

Financial Statements
for the year ended 31 March 2017



SMBC LEASING & FINANCE UK NO.1 LIMITED

Registered Company Number 5775540

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OFFICERS AND CORPORATE INFORMATION

REGISTERED OFFICE

SMBC Leasing & Finance UK No.1 Limited
99 Queen Victoria Street
London EC4V 4EH

REGISTERED COMPANY NUMBER

5775540 England and Wales

AUDITOR

KPMG LLP
Registered Auditor
15 Canada Square
London E14 5GL

COMPANY SECRETARY

Catherine Wilyman

BOARD OF DIRECTORS

Lee Barnsley
Lawrence Butcher
Nobuhiro Morita
Antony Mitton
Mark Rutherford
David Ward

STRATEGIC REPORT

The Directors present their strategic report for the year ending 31 March 2017.

TRADING UPDATE

The company continued to write a significant volume of new business during the year. The company disposed of all investments during the year (Mithras Leasing (No.2) SARL was liquidated and Mithras Leasing (No.3) Limited was sold). The company experienced no bad debt write-offs (prior year: nil).

Profit Before Tax was £ 1,142,724 (prior year: £ 43,628) and Profit After Tax was £ 993,107 (prior year: £ 34,902). This was in line with the Directors' expectations and reflected the uplift in new business booked during the year.

SIGNIFICANT RISKS

Interest Rates

Recent announcements by the Bank of England suggest that interest rates are expected to remain low for the foreseeable future. The company has taken steps to ensure that a natural hedge exists in relation to all transactions so that exposure to interest rate risk is minimal. The company has no requirement for interest rate swaps due to the existence of these natural hedges.

Exchange Rates

The majority of transactions (by value) are denominated in sterling and are unaffected by exchange rates.

The general outlook for sterling is that the currency is likely to weaken over the next 12 months as the full impact of the Brexit negotiations are felt. The Directors will bear this in mind should the company consider entering into any non-sterling transactions in the next 12 months.

Brexit

On 23rd June 2016, the United Kingdom voted to leave the European Union. Negotiations with the European Union are now underway and are expected to conclude in late 2018 / early 2019. During the discussion and negotiation period, the Directors expect a degree of turmoil in the UK economy.

One of the key negotiation points affecting financial service companies is the existence of passporting rights which enable UK-based lenders to transact with customers within the European Union in free manner. Nearly all of the company's business is transacted within the United Kingdom with UK-based customers. Thus, the Directors do not anticipate the potential loss of passporting rights as having a significant impact on the company's activities.

Notwithstanding the points above, the possibility of an economic slowdown and recession now appears to be more likely as a result of Brexit. This would undoubtedly have an impact on the company, however the Directors have ensured that the business is well-placed to withstand any slowdown by ensuring that the company has a very good baseline revenue stream from its existing lease and loan portfolio.

FUTURE PROSPECTS

The Directors continue to pursue new business opportunities with both existing and new clients. The company is also actively looking at acquisition opportunities. The Directors do not expect to make any changes to the type of business written over the next 12 months.

STRATEGIC REPORT (Continued)

By order of the board on 20 September 2017:

A handwritten signature in black ink, appearing to read 'Lawrence Butcher', is written over a horizontal line.

Lawrence Butcher, Director
SMBC Leasing & Finance UK No.1 Limited
Registered Company Number 5775540

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

The principal activity of the company is the trade of leasing, including the provision of financial facilities (leases and loans) and related services.

BUSINESS REVIEW

The company's performance for the period ended 31 March 2017 showed a Profit Before Tax of £ 1,142,724 (prior year: £ 43,628 Profit Before Tax). During the year the company disposed of its investments in both Mithras Leasing (No.2) SARL (liquidated in December 2016) and Mithras Leasing (No.3) Limited (sold in December 2016). Final dividends totalling £387,849 were received from these two subsidiaries immediately prior to liquidation / sale during December 2016.

FINANCIAL RESULTS

The Profit After Tax for the year was £ 993,107 (prior year: £ 34,902 Profit). As at 31 March 2017 the company held total assets valued at £ 100,669,411 (prior year: £ 12,394,010).

