibby Leasing Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Bibby Leasing Limited

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Bibby Leasing Limited

Company Information

Directors	Ian Stuart Ramsden Ian Downing
Company secretary	Bibby Bros. & Co. (Management) Limited
Registered office	3rd Floor Walker House Exchange Flags Liverpool L2 3YL
Auditors	Mazars LLP Statutory Auditor Manchester United Kingdom

Bibby Leasing Limited

Strategic Report for the Year Ended 31 December 2020

Bibby Leasing Limited (the 'Company') is one of a network of companies owned by Bibby Financial Services (BFS), one of the UK's leading independent invoice finance and asset finance specialist and a trusted provider of funding solutions to over 9,000 businesses. Through a network of companies and local offices, the group handles annual client turnover of around £9 billion and advances in the region of £625m to small and medium sized businesses throughout the UK, Europe and Asia. We are members of UK Finance and support businesses in over 300 industry sectors. BFS is approved to undertake regulated activities through Bibby Leasing Limited, which is authorised by the Financial Conduct Authority (FCA) for consumer credit and consumer hire.

Principal activity

The principal activity of the Company is to provide asset finance solutions through asset based leasing, refinancing and hire purchase offerings to our clients.

Fair review of the business

Despite robust trading results reported, Company profit before tax has fallen due to a reduction in lease originations and client turnover, as well as an increase in client impairments. The aggregate rentals receivable during the year in respect of finance leases was c.14% lower at £19.0m (2019: £22.2m). The decrease is mainly due to prevailing market conditions.

The markets in which we operate are characterised by increasing competition, margin pressure and credit conditions. Economic conditions have been significantly challenged in 2020 with the Coronavirus pandemic, in particular the lockdowns have impacted both proposal volumes and the quality of acceptable proposals, however the business has looked to support its client base over difficult trading periods. December 2020 saw the most new business written in a month since January 2020 (pre Covid-19), so the Company remains optimistic that sales will continue to improve throughout 2021.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Turnover	£	8,183,130	9,406,939
Operating profit	£	3,167,049	4,624,736
Profit before tax	£	1,844,063	2,870,705

The Company has made claim to losses from other subsidiary undertakings of its ultimate parent undertaking, Bibby Line Group Limited a diverse business-to-business service conglomerate, thereby eliminating its corporation tax charge.

Principal risks and uncertainties

Key risk types are strategic, operational, credit and financial. Risk management, robust governance and internal control are central to the way we manage all aspects of our business. Our responsible practices underpin our values and culture and enable us to grow the business in a disciplined and sustainable way. We are regulated by the Financial Conduct Authority (FCA) for consumer credit and consumer hire.

Group risk management processes and systems manage, rather than eliminate, risk. The risk management framework represented by 'three lines of defence', reviews the key risks facing the Company and is responsible for effectively managing and mitigating risk outcomes to ensure the continuing profitability and success of the Company.

The first line of defence for risk management is placed at the business level. A significant role of the business managers is to ensure risks are managed appropriately and effectively. Executive management support forms the second line of defence and independently assesses all material risks. The third line, which includes Group internal audit, and the Group Audit Committee, independently reviews and challenges the Company's risk management controls, processes and systems.

Bibby Leasing Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

The Company is responsible for operational risk management. Operational risk incidents are recorded on a centralised reporting system. Incidents are managed from the Company to ensure they are satisfactorily categorised and analysed to identify trends and establish lessons learnt on the effectiveness of controls. The Company complies with a recurring operational audit which seeks to identify weaknesses and areas for improvement. The results of these audits are reported to the Board.

Covid-19 continues to affect Bibby Leasing and all of its stakeholders. While the full impact of Covid-19 on the markets in which we operate remains unknown, we remain confident in our business model and strong experience of our colleagues to respond well to the challenges and opportunities that may arise. Bibby Leasing's operational resilience has allowed the Company to continue to operate effectively through the pandemic, with all colleagues being able to work from home when needed, supported by robust systems and technology that continue to meet client needs. We have a solid funding base and strong funding relationships, allowing us to continue to support our customers. We continue to take a considered approach managing the impact of Covid-19 on the Company and its key stakeholders including continually scenario planning and stress testing its financial position to ensure we remain well positioned as the situation evolves.

Dividends

During the year a dividend payment of £4,500,000 was made (2019: £nil).

