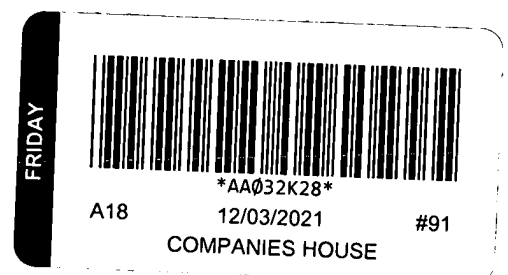


Company Registration No. 05414774 (England and Wales)

CF CORPORATE FINANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



CF CORPORATE FINANCE LIMITED

COMPANY INFORMATION

Directors

I R Wohlman
A Hart
J Collins
S P Budd

(Appointed 11 September 2019)

Secretary

C Law

Company number

05414774

Registered office

Reading International Business Park
Reading
RG2 6AA

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

CF CORPORATE FINANCE LIMITED

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CF CORPORATE FINANCE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Review of the business

The company is engaged primarily in the leasing of equipment. The company's key financial information during the year was as follows:

	2020 £'000	2019 £'000	Change %
Gross lease and loan sales	102,135	94,972	8
Finance lease receivables	205,686	183,099	12
Turnover	26,536	26,035	2
Net leasing profit	4,537	6,219	(27)
Profit after tax	2,612	3,600	(27)

The main area of business has continued to be that of equipment dealer introduced leases. New business volumes increased during the year from £95m in 31 March 2019 to £102m in the year ended 31 March 2020, an increase of 8%. This results in the size of the portfolio increasing during the year by 12% from £183m to £206m.

In May 2017 the company entered into a securitisation funding arrangement with Temese Funding 2 plc for £86m. The lease receivables used within this transaction have not been derecognised within the financial statements and the funding is being held as a collateralised loan from Temese Funding 2 plc.

The company has operated a defined impairment policy during the year based on a forward looking 12 months expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses. Further detail can be found in accounting policies on page 14.

Profit after tax decreased by 27% over the previous year.

The directors have considered the impact of COVID-19 and the impact of holiday payments provided to customers on liquidity and have included a COVID-19 related provision overlay within the expected credit losses to capture the risks not yet identified in the IFRS 9 models.

Environment

The company is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice amongst its employees and within the communities in which it operates

On behalf of the board



.....
A Hart
Director
15 December 2020
.....

CF CORPORATE FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the company continued to be that of leasing equipment.

Results and dividends

The results for the year are set out on page 7.

During the year dividends of £3.0m were paid (2019: nil). The company has not proposed any final dividend.

Directors

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

M R Francis	(Resigned 15 October 2020)
I R Wohlman	
A Hart	
J Collins	
C Meyer	(Appointed 11 September 2019 and resigned 29 September 2020)
S P Budd	(Appointed 11 September 2019)

No director holding office at 31 March 2020 had any direct beneficial interest in the shares of the company during the year.

Directors' insurance

The company maintains a Directors' and Officers' Liability Insurance Policy. In accordance with the company's Articles of Association, the board may also indemnify a director from the assets of the company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the company provide cover for fraudulent or dishonest actions by the directors. However, costs may be advanced to directors for their defence in investigations or legal actions.

Future developments

The directors believe the outlook for the company remains positive even noting the potential impact of COVID-19 on the wider UK economy. It is planned to seek growth in the book, primarily through organic growth, geographical and product diversification.

Auditor

The auditor, Ernst & Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

CF CORPORATE FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 then 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.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

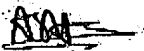
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going Concern

The directors have considered the impact of COVID-19 on the company including the impact of providing holiday payments to customers and the liquidity impact this could have and have concluded that there is no significant impact on the company.

On behalf of the board



.....
A Hart
Director

Date: 15 December 2020.....