As at 31 March 2017 the company had overall net assets of £ 3,276,415 . This compared to net assets of £ 2,283,308 as at the prior year end.

Total borrowings were £ 95,777,598 as at the year end (prior year: £ 10,076,355). The increase in borrowings during the year was required to finance new transactions.

GOING CONCERN

The company had net current assets of £ 4,574,841 as at the year end (prior year: £ 1,468,560).

As a result, the Directors believe that the preparation of the financial statements on a going concern basis is appropriate.

FINANCIAL INSTRUMENTS

The company's financial risk management objectives and policies, together with the company's exposure to different industries and asset classes, are summarised in Note 16 of these financial statements.

INTEREST RATE RISK

The company is not exposed to interest rate risk as all transactions enjoy natural hedging whereby fixed rate lending is funded by fixed rate borrowing and floating rate lending is funded by floating rate borrowing. The company is therefore economically hedged.

CURRENCY RISK

All transactions are in either Sterling or Euros. Customer transactions denominated in Euros are funded by loans in the same currency in order to minimise exchange rate risk.

DIRECTORS' REPORT (Continued)

CREDIT RISK

Credit risk is managed by a thorough credit review process prior to entering into any transaction.

Leases and loans are priced with reference to the credit risk of the exposure customer and late payments are monitored constantly. On a periodic basis, credit reviews are performed to ensure the continuing creditworthiness of customers.

DIVIDENDS

No dividends were paid during the year and no final dividend is proposed (prior year: nil).

DIRECTORS

The following Directors served on the board during the year:

Lee Barnsley
Lawrence Butcher
Nobuhiro Morita
Antony Mitton
Mark Rutherford
David Ward

SMBC Leasing and Finance, Inc. has granted indemnities to all the Directors listed above (apart from Nobuhiro Morita and David Ward), against civil liabilities to third parties in respect their roles as Directors.

CREDITOR PAYMENT POLICY

The company's standard practice is to agree the terms of payment with suppliers at the time of contract and to make payments within the agreed credit term subject to satisfactory performance.

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 within the community.

DISCLOSURE OF INFORMATION TO THE AUDITOR


The Directors who held office as at the signing date below confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware. Each Director has taken appropriate steps (as they are required to do by law) to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will continue in office.

DIRECTORS' REPORT (Continued)

By order of the board on 20 September 2017:

A handwritten signature in black ink, appearing to read 'Lawrence Butcher', is written over a horizontal line.

Lawrence Butcher, Director

SMBC Leasing & Finance UK No.1 Limited
Registered Company Number 5775540

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 / loss of the company for the period. In preparing these statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are responsible and prudent;
- state whether the statements have been prepared in accordance with IFRS;
- prepare the financial statements on a 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.

Finally, the Directors have general responsibility for taking such steps as are reasonably open to them in order to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITOR'S REPORT ON SMBC LEASING & FINANCE UK NO.1 LIMITED

We have audited the financial statements of SMBC Leasing & Finance UK No.1 Limited for the year ended 31 March 2017.

The financial reporting framework that has been applied in their preparation is applicable under the law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE AUDITOR

As explained more clearly 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year ending on that date;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- have been prepared in accordance with the requirements on the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

AUDITOR'S REPORT ON SMBC LEASING & FINANCE UK NO.1 LIMITED (Continued)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 or 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 audit; or
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.



Peter Lomax

Senior Statutory Auditor

for and on behalf of KPMG LLP

Statutory Auditors and Chartered Accountants

15 Canada Square

London E14 5GL

Dated: 22 September 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Revenue	2	4,278,662	233,098
Cost of Sales	2	(3,463,313)	(164,389)
Gross Profit (Loss)		815,349	68,709
Dividend Income	5	387,849	-
Administrative Expenses		(62,951)	(28,957)
Operating Profit (Loss)		1,140,247	39,752
Interest Income on Bank Deposits	4	2,477	3,876
Profit (Loss) Before Tax		1,142,724	43,628
Tax	7	(149,617)	(8,726)
Profit (Loss) After Tax		993,107	34,902

All profits (losses) have arisen from continuing operations.