Financial instruments

Objectives and policies

The financial risks the company faces have been considered by the Board and policies are in place to effectively manage each risk. We consider the most significant financial risks to be liquidity risk, finance cost risk and credit risk. In each case, the risk is managed by matching assets and liabilities on the relevant basis.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk:

The Company provides financing to clients and raises funds on a largely matched basis, The Company charges clients and pays for funds on an aligned charging basis and we raise funds in the same currency as we advance.

Credit risk:

Credit risk is defined as the risk of loss in relation to financing provided to clients. The Company is provided with appropriate levels of credit discretion. Credit exposures above these levels set are only approved by Senior Group Underwriters and Group Board Credit Committee as appropriate.

Credit risk analysis is focused on ensuring that risks have been fully identified and that the risk is understood and acceptable against the expected rewards. The Company uses Group system generated risk monitoring and internal rating processes. However, the Company does not seek to rely on quantitative models to assess credit risk but uses fundamental credit analysis as the basis for risk decisions.

Liquidity risk:

Liquidity risk is assessed within the Group's central treasury and capital management policy framework on a regular basis. The Group maintains cash defences to accommodate potential perceived demands on liquidity arising from losses and other scenarios.

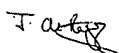
Bibby Leasing Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Cash flow risk:

Capital adequacy is assessed by the Board and Group on a regular basis to ensure that the business has adequate capital to withstand potential losses and provide creditors with adequate protection. Block funding lines are maintained to ensure sufficient funding is available to facilitate writing new leases and hire purchase contracts.

Approved by the Board on 5 July 2021 and signed on its behalf by:



...Janine Al-kazaz.....

Bibby Bros. & Co. (Management) Limited
Company secretary

**Duly Authorised Signatory
For and on behalf of
Bibby Bros. & Co. (Management)
Limited, Secretary**

Bibby Leasing Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the Company

The directors who held office during the year were as follows:

Ian Stuart Ramsden

Ian Downing

Richard Andrew Carter (appointed 1 June 2020 and resigned 31 December 2020)

Directors' liabilities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were in place during the year and remain in force at the date of this report.

Going concern

The Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In reaching this assessment the Directors considered the financial statements, the Company's budget, operating plan and updated forecasts, in light of Covid-19, along with a range of stress scenarios. The Directors also considered the forecasted performance. There is a letter of support in place between the Company and its Parent Company (BFS). The letter of support states that the Parent Company for at least 12 months from the date of approval of these accounts will continue to make available such funds as are needed to enable the Company to continue to meet its liabilities in the ordinary course of business as they fall due. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies in Note 2 of the Financial Statements.

Future developments

In accordance with s414C(11) of the Companies Act 2006, included within the Strategic Report is information relating to the future development of the business and the financial instruments policies and risks of the business, which would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the Directors' Report.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 5 July 2021 and signed on its behalf by:



.....Janine Al-kazaz.....

Bibby Bros. & Co. (Management) Limited
Company secretary

Duly Authorised Signatory

For and on behalf of

Bibby Bros. & Co. (Management)

Limited, Secretary

Bibby Leasing Limited

Directors' Responsibilities Statement

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to 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.

Bibby Leasing Limited

Independent Auditor's Report to the members of Bibby Leasing Limited

Opinion

We have audited the financial statements of Bibby Leasing Limited for the year ended 31 December 2020 which comprise the Statement of Income and Retained Earnings Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of company's affairs as at 31 December 2020 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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.

Bibby Leasing Limited

Independent Auditor's Report to the members of Bibby Leasing Limited (continued)

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.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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.

Bibby Leasing Limited

Independent Auditor's Report to the members of Bibby Leasing Limited (continued)

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 the financial statements.

