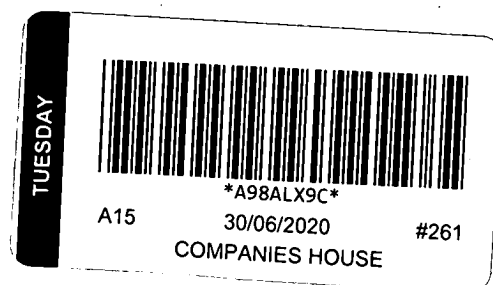


**FORTIS LEASE UK LIMITED**

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**REGISTERED NUMBER: 01881042**



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**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

**PRINCIPAL ACTIVITIES**

The principal activity of the Company during the year was the provision of asset based finance for plant and equipment. The yacht, being the last remaining loan agreement, terminated during the year. No new business has been transacted since 2012 when the Company's business was placed in run off. The Company had one subsidiary undertaking, which was dissolved on 26 March 2019.

**BUSINESS REVIEW**

The results of the company for the period to 31 December 2019 are stated in the Statement of Comprehensive Income on page 11 and show a profit before tax of £1,428k (2018: Profit of £1,369k) and a profit after tax of £761k (2018: profit of £1,094k). The Company has net assets of £12,402k (2018: £11,641k).

**KEY PERFORMANCE INDICATORS**

The directors consider the Key Performance Indicators (KPIs) used by the business to be:

	2019	2018
Profit / (Loss) Before Tax	£1,428,000	£1,369,000
Assets under management at 31 December	£-	£6,459,000

The Company has continued to run down the portfolio over the period hence the reduction in assets under management. The last remaining asset has a carrying value of nil but continues in the secondary rental period.

**FUTURE OUTLOOK**

The Company expects to run down the portfolio and to transact no new business.

The Directors' view on the impacts of the COVID-19 coronavirus and Brexit is disclosed on page 7.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties faced by the Company which are associated with its activities are liquidity risk, interest rate risk, credit risk, bad debt risk and loan to value risk.

**Interest rate and liquidity risk**

Variable rate borrowings are taken from BNP Paribas, a related party, to match variable rate lending and minimise exposure to interest rate risk.

The Company manages cash and borrowing requirements to maximise interest income and minimise interest expense, whilst ensuring it has sufficient liquid resources to meet the operating needs of its businesses.

**Credit risk**

Investments of cash surpluses and borrowings are made with BNP Paribas, a related party.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on going basis and provision is made for doubtful debts where necessary.

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

**Bad debt risk**

Bad Debt Risk arises from the non-payment of instalment or rentals by customers. The company has stringent risk management procedures, covering acceptance of clients, follow up of non payment of lease rentals through to recovery of assets, by which it aims to mitigate this risk as far as possible.

**Loan to value risk**

Loan to Value Risk arises from the ratio of the exposure of the company, to the value of the asset financed. The company manages this risk by careful client acceptance procedures, coupled with stringent asset valuation methodologies, using third party asset valuations where appropriate.

**SECTION 172 STATEMENT**

The Section 172 of the Companies Act 2006 (the Act) sets out the general duty of directors of a company to promote the success of the company. Section 172 of the Act provides that a director must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In so doing, the director must have regard (among other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The directors of the Company are well aware of their duty under section 172 of the Act. The purpose of this statement is to describe how the directors of the Company have had regard to the matters noted above when performing their duty in the year to 31 December 2019.

**The Company's stakeholders**

The principal activity of the Company is the provision of asset based finance for cars, commercial vehicles, plant and equipment, and in some cases, yachts and aircraft by way of hire purchase, leasing and loans. However, the Company's business was placed in run off in 2012 and since then, the Company has transacted no new business. The Company's existing customers will remain its only customers until such time as their finance agreements expire or otherwise terminate.

The Company has identified the following key stakeholder relationships:

Stakeholder	Description of relationship	Means of engagement
Customers	The Company's customers are those businesses to which it provides asset finance by means of hire purchase, leasing and loans.	The Company enters into finance agreements with each of its customers and given that its sole activity is the ongoing management of existing customer agreements, it engages with its customers in the context of the finance agreement it has in place with each customer.
Shareholder	The Company is a wholly owned subsidiary of BNP Paribas Leasing Solutions SA.	The Company is wholly owned by BNP Paribas Leasing Solutions SA, a company incorporated in Luxembourg. The Company provides regular updates to its sole shareholder through board meetings, internal reports and the circulation of key documentation

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

Suppliers	The Company's principal suppliers are other members of the BNP Paribas group.	The Company engages with its suppliers through normal group communication protocols.
Compliance	The Company has independent Compliance, Legal and Risk teams with "vertical" reporting direct to group functions.	The Company's "verticalised" control functions (Compliance, Legal and Risk) have independent/ vertical reporting lines to those control functions at group level. The Company attends group compliance and regulatory reform committees, which facilitates a global overview of compliance and management of compliance matters. The Company sets high standards to adhere to in its own policies and procedures which are reviewed at least every 18 months.

