Societe Generale Equipment Finance Limited

Report and Financial Statements

31 December 2017

Registered number:

03596854

Registered Office
Parkshot House
Kew Road
Richmond
Surrey
TW9 2PR
UK

Contents

Strategic report

Principal activity and review of the business

The principal activity of Societe Generale Equipment Finance Ltd (the 'Company') is the provision of hire purchase, lease and operating lease finance over a range of asset types. The directors anticipate that the business will grow in the coming year.

The directors set out below a review of the business performance and development during the year and the position of the business at the end of the year. The review is consistent with the size and nature of the business and is written in the context of risks and uncertainties faced, bearing in mind the support of the ultimate parent company, Société Générale. The Company, privately limited by shares, is the holding company for a number of companies which are concerned with the vendor and equipment finance business of Société Générale Equipment Finance SA in the UK. Société Générale Equipment Finance SA is a global business line of Société Générale's International Banking and Financial Services division. It delivers equipment finance solutions in 35 countries.

During the year the Company entered into finance lease, operating lease, hire purchase and loan receivables agreements with a value of £540.3m (2016: £453.7m) and there was a profit for the year of £16.8m (2016: £16.0m). Different levels of business and profit are expected from year to year in individual companies of Societe Generale Equipment Finance Limited in the UK depending upon the timing, source and nature of the transactions concerned.

The business uses the return on the total portfolio, calculated as earnings derived from operating leases, finance leases, hire purchase and loan receivable agreements as a percentage of the average portfolio, as a Key Performance Indicator (KPI) in assessing the level of return. The return on the total portfolio fell to 4.82% in 2017 (2016: 5.08%). The return varies from year to year according to the profile of the business contained therein. The change in this yield reflects the continued change in the composition of the portfolio as the new business volume was written at slightly lower gross rates than that in the previous year.

Principal risks and uncertainties

The Company manages financial risk by ensuring that, so far as is practicably possible, the portfolio is funded in such a way that it is hedged against movements in interest rates. The majority of the funding is provided by Société Générale, however there is also funding received under an agreement with the European Investment Bank that is used to increase lending to the SME sector. Where necessary, the Company hedges foreign currency risk by funding foreign currency deals with borrowings in the same currency.

The Company enjoys the full support of Société Générale which provides cash flow and liquidity as required.

The business environment in which the Company operates continues to be highly competitive, as a result of which margins continue to be tight. During the year there was a gradual increase in competition in the UK leasing market as the economy continued to grow and businesses increased investment. However margins have generally held up well remaining at similar levels to those achieved in the previous year due to our strategy of increasing our value proposition for our customers.

Principal risks and uncertainties (continued)

The main risks within the business are the ability to collect the rentals that are due and the interest retained in residual values. The former risk is managed by careful assessment of the credit and asset covenants in transactions the Company undertakes. The Company has implemented policies that require appropriate level credit checks on potential customers before deals are written. The latter is managed on a prudent basis and with reference to experience gained over a number of years. In the opinion of the directors these risks are mitigated by the support of the parent company and the quality and wide spread of the underlying customer credits.

On behalf of the Board

David Yates-Mercer
Director
12 June 2018

Directors' report

The directors present their report and the financial statements of Societe General Equipment Finance Ltd ("the Company") for the year ended 31 December 2017.

Directors

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

G Turner
D Hughes
S Bowden
D Yates-Mercer (secretary)

Results and dividends

The profit for the year after taxation amounted to £16.8m (2016 – profit of £16.0m). No dividend was paid during the year (2016 - £12.5m).

Going concern

The directors have completed a formal assessment of the Company's financial resources, including its budgets and forecasts, as part of their review of the Societe Generale Equipment Finance UK group of companies. Based on this review, the directors believe that the Company is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook. After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Future development

The directors expect to expand the business over the course of the coming financial year as the UK economy continues to grow, albeit at a slower rate.

Liability Insurance for company officers

The Company has taken out liability insurance as permitted under Part 10 of the Companies Act 2006 to cover directors and officers.