The notes on pages 16 to 30 form an integral part of these accounts.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

Notes	Share Capital £	Retained Earnings £	Total Equity £
At 31 March 2015	10,000	2,238,406	2,248,406
Profit (Loss) for Year	-	34,902	34,902
At 31 March 2016	10,000	2,273,308	2,283,308
Profit (Loss) for Year	-	993,107	993,107
At 31 March 2017	10,000	3,266,415	3,276,415

The notes on pages 16 to 30 form an integral part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 £	2016 £
Non-Current Assets			
Investments in Subsidiaries	8	-	814,172
Loans Receivable	13	90,434,082	4,950,839
		90,434,082	5,765,011
Current Assets			
Loans Receivable	13	5,349,913	5,126,092
Trade and Other Receivables	11	2,844,422	27,259
Cash and Equivalents	10	2,040,994	1,475,648
		10,235,329	6,628,999
TOTAL ASSETS		100,669,411	12,394,010
Current Liabilities			
Interest Bearing Loans and Borrowings	14	4,045,090	5,126,092
Trade and Other Payables	12	1,615,398	32,772
Deferred Tax Liability	9	-	1,575
		5,660,488	5,160,439
Total Assets Less Current Liabilities		95,008,922	7,233,571
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	14	91,732,508	4,950,263
		91,732,508	4,950,263
TOTAL LIABILITIES		97,392,996	10,110,702
Capital and Reserves			
Share Capital	15	10,000	10,000
Retained Earnings b/w/d		2,273,308	2,238,406
Profit (Loss) in the y/e 31 March 2017		993,107	34,902
		3,276,415	2,283,308
Total Equity and Non-Current Liabilities		95,008,922	7,233,571

The notes on pages 16 to 30 form an integral part of these accounts.

The financial statements were approved by the Board of Directors on 20 September 2017 and signed on its behalf by:



Mark Rutherford, Director
SMBC Leasing & Finance UK No.1 Limited
Registered Company Number 5775540

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
OPERATING ACTIVITIES			
Profit (Loss) After Tax		993,107	43,628
Dividend Income		(387,849)	-
Finance Income	4	(4,269,400)	(236,973)
Interest Expense	2	3,463,313	164,389
		(200,829)	(28,956)
Tax Charge for Year (from Income Statement)	7	149,617	8,726
Decrease (Increase): Loans Receivable	13	(85,707,065)	3,933,480
Decrease (Increase): Trade Receivables	11	(28,346)	(654)
Increase (Decrease): Trade Payables	12	835,766	1,381
		(84,950,857)	3,913,977
Tax Received (Paid)	7	4,703	(11,716)
Interest Paid		(2,872,348)	(170,189)
Interest Received		1,480,584	245,009
Net Cashflow from Operating Activities		(86,337,918)	3,977,081
INVESTING ACTIVITIES			
Liquidation of Mithras Leasing (No.2) SARL			
Initial Investment in Share Capital Received	8	12,500	-
Final Dividend Received (which was Credited to Inv. Value)	15	800,672	-
Final Dividend Received	15	80,052	-
Sale of Mithras Leasing (No.3) Limited			
Initial Investment in Share Capital Received	8	1,000	-
Final Dividend Received	15	307,797	-
Net Cashflow from Investing Activities		1,202,021	-
FINANCING ACTIVITIES			
Increase (Decrease) in Borrowings	14	85,701,243	(3,934,055)
Net Cashflow from Financing Activities		85,701,243	(3,934,055)
Net Increase (Decrease) in Cash and Equivalents		565,346	43,026
Opening Balance as at 1st April 2016	10	1,475,648	1,432,622
Closing Balance as at 31 March 2017		2,040,994	1,475,648

The notes on pages 16 to 30 form an integral part of these accounts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

[NOTE 1] ACCOUNTING POLICIES

SMBC Leasing & Finance UK No.1 Limited is a company incorporated in the United Kingdom under the Companies Act 1985.

