Registration number: 00584342

Bibby Factors Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2019

Bibby Factors Limited

Contents

Bibby Factors Limited

Company Information

Directors	David John Postings
	Edward James Winterton
	Ian Stuart Ramsden
	Ian Downing
	Theovinder Singh Chatha
Company secretary	Bibby Bros. & Co. (Management) Limited
Registered office	3rd Floor Walker House Exchange Flags Liverpool L2 3YL

Bibby Factors Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Liquidity risk:
The Company securitises its debts by selling debts assigned to an issuing party, who using the invoices as security, borrows funds from third party investors, by issuing variable funding notes to those investors. Securitisation is facilitated through a parent company master seller and resulting funding provided to the Company is reported in the financial statements within amounts owed to group undertakings.

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.

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. The Group maintains undrawn facilities on the existing loan book to ensure there is adequate capital in addition to earnings which increase funds available to the Company.

Approved by the Board on 30 June 2020 and signed on its behalf by:

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

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

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.

Political uncertainty during the transition period for the UK to leave the European Union may impact wider business confidence, and the recent COVID-19 pandemic that has spread across the world has naturally affected the business and all of its stakeholders. This has increased uncertainty, resulted in a down turn in the economy and will lead to almost certain global recession. While it remains too early to know the full impact of Covid-19 on the markets in which we operate, we remain confident in our business model and strong experience of our colleagues to respond well to the challenges and opportunities that may arise. Operational resilience has allowed us 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. Turnover has fallen on a like-for-like basis in the first 5 months of trading in 2020. We continue to maintain a good capital and funding position which will provide protection against any adverse conditions. We continue to take a considered approach managing the impact of Covid-19 on the business and its key stakeholders, including continually scenario planning and stress testing its financial position to ensure we remain well positioned as the situation evolves.

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 advances 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 an advance made by the Company against debts assigned to it. The Company is provided with appropriate levels of credit discretion. Credit exposures above these levels set are only approved by Senior Group Underwriters, Group Regional CEO 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.

Credit exposures are monitored against limits and client facility limits are in place for all facilities. Credit policies are in place to avoid unacceptable client credit risk.

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Bibby Factors Limited

Directors' Report for the Year Ended 31 December 2019

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

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

David John Postings

Edward James Winterton

Ian Stuart Ramsden

Ian Downing

Theovinder Singh Chatha (appointed 23 September 2019)

Steven Vears Robinson (resigned 22 August 2019)

Stephen George Rose (resigned 23 September 2019)

Director's 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.

Dividends
The directors recommend a final dividend payment of £6,200,000 be made in respect of the financial year ended 31 December 2019. This dividend has not been recognised as a liability in 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. Details of strategic post balance sheet events are contained in the Strategic Report.

Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies statement in the Notes to the Financial Statements.

Approved by the Board on 30 June 2020 and signed on its behalf by:

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

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

Bibby Factors 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). 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 has 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 Factors Limited

Statement of Income and Retained Earnings for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	14,465,001	13,126,594
Cost of sales		(5,916,855)	(5,572,317)
Operating profit	4	8,548,146	7,554,277
Interest payable and similar charges	6	(1,792,709)	(1,823,960)
Profit before tax		6,755,437	5,730,317
Taxation	7	-	-
Profit for the financial year		6,755,437	5,730,317
Retained earnings brought forward		9,827,138	4,096,821
Dividends paid		(10,176,000)	-
Retained earnings carried forward		6,406,575	9,827,138

The notes on pages 9 to 18 form an integral part of these financial statements.

Bibby Factors Limited

(Registration number: 00584342)
Balance Sheet as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	8	-	3,782
Current assets			
Debtors	9	96,976,495	92,641,406
Cash at bank and in hand	10	87,379	145,249
		97,063,874	92,786,655
Creditors: Amounts falling due within one year	11	(90,307,299)	(82,613,299)
Net current assets		6,756,575	10,173,356
Net assets		6,756,575	10,177,138
Capital and reserves			
Called up share capital	12	350,000	350,000
Retained earnings		6,406,575	9,827,138
Shareholders' funds		6,756,575	10,177,138

For the financial year ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved and authorised by the Board on 30 June 2020 and signed on its behalf by:

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Ian Downing

Director

The notes on pages 9 to 18 form an integral part of these financial statements.