CF CORPORATE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CF CORPORATE FINANCE LIMITED

Opinion

We have audited the financial statements of CF Corporate Finance Ltd for the year ended 31 March 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes 1 to 18 of 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 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

CF CORPORATE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CF CORPORATE FINANCE LIMITED

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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

CF CORPORATE FINANCE LIMITED

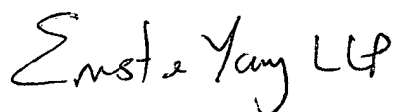
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CF CORPORATE FINANCE LIMITED

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

Use of our report

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



James Billingham (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 December 2020

CF CORPORATE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Revenue	3	26,536	26,035
Cost of sales		(21,999)	(19,816)
Gross profit		<u>4,537</u>	<u>6,219</u>
Administrative expenses		(1,782)	(1,841)
Operating profit		<u>2,755</u>	<u>4,378</u>
Tax on profit on ordinary activities	7	(337)	(778)
Profit for the financial year		<u><u>2,418</u></u>	<u><u>3,600</u></u>

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

CF CORPORATE FINANCE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Non current assets			
Financial instruments	16	15,604	19,505
Finance lease receivables due after one year	9	133,518	120,914
Debtors falling due after one year	10	56,372	78,730
		<hr/>	<hr/>
		205,494	219,149
		<hr/>	<hr/>
Current assets			
Finance lease receivables	9	67,451	62,185
Deferred tax asset	13	3,600	2,083
Other debtors	10	11,855	8,505
Cash at bank and in hand		14,908	18,252
		<hr/>	<hr/>
		97,814	91,025
		<hr/>	<hr/>
Creditors: amounts falling due within one year			
Loans and overdrafts	11	79,842	71,354
Trade creditors and other payables	12	33,500	40,446
Taxation and social security		1,363	1,235
Deferred income		3,879	3,675
		<hr/>	<hr/>
		118,584	116,710
		<hr/>	<hr/>
Net current liabilities		(20,770)	(25,685)
		<hr/>	<hr/>
Total assets less current liabilities		184,724	193,464
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year			
Loans and overdrafts	11	138,407	131,722
Creditors	12	29,572	44,415
		<hr/>	<hr/>
		167,979	176,137
		<hr/>	<hr/>

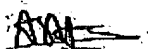
CF CORPORATE FINANCE LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2020

Net assets		16,745	17,327
		<u> </u>	<u> </u>
Capital and reserves			
Called up share capital	14	-	-
Share premium account		636	636
Retained earnings		16,109	16,691
		<u> </u>	<u> </u>
Total equity		16,745	17,327
		<u> </u>	<u> </u>

The financial statements were approved by the Board of directors and authorised for issue on 15 December 2020
Signed on its behalf by:



.....
A Hart
Director

Company Registration No. 05414774

CF CORPORATE FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	-	636	14,443	15,079
Profit for the year	-	-	3,600	3,600
IFRS9 opening provision adjustment	-	-	(1,352)	(1,352)
Total comprehensive income for the year	-	-	3,600	3,600
Balance at 31 March 2019	-	636	16,691	17,327
Profit for the year	-	-	2,418	2,418
Total comprehensive income for the year	-	-	2,418	2,418
Dividends	-	-	(3,000)	(3,000)
Balance at 31 March 2020	-	636	16,109	16,745

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

CF Corporate Finance Limited is a private company limited by shares incorporated in England and Wales. The registered office is Reading International Business Park, Reading, Berkshire, RG2 6AA. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 £'000.

The company has taken advantage of the following disclosure exemptions under FRS 101 where applicable to the company.

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130 (f) (ii) and 130 (f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;

Where required, equivalent disclosures are given in the group accounts of Investec plc. The group accounts of Investec plc are available to the public and can be obtained as set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

CF Corporate Finance Limited is a wholly owned subsidiary of Investec Bank plc and the results of CF Corporate Finance Limited are included in the consolidated financial statements of Investec Bank plc which are available from 30 Gresham Street, London, EC2V 7QP.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.2 Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements.

The directors have considered the impact of COVID-19 on the company including the impact of providing holiday payments to customers and the liquidity impact this could have and have included a COVID-19 related provision overlay within the expected credit losses to capture the risks not yet identified in the IFRS9 models.