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. Based on our understanding of the company and their industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Bibby Leasing Limited

Independent Auditor's Report to the members of Bibby Leasing Limited (continued)

Use of the audit report

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



.....
David Allen (Senior Statutory Auditor)
For and on behalf of Mazars LLP
Statutory Auditor
Manchester
United Kingdom

5 July 2021

Bibby Leasing Limited

Statement of Income and Retained Earnings for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	8,183,130	9,406,939
Operating costs		<u>(5,016,081)</u>	<u>(4,782,203)</u>
Operating profit	4	3,167,049	4,624,736
Other interest receivable and similar income	5	190,981	208,462
Interest payable and similar charges	6	<u>(1,513,967)</u>	<u>(1,962,493)</u>
Profit before tax		1,844,063	2,870,705
Taxation	9	<u>24,423</u>	<u>5,292</u>
Profit for the financial year		1,868,486	2,875,997
Retained earnings brought forward		26,618,834	23,742,837
Dividends paid		<u>(4,500,000)</u>	<u>-</u>
Retained earnings carried forward		<u>23,987,320</u>	<u>26,618,834</u>

The above results were derived from continuing operations.

The notes on pages 14 to 24 form an integral part of these financial statements.

Bibby Leasing Limited
(Registration number: 588708)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	10	988	4,287
Current assets			
Debtors due within one year	11	42,011,538	52,297,257
Debtors due in greater than one year	11	16,821,451	23,485,000
Cash at bank and in hand	12	60,270	41,702
		<u>58,893,259</u>	<u>75,823,959</u>
Creditors: Amounts falling due within one year	13	<u>(19,787,247)</u>	<u>(23,021,416)</u>
Net current assets		<u>39,106,012</u>	<u>52,802,543</u>
Total assets less current liabilities		39,107,000	52,806,830
Creditors: Amounts falling due after more than one year	13	<u>(12,319,680)</u>	<u>(23,387,996)</u>
Net assets		<u>26,787,320</u>	<u>29,418,834</u>
Capital and reserves			
Called up share capital	14	2,800,000	2,800,000
Retained earnings		<u>23,987,320</u>	<u>26,618,834</u>
Shareholders' funds		<u>26,787,320</u>	<u>29,418,834</u>

Approved and authorised by the Board on 5 July 2021 and signed on its behalf by:



.....
 Ian Downing
 Director

Bibby Leasing Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	2,800,000	23,742,837	26,542,837
Profit for the year	-	2,875,997	2,875,997
At 31 December 2019	2,800,000	26,618,834	29,418,834
	Share capital £	Profit and loss account £	Total £
At 1 January 2020	2,800,000	26,618,834	29,418,834
Profit for the year	-	1,868,486	1,868,486
Dividends	-	(4,500,000)	(4,500,000)
At 31 December 2020	2,800,000	23,987,320	26,787,320

The notes on pages 14 to 24 form an integral part of these financial statements.

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

Bibby Leasing Limited is a private company limited by shares and incorporated in England, registration number 588708. The address of its registered office is 3rd Floor, Walker House, Exchange Flags, Liverpool, L2 3YL.

The company is a wholly-owned subsidiary of Bibby Asset Finance Limited. Bibby Financial Services Limited is the parent company of the smallest group which consolidates the financial information of the Company. The ultimate parent undertaking is Bibby Line Group Limited and is the largest group which consolidates the financial information of the Company. All parent companies are incorporated in England.

The ultimate controlling party is disclosed in the financial statements of Bibby Line Group Limited. Copies of the financial statements of all subsidiaries of Bibby Line Group Limited can be obtained from its registered office at 3rd Floor, Walker House, Exchange Flags, Liverpool, L2 3YL (www.bibbylinegroup.co.uk).

These financial statements were authorised for issue by the Board on 5 July 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' and applicable legislation as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008.

Basis of preparation

The financial statements have been prepared under the historical cost convention except for any derivative financial instruments which are stated at their fair values. The primary economic environment in which the Company operates is governed by the Great British Pound its functional currency. As such the Company financial statements have been prepared in this currency.

Going concern

The financial statements are prepared on a going concern basis. In reaching their view on the preparation of the financial statements on a going concern basis, the Directors are required to consider whether the Company can continue in operational existence for at least 12 months from the date of signing this report. The continuing uncertain economic conditions present increased risks for all businesses, including those posed by the Coronavirus pandemic. Many global governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

In response to such conditions the Directors have carefully considered these risks, including an assessment of any uncertainty on the viability of the Company's business model and the extent to which they may affect the preparation of the financial statements on a going concern basis. Based on this assessment, the Directors consider that the Company maintains an appropriate level of capital and liquidity, sufficient to meet the demands of the business and the requirements which might arise in stressed circumstances. The Company remains compliant with all banking covenants.