The company's registered address is: 99 Queen Victoria Street, London EC4V 4EH. The nature of the company's operations and its principal activities are detailed in the Directors' Report.

These financial statements were authorised for issue by the Directors on 20 September 2017.

BASIS OF PREPARATION

The company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently across all periods presented in these financial statements.

GOING CONCERN

The company had net current assets of £ 4,574,841 as at the year end (prior year: £ 1,468,560).

As a result, the Directors believe that the preparation of the financial statements on a going concern basis is appropriate.

FUNCTIONAL AND PRESENTATION CURRENCY

The company presents its financial statements in sterling and this is also the functional currency of the company.

In order to hedge interest and exchange rate risks, the company considers the use of both interest rate and FX swaps as required. When lending in a foreign currency, the company will try (where appropriate) to fund the transaction in a matching currency to introduce a natural currency hedge.

As at the year end virtually all transactions were denominated in sterling; minimal currency risk existed at the reporting date.

REVENUE AND EXPENSE RECOGNITION

Interest Income and Expense

Interest income is calculated on a daily basis by reference to the principal balance outstanding and the interest rate index and margin which apply to the transaction. Interest is accrued daily, with the accrual being cleared upon receipt or payment of interest.

Fee and Commission Income / Expense

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

The company earns fees and commissions from services that it provides to customers.

Fees are divided into two categories. Firstly, fees which relate to services performed over a period of time are spread over the time to which they relate. Secondly, fees which relate to the completion of a transaction are recognised fully in the month of closure.

Any fees which are directly attributable to a lease or loan are spread over the term of the underlying transaction. This has the effect of adjusting the effective interest rate on the transaction.

INTEREST BEARING LOANS AND OTHER BORROWINGS

Borrowings are recognised initially at their fair value less attributable transaction costs. Subsequent to the initial recognition, all borrowings are stated at their amortised cost with any differences between cost and the redemption value being recognised in the Income Statement over the period of the borrowing at an effective interest rate.

TAXATION

Taxation represents the sum of the tax currently payable / receivable and any deferred tax.

Deferred tax is recognised on differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on laws that have been enacted, or substantially enacted, as at the reporting date.

Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans which are intended to be sold in the short term are recorded at fair value through the Income Statement.

Loans and receivables are initially recorded at fair value, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

CONSOLIDATION

The company is exempted by virtue of section 401 of the Companies Act 2006 from the requirement to prepared consolidated group financial statements. The company presents its financial statements as a standalone entity and not as a group. The company, together with any subsidiaries and jointly controlled

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

entities, is consolidated into the financial statements of SMBC Leasing and Finance, Inc. (incorporated in a non EEA state).

CASH AND EQUIVALENTS

Cash and equivalents comprise cash balances and cash on time deposit. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash for the purposes of the cash flow statement.

DIVIDENDS ON SHARES PRESENTED WITHIN SHAREHOLDERS' FUNDS

Dividends which are unpaid at the Statement of Financial Position date are recognised as a liability to the extent that they have been declared and authorised and are no longer payable at the discretion of the company.

IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost are assessed at the end of each financial year to determine whether there is objective evidence that a financial asset or group of financial assets should be impaired.

Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the assets (a 'loss event') and if that loss event has an impact on the estimated future cash flows of the financial asset or group which can be reliably estimated.

Objective evidence includes observable evidence about the following loss events:

- deterioration in the value of the underlying asset or collateral security;
- significant financial difficulty of the customer;
- a breach of contract, such as a default.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Directors are currently assessing the impact of the following standards:

- IFRS 9 - Financial Instruments (effective January 2018)
- IFRS 16 - Leases (effective January 2019)

The Directors expect both these standards to have an impact on the company and they are in the process of evaluating the likely impact.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 2] REVENUE AND COST OF SALES**

	2017 £	2016 £
Revenue		
Interest Income on Loans Receivable	4,266,923	225,222
Exchange Rate Gains	9,113	7,876
Other Income	2,626	-
	4,278,662	233,098
Cost of Sales		
Interest on Borrowings	3,463,313	164,389
	3,463,313	164,389

[NOTE 3] STAFF COSTS

The company has no employees. The Directors have little input in the day to day administration of the company and therefore there is no appropriate basis on which they can apportion part of their remuneration for their services to the company. The Directors are remunerated by other group companies and their emoluments are disclosed in those companies' financial statements.