1.3 Revenue

Revenue is recognised when it can be reliably measured and it is probably that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life.

Other income comprising secondary and extension rentals and other fees charged is accrued as they fall due. Asset insurance income is spread on a straight line basis over the life of the lease to which it relates.

1.4 Cash at bank and in hand

Cash and cash equivalents 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.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.5 Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately.

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation below.

The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI.
- Hold to sell/managed on a fair value basis: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

Impairment of financial assets

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.6 Taxation

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

Current tax

Current tax is provided on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit.
- In respect of temporary timing differences associated with the investments in subsidiaries or interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

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

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.7 Leases

On 1 April 2019 the company adopted IFRS 16 Leases which replaced IAS 17 Leases.

When the company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset.

Equipment on leases

Equipment on leases may be financed either by the company or by a financial institution. Where the leases are financed by a financial institution the company arranges and manages the leases of equipment between the financial institutions and lessees. Leases are accounted for as follows:

Residual values

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions.

Residual values are set at the commencement of the lease based upon managements' expectation of the future sale proceeds. During the course of the lease, residual values are monitored so as to identify any impairment required. The monitoring takes account of the company's past history for residual values and the projections of the likely future market for each group of assets. Any impairment in the residual value of each group of assets is immediately charged to the profit and loss account.

Arranged leases

Arranged leases are leases where the company sells the rental stream of the primary lease period to a financial institution. The company retains its interest in the residual benefits of the leased equipment after the end of the primary lease period. The difference between the proceeds from the sale of the rental stream and the cost of the leased equipment (net of the residual value) is included in turnover.

Finance 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. The difference between the total of the minimum lease payments receivable plus any attributed residual value and the fair value of the equipment on lease at inception represents finance income which is recognised over the period of the lease so as to give a constant rate of return on the investment in the lease.

The investment in finance leases is stated at the total of the minimum lease payments receivable under such leases plus attributed residual values less finance income allocated to future periods, using the actuarial after tax method.

Lease purchase

Lease purchase contracts are leases where the lessee acquires legal title to the equipment at the end of the lease period. These are accounted for in the same way as finance leases.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.8 Securitisation

The company has entered into securitisation funding arrangements utilising certain lease receivables. Under IFRS 9 – Financial Instruments in accordance with the terms of the Lease Receivables Sale Agreement, derecognition of the lease receivables from the financial statements of the company is considered to be inappropriate because the company has retained significant risks and rewards in relation to the leased assets. Where a transfer of a financial asset does not qualify for derecognition, the company holds the amounts due as collateralised non-recourse loans from the securitisation vehicle.

Loans from the securitisation vehicles are classified within Creditors. They are held at amortised cost using the effective interest rate method. The effective interest on the loan from the securitisation vehicle is calculated with reference to the interest earned on the beneficial interest in the respective lease receivables.

2 Key management assumptions

In the preparation of the annual financial statements the company makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows. Assumptions are made around the expected economic life of the asset and therefore the expected cash flows, unexpected market movements resulting in altered consumer behaviour could effect actual outcomes.
- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can be specifically viewed on page 28.
- The determination of ECL against assets that are carried at amortised cost involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios.
- In accordance with IFRS13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore minimal judgement is applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. The key valuation techniques for level 3 financial instruments can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3 Revenue

An analysis of the company's revenue is as follows:

	2020 £'000	2019 £'000
Rentals receivable under finance leases and other finance agreements	86,238	61,834
Capital element	(67,974)	(48,225)
Imputed interest element	18,264	13,609
Other	8,272	12,425
	<u>26,536</u>	<u>26,034</u>

Geographical market

	2020 £'000	2019 £'000
UK	<u>26,536</u>	<u>26,034</u>

Revenue represents amounts, excluding value added tax, receivable for the provision of goods and services. It comprises lease sales, outright sales of equipment, lease rental receivable from leases and lease extensions and fee income from other services.

Interest payable on loan finance is included in the profit and loss account within cost of sales since this interest is in respect of funding the lease portfolio. The interest payable on loan finance amounts to £5,972,897 (2019: £5,525,404) and is wholly payable to Group companies.

