

eCapital Commercial Finance Holdings UK Limited

Annual Report and Consolidated Financial Statements
for the Period from 27 November 2020 to 31 December 2021

Landmark Audit Limited
Chartered Accountants
Statutory Auditors
Leavesden Park
5 Hercules Way
Watford
Hertfordshire
WD25 7GS

eCapital Commercial Finance Holdings UK Limited

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eCapital Commercial Finance Holdings UK Limited

Company Information

Directors J S McDonald
C Neely

Company secretary Speafi Secretarial Limited

Registered office 1 London Street
Reading
Berkshire
RG1 4PN

Auditors Landmark Audit Limited
Chartered Accountants
Statutory Auditors
Leavesden Park
5 Hercules Way
Watford
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WD25 7GS

eCapital Commercial Finance Holdings UK Limited

Strategic Report for the period from 27 November 2020 to 31 December 2021

The directors present their strategic report for the period from 27 November 2020 to 31 December 2021.

Principal activity

The principal activity of the group is to provide a wide range of invoice finance services to small and medium size businesses.

Fair review of the business

The Directors are pleased to report that there has been another successful period for the group demonstrating strong growth during the period. The business has continued to increase turnover and profit accompanied by an appropriate strengthening of the operation team and systems.

Group mission

The group mission is to build a great group of companies with great people and great results.

Outlook

The impact of the covid 19 pandemic was significant during the first half of the period with the spring and winter lockdowns, where we saw a drop in our core advances to clients of 40% with the consequent impact on the interest margin earned. Core service income remained strong, and we were pleased to see the resilience in the portfolio. The remainder of the period delivered strong demand for our services, with advances growing steadily and exceeding our pre - pandemic business forecast, while increasing our client numbers over the period.

Our business model and portfolios have proved robust through this extraordinary economic event with revenues remaining strong and client and staff retention positive. Key KPI's have remained stable, and we anticipate that business performance will be further positively affected by the revival in the overall economic activity following easing of restrictions globally. That said, the business and its products traditionally perform well through economic cycles, and we remain confident in our business model, and the expertise and experience of our colleagues and teams.

Our relationship with the Natwest Group remains strong. In December 2021 we secured an extension of our syndicated banking facilities with Natwest Group and Lloyds Bank Commercial Finance, raising our facility to £120m. We are optimistic that we will gain a third syndication partner to finalise facilities at £160m to support our 3-period business plan.

In November 2020 eCapital Finance Corp, a leading alternative finance provider based in North America acquired 80% of the controlling shares in the Group. eCapital provide solutions to SME's throughout USA and Canada with in excess of £1bn funds under management. The acquisition will enable the group to deliver on its business plan while building on a suite of speciality lending solutions, utilising propriety, and scalable technology to support the core mission: empower companies by accelerating their access to capital.

The directors feel that the group has strengthened in all aspects during the period including the unbroken stance on building reserves. We remain confident of continued development in the current period.

eCapital Commercial Finance Holdings UK Limited

Strategic Report for the period from 27 November 2020 to 31 December 2021

Principal risks and uncertainties

Land and Buildings

In the opinion of the directors, the market value of land and buildings is not substantially different to the balance sheet value.

Company's policy for payment of creditors

The company pays all invoices in the month they are received unless the supplier offers fixed instalment settlement.

Currency risk

The company operates solely in the UK but has some clients who have foreign currency invoices. The company therefore has a need to have foreign currency bank accounts. The company does not currently hedge such foreign currency cash flows and as a consequence is exposed through fluctuations in foreign exchange rates.

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:

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J S McDonald

Director

eCapital Commercial Finance Holdings UK Limited

Directors' Report for the Period from 27 November 2020 to 31 December 2021

The directors present their report and the for the period from 27 November 2020 to 31 December 2021.

Director of the group

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

J S McDonald

C Neely

Financial instruments

Objectives and policies

Environment

The group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements and new ways of multi-functional working. Employees' performance is aligned to our goals through a performance review process that is carried out with all employees.

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

Credit risk

The group has a strict credit approval policy which is applied to all clients to minimise the risk of bad debts. All clients have a detailed contract to reduce the exposure of the group to credit risk.

Interest rate risk

The group uses financial instruments to facilitate onward lending which are subject to variable interest rates. The group minimises interest rate risk by passing on any increased rate costs to customers in accordance with their factoring agreement.

Statement of directors' responsibilities

The directors acknowledge their responsibilities 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 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.

eCapital Commercial Finance Holdings UK Limited

Directors' Report for the Period from 27 November 2020 to 31 December 2021

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:

.....

J S McDonald

Director

eCapital Commercial Finance Holdings UK Limited

Independent Auditor's Report to the Members of eCapital Commercial Finance Holdings UK Limited

Opinion

We have audited the financial statements of eCapital Commercial Finance Holdings UK Limited (the 'parent company') and its subsidiaries (the 'group') for the period from 27 November 2020 to 31 December 2021, which comprise the Consolidated Profit and Loss Account and Statement of Retained Earnings, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the period 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 responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

eCapital Commercial Finance Holdings UK Limited

Independent Auditor's Report to the Members of eCapital Commercial Finance Holdings UK Limited

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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 statement of directors' responsibilities [set out on page 4], 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

eCapital Commercial Finance Holdings UK Limited

Independent Auditor's Report to the Members of eCapital Commercial Finance Holdings UK Limited

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

eCapital Commercial Finance Holdings UK Limited

Independent Auditor's Report to the Members of eCapital Commercial Finance Holdings UK Limited

Use of our report

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

.....

Philip Cole FCA (Senior Statutory Auditor)

For and on behalf of Landmark Audit Limited

Chartered Accountants

Statutory Auditors

Leavesden Park

5 Hercules Way

Watford

Hertfordshire

WD25 7GS

24 March 2022

eCapital Commercial Finance Holdings UK Limited

Consolidated Profit and Loss Account and Statement of Retained Earnings for the Period from 27 November 2020 to 31 December 2021

	Note	2021 £
Turnover	<u>3</u>	24,784,393
Administrative expenses		(17,086,678)
Other operating income	<u>4</u>	<u>159,469</u>
Operating profit	<u>6</u>	<u>7,857,184</u>
Interest payable and similar charges	<u>7</u>	<u>(5,676,426)</u>
		<u>(5,676,426)</u>
Profit before tax		2,180,758
Taxation	<u>11</u>	<u>(649,360)</u>
Profit for the financial period		<u>1,531,398</u>
Profit/(loss) attributable to:		
Owners of the company		1,225,118
Minority interests		<u>306,280</u>
		1,531,398
Retained earnings brought forward		<u>-</u>
Retained earnings carried forward		<u>1,531,398</u>

eCapital Commercial Finance Holdings UK Limited**(Registration number: 11877547)****Consolidated Balance Sheet as at 31 December 2021**

	Note	2021 £
Fixed assets		
Intangible assets	<u>12</u>	9,360,867
Tangible assets	<u>13</u>	<u>432,818</u>
		<u>9,793,685</u>
Current assets		
Debtors	<u>15</u>	125,914,480
Cash at bank and in hand		<u>573,870</u>
		126,488,350
Creditors: Amounts falling due within one year	<u>17</u>	<u>(103,500,248)</u>
Net current assets		<u>22,988,102</u>
Total assets less current liabilities		32,781,787
Creditors: Amounts falling due after more than one year	<u>17</u>	<u>(29,169,674)</u>
Net assets		<u>3,612,113</u>
Capital and reserves		
Called up share capital	<u>19</u>	1
Profit and loss account		<u>1,225,118</u>
Equity attributable to owners of the company		1,225,119
Minority interests		<u>2,386,994</u>
Shareholders' funds		<u>3,612,113</u>

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:

.....
J S McDonald
Director

eCapital Commercial Finance Holdings UK Limited

(Registration number: 11877547)
Balance Sheet as at 31 December 2021

	Note	2021	
		£	£
Fixed assets			
Investments	<u>14</u>		18,993,082
Current assets			
Debtors	<u>15</u>	10,977,221	
Creditors: Amounts falling due within one year	<u>17</u>	<u>(2,005,523)</u>	
Net current assets			<u>8,971,698</u>
Total assets less current liabilities			27,964,780
Creditors: Amounts falling due after more than one year	<u>17</u>		<u>(29,169,674)</u>
Net liabilities			<u><u>(1,204,894)</u></u>
Capital and reserves			
Called up share capital	<u>19</u>	1	
Profit and loss account		<u>(1,204,895)</u>	
Total equity			<u><u>(1,204,894)</u></u>

The company made a loss after tax for the financial period of £1,204,895 (- loss of £-).

Approved and authorised by the Board on 24 March 2022 and signed on its behalf by:

.....
J S McDonald
Director

eCapital Commercial Finance Holdings UK Limited

Consolidated Statement of Cash Flows for the Period from 27 November 2020 to 31 December 2021

	Note	2021 £
Cash flows from operating activities		
Profit for the period		1,531,398
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	<u>6</u>	1,194,992
Profit on disposal of tangible assets	<u>5</u>	(17,155)
Finance costs	<u>7</u>	5,584,330
Income tax expense	<u>11</u>	<u>649,360</u>
		8,942,925
Working capital adjustments		
Increase in trade debtors	<u>15</u>	(125,914,480)
Increase in trade creditors	<u>17</u>	<u>6,101,964</u>
Cash generated from operations		(110,869,591)
Income taxes paid	<u>11</u>	<u>(800,057)</u>
Net cash flow from operating activities		<u>(111,669,648)</u>
Cash flows from investing activities		
Acquisitions of tangible assets		(516,681)
Proceeds from sale of tangible assets		<u>17,155</u>
Net cash flows from investing activities		<u>(499,526)</u>
Cash flows from financing activities		
Interest paid	<u>7</u>	(5,584,330)
Proceeds from issue of ordinary shares, net of issue costs		172,158
Proceeds from bank borrowing draw downs		97,352,103
Proceeds from other borrowing draw downs		28,221,941
Repayment of other borrowing		<u>(7,326,732)</u>
Net cash flows from financing activities		<u>112,835,140</u>
Net increase in cash and cash equivalents		665,966
Cash and cash equivalents at 27 November		-
Effect of exchange rate fluctuations on cash held		<u>(92,096)</u>
Cash and cash equivalents at 31 December		<u><u>573,870</u></u>

eCapital Commercial Finance Holdings UK Limited

Statement of Cash Flows for the Period from 27 November 2020 to 31 December 2021

	Note	2021 £
Cash flows from operating activities		
Loss for the period		(1,204,895)
Adjustments to cash flows from non-cash items		
Finance income		(1,182,870)
Finance costs		2,609,949
Income tax expense	<u>11</u>	<u>(421,831)</u>
		(199,647)
Working capital adjustments		
Increase in trade debtors	<u>15</u>	(10,555,389)
Increase in trade creditors	<u>17</u>	<u>2,005,523</u>
Net cash flow from operating activities		<u>(8,749,513)</u>
Cash flows from investing activities		
Interest received		1,182,870
Acquisition of subsidiaries	<u>14</u>	<u>(18,993,082)</u>
Net cash flows from investing activities		<u>(17,810,212)</u>
Cash flows from financing activities		
Interest paid		(2,609,949)
Proceeds from other borrowing draw downs		<u>29,169,674</u>
Net cash flows from financing activities		<u>26,559,725</u>
Net increase/(decrease) in cash and cash equivalents		-
Cash and cash equivalents at 27 November		<u>-</u>
Cash and cash equivalents at 31 December		<u><u>-</u></u>

eCapital Commercial Finance Holdings UK Limited

Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

1 London Street
Reading
Berkshire
RG1 4PN
United Kingdom

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentational currency of these accounts is pound sterling. The level of rounding is to the nearest one pound.

eCapital Commercial Finance Holdings UK Limited

Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2021.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and the entity will comply with the conditions attached to them.

eCapital Commercial Finance Holdings UK Limited

Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 group operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	10 to 50 years straight line
Furniture, fittings and equipment	5 years straight line

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

eCapital Commercial Finance Holdings UK Limited

Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

Asset class	Amortisation method and rate
Goodwill	10 years straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group 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 using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

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

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

Dividends

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

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

Recognition and measurement

Basic financial instruments are recognised at amortised cost.

3 Revenue

The analysis of the group's revenue for the period from continuing operations is as follows:

	2021 £
Rendering of services	24,784,393

4 Other operating income

The analysis of the group's other operating income for the period is as follows:

	2021 £
Government grants	159,469

5 Other gains and losses

The analysis of the group's other gains and losses for the period is as follows:

	2021 £
Gain on disposal of property, plant and equipment	17,155

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

6 Operating profit

Arrived at after charging/(crediting)

	2021
	£
Depreciation expense	57,690
Amortisation expense	1,137,302
Profit on disposal of property, plant and equipment	<u>(17,155)</u>

7 Interest payable and similar expenses

	2021
	£
Interest on bank overdrafts and borrowings	1,237,260
Interest expense on other finance liabilities	4,347,070
Foreign exchange gains	<u>92,096</u>
	<u>5,676,426</u>

8 Staff costs

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

	2021
	£
Wages and salaries	6,915,146
Social security costs	766,564
Pension costs, defined contribution scheme	383,761
Other employee expense	<u>350,877</u>
	<u>8,416,348</u>

The average number of persons employed by the group (including directors) during the period, analysed by category was as follows:

	2021
	No.
Administration and support	<u>131</u>
	<u>131</u>

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	2021 £
Remuneration	883,689
Contributions paid to money purchase schemes	58,561
	<u>942,250</u>

10 Auditors' remuneration

	2021 £
Audit of these financial statements	66,500
Other fees to auditors	
Taxation compliance services	4,500
All other assurance services	29,844
	<u>34,344</u>

11 Taxation

Tax charged/(credited) in the income statement

	2021 £
Current taxation	
UK corporation tax	<u>649,360</u>

The tax on profit before tax for the period is the same as the standard rate of corporation tax in the UK of 19%.

The differences are reconciled below:

	2021 £
Profit before tax	<u>2,180,758</u>
Corporation tax at standard rate	414,344
Effect of expense not deductible in determining taxable profit (tax loss)	229,867
Tax increase from effect of capital allowances and depreciation	1,715
Tax increase from changes in pension fund prepayment	3,434
Total tax charge	<u>649,360</u>

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

12 Intangible assets

Group

	Goodwill £	Total £
Cost or valuation		
Additions acquired separately	10,498,169	10,498,169
At 31 December 2021	10,498,169	10,498,169
Amortisation		
Amortisation charge	1,137,302	1,137,302
At 31 December 2021	1,137,302	1,137,302
Carrying amount		
At 31 December 2021	9,360,867	9,360,867

13 Tangible assets

Group

	Land and buildings £	Furniture, fittings and equipment £	Total £
Cost or valuation			
Additions	341,662	175,019	516,681
Disposals	(91,836)	(13,408)	(105,244)
At 31 December 2021	249,826	161,611	411,437
Depreciation			
Charge for the period	19,427	64,436	83,863
Eliminated on disposal	(91,836)	(13,408)	(105,244)
At 31 December 2021	(72,409)	51,028	(21,381)
Carrying amount			
At 31 December 2021	322,235	110,583	432,818

Included within the net book value of land and buildings above is £322,236 in respect of freehold land and buildings.

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

14 Investments

Group

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Proportion of voting rights and shares held 2021
Subsidiary undertakings	
Hamsard 3414 Limited*	80%
Hamsard 3415 Limited	80%
Advantage Commercial Finance Limited	80%
Advantage Commercial Finance (North) Limited	80%

* indicates direct investment of eCapital Finance Corp

Subsidiary undertakings

~~The principal activity of Hamsard 3414 Limited is Holding company~~

~~The principal activity of Hamsard 3415 Limited is Holding company~~

~~The principal activity of Advantage Commercial Finance Limited is Invoice finance services~~

~~The principal activity of Advantage Commercial Finance (North) Limited is Invoice finance services~~

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

Company

	2021 £
Investments in subsidiaries	18,993,082
Subsidiaries	£
Cost or valuation	
Additions	18,993,082
Carrying amount	
At 31 December 2021	18,993,082

15 Debtors

	Group 2021 £	Company 2021 £
Note		
Trade debtors	124,841,200	-
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	10,541,749
Other debtors	7,700	-
Prepayments	1,050,961	435,472
Accrued income	14,619	-
	125,914,480	10,977,221

16 Cash and cash equivalents

	Group 2021 £	Company 2021 £
Cash at bank	573,870	-

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

17 Creditors

		Group	Company
	Note	2021 £	2021 £
Due within one year			
Loans and borrowings	<u>20</u>	97,352,103	-
Trade creditors		139,997	1,530
Social security and other taxes		963,396	-
Accruals		4,998,571	2,003,993
Income tax liability	<u>11</u>	46,181	-
		<u>103,500,248</u>	<u>2,005,523</u>
Due after one year			
Other non-current financial liabilities		<u>29,169,674</u>	<u>29,169,674</u>

Loans and borrowings and other non-current financial liabilities are secured by a fixed and floating charge over all current and future assets of the group.

18 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £383,761.

19 Share capital

Allotted, called up and fully paid shares

	2021	
	No.	£
Ordinary share of £1 each	1	1

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Notes to the Financial Statements for the Period from 27 November 2020 to 31 December 2021

20 Loans and borrowings

	Group	Company
	2021	2021
	£	£
Current loans and borrowings		
Bank borrowings	97,352,103	-

21 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2021
	£
Not later than one year	20,000
Later than one year and not later than five years	16,667
	36,667

The amount of non-cancellable operating lease payments recognised as an expense during the period was £373,350 .

22 Parent and ultimate parent undertaking

The company's immediate parent is eCapital Finance Corp, incorporated in United States of America.

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.