[NOTE 4] FINANCE INCOME

	2017 £	2016 £
Time Deposit Interest Income from a Fellow Subsidiary	2,477	3,876
	2,477	3,876

[NOTE 5] DIVIDEND INCOME

	2017 £	2016 £
Dividend Income from Mithras Leasing (No.2) SARL	880,724	-
Less Dividend Credited to Investment Value	(800,672)	-
Dividend Income from Mithras Leasing (No.3) Limited	307,797	-
	387,849	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 6] AUDIT FEES**

The following fees have been agreed with the auditor in relation to the provision of audit services relating to these financial statements.

	2017 £	2016 £
Audit Fees Payable	13,080	13,080

[NOTE 7] TAXATION

	2017 £	2016 £
Current Tax Expense		
Current Year	151,192	7,151
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(1,575)	1,575
Total Tax Charged to Income Statement	149,617	8,726

Reconciliation of Effective Tax Charge

<i>Profit (Loss) Before Tax (per Income Statement)</i>	1,142,724	43,628
Tax at 20% (prior year: 20%)	228,545	8,726
Exempt Dividend Income	(237,704)	-
Investment Impairment	160,134	-
Utilisation of bfwd Trading Losses	(496)	-
Prior Year Adjustment	712	-
Correction to Prior Year Deferred Tax Balance	(1,575)	-
Total Tax Charged to Income Statement	149,617	8,726

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 8] INVESTMENTS**

	2017 £	2016 £
Opening Balance		
Investment in Mithras Leasing (No.2) SARL	813,172	813,172
Investment in Mithras Leasing (No.3) Limited	1,000	1,000
Investment Activity During Year		
Liquidation of Mithras Leasing (No.2) SARL - December 2016	(813,172)	
Sale of Mithras Leasing (No.3) Limited - December 2016	(1,000)	
Closing Balance		
Investment in Mithras Leasing (No.2) SARL	-	
Investment in Mithras Leasing (No.3) Limited	-	
	-	814,172

All investments were disposed of during the year. Mithras Leasing (No.2) SARL was liquidated in December 2016 and Mithras Leasing (No.3) Limited was sold to another group company (also in December 2016).

Both companies were wholly owned subsidiaries of SMBC Leasing & Finance UK No.1 Limited.

As at the year end, the company no longer held any investments.

[NOTE 9] DEFERRED TAX

	2017 £	2016 £
Deferred Tax Liability	-	1,575
Reconciliation of Deferred Tax Movement in the Year		
Opening Balance at Start of Year	1,575	-
Correction to Prior Year Deferred Tax Balance	(1,575)	1,575
Impact of Reduction in Tax Rate	-	-
Closing Balance at End of Year	-	1,575

The UK Finance Act has enacted, or substantially enacted, tax rate changes as follows:

- reduction to 19% effective April 2017
- reduction to 17% effective April 2020

Appropriate rates have been applied when calculating the value of the company's deferred tax balance, by reference to the rate changes detailed above. When valuing deferred tax, the period / date on which the deferred tax is due to be realised is considered and the most appropriate rate used for valuation.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 10] CASH AND EQUIVALENTS**

Cash and equivalents comprise cash at bank and short term deposits maturing within three months and held with a related company.

[NOTE 11] TRADE AND OTHER RECEIVABLES

Trade and Other Receivables are all analysed as current (due within one year).

	2017 £	2016 £
Trade Receivables		
Interest Income accrued but not yet received	2,811,823	23,006
VAT due from HMRC	32,599	4,253
	2,844,422	27,259

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value due to the short term nature of their repayments.

[NOTE 12] TRADE AND OTHER PAYABLES

Trade and Other Payables are all analysed as current (due within one year).