1 General information

Bibby Factors Limited is a private company limited by shares and incorporated in the United Kingdom. The address of its registered office and principal place of business is 3rd floor Walker House, Liverpool, L2 3YL.

The Company is a wholly owned subsidiary of Bibby Invoice Finance Limited. Bibby Invoice Finance Limited is the parent undertaking of the smallest group which consolidates these financial statements for which the company is a member. Bibby Line Group Limited is the parent undertaking of the largest group which consolidates these financial statements for which the Company is a member.

The ultimate controlling party is disclosed in the financial statements of Bibby Line Group Limited. Copies of all financial statements can be obtained from Bibby Line Group Limited, 3rd Floor Walker House, Liverpool L2 3YL.

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, and as such the company financial statements have been prepared in this currency.

Summary of disclosure exemptions
The Company has chosen to take advantage of the disclosure exemptions in FRS 102 Section 1.12 to not prepare a statement of cashflows as would be required by Section 7 'Statement of Cash flows', from not disclosing information about the nature of its financial instruments as would be required in Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues', and from not disclosing key management personnel compensation as would be required in Section 33 'Related Party Transactions'.

2 Accounting policies (continued)

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 in 2020. 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. 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.

Revenue recognition
Turnover represents service, discount and other charges to client, net of value added tax.

Service and other income is measured at the fair value of consideration received or receivable and is recognised when services are delivered, and when it is probable that future economic benefits will flow to the entity.

Discount income on financial assets that are classified as loans and receivables within trade debtors is determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating 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 amount.

Foreign currency transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date the transaction took place. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the closing rate at the reporting date and any exchange difference is included in profit or loss.

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.

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.

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:

2 Accounting policies (continued)

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

Financial instruments

The Company has chosen to apply the provisions of FRS 102 Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' in full.

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.

Impairment
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.

2 Accounting policies (continued)

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

Trade debtors
Trade debtors represent cash advances made to clients under factoring agreements, net of impairment provisions. Under factoring agreements invoice receivables are assigned to the Company as security for the cash advance.

When invoice receivables are assigned, the Company obtains full ownership rights of the invoice. The full economic reward and risk associated with that invoice receivable is retained by the client, unless that client has purchased a Bad Debt Protection policy from the Company, under which the Company has no further recourse to the Client in the event of credit default.

Where there is no credit default recourse available to the Company, the economic reward and risk associated with the invoice receivable transfers to the Company. Trade debtors reflect the gross value of the invoice receivable. Correspondingly, creditors included deferred assignment consideration owed to the client.

Where there is credit default recourse available to the Company, the economic reward and risk associated with the invoice receivables remains with the client. Trade debtors reflect cash advances made to the client against the invoice receivable, with the invoice receivable acting as security to that advance. Deferred assignment consideration owed to the client is therefore netted off the invoice receivable in the presentation of the net client advance within debtors.

Trade creditors
Trade creditors are recourse debt deferred assignment consideration owed to factoring clients, and 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 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.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost.

Borrowings
The Company securitises its debts by selling debts assigned to an issuing party, who using the invoices as security, borrows funds from third party investors, by issuing variable funding notes to those investors.

Under securitisation, in economic substance the trade debtors accounting policy is unchanged. Although debts are assigned to the issuing party to enable funding, the company retains the economic reward and risk of the debtor. With debtors remaining recognised, securitisation funding is reported as a loan. Securitisation is facilitated through a parent company master seller and resulting funding provided to the Company is reported within amounts owed to group undertakings.

Associated 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.

2 Accounting policies (continued)

Retirement benefits
The Company is a member of the Bibby Line Group Limited Defined Benefit Pension Scheme. The scheme was closed to new entrants from 1 April 2000 and closed to future accruals for existing members from 30 September 2011. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As a result, the Company accounts for the scheme as if it were defined contribution.

The Company pays contributions to other publicly or privately administered defined contribution pension insurance plans on a contractual basis.

Under all pension schemes accounted for as defined contribution 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.