Culture, community and environment

The Company's only activity is the continuing management of the small number of contracts it still has in place with customers. The Company acquires all operational management services from other members of the BNP Paribas group and in performing those services, the relevant member of the BNP Paribas group adheres to the approach of the group to culture, community and the environment.

The Company's approach to decision making and key decisions in the period

The Company sought in the year to 31 December 2019 to continue to run down its portfolio and to transact no new business. As indicated above, the administration of the portfolio was subcontracted to other members of the BNP Paribas group, a decision made by the directors to ensure the effective management of the portfolio. The Company's only other key decision related to the payment of a dividend to its parent company. In their decision-making, the directors of the Company have regard to their duty under section 172 of the Act, including the considerations noted above, and engage with its stakeholders using the methods described above.

Dividends

The directors of the Company considered making a recommendation with regard to payment of a dividend. In deciding whether or not to make such a recommendation, the directors sought to balance the desire to return value to its shareholder with the working capital requirements of the business. The directors decided not to recommend the payment of a dividend in respect of the financial year ending 31 December 2019; no dividend was paid.

Approved by the Board of Directors and signed by order of the Board.

*Nicholas D. James*  
 Nicholas D. James (May 15, 2020)

N James  
 Director

15 May 2020

**Registered Office Address:**  
 Northern Cross  
 Basing View  
 Basingstoke  
 Hampshire  
 RG21 4HL

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**RESULTS AND DIVIDENDS**

The results of the company for the period to 31 December 2019 are stated in the Statement of Comprehensive Income on page 11 and show a profit before tax of £1,428k (2018: Profit of £1,369k).

No dividend was paid in either the current or prior year.

**SHARE CAPITAL**

The issued share capital is £1,000. There was no movement in the share capital during the year. Further details are shown in Note 17 to the financial statements.

**DIRECTORS**

The directors of the Company who served during the year, and up to the date of signing the financial statements, were as follows:

J-M Boyer  
N James

**DIRECTOR INTERESTS**

No director of the Company has at any time had any interest in the shares of the Company.

**DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**GOING CONCERN**

The directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The directors' view on the impacts of the COVID-19 coronavirus and Brexit is disclosed on page 7.

**PAYMENT OF SUPPLIERS**

It is the Company's general policy to pay trade creditors when they fall due for payment. In the case of a number of major suppliers, specific terms and conditions of business have been agreed, and it is the Company's policy to pay in accordance with these terms provided that the supplier is also meeting all relevant terms and conditions.

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**INDEPENDENT AUDITORS**

Mazars LLP will continue to hold office in accordance with Section 487 of the Companies Act 2006.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors have taken all the necessary steps they reasonably ought to have taken, as directors, to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

**THE IMPACT OF BREXIT**

The United Kingdom withdrew from the European Union on 31 January 2020. The terms of the future trade and other relationships within the European Union are not yet clear. However the company have previously evaluated Brexit on the most prudent basis i.e. a withdrawal from the European Union with no deal and concluded that the impact on the business model was not material.

**THE IMPACT OF COVID-19 CORONAVIRUS**

The coronavirus outbreak occurred at a time close to the end of 2019, but the World Health Organisation only characterised it as a pandemic on 11 March 2020. Many governments and regulators have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain area. These measures will affect the global supply chain as well as demand for goods and services and therefore have significant impact to the global growth.

At the same time, fiscal and monetary policies are being relaxed to sustain the economy, and while these government responses and their corresponding effects are still evolving, there is not yet sufficient certainty on the scale of damage this outbreak will have made to the local and global economies.

Financial statements as of 31 December 2019 were prepared on a going concern basis, and this series of events is not representative of conditions that existed at the end of 2019. The management believes however that the outbreak may have an adverse impact on the 2020 Financial Statements. This impact will depend on several elements including clients sector, their financial health prior to Covid and the efficiency of the governmental and financial support they will benefit from.

Management have performed an assessment of the impact of Coronavirus on credit losses and conclude that the company has sufficient share capital and other reserves available to absorb any additional credit losses arising from the worst case scenario.