	2017 £	2016 £
Trade Payables		
Amounts capitalised into customer balances, but not yet paid out	731,707	-
Creditors	7,099	
Interest Expense accrued, but not yet paid	607,066	16,101
Other Expenses accrued but, not yet paid	110,040	13,080
	1,455,912	29,181
Other Payables		
Current Tax payable	159,486	3,591
	159,486	3,591
	1,615,398	32,772

The Directors consider that the carrying amount of trade and other payables approximates to their fair value due to the short term nature of their repayments.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 13] LOANS RECEIVABLE**

	2017 £	2016 £
Due Within One Year	5,349,913	5,126,092
Due After One Year	90,434,082	4,950,839
	95,783,995	10,076,931

All loan receivables were held with third party customers as at the year end date.

[NOTE 14] INTEREST-BEARING LOANS AND OTHER BORROWINGS

	2017 £	2016 £
Amounts Falling Due Within One Year		
Due to Fellow Subsidiary Lenders	4,045,090	5,126,092
Amounts Falling Due After One Year		
Due to Fellow Subsidiary Lenders	91,732,508	4,950,263
	95,777,597	10,076,355

Fellow Subsidiary Lenders comprise:

SMBC Europe Limited
SMBC Leasing (UK) Limited
SMBC Leasing and Finance, Inc. London Branch

[NOTE 15] SHARE CAPITAL

	2017 £	2016 £
10,000 Ordinary Shares at £1 per Share	10,000	10,000

All shares are allotted, called up and fully paid. No new shares were issued during the year.

Dividends paid during the year were nil (prior year: nil).

Capital is defined as Share Capital plus Retained Earnings. Capital is managed to ensure that expected risks on all transactions are adequately covered.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 16] FINANCIAL RISK MANAGEMENT****FINANCIAL INSTRUMENT STRATEGY**

The company provides a range of leasing and loan products to its clients and funds these activities by means of inter-company and external borrowings. The interest rate risk is calculated and reviewed at the company level and borrowing is structured to minimise interest rate risk.

As required, the company considers the use of derivative instruments to manage exposures to foreign currency and interest rate risks. The company's objectives for holding derivatives are to minimise these risks using the most effective methods to eliminate or reduce the impact of these exposures. As part of managing the exposure to changes in market interest rates, the company has entered into interest rate swap transactions with an affiliate acting as principal counterparty. The company's primary objectives include the economic conversion of fixed-rate assets to variable rate assets.

The company evaluates the possible existence of impairment losses by first looking at undiscounted cash flows to determine if impairment in value exists. If the company determines impairment exists, it then looks at discounted cash flows to determine the fair value of the asset. Impairment losses are recorded when the fair value of the asset is less than the asset's carrying amount.

Leasing and lending tends to be bespoke for individual clients and transactions. As such, each transaction is wholly or substantially funded separately and has specifically tailored hedging instruments. The nature and extent of the financial instruments outstanding at the end of the financial year and the risk management policies employed by the company are discussed below.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial investments. The company manages market risk and its components on a transaction-by-transaction basis. The Directors of the company ensure that when it enters into a transaction all currency risks are hedged such that non-sterling receipts are converted to known sterling amounts and all fixed interest rate lending is substantially managed with interest rate swap contracts. The Directors of the company review and document each transaction, prior to completion, to ensure it is not taking currency or interest rate risk. The company's principal risk is thus credit risk, and this is managed via an appropriate credit review process and the margins charged.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**CREDIT RISK**

Credit risk arises from all exposures to clients on the company's lending activities. The company's Board establishes underwriting limits, reviews concentrations and establishes procedures on credit decisions. Transactions that exceed the company's own limits are then passed to a parent company for a decision. Major exposures and levels of default together with other credit issues are reviewed regularly. Concentration limits are set for exposure by asset type and industrial sector.

The company monitors concentration of credit risk by industry sector and exposure to asset type. The table below shows an analysis of loans to customers by sector and asset type.