Environment

The Company recognises that it has a responsibility to act in a way that respects the environment and operates in accordance with Société Générale group policies, which are described in the group's annual report which does not form part of this report.

Employees

The Company is committed to developing policies that encourage all employees to achieve their greatest potential and to contribute to the success of the company.
It is the policy of the Company to provide equal employment opportunities to all employees and applicants. The Company does not discriminate on the basis of sex or sexual orientation, race, religion, colour, nationality, ethnic or national origin, marital status, disability or age.
The Company will make all employment decisions in a non-discriminatory manner. This includes personnel decisions relating to recruitment, compensation, benefits, transfers, promotions, training and severance.

Employees (continued)

The Company is committed to giving reasonable consideration to providing facilities for recruitment, employment and promotion of disabled employees. It is also the Company's aim, where practicable, to continue to employ those who may become disabled during the course of their employment but remain capable of working and the Company will make such reasonable adjustments as are appropriate to that end.

The Company endeavours to keep employees informed about the progress of the business. Information on significant developments is regularly communicated to staff by senior management and employee involvement is encouraged.

Supplier payment policy

It is the policy of the Company to pay suppliers in line with the terms agreed with them when the supplies are ordered.

Charitable and political donations

During the year the Company made donations to several charitable organisations. The total amounted to £12,480 (2016: £6,720). There were no contributions for political purposes made during the year (2016: £nil).

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of Auditors

A resolution to reappoint Deloitte as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors

D Yates-Mercer
Director
12 June 2018

Statement of directors' responsibilities

The directors are responsible for preparing 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) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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.

Independent auditor's report to the members of Societe Generale Equipment Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the 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 including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Societe Generale Equipment Finance Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

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 respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Ben Jackson FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

12 June 2018

Income statement
for the year ended 31 December 2017

	Note	2017 £'000s	[Restated] 2016 £'000s
Interest from finance agreements	2	40,758	38,374
Operating lease rentals	2	358	405
Turnover		**41,116**	**38,779**
Interest income	3	574	960
Interest payable and similar charges	4	(12,858)	(14,091)
Depreciation on operating leases	7	(280)	(379)
Gross profit		**28,552**	**25,269**
Administration expenses	5	(12,509)	(11,150)
Other operating income		3,699	3,634
Bad debts impairment charge		(1,318)	(689)
Dividends		1,974	2,500
Profit before taxation		**20,398**	**19,564**
Tax charge on profit on ordinary activities	6	(3,567)	(3,521)
Profit for the financial year		**16,831**	**16,043**

The restatement to the 2016 comparatives relates solely to a presentational adjustment to include direct costs, associated with arranging and negotiating leases, within interest from finance agreements as opposed to being separately disclosed on the face of the income statement.

All turnover and profits relate to continuing operations.

The notes on pages 13 to 26 form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
Profit for the financial year		16,831	16,043
Items that cannot be reclassified to profit or loss			
Other comprehensive income		0	0
Total comprehensive income for the year		**16,831**	**16,043**

Statement of financial position
As at 31 December 2017

	Note	2017 £'000s	2016 £'000s
Assets:			
Non-current assets			
Tangible assets	7	1,476	1,793
Intangible assets	8	1,978	1,869
Investments in subsidiaries	9	2	2
Deferred tax	10	1,150	1,155
Trade receivables	11	545,822	484,104
		550,428	**488,923**
Current assets			
Trade receivables	11	364,355	338,640
Cash and cash equivalent	12	41,605	27,699
Other receivables	13	21,584	32,469
		427,544	**398,808**
Total assets		**977,972**	**887,731**
Liabilities:			
Non-current liabilities			
Loans	14	(542,578)	(495,151)
		(542,578)	**(495,151)**
Current liabilities			
Loans and overdrafts	14	(367,817)	(344,536)
Other payables	15	(17,655)	(15,074)
Current tax liability		(1,795)	(1,674)
		(387,267)	**(361,284)**
Total liabilities		**(929,845)**	**(856,435)**
Net assets		**48,127**	**31,296**
Equity			
Share capital	16	0	0
Retained earnings		48,127	31,296
Total equity and reserves		**48,127**	**31,296**

The notes on pages 13 to 26 form an integral part of these financial statements. The financial statements were approved and authorised for issue by the directors on 12 June 2018 and are signed on their behalf by:

D Yates-Mercer
Director
12 June 2018

Statement of changes in equity for the year ended 31 December 2017

	Share Capital	Retained Earnings	Total Equity
	£'000s	**£'000s**	**£'000s**
At 1 January 2016	**0**	**27,753**	**27,753**
Profit for the year	0	16,043	**16,043**
Other comprehensive income	0	0	**0**
Total comprehensive income for the year	**0**	**16,043**	**16,043**
Equity dividend paid	0	(12,500)	(12,500)
At 31 December 2016	**0**	**31,296**	**31,296**
Profit for the year	0	16,831	16,831
Other comprehensive income	0	0	0
Total comprehensive income for the year	**0**	**16,831**	**16,831**
Equity dividend paid		0	0
At 31 December 2017	**0**	**48,127**	**48,127**

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements and have been prepared on the going concern basis (refer to the Strategic Report for more information).

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 because it is a subsidiary undertaking of Société Générale Equipment Finance SA , which prepares consolidated financial statements which are publicly available (note 19). Accordingly these financial statements only contain information about Societe Generale Equipment Finance Limited and not its subsidiary undertakings.

The address of the registered office is given on the cover page and details of the ultimate parent company are provided in note 19.

The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pound (£1,000) except where otherwise indicated.

The accounting policies that follow set out those policies which apply in preparing financial statements for the year ended 31 December 2017 (and prior year). The Company meets the FRS 101 definition of a qualifying entity and has consequently taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment, because the share based payment concerns the instrument of another group entity;
(b) the requirements of IFRS 7 Financial Instruments: Disclosures;
(c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    i. paragraph 79(a)(iv) of IAS 1;
    ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111, 134 to 136 of IAS 1 Presentation of Financial Statements
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
(h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(i) the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.
(j) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS36 Impairment of Assets.

Accounting policies (continued)

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Thus they continue to adopt the going concern basis of accounting for these financial statements.

Finance leasing and hire purchase commitments

When the Company, as lessor, substantially transfers all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease. They are presented as a receivable at an amount equal to the net investment in the lease contracts.

Income and charges relating to finance leases, hire purchase and loan receivables are recorded in the income statement in proportion to the net funds invested in the lease so as to arrive at a constant periodic rate of return. The assumed interest cost used in calculating the rate of return represents the anticipated cost of financing the net investment in the lease, taking account of all relevant cash flows including taxation.

Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specific categories. The classification depends upon the nature and purpose of the financial assets and is determined at the time of recognition. Financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

The allowance for impairment losses is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific loan or other receivable. Management assesses each impairment on a case by case basis where evidence of impairment exists and calculations of losses are performed by considering current facts and circumstances of the exposure. Recoverable amounts are assessed with reference to the expected future cash flows on the loan arrangements, including considering estimates of security value as well as capacity for payment and timing of recoveries.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Accounting policies (continued)

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Cash and cash equivalent

Cash and cash equivalents include cash at hand, deposits held at call with banks and overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

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

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the balance sheet method.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is measured on a non-discounted basis.

Tangible assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. They are written off on a straight-line basis over their expected useful lives as follows:

Office furniture, and fittings	up to 120 months
Computer and office equipment	36 months to 60 months
Leasehold improvements	up to 120 months

Operating Leases

Equipment on hire, with the Company as lessor, under operating leases are treated as fixed assets and depreciated under a straight line method to write off the cost of the fixed assets down to their estimated residual values over the minimum term of the hire contract. Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

Accounting policies (continued)

Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets

The intangible fixed assets represent software and development where the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use;
- Its intention to complete and its ability and intention to use the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development

Following initial recognition of the expenditures as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over the expected future useful lives of between 3 and 5 years.

Investments

Investments in subsidiary undertakings are stated at cost, less any necessary provision for diminution in value.

Foreign currencies

In the financial statements of the Company transactions denominated in foreign currencies during the year are recorded at the average exchange rate for the year. Monetary assets and liabilities denominated in foreign currencies at the year-end are recorded at the rate prevailing at that date.

Pensions

The Company contributes to employees' personal money purchase schemes and to the SG UK defined benefit pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

Administrative expenses

All of the administrative costs of the group's UK operations are borne by the Company, including remuneration of the directors and auditors' remuneration. The company allocates these costs across the group in proportion to earning assets so that each bears an equitable share of total expenses.

Accounting policies (continued)

Significant accounting judgements

The preparation of the financial statements requires management to make judgements when applying the accounting policies. Uncertainty about these judgements could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. The main area in which accounting judgement has made relates to:

<u>Lease classification</u>

In determining whether a lease should be classified as an operating lease or finance lease a number of different factors need to be considered. For instance, a critical judgement is made in relation to expectation of leasee behaviour to extend beyond the contractual primary term. The outcome of which affects both the way in which leases are classified in the primary statements and their subsequent measurement.

Significant accounting estimates

In applying the accounting policies the management has to make estimates that affect the reported amounts of revenues, expenses, asset and liabilities. The main areas in which management makes significant estimates are discussed below:

<u>Deferred tax</u>

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

<u>Residual values</u>

Residual values are attributed based on management's experience and judgment of the minimum prudently expected to be realisable after the end of the primary lease period. Unguaranteed residual values are regularly reviewed by the directors and are stated at the lower of initial attributed values and revised attributed values.

<u>Provisioning</u>

Amounts due in respect of finance lease, hire purchase and loan receivables agreements are stated net of specific provisions against doubtful debts which are made on the basis of regular reviews and policies established by management. Any net increase in provisions, less recoveries for the year, is charged to the income statement account.

Specific provisions represent the quantification of losses from defaulting accounts.

2. Turnover

Turnover on finance leases represents net earnings, after the deduction of direct costs associated with negotiating and arranging lease contracts, reflecting a constant periodic rate of return on the net investment. In the prior year, direct costs of £2.9m were shown separately on the face of the Income Statement. This year, the associated cost is included within interest from finance agreements.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term. Turnover arises in the United Kingdom.

3. Interest income

	2017 £'000s	2016 £'000s
Interest receivable from group undertakings	517	782
Other interest income	57	178
	574	960

4. Interest payable and similar charges

	2017 £'000s	2016 £'000s
Amounts due to group undertakings	12,389	13,727
Other interest costs	469	364
	12,858	14,091

5. Administration expenses

	2017	2016
	£'000	£'000
Director's remuneration and staff costs:		
Salaries & fees	5,657	4,989
Social security costs	676	631
Pension costs	837	789
Other admin expenses	5,339	4,741
	12,509	11,150

Included within administration expenses is £133K relating to auditor remuneration (2016: £131K) relating to audit of the company's financial statements. There were no non-audit services for the year.

Staff numbers
The average monthly number of staff employed by the company and included above was as follows:

	2017	2016
	No.	*No.*
Management	4	4
Sales and Marketing	35	36
Finance and administration	57	48
	96	88

	2017	2016
	£'000	£'000
Directors' remuneration	857	871
Aggregate company contributions to pension scheme	65	81
	922	952

	2017	2016
	No.	*No.*
Number of directors receiving company contributions to personal pension schemes	4	4
Number of directors receiving company contributions to defined benefit pension schemes	0	1

	2017	2016
	£'000	£'000
The amounts in respect of the highest paid director are:		
Directors' remuneration	370	270
Company Contributions to pension schemes	0	13

During the year the company made an interest free season ticket loan to D Yates-Mercer. The balance outstanding at the end of the year was £nil and the maximum outstanding was £4,800 on 6 January 2017 when the loan was made.

6. Tax on profit on ordinary activities

a) Analysis of the tax charge in the period

		2017 £'000s		2016 £'000s
Corporation tax:				
Corporation tax charge on profits of the period		3,556		3,479
Adjustments in respect of prior periods		6		(2)
Total current tax charge		3,562		3,477
Deferred tax:				
Origination and reversal of temporary differences				
Current year deferred tax movement	6		(27)	
Adjustments in respect of prior periods	0		0	
Effect of change in tax rate	(1)		71	
Deferred tax:		5		44
Taxation on ordinary activities		3,567		3,521

b) The total credit / (charge) for the year can be reconciled to the accounting (loss) / profit as follows:

	2017 £'000s	2016 £'000s
Profit/(loss) on ordinary activities before tax	20,398	19,564
Tax on profit on ordinary activities at: standard rate of 20% / 20.247%	3,926	3,912
Factors affecting the charge:		
Disallowable expenses	16	17
Non-taxable credits	(380)	(506)
Transfer pricing adjustments	0	2
Adjustments in respect of prior periods	6	(2)
Losses purchased at value over 20%	0	27
Effect of change in tax rate	(1)	71
Current tax charge / (credit) for the year	3,567	3,521

7. Tangible assets

	Leasehold improvement £'000s	Fixtures, fittings & equipment £'000s	Computer equipment £'000s	Operating leases £'000s	Total £'000s
Cost:					
At 1 Jan	742	302	1,075	2,892	5,011
Additions	68	40	57	0	165
Reclassification	0	0	(96)	0	(96)
At 31 Dec	810	342	1,036	2,892	5,080
Accumulated depreciation:					
At 1 Jan	272	157	862	1,927	3,218
Charge for the year	54	18	48	280	400
Impairment movement	0	0	0	(16)	(16)
Reclassification	0	0	2	0	2
At 31 Dec	326	175	912	2,191	3,604
Net book value: At 31 Dec	484	167	124	701	1,476
At 1 Jan	470	145	213	965	1,793

The Company enters into operating leasing arrangements in relation to plant and equipment.

Minimum lease payments under non-cancellable operating leases:

	2017 £	2016 £
Operating lease which expire:		
Within one year	288,152	288,152
In the second to fifth years inclusive	180,152	288,303
Over five years	0	0
	468,304	576,455

8. Intangible assets

	Software £'000s
Cost:	
At 1 Jan	4,885
Additions	657
Reclassification	96
At 31 Dec	5,638
Accumulated amortisation:	
At 1 Jan	3,016
Charge for the year	646
Reclassification	(2)
At 31 Dec	3,660
Net book value:	
At 31 Dec	1,978
At 1 Jan	1,869

Amortisation is included within administration expenses (note 5)

9. Investments in subsidiaries

Details of subsidiary undertakings are set out below. All interests are held in ordinary shares and the company owns 100% of both the ordinary share capital and voting rights.

Direct subsidiary undertaking	Principal activity	Trading Status	Year end	2017 £'000s
SG Equipment Finance Rental Ltd	Leasing	In liquidation	September	0
SG Equipment Finance Leasing Ltd	Leasing	In liquidation	June	0
SG Equipment Finance Operating Leasing Ltd	Leasing	In liquidation	March	0
SG Equipment Finance (December) Ltd	Leasing	Trading	December	2
				2

The different financial year ends of the named subsidiaries above were established in order to take advantage of timing differences arising from capital allowances claimed on leasing cash flows. In 2016 the directors took the decision to liquidate a number of these subsidiaries (as shown above) and transfer the assets and liabilities into SG Equipment Finance (December) Ltd. At the year end there was no change in investment as compared with last year. During the year the reserve balances in the liquidated entities were distributed as dividends to Societe Generale Equipment Finance Ltd amounting to £1.97m. All of the above companies are incorporated in the UK and the registered addresses are the same as that given for Societe Generale Equipment Finance Ltd.

10. Deferred tax asset

a) Analysis of deferred tax balances

	2017 £'000s	2016 £'000s
Short term temporary differences	1	3
Accelerated capital allowances	1,149	1,152
Total provision, without discounting	1,150	1,155

10. Deferred tax asset (continued)

b) Analysis of movement in provision

	2017 £'000s	2016 £'000s
Asset at 1 January	1,155	1,199
Deferred tax charge for the period	(5)	(44)
Balance at 31 December	1,150	1,155

The deferred tax balance relates to the difference between the tax written down value of assets and their net book value. Deferred tax has been provided in respect of all potential assets and liabilities. Legislation was introduced in Finance (No. 2) Act 2015 to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017. A further measure in Finance Act 2016 enacted a reduction in the main rate of corporation tax to 17% from 1 April 2020. These reductions are taken into account in calculating the deferred tax asset disclosed in the accounts.

11. Trade receivables

	Current <1 Yr	Non Current 2-5 Yrs	>5 Yrs	Total	Current <1 Yr	Non Current 2-5 Yrs	>5 Yrs	Total
	2017 £'000s	**2017 £'000s**	**2017 £'000s**	**2017 £'000s**	**2016 £'000s**	**2016 £'000s**	**2016 £'000s**	**2016 £'000s**
Finance lease								
Gross receivables	146,968	216,893	5,615	369,476	142,687	218,724	7,339	368,751
Unearned finance income	(15,761)	(6,728)	(229)	(22,718)	(18,027)	(9,221)	(382)	(27,629)
Impairment	(803)	(1,391)	(36)	(2,230)	(895)	(1,505)	(50)	(2,450)
Present value	130,404	208,774	5,350	344,528	123,765	207,999	6,907	338,671
Hire purchase								
Gross receivables	184,431	293,397	6,729	484,557	156,971	232,535	4,455	393,962
Unearned finance income	(18,398)	(21,520)	(290)	(40,208)	(13,589)	(15,505)	(179)	(29,273)
Impairment	(542)	(917)	(22)	(1,481)	(556)	(841)	(17)	(1,414)
Present value	165,491	270,960	6,417	442,868	142,826	216,189	4,260	363,275
Loans & other receivables								
Gross receivables	76,683	68,547	2,708	147,938	78,215	56,181	3,123	137,519
Unearned finance income	(8,017)	(16,318)	(453)	(24,788)	(6,066)	(9,949)	(537)	(16,552)
Impairment	(206)	(156)	(7)	(369)	(101)	(65)	(4)	(169)
Present value	68,460	52,073	2,248	122,781	72,048	46,167	2,582	120,798
Total								
Gross receivables	408,082	578,837	15,052	1,001,971	377,874	507,440	14,917	900,231
Unearned finance income	(42,176)	(44,566)	(972)	(87,714)	(37,682)	(34,674)	(1,098)	(73,454)
Impairment	(1,551)	(2,464)	(65)	(4,080)	(1,552)	(2,411)	(70)	(4,034)
Present value	364,355	531,807	14,015	910,177	338,640	470,355	13,749	822,744

11. Trade receivables (continued)

In 2017, the amount of uncollected minimum lease payments amounted to £14.8m. At 31 December, an accumulated allowance of £4.1m has been set aside to deal with any anticipated losses (2016: £4m).

The Company enters into finance leasing arrangements in relation to plant and equipment. The cost of assets acquired under finance leasing arrangements (including hire purchase) was £540.3m (2016: £453.7m) Unguaranteed residual values of assets under finance leases at the balance sheet date were £14.9m (2016: £13.3m).

12. Cash and cash equivalent

	2017 £'000s	2016 £'000s
Amounts held within group companies	39,140	24,298
Amounts held with third parties	2,465	3,401
	41,605	27,699

13. Other receivables

	2017 £'000s	2016 £'000s
Amounts falling due within one year:		
Prepayments & Accrued Income	394	345
VAT	2,809	3,201
Due from group companies	17,906	24,875
Other trade debtors	475	4,047
Provision for variable rate income	0	1
	21,584	32,469

14. Financial liabilities

The maturity of liabilities is as follows:

	Amounts owed to group undertakings		Amounts owed to non-group undertakings		Total	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Due within 1 year	346,425	332,140	21,392	12,396	367,817	344,536
Due within 2 - 5 years	482,078	449,245	48,763	33,493	530,841	482,738
Due over 5 years	10,487	11,246	1,250	1,167	11,737	12,413
	838,990	792,631	71,405	47,056	910,395	839,687

The terms of repayment match typically those of the underlying financial contracts entered into with customers and the rates reflect the current market rates available upon inception of the loans.

15. Other payables

	2017 £'000s	2016 £'000s
Amounts falling due within one year:		
Provision for variable rate income	1	0
Due to group companies	616	455
Deferred income	403	443
Accrued interest	1,607	1,616
Accrued expenses	4,588	4,137
Other trade creditors	10,440	8,423
	17,655	15,074

16. Share capital

	2017 £	2016 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted and called up:		
100 ordinary shares of £1 each, fully paid	100	100

17. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2017 *Buildings* £'000s	2016 *Buildings* £'000s
Operating lease which expire:		
Within one year	0	0
In the second to fifth years inclusive	0	0
Over five years	581	581
	581	581

18. Related party transactions

The ultimate holding company is Société Géneralé. The company has taken advantage of the exemption given in paragraph 8 (k) in FRS 101 not to disclose transactions with wholly owned group companies.

19. Ultimate parent undertaking and controlling party

The Company is a subsidiary of Société Générale Equipment Finance SA (incorporated in France). The ultimate holding company, and the largest group in which the results are consolidated, is Société Générale SA (incorporated in France). A copy of their financial statements may be obtained from 29 Boulevard Haussman, 75009 Paris, France.

On 22 December 2017, the Company's intermediate parent company, Societe Generale Equipment Finance International GmbH sold its 100% holding share capital of the Company to Société Générale Equipment Finance SA.

The smallest group is headed by Société Générale Equipment Finance SA. A copy of their financial statements may be obtained from their registered address at 17 Cours Valmy, 92800 Puteaux, France.

Prior to 22 December 2017, the smallest group was headed by Societe Generale Equipment Finance International GmbH. A copy of their financial statements may be obtained from their registered address at Robert-Daum-Platz 5, 42117 Wuppertal Germany.

20. Pensions

The Company and its subsidiaries make payments to defined contribution schemes and to a defined benefit scheme for eligible employees.

Defined Benefit Scheme

The Company participates in a multi-employer scheme, the SG UK Defined Benefit Pension Scheme ("the Scheme"), which is financially separate from the Company. This Scheme is not open to new members and was closed to further accrual with effect from 31 March 2016. The Scheme was created with effect from 1 January 2004 following the merger of the Société Générale Group Retirement and Death Benefit Scheme for United Kingdom Staff (the London Branch Scheme) and the Société Générale Strauss Turnbull Securities Limited Pension Scheme (the SGST Scheme) with the SG Hambros Scheme. The Company is unable to identify on a consistent and reasonable basis its share of the underlying assets and liabilities of the Scheme, hence the Company recognises the pensions contributions as they become due. The financial statements of Société Générale separately identifies and discloses further information about the plan. Those financial statements are publically available (refer to note 19).

No contributions were paid into the Scheme from the company in 2017 (2016: £25,686).

A full actuarial valuation of the Scheme was carried out as at 31 December 2015. Future contributions are to be made by the group in accordance actuarial advice to meet all pension obligations. The expected contribution for the next 12 months is £0.

Defined Contribution Schemes

In addition to the commitments under the defined benefits scheme, £746,534 was paid into employees' personal money purchase schemes (2016: £717,752).

21. Events after the reporting date

There are no post balance sheet events.