4 Directors' emoluments

The directors were employed and remunerated as directors of Investec plc and its subsidiaries (the "Group") in respect of their services to the Group as a whole and their remuneration has been paid by other Group companies. It is estimated that the remuneration for their services to the Company in the year totalled £154,366. (2019: £126,300).

5 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the company's auditor and associates:	10	13
	<u>10</u>	<u>13</u>

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

6 Employees

The company has no employees (2019: None). The administration of the company is carried out by Investec Asset Finance plc.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7 Income tax expense

	2020	2019
	£'000	£'000
Corporation tax		
Current year	1,830	880
Adjustments in respect of prior periods	-	(2,310)
Deferred tax		
Origination and reversal of temporary differences	(1,337)	2,129
Changes in tax rates	(156)	79
Total tax charge	<u>337</u>	<u>778</u>

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2020	2019
	£'000	£'000
Profit before taxation on continued operations	<u>2,755</u>	<u>4,378</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00.00% (2019 - 19.00.00%)	<u>523</u>	<u>832</u>
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	(30)	(24)
Effect of change in UK corporation tax rate	(156)	79
Under/(over) provided in prior years	-	(109)
Total adjustments	<u>(186)</u>	<u>(54)</u>
Tax charge for the year	<u>337</u>	<u>778</u>

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

8 Residual Values

The company's residual value exposure is detailed as follows:

	Finance Leases 2020 £'000	Finance Leases 2019 £'000
Residual value expected to be recovered:		
Within one year	307	49
Between one and two years	997	269
Between two and five years	2,862	1,546
Over five years	-	-
Total exposure	<u>4,166</u>	<u>1,864</u>

9 Finance lease receivables

	2020 £'000	2019 £'000
Minimum finance lease receivables	237,629	215,795
Finance lease income allocated to future periods	(32,297)	(29,572)
Expected credit loss	(4,363)	(3,124)
Finance lease receivables	<u>200,969</u>	<u>183,099</u>

Analysis of finance leases

	2020 £'000	2019 £'000
Current assets	71,814	65,309
Non-current assets	133,518	120,914
Expected credit loss	(4,363)	(3,124)
	<u>200,969</u>	<u>183,099</u>

The cost of assets acquired under finance leases in the year was £102m (2019: £93m).

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10 Debtors

	Due within one year		Due after one year	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	2,636	2,407	-	-
Lease purchase and loan receivables	2,392	2,185	963	918
Amount due from parent undertaking	-	-	55,409	77,812
Expected credit loss	-	(1)	-	-
Prepayments	6,826	3,914	-	-
	<u>11,854</u>	<u>8,505</u>	<u>56,372</u>	<u>78,730</u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

11 Loans and overdrafts

	2020 £'000	2019 £'000
Loans from parent undertaking	218,249	203,076

Analysis of loans and overdrafts

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £'000	2019 £'000
Due within one year liabilities	79,842	71,354
Due after one year liabilities	138,407	131,722
	<u>218,249</u>	<u>203,076</u>
Loan finance- parent company		
Amount falling due within one year	79,842	71,354
Amount falling due between one and two years	59,836	54,815
Amount falling due between two and five years	62,961	57,370
Amount falling over five years	15,610	19,537
	<u>218,249</u>	<u>203,076</u>

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Creditors

	Due within one year		Due after one year	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	8,679	7,159	11	10
Accruals	2,154	3,464	-	-
Other creditors	22,667	29,823	29,561	44,405
	<u>33,500</u>	<u>40,446</u>	<u>29,572</u>	<u>44,415</u>
			2020	2019
			£'000	£'000
Loan finance - securitisation				
Amounts falling due within one year			22,667	29,823
Amounts falling due between one and two years			14,865	21,680
Amounts falling due between two and five years			14,696	22,622
Amounts falling due over five years			-	102
			<u>52,228</u>	<u>74,227</u>

Details of the loan finance from the parent company are set out in the Master Loan Facility Agreement and the Transaction Drawdown Agreement entered into between Investec Bank plc and CF Corporate Finance Limited. Interest is fixed based on internal costs of funding and accrues at an annual rate equivalent to the interest rates specific in the Transaction Drawdown Agreement.

The securitisation loan finance is due to Temese Funding 2 plc and is serviced by the returns generated from the securitised lease receivables. The outstanding balance of loan notes within Temese Funding 2 plc is £15,604,000 (2019:£19,505,000)

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Deferred tax £'000
Deferred tax asset at 1 April 2018	4,023
Deferred tax movements in prior year	
Credit to profit or loss	71
IFRS9 adjustment recognised in equity	302
Effect of change in tax rate - profit or loss	(79)
Prior year movement	(2,203)
Current year movement in reserves	(31)
Deferred tax asset at 1 April 2019	2,083
Deferred tax movements in current year	
Effect of change in tax rate	156
Prior year movement in equity	28
Current year movement in reserves	(3)
Current year movement - profit or loss	1,336
Deferred tax asset at 31 March 2020	3,600

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

	2020 £'000	2019 £'000
Deferred tax assets		
In respect of advanced capital allowances	3,294	1,821
In respect of IFRS9 transitional adjustments	306	262
	3,600	2,083

The Finance Act 2015 reduced the main rate of corporate taxation to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

14 Share capital	2020	2019
	£	£
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Issued and fully paid		
2 Ordinary Shares of £1 each	2	2
	<u> </u>	<u> </u>

15 Events after the reporting date

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard-setting bodies.

The action of various governments and central banks, in particular in the United Kingdom, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict.

Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19.

Some of the markets in which the group operates, in particular the UK, are showing signs of recovery with fewer new COVID-19 cases being reported, lockdown rules beginning to ease and economic activity starting to increase slightly. The Investec group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 15 June 2020, did not identify additional information that requires these judgements and estimates to be updated. The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations. Management performed a detailed assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate. This process included a review of changes in underlying credit risk of loans and advances, evaluating changes in assumptions of fair value calculations, evaluating significant movements on the share price of listed investments and evaluating the level of financial assistance provided to clients compared to the balance sheet date.

Covid-19 has not had, and is not expected to have, any impact on the liquidity of the Investec group which would adversely impact the company.

The company is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or that would require additional disclosures.

CF CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

16 Financial Instruments

As at 31 March 2020, Financial instruments of £15,604,000 (2019: £19,505,000) are held at amortised cost and are collateralised by lease receivables within Temese 2. The fair value hierarchy used was level 3.

Financial instruments with a fair value of £14,830,703 (2019: £18,358,379) were measured using level 3 valuation techniques.

17 Risk management

As a wholly-owned subsidiary of Investec Bank plc, the company falls under Investec Bank plc Risk Appetite Framework which is set out in the Investec Bank plc financial statements, Risk Management and Corporate Governance report.

Credit risk

All leases are with external parties of the company. The company is therefore dependent on the credit worthiness of these parties for repayment of the principal and interest under the leases. All clients are subject to rigorous credit procedures to mitigate any risk.

Residual risk

Residual values are established following an assessment of the expected market value of the equipment at the end of the maturity of the lease based on the value of similar leases at the age that the lease matures. Residual values are assessed on a regular basis and where applicable adjusted to reflect current market values.

Liquidity risk

Groups of leases to clients are matched in terms of maturity and cash flows to loans from Investec Bank Plc to eliminate any liquidity risk.

Foreign currency risk

Where a lease may be in a currency other than sterling, the lease is matched to a loan denominated in the respective currency to ensure the company is not exposed to foreign currency risk.

Interest rate risk

All finance contracts written are at fixed rate, and matched to fixed rate loans with Investec Bank Plc thus ensuring the company is not exposed to interest rate risk. The company also has two floating rate loans based on LIBOR in relation to other activities.

18 Ultimate parent undertaking

The company's ultimate parent and controlling party is Investec plc, a company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec Bank plc at 30 Gresham Street, London, EC2V 7QP.