

Company Registration No. 05649414 (England and Wales)

Compass Business Finance Limited
Unaudited Financial Statements
For The Year Ended 31 December 2020

COMPASS BUSINESS FINANCE LIMITED

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COMPASS BUSINESS FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	4		63,774		53,274
Current assets					
Debtors falling due after more than one year	5	23,943,524		9,230,167	
Debtors falling due within one year	5	10,570,107		8,834,817	
Cash at bank and in hand		63		220,349	
		<u>34,513,694</u>		<u>18,285,333</u>	
Creditors: amounts falling due within one year	7	<u>(12,082,037)</u>		<u>(8,499,608)</u>	
Net current assets			22,431,657		9,785,725
Total assets less current liabilities			<u>22,495,431</u>		<u>9,838,999</u>
Creditors: amounts falling due after more than one year	8		(18,577,148)		(7,333,163)
Provisions for liabilities			<u>(52,000)</u>		<u>(17,000)</u>
Net assets			<u>3,866,283</u>		<u>2,488,836</u>
Capital and reserves					
Called up share capital			9,999		9,999
Profit and loss reserves			<u>3,856,284</u>		<u>2,478,837</u>
Total equity			<u>3,866,283</u>		<u>2,488,836</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

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

COMPASS BUSINESS FINANCE LIMITED

BALANCE SHEET (CONTINUED) AS AT 31 DECEMBER 2020

The financial statements were approved by the board of directors and authorised for issue on 15 September 2021 and are signed on its behalf by:

Mr M D Nelson
Director

Mr J D Nelson
Director

Company Registration No. 05649414

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Compass Business Finance Limited is a private company limited by shares incorporated in England and Wales. The registered office is Compass House, Medway Wharf Road, Tonbridge, TN9 1GH.

1.1 Accounting convention

These financial statements have been prepared in accordance with "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 £1.

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

The ultimate parent company is CBF Holdings Limited. The registered office of CBF Holdings Limited is Great Hollenden Business Centre, Mill Lane, Underriver, Sevenoaks, TN15 0SQ. The company and its parent company comprise a small group and as such are exempt from preparing group accounts.

1.2 Going concern

The directors have considered all factors, including the conditions created by the Covid-19 outbreak, as part of their assessment of going concern. Although the current economic climate creates both cashflow and profitability risks for the company, the directors believe on balance that they have sufficient resources to enable trading to continue for a period of at least one year from the date of approval of the financial statements. Accordingly, these financial statements have been prepared on the going concern basis.

1.3 Turnover

Turnover represents amounts receivable for commissions and operating lease rentals net of VAT and trade discounts. In addition, turnover includes finance funding interest which is accounted for on an accruals basis.

Finance leases and instalment credit agreements

Income from assets leased to customers and from instalment credit agreements is determined by spreading interest and charges over the period of repayment in proportion to the net cash investment. Amounts due from customers under finance leases and instalment credit agreements are included in debtors.

Operating lease assets

Operating lease rental income is recognised on a straight line basis over the term of the related hire agreement.

Other income

Fees and commission income are recognised on an accruals basis and are stated net of VAT where applicable.

1.4 Tangible fixed assets

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

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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:

Operating lease assets	Straight line over period of lease
Fixtures, fittings and equipment	25% straight line

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).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 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.

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.

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, block discount financing agreements and loans from fellow group companies, 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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.

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.

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 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.

1.11 Retirement benefits

The company contributes to individuals personal pension funds. The pension cost charge represents contributions payable by the company to these funds

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Accrual for clawbacks

The company receives commission when clients are introduced to the ultimate funder. However, where the client withdraws from the deal within a set period the funder can claw back some of the commission already paid. This is an area of estimation whereby the directors use their knowledge and experience to estimate the amount of commission that will be clawed back as at the year end.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Total	14	12

4 Tangible fixed assets

	Operating lease assets	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2020	150,792	12,124	162,916
Additions	-	49,730	49,730
Disposals	(23,000)	-	(23,000)
At 31 December 2020	127,792	61,854	189,646
Depreciation and impairment			
At 1 January 2020	104,101	5,541	109,642
Depreciation charged in the year	22,218	11,645	33,863
Eliminated in respect of disposals	(17,633)	-	(17,633)
At 31 December 2020	108,686	17,186	125,872
Carrying amount			
At 31 December 2020	19,106	44,668	63,774
At 31 December 2019	46,691	6,583	53,274

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	153,673	228,706
Amounts owed by group undertakings	390	-
Other debtors	10,416,044	8,606,111
	<u>10,570,107</u>	<u>8,834,817</u>
	2020	2019
	£	£
Amounts falling due after more than one year:		
Other debtors	23,943,524	9,230,167
	<u>23,943,524</u>	<u>9,230,167</u>
Total debtors	<u>34,513,631</u>	<u>18,064,984</u>

Other debtors include finance lease receivables which are more fully disclosed in note 6.

6 Finance lease receivables

	2020	2019
	£	£
Gross amounts receivable under finance leases:		
Within one year	13,387,427	9,672,322
In two to five years	28,353,561	11,436,118
	<u>41,740,988</u>	<u>21,108,440</u>
Unearned finance income	(8,003,819)	(3,543,040)
	<u>33,737,169</u>	<u>17,565,400</u>
Present value of minimum lease payments receivable		
	<u>33,737,169</u>	<u>17,565,400</u>
The present value is receivable as follows:		
Within one year	9,793,645	8,335,233
In two to five years	23,943,524	9,230,167
	<u>33,737,169</u>	<u>17,565,400</u>

COMPASS BUSINESS FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans and overdrafts	69,440	-
Trade creditors	831,859	422,405
Amounts owed to group undertakings	-	9,550
Taxation and social security	752,033	427,600
Other creditors	10,428,705	7,640,053
	<u>12,082,037</u>	<u>8,499,608</u>

Other creditors includes block discount financing agreements of £8,609,640 (2019 - £6,305,045), which are secured by fixed charges over the underlying finance agreements.

Other creditors also includes a finance lease of £11,187 (2019 - £nil) which is secured against certain tangible assets of the company.

8 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Other creditors	<u>18,577,148</u>	<u>7,333,163</u>

Other creditors includes block discount financing agreements of £17,144,963 (2019 - £7,327,314), which are secured by fixed charges over the underlying finance agreements.

Other creditors also includes a finance lease of £31,296 (2019: £nil) which is secured against certain tangible assets of the company.

9 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:

	2020 £	2019 £
	<u>675,000</u>	<u>22,000</u>

10 Parent company

The company is a wholly owned subsidiary of CBF Holdings Limited, a company registered in England and Wales, which is the immediate and ultimate parent undertaking. CBF Holdings Limited is not required to prepare group accounts.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.