	2017 £000	2016 £000
Loan Receivable Credit Risk-Analysed by Industry Sector		
Rail Transportation	90,434,082	-
Utilities / Power	5,349,913	10,076,929
	95,783,995	10,076,929
Loan Receivable Credit Risk Analysed by Asset Type		
Rolling Stock	90,434,082	-
Power Generation Equipment	5,349,913	10,076,929
	95,783,995	10,076,929

All exposures are in respect of customers located within Europe.

There were no defaults during the financial year (prior year: nil). Exposure to credit risk is managed by detailed analysis of the client position prior to entering into any exposure, and by continued monitoring thereafter. The company places significant emphasis on the value of the assets involved in the transaction, and the company regularly monitors the value of these assets. For internal monitoring purposes, credit exposure on leases is measured as the principal amount outstanding plus accrued interest. The company is also subject to credit risk through derivative transactions entered into with fellow subsidiaries.

INTEREST RATE RISK

The following table summarises the company's exposure to interest rate risk. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity date:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

	2017 Floating Rate £000	2017 Fixed Rate £000	2017 Non-Interest Bearing £000	2017 Total £000
Assets				
Investments in Subsidiaries	-	-	-	-
Cash and Equivalents	2,041	-	-	2,041
Trade and Other Receivables	-	-	2,844	2,844
Loans Receivable	-	95,784	-	95,784
	2,041	95,784	2,844	100,669
Liabilities				
Borrowings	-	95,778	-	95,778
Trade and Other Payables	-	-	1,615	1,615
Shareholder Equity	-	-	3,276	3,276
	-	95,778	4,892	100,669

	2016 Floating Rate £000	2016 Fixed Rate £000	2016 Non-Interest Bearing £000	2016 Total £000
Assets				
Investments in Subsidiaries	-	-	813	813
Cash and Equivalents	1,475	-	-	1,475
Trade and Other Receivables	-	-	27	27
Loans Receivable	-	10,077	-	10,077
	1,475	10,077	840	12,392
Liabilities				
Borrowings	-	10,076	-	10,076
Trade and Other Payables	-	-	33	33
Shareholder Equity	-	-	2,283	2,283
	-	10,076	2,316	12,392

CURRENCY RISK

The company had negligible foreign currency exposure as at the reporting date of these financial statements.

LIQUIDITY RISK

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's principal liquidity risk is in respect of the requirement to maintain sufficient levels of borrowing to fund the leasing and lending portfolio over the period that the leases remain outstanding. The company borrows from fellow subsidiaries and the company's Directors maintain a regular review and contact with these fellow subsidiaries to ensure sufficient funds remain available.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

	2017 Repayable on Demand £000	2017 0 - 3 Months £000	2017 3 - 12 Months £000	2017 > 12 Months £000	2017 Total £000
Liabilities					
Borrowings	-	(649)	4,694	91,733	95,778
Trade and Other Payables	1,615	-	-	-	1,615
	1,615	(649)	4,694	91,733	97,393

	2016 Repayable on Demand £000	2016 0 - 3 Months £000	2016 3 - 12 Months £000	2016 > 12 Months £000	2016 Total £000
Liabilities					
Borrowings	-	-	5,125	4,950	10,075
Trade and Other Payables	33	-	-	-	33
	33	-	5,125	4,950	10,108

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the fair value of all financial assets and liabilities, including those not recognised in the financial statements at fair value.

	2017 Carry Value £000	2017 Fair Value £000	2016 Carry Value £000	2016 Fair Value £000
Financial Assets				
Loans Receivable	95,784	95,784	10,077	10,077
Trade and Other Receivables	2,844	2,844	27	27
Cash and Equivalents	2,041	2,041	1,475	1,475
	100,669	100,669	11,579	11,579
Financial Liabilities				
Borrowings	95,778	95,778	10,076	10,076
Trade and Other Payables	1,615	1,615	33	33
	97,393	97,393	10,109	10,109

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as it is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain financial assets and liabilities held or issued by the company. At the moment there is no financial instrument where no active market exists but if in future the company had financial instrument, where no active market price or rate available, fair values would be estimated using present value or other valuation techniques, using inputs based on market conditions existing at the financial year end date.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximates to their fair value. The Directors consider that the carrying amount of trade and other receivables, loans receivable and company borrowings due within one year approximates to their fair value due, due to the short term nature of their repayments, which is due on demand.