While the effect of these events on Fortis Lease UK Ltd is largely unpredictable as the pandemic is still spreading, the management expects that they will primarily affect the level of expected credit losses and the valuation of assets. These impacts will be mitigated were possible by the effects of all contra-cyclical measures.

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements ;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.

Approved by the Board of Directors and signed by order of the Board.

Nicholas D James  
Nicholas D James (May 15, 2020)

N James  
Director

15 May 2020

**Registered Office Address:**  
Northern Cross  
Basing View  
Basingstoke  
Hampshire  
RG21 4HL



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FORTIS LEASE UK LIMITED**

**Opinion**

We have audited the financial statements of Fortis Lease UK Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Emphasis of matter - Impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 7, and the consideration in the going concern basis of preparation on page 15 and non-adjusting post balance sheet events on page 35.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company trade, customers, suppliers and the wider economy.

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**Opinion 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 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 has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 controls 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit 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.

  
Greg Simpson (May 18, 2020)

Greg Simpson (Senior Statutory Auditor)  
For and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

<b><u>CONTINUING OPERATIONS</u></b>	Notes	2019		2018	
		£'000	£'000	£'000	£'000
<b>REVENUE</b>					
Interest Income	2	165		116	
Fee Income	3	16		22	
Other Income	4	-		13	
		<hr/>		<hr/>	
<b>TOTAL INCOME</b>			<b>181</b>		<b>151</b>
Interest Expense	5	(132)		(144)	
Cost from Operations	6	(3)		-	
Movement on Bad Debt Impairment	7	19		194	
Impairment of Residual Values		-		499	
Administrative Expenses	8	1,363		669	
		<hr/>		<hr/>	
			<b>1,247</b>		<b>1,218</b>
<b>PROFIT BEFORE TAX</b>			<b>1,428</b>		<b>1,369</b>
Tax Expense	10		(667)		(275)
			<hr/>		<hr/>
<b>PROFIT FOR THE YEAR</b>					
Attributable to Equity Holders			<b>761</b>		<b>1,094</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			<b>-</b>		<b>-</b>
			<hr/>		<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			<b>761</b>		<b>1,094</b>
			<hr/> <hr/>		<hr/> <hr/>

The accompanying notes on pages 15 to 35 are an integral part of this statement.

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019		2018	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Deferred Tax Assets	18	2,095		2,826	
Finance Lease Receivables	12	1,050		-	
Loans due from Customers	13	-		4,859	
		<hr/>		<hr/>	
<b>Total Non Current Assets</b>			<b>3,145</b>		<b>7,685</b>
<b>Current Assets</b>					
Finance Lease Receivables	12	407		-	
Loans due from Customers	13	(20)		1,600	
Amounts due from Group Undertakings	22	1,223		-	
Cash and Cash Equivalents	15	10,443		13,412	
Other Receivables	16	411		1,576	
		<hr/>		<hr/>	
<b>Total Current Assets</b>			<b>12,464</b>		<b>16,588</b>
			<hr/>		<hr/>
<b>TOTAL ASSETS</b>			<b>15,609</b>		<b>24,273</b>
			<hr/> <hr/>		<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share Capital	17	1		1	
Special Distributable Reserve		12,972		12,972	
Retained Earnings		(571)		(1,332)	
		<hr/>		<hr/>	
<b>TOTAL EQUITY</b>			<b>12,402</b>		<b>11,641</b>
<b>Non Current Liabilities</b>					
Amounts due to Group Undertakings	19	-		4,859	
Lease Liabilities	14	1,766		-	
		<hr/>		<hr/>	
<b>Total Non Current Liabilities</b>			<b>1,766</b>		<b>4,859</b>
<b>Current Liabilities</b>					
Provision for Liabilities and Charges	20	-		2,405	
Amounts due to Group Undertakings	19	-		4,455	
Lease Liabilities	14	587		-	
Other Payables	21	854		913	
		<hr/>		<hr/>	
<b>Total Current Liabilities</b>			<b>1,441</b>		<b>7,773</b>
			<hr/>		<hr/>
<b>Total Liabilities</b>			<b>3,207</b>		<b>12,632</b>
			<hr/>		<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>15,609</b>		<b>24,273</b>
			<hr/> <hr/>		<hr/> <hr/>

The accompanying notes on pages 15 to 35 are an integral part of this statement.

These financial statements were approved by the Board of Directors on 15 May 2020 and signed on its behalf.

*Nicholas D. James*  
Nicholas D James (May 15, 2020)

N James  
Director

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Ordinary Shares £'000	Special Distributable Reserve £'000	Retained Earnings £'000	Total £'000
Opening balance sheet as at 1 January 2018		1	12,972	(2,426)	10,547
Profit for the year		-	-	1,094	1,094
Other Comprehensive Income for the year		-	-	-	-
Total Comprehensive Income for the year		-	-	1,094	1,094
<b>Opening balance sheet as at 1 January 2019</b>		<b>1</b>	<b>12,972</b>	<b>(1,332)</b>	<b>11,641</b>
Profit for the year		-	-	761	761
Other Comprehensive Income for the year		-	-	-	-
Total Comprehensive Income for the year		-	-	761	761
<b>Equity as at 31 December 2019</b>		<b>1</b>	<b>12,972</b>	<b>(571)</b>	<b>12,402</b>

The accompanying notes on pages 15 to 35 are an integral part of this statement.

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019		2018	
		£'000	£'000	£'000	£'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before Taxation		1,428		1,369	
			1,428		1,369
<b>Movements in working capital</b>					
Increase in Finance Lease Receivables		(1,456)		-	
Decrease in Loans Due from Customers		6,479		1,543	
Increase in Lease Liabilities		2,353		-	
(Increase)/Decrease in Other Receivables		(100)		16	
Decrease in Trade and other payables		(2,464)		(2,329)	
<b>Cash flow from operating activities before tax</b>		<b>4,812</b>		<b>(770)</b>	
Corporation Tax Received		1,328		4,211	
			6,140		3,441
<b>Net cash flow from operating activities</b>			<b>7,568</b>		<b>4,810</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Decrease in borrowings from Group Undertakings		(10,537)		(39,666)	
<b>Net cash flow from financing activities</b>			<b>(10,537)</b>		<b>(39,666)</b>
Decrease in cash and cash equivalents			(2,969)		(34,856)
Cash and cash equivalents at the start of the year	15		13,412		48,268
Cash and cash equivalents at the end of the year	15		<b>10,443</b>		<b>13,412</b>

The accompanying notes on pages 15 to 35 are an integral part of this statement.

**FORTIS LEASE UK LIMITED**  
**COMPANY NUMBER 1881042**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

Fortis Lease UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Northern Cross, Basing View, Basingstoke, Hampshire, RG21 4HL.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Company's subsidiary undertakings are all based in the UK.

These separate financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent company BNP Paribas SA, who prepares consolidated financial statements in accordance with IFRS, and are made available to the public as detailed in note 25.

## **1. ACCOUNTING POLICIES**

### **Basis of Preparation of Financial Statements**

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Companies Act 2006 as applicable to companies reporting under IFRS.

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Management are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have therefore been prepared on a going concern basis.

The Directors' view on the impacts of the COVID-19 coronavirus and Brexit is disclosed on page 7.

### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods and services provided in the normal course of business. Revenue includes interest income arising from finance lease receivables, interest income arising from financial assets rental income from operating leases and income from the disposal of recovered assets, which are subject to lease arrangements. Revenue is stated net of any discounts, value-added taxes and other sales taxes.

### **Leases - Lessor Accounting**

Leases contracted by the Company as lessor are categorised as either finance leases or operating leases.

### **Finance Leases**

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a finance lease receivable. The lease payments are spread over the lease term, and are allocated to reduce the principal and interest such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease. Finance lease income allocated to accounting periods is taken to the Statement of Comprehensive Income as interest income.

A lease contract may contain a provision giving the lessee an option to acquire title to the asset upon payment of a final rental. These contracts are known as hire purchase contracts and are disclosed separately as amounts due from hire purchase agreements.

Individual and collective impairments of finance lease receivables are determined using the same principles as applied to financial asset loans and receivables.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**Operating Leases**

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee. The Company does not hold any operating leases.

**Operating Leases (the company as a lessee)**

Since 1 January 2019, the company applied IFRS 16, adopted by the European Union on 31 October 2017.

IFRS 16 supersedes IAS 17 and introduces a new recognition model that recognises all leases on a lessee's balance sheet (subject to certain exemptions) in the form of a right-of-use leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period.

IFRS 16 was adopted on 1 January 2019, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018.

The detail of the impacts of the first application of the standard is presented in note 11.

From the lessor's point of view, the impact is limited, as the requirements of IFRS 16 remain mostly unchanged from IAS 17.