Critical accounting policies were judgement and estimation may be applied
In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The critical influence that the Directors have shown in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in financial statements is within the impairment of financial assets. In considering indications of impairment the Directors consider a number of qualitative and quantitative factors including but not limited to: client advance ratios; client recourse arrangements; receivables lending verification coverage; ordinary client commercial variation risk impacting on receivables measurement; valuation of client security; general debtor days, and other market led intelligence.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
United Kingdom	14,465,001	13,126,594

4 Operating profit

Arrived at after charging

	2019 £	2018 £
Depreciation of tangible fixed assets	3,782	2,226
Impairment of financial assets	942,770	402,185
Operating lease expense	37,679	43,023

5 Staff costs

The average number of persons employed by the company analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	51	53

The aggregate payroll costs were as follows

	2019 £	2018 £
Wages and salaries	1,651,276	1,594,865
Social security costs	165,794	151,559
Pension costs	55,309	44,245
	1,872,379	1,790,669

Remuneration to directors for services provided to the company is payable by other group undertakings.

6 Interest payable and similar charges

	2019 £	2018 £
Interest payable to group undertakings	1,792,709	1,823,960

7 Taxation

Tax charged

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	6,755,437	5,730,317
Corporation tax at standard rate	1,283,533	1,088,760
Claims to United Kingdom group loss relief surrendered by other subsidiaries controlled by the ultimate parent undertaking	(1,283,533)	(1,088,760)
Total tax charge/(credit) for the year	-	-

8 Tangible assets

	Furniture, fittings and equipment £
Cost	
At 1 January 2019 and 31 December 2019	449,781
Depreciation	
At 1 January 2019	445,999
Charge for the year	3,782
At 31 December 2019	449,781
Carrying amount	
At 31 December 2019	-
At 31 December 2018	3,782

9 Debtors

	2019 £	2018 £
Trade debtors	96,869,967	92,525,363
Other debtors	106,528	116,043
	96,976,495	92,641,406

	2019 £	2018 £
Assigned debts receivable	149,046,335	151,343,187
Less deferred assignment consideration owed to factoring clients where there is a full right of recourse	(52,176,368)	(58,817,824)
Total trade debtors	96,869,967	92,525,363
Less deferred assignment consideration owed to factoring clients where there is no right of recourse (included within trade creditors)	(56,541,531)	(45,908,771)
Net cash advances made to clients in respect of assigned debts acquired as security	40,328,436	46,616,592

10 Cash at bank and in hand

	2019 £	2018 £
Cash at bank	87,379	145,249

11 Creditors

	2019 £	2018 £
Due within one year		
Bank overdrafts	271,790	656,295
Trade creditors	56,574,048	45,925,108
Amounts due to group undertakings	32,933,609	35,273,241
Social security and other taxes	399,884	436,959
Accrued expenses	127,968	321,696
	90,307,299	82,613,299

The Company is party to a composite Group accounting structure agreement with one of their bankers. The agreement treats all bank accounts included in the agreement as one account. Positive cash balances are reported within cash and negative balances are reported within creditors, in the balance sheet.

12 Called up share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	**£**	**No.**	**£**
Ordinary shares of £1 each	350,000	350,000	350,000	350,000

13 Dividends

	2019 £	2018 £
Dividend paid to parent undertaking	10,176,000	-

14 Pension and other schemes

Bibby Line Group defined benefit pension scheme

The Company is a member of the Bibby Line Group Limited Defined Benefit Pension Scheme. The principal employer of the Scheme, has recognised the full deficit in the Scheme and makes contributions in line with a schedule of contributions agreed with the Trustees of the pension scheme.

A Scheme deficit of £4,767,000 (2018: £3,215,000) is noted in the financial statements of the principal employer, Bibby Line Group Limited. In being unable to identify its share of the underlying assets and liabilities of the scheme, the Company accounts for the scheme as if it were defined contribution, however the scheme was closed to new entrants in April 2000 and closed to future accrual for existing members in September 2011.

Defined contribution pension scheme

The pension charge for the year represents contributions payable to publicly or privately administered defined contribution pension plans and amounts to £55,309 (2018 - £44,245).

15 Obligations under leases

Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	21,140	26,254
Later than one year and not later than five years	19,707	19,558
	40,847	45,812

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.

17 Non adjusting events after the financial period

On 11 March 2020, the World Health Organisation declared the Coronavirus (Covid-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. For the year ended 31 December 2019, the Coronavirus outbreak and the related impacts are considered non-adjusting events with no impact on asset and liability measurements included in the financial statements. Like-for-like sales volumes have fallen in the first 5 months of 2020, directly as a result of UK lockdown and its impact on economic activity.