The Company measures fair values into a fair value hierarchy based on the following valuation technique used to determine fair value:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Valuation techniques based on observable prices, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Valuation techniques using significant unobservable inputs.

Financial instruments that are measured at fair value comprise only interest rate swaps which are designated at fair value through the profit and loss and classified as level 2 due to the method of valuation. The tables below analyse financial instruments measured at fair value into the above fair value hierarchy.

	2017 Level 1 £000	2017 Level 2 £000	2017 Level 3 £000	2017 Total £000
Financial Instruments				
Cash and Equivalents	2,041	-	-	2,041
Trade and Other Receivables	-	2,844	-	2,844
Borrowings	-	(95,778)	-	(95,778)
Trade and Other Payables	-	(1,615)	-	(1,615)
Loans Receivable	-	95,784	-	95,784
	2,041	1,235	-	3,276

	2016 Level 1 £000	2016 Level 2 £000	2016 Level 3 £000	2016 Total £000
Financial Instruments				
Cash and Equivalents	1,475	-	-	1,475
Trade and Other Receivables	-	27	-	27
Borrowings	-	(10,076)	-	(10,076)
Trade and Other Payables	-	(33)	-	(33)
Loans Receivable	-	10,077	-	10,077
	1,475	(5)	-	1,470

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**[NOTE 17] FINANCIAL RISK MANAGEMENT****TRANSACTIONS WITH KEY PERSONNEL**

Key management personnel are the Directors of the company. The remuneration of the Directors of the company is disclosed in note 3. The remuneration of all Directors is borne in full by other entities and disclosed in those companies' financial statements. There is no reasonable and economical basis to allocate Directors' remuneration between companies. The Directors spend most of their time working on tasks relating to other entities and as a result their costs are fully borne by other companies and not recharged to this company.

STATEMENT OF FINANCIAL POSITION: RELATED PARTY DISCLOSURES

	2017 Fellow Subsidiaries	2017 Subsidiaries & Jointly Controlled Entities
	£000	£000
Cash and Equivalents	2,041	-
Borrowings	(95,778)	-
Trade and Other Payables	(614)	-
	(94,351)	-

	2016 Fellow Subsidiaries	2016 Subsidiaries & Jointly Controlled Entities
	£000	£000
Cash and Equivalents	1,475	-
Borrowings	(10,076)	-
Trade and Other Payables	(33)	-
	(8,634)	-

Details of subsidiaries, fellow subsidiaries and jointly controlled entities are shown below:

Fellow Subsidiaries

SMBC Europe Limited

SMBC Leasing (UK) Limited

SMBC Leasing and Finance, Inc. London Branch

Subsidiaries and Jointly Controlled Entities

None

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**INCOME STATEMENT: RELATED PARTY DISCLOSURES**

	2017	2017	2017	2017
	Interest	Interest	General	Gain (Loss) on
	Income	Expense	Expense	Derivatives
	£000	£000	£000	£000
Fellow Subsidiary	-	1,028	17	-
Subsidiary	-	-	-	-
	-	1,028	17	-

	2016	2016	2016	2016
	Interest	Interest	General	Gain (Loss) on
	Income	Expense	Expense	Derivatives
	£000	£000	£000	£000
Fellow Subsidiary	-	164	21	-
Subsidiary	-	-	-	-
	-	164	21	-

[NOTE 18] IMMEDIATE PARENT AND HOLDING COMPANY

As at 31 March 2017, the company's immediate parent was SMBC Leasing and Finance, Inc.

SMBC Leasing and Finance, Inc. is the smallest group company into which the financial results of this company are consolidated. The consolidated financial statements of SMBC Leasing and Finance, Inc. are available from its registered office (277 Park Avenue, New York NY 10172, USA).

Sumitomo Mitsui Financial Group is the company's ultimate parent and this is the largest group into which the results of this company are consolidated. The consolidated financial statements of Sumitomo Mitsui Financial Group are available from its registered office (1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan).