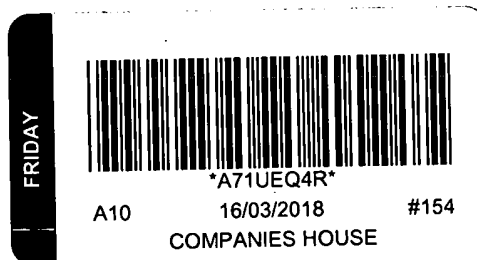


COMPANY NO. 1899032

REGISTERED OFFICE: Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU

# **Sphere Drake Leasing Limited**

## **2017 Annual Report**



**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Annual Report**  
**For the year ended 31<sup>st</sup> December 2017**

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**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Directors and Administration**  
**For the year ended 31<sup>st</sup> December 2017**

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**Directors**

N. C. Bentley  
L. A. Hemsley  
L. R. Tanzer

**Company Secretaries**

F. Henry  
S. L. Garrod

**Registered Office**

Park Gate  
161-163 Preston Road  
Brighton  
East Sussex  
United Kingdom  
BN1 6AU

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

**Website**

[www.trg.com](http://www.trg.com)

# **Sphere Drake Leasing Limited (Company No. 1899032)**

## **Directors' Report**

### **For the year ended 31<sup>st</sup> December 2017**

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The Directors have pleasure in presenting their report and the audited financial statements for Sphere Drake Leasing Limited (Company No. 1899032) ("Sphere Drake Leasing") for the year ended 31<sup>st</sup> December 2017. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

#### **Ownership**

Sphere Drake Leasing is a wholly owned subsidiary of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company is Fairfax Financial Holdings Limited ("Fairfax") which is registered in Canada and listed on the Toronto Stock Exchange. The registered office of Fairfax is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7.

#### **Principal Activity and Review of Business**

Sphere Drake Leasing provided leasing services to the RiverStone Holdings Limited group of companies during the year and will continue to do so in the future. The Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

#### **Results and Dividends**

The results for the year set out in the profit and loss account show a profit for the financial year of £56,457 (2016: nil). This represents a net tax credit. Sphere Drake Leasing paid no interim dividends during the year (2016: nil). The Directors do not recommend a final dividend (2016: nil).

#### **Directors**

Directors holding office during the period from 1<sup>st</sup> January 2017 to the date of this report were as follows:

N. C. Bentley  
L. A. Hemsley  
L. R. Tanzer

Sphere Drake Leasing has provided an indemnity for its directors which is a qualifying third party indemnity provision for the purposes of Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and also at the date of this report.

#### **Statement of Directors' Responsibilities in Respect of the Financial Statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Directors' Report**  
**For the year ended 31<sup>st</sup> December 2017**

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- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

By Order of the Board



Park Gate  
161-163 Preston Road  
Brighton, East Sussex  
United Kingdom, BN1 6AU

**F Henry**  
Company Secretary  
6<sup>th</sup> March 2018

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Independent Auditors' Report to the Members of Sphere Drake Leasing Limited**  
**For the year ended 31<sup>st</sup> December 2017**

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**Report on the Audit of the Financial Statements**

**Opinion**

In our opinion, Sphere Drake Leasing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2017, the Profit and Loss Account for the year then ended, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

**Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions Relating to Going Concern**

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

**Reporting on Other Information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# **Sphere Drake Leasing Limited (Company No. 1899032)**

## **Independent Auditors' Report to the Members of Sphere Drake Leasing Limited**

### **For the year ended 31<sup>st</sup> December 2017**

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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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities. With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

#### **Responsibilities for the Financial Statements and the Audit**

##### ***Responsibilities of the Directors for the Financial Statements***

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### ***Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Independent Auditors' Report to the Members of Sphere Drake Leasing Limited**  
**For the year ended 31<sup>st</sup> December 2017**

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**Other Required Reporting**

***Companies Act 2006 Exception Reporting***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

***Entitlement to exemptions***

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



**Mark Bolton** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
6<sup>th</sup> March 2018.



**Sphere Drake Leasing Limited** (Company No. 1899032)  
**Profit and Loss Account**  
**For the year ended 31<sup>st</sup> December 2017**

	Note	2017 £	2016 £
Turnover		16,651	17,993
Other operating expenses	4	<u>(16,651)</u>	<u>(17,993)</u>
Result before tax	4	-	-
Tax on result	6	<u>56,457</u>	<u>-</u>
<b>Profit for the financial year</b>		<b>£ <u>56,457</u></b>	<b>£ <u>-</u></b>

The results above are all derived from continuing operations.

Sphere Drake Leasing has no recognised gains and losses other than those included in the Profit and Loss Account above and therefore no Statement of Comprehensive Income has been presented.

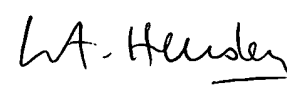
There is no difference between the result before tax and the profit for the financial year and the historical cost equivalent.

**Sphere Drake Leasing Limited** (Company No. 1899032)  
**Balance Sheet**  
**As at 31<sup>st</sup> December 2017**

	Note	2017 £	2016 £
<b>Assets</b>			
<b>Current assets</b>			
Finance lease receivables within one year due from fellow subsidiary undertakings	7	2,936	16,651
Debtors	8	363,387	306,930
		<b>366,323</b>	<b>323,581</b>
Finance lease receivables after more than one year from fellow subsidiary undertakings	7	-	2,936
<b>Total assets</b>		<b>£ 366,323</b>	<b>£ 326,517</b>
<b>Capital, Reserves and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	9	2	2
Profit and loss account		227,264	170,807
<b>Total shareholders' funds</b>		<b>227,266</b>	<b>170,809</b>
Creditors: Amounts falling due within one year	10	139,057	155,708
<b>Total capital, reserves and liabilities</b>		<b>£ 366,323</b>	<b>£ 326,517</b>

The financial statements on pages 9 to 16 were approved by the Board of Directors on 6<sup>th</sup> March 2018 and signed on its behalf by:

  
**L. R. Tanzer**  
 Managing Director

  
**L. A. Hemsley**  
 Finance Director

**Sphere Drake Leasing Limited** (Company No. 1899032)  
**Statement of Changes in Equity**  
**For the year ended 31<sup>st</sup> December 2017**

	<b>Called up Share Capital £</b>	<b>Profit and Loss Account £</b>	<b>Total Share- holders' Funds £</b>
<b>Balance at 1<sup>st</sup> January 2016</b>	2	170,807	170,809
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
<b>Balance at 31<sup>st</sup> December 2016</b>	<b>£ 2</b>	<b>£ 170,807</b>	<b>£ 170,809</b>
<b>Balance at 1<sup>st</sup> January 2017</b>	2	170,807	170,809
Profit for the financial year	-	56,457	56,457
Total comprehensive income for the year	-	56,457	56,457
<b>Balance at 31<sup>st</sup> December 2017</b>	<b>£ 2</b>	<b>£ 227,264</b>	<b>£ 227,266</b>

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2017**

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**1. General Information**

Sphere Drake Leasing Limited ("Sphere Drake Leasing" or "the Company") provides leasing services to the RiverStone Holdings Limited group of companies. Sphere Drake Leasing is a private company limited by shares and is incorporated in England. The address of its registered office is Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU.

**2. Statement of Compliance**

The financial statements of Sphere Drake Leasing have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 Section 1A, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

**3. Summary of Significant Accounting Policies**

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.

**(a) Basis of Preparation**

These financial statements are prepared on a going concern basis under the historical cost convention.

**(b) Going Concern**

Having addressed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

**(c) Exemptions for Qualifying Entities under FRS102**

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by Sphere Drake Leasing's shareholder.

Sphere Drake Leasing has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the financial statements of Fairfax Financial Holdings Limited ("Fairfax") includes Sphere Drake Leasing's cash flows.
- ii) from disclosing key management personnel compensation, as required by FRS102 paragraph 33.7.
- iii) from the requirement to disclose transactions with related parties within the same group as provided by FRS 102, Section 33.1A. This exemption is available for Sphere Drake Leasing as consolidated financial statements are publicly available for Fairfax.

**(d) Turnover**

Turnover represent the rentals receivable under finance leases for the year. No interest is charged to other group companies. The capital value of the finance leases is amortised on a monthly basis over the period of the primary lease.

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2017**

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**(e) Tax**

Tax expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

**i) Current Tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**ii) Deferred Tax**

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in Sphere Drake Leasing's annual corporation tax returns, including revaluation gains and losses on investments. Deferred taxes are calculated at the rates at which it is expected that the tax liability or benefit will arise using tax rates and laws that have been enacted or substantively enacted by the year end. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable. Movements on deferred tax assets and liabilities are recognised in the profit and loss account, except to the extent that they arise in relation to movements in the Statement of Comprehensive Income.

**(f) Financial Instruments**

Sphere Drake Leasing has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

**(g) Related Party Transactions**

Sphere Drake Leasing discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

**(h) Critical Accounting Judgements and Estimation Uncertainty**

Sphere Drake Leasing's financial statements do not contain any elements of significant accounting estimates or judgements requiring disclosure.

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2017**

**4. Result before Tax**

	2017 £	2016 £
Result before tax is stated after charging		
Lease amortisation	£ <u>16,651</u>	£ <u>17,993</u>

The cost of assets acquired for letting under finance leases during the year totalled nil (2016: nil).

Sphere Drake Leasing has no employees (2016: nil).

No emoluments were paid by Sphere Drake Leasing to any Directors or other key management personnel during the year (2016: nil). The emoluments of the Directors and other key management personnel are paid by a fellow subsidiary undertaking, RiverStone Management Limited. The services of the Directors and other key management personnel to Sphere Drake Leasing are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

**5. Auditors' Remuneration**

The audit fee in respect of Sphere Drake Leasing has been borne by RiverStone Management Limited. The amounts incurred in respect of audit services in relation to Sphere Drake Leasing are as follows:

	2017 £	2016 £
Audit	£ <u>1,897</u>	£ <u>2,813</u>

**6. Tax on Result**

	2017 £	2016 £
<b>(a) Current Tax</b>		
UK corporation tax at 19.25% (2016: 20%) based on the result for the year	(59,055)	-
Group tax relief surrendered for nil consideration	59,055	-
Adjustment related to prior year	<u>(56,457)</u>	<u>-</u>
	£ <u>(56,457)</u>	£ <u>-</u>

**(b) Factors affecting the tax charge for the year**

The corporation tax assessed for the year differs to the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2017**

	2017 £	2016 £
Result before tax	£ -	£ -
Result before tax multiplied by the UK corporation tax rate of 19.25% (2016: 20%)	-	-
Non-deductible expenses	3,206	3,599
Capital allowances claimed	(62,261)	(3,599)
Group relief surrendered for nil consideration	59,055	-
Adjustment related to prior year	(56,457)	-
<b>Tax (credit) charge for the year</b>	<b>£ (56,457)</b>	<b>£ -</b>

**(c) Tax rate changes**

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1<sup>st</sup> April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6<sup>th</sup> September 2016). These include reductions to the main rate to reduce the rate to 17% from 1<sup>st</sup> April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**7. Finance Lease Receivables**

	2017 £	2016 £
Rentals receivable within one year less rental received in advance	2,936	16,651
Rentals receivable after more than one year	-	2,936
	<b>£ 2,936</b>	<b>£ 19,587</b>

**8. Debtors**

	2017 £	2016 £
Amounts owed by parent undertaking	£ 363,387	£ 306,930

**9. Called up Share Capital**

	2017 £	2016 £
<u>Allotted and fully paid</u>		
2 (2016: 2) Ordinary shares of £1 each	£ 2	£ 2

**Sphere Drake Leasing Limited (Company No. 1899032)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2017**

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**10. Creditors: Amounts Falling Due Within One Year**

	2017 £	2016 £
Amounts owed to group undertakings	£ <u>139,057</u>	£ <u>155,708</u>

The group undertakings concerned have indicated that they will not require repayment to be made until Sphere Drake Leasing has received funds from its parent undertaking. Sphere Drake Leasing has no creditors which are subject to security arrangements.

**11. Deferred Tax**

No deferred tax asset has been recognised in these financial statements as the Directors cannot be certain of an actual tax benefit crystallizing. The potential deferred tax asset not recognised, which is based on a future tax rate of 17% (2016: 17%), amounts to:

	2017 £	2016 £
Disclaimed capital allowances	250,000	369,000
Short term timing difference	<u>(1,000)</u>	<u>(7,000)</u>
	£ <u>249,000</u>	£ <u>362,000</u>

**12. Related Party Transactions and Immediate and Ultimate Parent Company**

Sphere Drake Leasing is a wholly owned subsidiary of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company and controlling party is Fairfax Financial Holdings Limited ("Fairfax") which is registered in Canada and listed on the Toronto Stock Exchange.

Advantage has been taken of the exemption from the requirement to disclose transactions with related parties within the same group as provided by FRS102, Section 33.1A. This exemption is available for Sphere Drake Leasing as consolidated financial statements are publicly available for Fairfax.

Fairfax is the smallest and largest group of undertakings to consolidate these financial statements and its registered office is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7. The financial statements of Fairfax can be obtained from the Corporate Secretary at this address or from the website at [www.fairfax.ca](http://www.fairfax.ca).