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

In addition, the Company's assets are assessed for recoverability on a regular basis and provision is made where appropriate. The Directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

Turnover

Income derives from financial assets that are classified as loans and receivables (including finance lease receivables) and is determined using the effective interest method. Effective interest when applied against a financial asset, is a method of calculating the amortised cost of a financial asset and allocating the interest income over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instruments initial carrying value.

Operating leases

Operating lease rentals are charged to profit or loss on a straight line basis over the lease term.

Tax

Tax for the period comprises current tax and deferred tax. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income. The Company is a subsidiary of a larger group of companies and may utilise group tax loss provisions to reduce its taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided to allocate the cost of the assets less their estimated residual values, over their expected useful economic life using a straight line basis as follows:

Asset class	Depreciation method and rate
Furniture, fittings and equipment	20% to 33.33%

Retirement benefits

The Company pays contributions to other publicly or privately administered defined contribution pension insurance plans on a contractual basis. The amounts that become payable during the financial year are recognised in profit or loss. Differences between contributions payable during the financial year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial Instruments

The Company has considered the provisions of FRS 102 Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' when recognising its financial instruments.

Classification

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds basic financial instruments only, which comprise cash and cash equivalents, trade and other debtors, and trade and other creditors.

Financial asset and liability debt instruments are classified as basic financial instruments where they meet all of the following conditions:

(A) Returns to the holder are (i) a fixed amount, or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive;

(B) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods;

(C) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect: (i) the holder against the credit deterioration of the issuer, or a change in control of the issuer; or (ii) the holder or issuer against changes in relevant taxation or law; and

(D) There are no conditional returns or repayment provisions except for the variable rate return described in (A) and prepayment provisions described in (C).

Recognition and measurement

Financial assets, classified as basic financial instruments are cash and cash equivalents and trade and other debtors. Financial liabilities, classified as basic financial instruments are trade and other creditors, including loans and borrowings.

All specific recognition and measurement policies of each component are presented in the individual policies below.

Equity instruments are classified in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Impairment of financial assets

The Company assesses whether there is objective evidence that any trade or other debtor may be impaired. A provision for impairment is established when the objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtor. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Trade debtors

The Company recognises assets held under lessor finance leases as a financial asset, presenting them as receivables at an amount equal to the net investment in the lease. The net investment in a lease is the Company's gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of (i) the minimum lease payments receivable under a finance lease, and (ii) any unguaranteed residual value accruing.

Cash at bank and in hand

Cash and cash equivalents comprise cash at bank and in hand.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and any amount due on redemption being recognised as a charge in profit or loss over the period of the relevant borrowing. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Critical accounting policies where judgement and estimated may be applied

The critical influences that the Directors have shown in the process of applying the Company's accounting policies is within the impairment of financial assets and amortisation of commissions payable to third parties where they relate to loan origination.

Receivables are written off when there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired balances to their expected realisable values. Additional provisions are made for losses not specifically identified based on past experience, knowledge of the Group's exposure and other relevant factors. Commissions payable to third parties where they relate to loan origination are amortised over the life of the agreement.

Transaction costs relating to lease assets (judgement)

The net investment in the Company's finance leases includes initial direct costs which are incremental to the origination of the finance leases. These costs, which also include an element of internal staff costs, are amortised over the life of the finance lease receivable. There is particular complexity and judgement around determining which costs are directly attributable to the origination of a financial asset, in particular the amount of internal staff costs that are directly attributable to the origination of assets. The Company currently capitalises a significant element of staff costs as they believe these represent costs that are incremental and directly attributable to the negotiating and arranging of leases. At the balance sheet date, the other debtors balance includes internal costs of £2.8m (2019: £3.1m) which are deferred for amortisation over the term of the leases, which typically extend up to five years. During the year £1.4m (2019: £1.2m) of costs were capitalised. If the group had reduced the amount of internal staff costs capitalised by 10% this would decrease the cumulative asset recognised by £0.3m (2019: £0.3m).

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Revenue

The analysis of the company's revenue for the year by geographical market is as follows:

	2020	2019
	£	£
United Kingdom	<u>8,183,130</u>	<u>9,406,939</u>

4 Operating profit

Arrived at after charging:

	2020	2019
	£	£
Depreciation of tangible fixed assets	3,299	33,206
Impairment of financial assets	1,063,914	1,017,532
Operating lease expense	70,793	71,182
Auditor remuneration for audit services provided	<u>19,260</u>	<u>20,000</u>

5 Other interest receivable and similar income

	2020	2019
	£	£
Interest from group undertakings	<u>190,981</u>	<u>208,462</u>

6 Interest payable and similar charges

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	<u>1,513,967</u>	<u>1,962,493</u>

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Directors' remuneration

The Director's of the Company are paid by Bibby Financial Services Limited and are not recharged.

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	1,875,007	1,914,701
Social security costs	179,216	220,441
Pension costs, defined contribution scheme	65,493	87,699
	<u>2,119,716</u>	<u>2,222,841</u>

The average number of persons employed by the Company during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Administration and support	<u>34</u>	<u>36</u>

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Taxation

Tax charged/(credited) in profit and loss:

	2020 £	2019 £
Deferred taxation		
Arising from origination and reversal of timing differences	-	(5,645)
Arising from changes in tax rates and laws	(24,423)	11,879
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	(11,526)
	(24,423)	(11,526)
Total deferred taxation	(24,423)	(5,292)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%). The differences are reconciled below:

	2020 £	2019 £
Profit before tax	1,844,063	2,870,705
Corporation tax at standard rate	350,372	545,434
Claims to United Kingdom group loss relief from other subsidiary companies controlled by the ultimate parent undertaking	(350,372)	(551,079)
UK deferred tax credit relating to changes in tax rates or laws	(24,423)	11,879
Deferred tax expense credit from unrecognised temporary difference from a prior period	-	(11,526)
	(24,423)	(5,292)
Total tax credit for the year	(24,423)	(5,292)

Deferred tax

Deferred tax assets

	2020 £	2019 £
Depreciation in excess of capital allowances	232,018	207,595

Factors that may affect future tax charges:

The Company is profit making and is currently utilising losses controlled by its ultimate parent undertaking to reduce its taxable income, as well as optimising tax depreciation strategy to absorb these losses. It is expected that deferred tax assets will be realised between 2021 and 2023 as losses become fully utilised.

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Tangible assets

	Furniture, fittings and equipment £
Cost	
At 1 January 2020	<u>529,650</u>
At 31 December 2020	<u>529,650</u>
Depreciation	
At 1 January 2020	525,363
Charge for the year	<u>3,299</u>
At 31 December 2020	<u>528,662</u>
Carrying amount	
At 31 December 2020	<u>988</u>
At 31 December 2019	<u>4,287</u>

11 Debtors

	2020 £	2019 £
Net Investment in finance leases	33,897,863	39,981,784
Amounts owed by group undertakings	2,907,865	5,527,360
Other debtors	4,973,792	6,580,518
Deferred tax assets	<u>232,018</u>	<u>207,595</u>
	42,011,538	52,297,257
Amounts due in greater than one year	<u>16,821,451</u>	<u>23,485,000</u>
Total debtors	<u>58,832,989</u>	<u>75,782,257</u>

12 Cash at bank and in hand

	2020 £	2019 £
Cash at bank	<u>60,270</u>	<u>41,702</u>

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Creditors

	2020	2019
	£	£
Due within one year		
Loans and borrowings	15,783,236	20,305,947
Social security and other taxes	1,116,419	418,006
Accrued expenses	<u>2,887,592</u>	<u>2,297,463</u>
	<u>19,787,247</u>	<u>23,021,416</u>
Due after one year		
Loans and borrowings	<u>12,319,680</u>	<u>23,387,996</u>

The Company has block revolving credit facilities carrying variable interest rates above interbank rates. The facilities are secured against client receivables and underlying physical assets provided in those receivables, as well as floating charges over the remaining assets of the company and parental guarantee.

Amounts reported in creditors at the balance sheet date are repayable (2020: £15,783,235, £9,315,762 and £3,003,919) in less than 1 year, in between 1 -2 years, and between 2 -5 years respectively (2019: £20,305,947, £13,899,844 and £9,488,152).

14 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>

Bibby Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Obligations under leases

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	50,407	63,831
Later than one year and not later than five years	43,631	67,833
	<u>94,038</u>	<u>131,664</u>

16 Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33 'Related Party Disclosures' from disclosing transactions with other wholly owned members of the group controlled by the parent undertaking.