**Recovered Assets Subject to Lease Arrangements**

Assets, which are subject to lease arrangements, and that have been surrendered to the Company are included within finance lease receivables or amounts due from hire purchase agreements at the lower of net book value or net realisable value at the date of surrender. These assets are held with the intention of resale. Revenue relating to the disposal of recovered assets is recognised upon the transfer of legal title of the asset.

**Financial Assets - Loans and Receivables**

The Impairment of loans and receivables is accounted for under IFRS 9 'Financial Instruments'. Loans and receivables comprise loans due from customers, loans due from Group Undertakings, other receivables and cash and cash equivalents. Financial assets are managed within the business model whose objective is to hold financial assets in order to collect cash flows through the collection of contractual payments over the life of the instrument.

**Impairment**

The impairment model for credit risk is based on expected losses. This model applies to loans and debt instruments measured at amortised cost or fair value through equity, to loan commitments and financial guarantee contracts that are not recognised at fair value, as well as to lease receivables, trade receivables and contract assets. Impairment losses are presented under credit risk.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Where applicable, bank overdrafts are included within Borrowings in current liabilities of the Statement of Financial Position.

**Financial Liabilities and Equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities measured at amortised cost comprise amounts due to group undertakings and other payables.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**Income and expenses arising from financial assets and financial liabilities**

Income and expenses arising from financial instruments measured at amortised cost are recognised in the profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the asset or liability in the Statement of Financial Position. The effective interest rate calculation takes into account all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs and premiums and discounts.

The effective interest method used by the Company to recognise service-related fee income and expenses depends on the nature of the service. Fees treated as an additional component of interest is included in the effective interest rate, and is recognised in profit or loss in "Interest Income or Interest Expense". Fees payable or receivable on execution of a significant transaction is recognised in the profit or loss account in full on execution of the transaction, under "Fee Income or Costs from Operations". Fees payable or receivable for recurring services is recognised over the term of the service, also under "Fee Income or Cost from Operations".

**Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation. The liability for current tax is calculated using tax rates that have been substantively enacted by the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax rates used in the determination of deferred income tax are the rates which are expected to apply when the asset is realised or the liability settled, based on the tax rates that have been substantially enacted at the reporting date of that period. They are not discounted.

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

**Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

**Group Undertakings**

The immediate holding Company is BNP Paribas Leasing Solutions SA, which is registered in Luxembourg. The ultimate parent Company is BNP Paribas SA, which is registered in France.

**Provisions for liabilities and charges**

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**Dividends**

Dividends are recognised when they become legally payable.

**Critical Accounting Estimates and Judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This applies to:

- The measurement of expected credit losses. This applies in particular to the assessment of significant increase in credit risk, the models and assumptions used to measure expected credit losses, the determination of the different economic scenarios and their weighting. (see note 23)
- Provisions for liabilities and charges (see note 20)

**Investments**

The company made an irrevocable election for the non-traded consolidated equity instruments to be held at fair value through the other comprehensive income. Dividends will continue to be recognised in the profit and loss but gains and losses are not reclassified to the profit and loss upon derecognition and impairment is not recognised in the income statement.

**Foreign Currencies**

Transactions in currencies other than the functional currency of sterling are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the reporting date. All translation differences are recognised in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**Standards, amendments and interpretations adopted during the year**

During the year, the following new standards, amendments and interpretations have become effective:

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement - Effective 1 January 2019

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures - Effective 1 January 2019

Improvements to IFRSs 2015-2017 cycle: Minor amendments to standards and interpretations - Effective 1 January 2019

IFRIC 23 - Uncertainty over Income Tax Treatments - Effective 1 January 2019

Amendments to IFRS 9 Financial Instruments: Effective 1 January 2019

The amendment enables companies to apply amortised cost measurement to certain financial assets with negative compensation which are capable of prepayment.

IFRS 16 'Leases' - Effective date 1 January 2019

The standard replaces IAS 17 'Leases', and eliminates the classification of a lease as either an operating lease or finance lease for lessees and introduces a single lessee accounting model.

**Standards, amendments and interpretations in issue, but not yet effective**

At the date of authorisation of these financial statements the following standards, amendments and interpretations were in issue but not yet effective. These standards, amendments, and interpretations have not been adopted early and have not been applied to these financial statements.

Conceptual Framework (Revised) and amendments to related references in IFRS Standards - Effective 1 January 2020, not yet endorsed by the EU.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material - Effective 1 January 2020, not yet endorsed by the EU

Amendment to IFRS 3 Business Combinations: Definition of a Business - Effective 1 January 2020, not yet endorsed by the EU

IFRS 17 'Insurance Contracts' replaces the current IFRS 4 'Insurance Contracts' - Effective 1 January 2021, expected endorsement date not yet available.

The adoption of these standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**2. INTEREST INCOME**

	2019 £'000	2018 £'000
Interest Income from Loans	72	68
Interest Income from Finance Lease	93	-
Interest Income from Group Undertakings (see note 22)	-	48
	165	116
	165	116

All interest income is derived from the United Kingdom.

**3. FEE INCOME**

	2019 £'000	2018 £'000
Fees on Default	16	22
	16	22
	16	22

**4. OTHER INCOME**

	2019 £'000	2018 £'000
Interest on tax payments	-	13
	-	13
	-	13

**5. INTEREST EXPENSE**

	2019 £'000	2018 £'000
Interest Expense to Group Undertaking (see note 22)	(66)	(79)
Breakage Costs (see note 22)	(66)	(65)
	(132)	(144)
	(132)	(144)

Interest payable to group undertakings is payable on loans advanced by related parties in the BNP Paribas Group (Note 22).

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**6. COSTS FROM OPERATIONS**

	2019 £'000	2018 £'000
Foreign Exchange Loss	(3)	-
	(3)	-
	(3)	-

**7. IMPAIRMENT GAINS AND LOSSES**

	2019 £'000	2018 £'000
Net Provision Movement (see note 23)	-	(20)
Cost of Write Off	19	214
	19	194
	19	194

**8. ADMINISTRATION EXPENSES**

	2019 £'000	2018 £'000
Professional Costs	(23)	(39)
Bank Levy	(2)	(7)
Other administration costs	1,388	715
	1,363	669
	1,363	669

The Bank Levy is recharged to the Company from BNP Paribas London Branch, on the basis of the Company's liabilities which are subject to the Bank Levy.

**Emoluments of Directors**

No remuneration has been paid to the Directors of the Company in the current or prior year.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**9. AUDITOR'S REMUNERATION**

The following is included within professional costs in administration expenses:

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company	<u>(31)</u>	<u>(31)</u>

**10. TAXATION**

The analysis of the tax charge for the year is as follows:

	2019 £'000	2018 £'000
<b>Current Tax</b>		
UK Corporation tax on profits of the current year	213	332
Adjustments in respect of prior years	(149)	(14)
	<u>64</u>	<u>318</u>
<b>Deferred Tax</b>		
Current Year	(731)	(593)
Deferred Tax Charge (see note 18)	(731)	(593)
	<u>(667)</u>	<u>(275)</u>

Corporation Tax is calculated at 19% (2018: 19%) of the taxable profit for the year.

Changes over the year include the effect of IFRS 16 First Time Adoption (see note 11).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	(1,428)	(1,369)
Tax credit at the UK standard rate of Corporation Tax of 19% (2018: 19%)	(271)	(260)
Tax effect of expenses that are not deductible	-	(1)
Adjustments in respect of prior years	(149)	(14)
Adjustment to deferred tax due to rate change	(247)	-
	<u>(667)</u>	<u>(275)</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**11. EFFECT OF IFRS 16 FIRST TIME ADOPTION**

As of 1 January 2019, Fortis Lease UK applied the new accounting standard IFRS 16 under the modified retrospective method.

The only lease contract identified is a property lease.

Where the lease included an option for the company to extend the lease term, the company makes a judgement as to whether it is reasonably certain that the option will be taken. This judgement is reassessed at each reporting period.

When applying IFRS 16 for the first time, and as permitted by the standard, the company adjusted the asset on transition by any previously recognised onerous lease provision, as an alternative to performing an impairment review.

The company has also elected;

- not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relies on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

**12. FINANCE LEASE RECEIVABLES**

	2019 £'000	2018 £'000
Finance Lease receivables before impairment	1,457	-
Impairment of finance lease receivables	-	-
	<hr/>	<hr/>
Total of Finance Lease receivables net of impairment provisions	1,457	-
	<hr/> <hr/>	<hr/> <hr/>
Finance Lease receivables due within 1 year	407	-
Finance Lease receivables due after 1 year	1,050	-
	<hr/>	<hr/>
Total Finance Lease receivables before impairment	1,457	-
	<hr/> <hr/>	<hr/> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**13. LOANS DUE FROM CUSTOMERS**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Loans due from Customers before impairment	-	6,479
Impairment of loans receivable	<b>(20)</b>	<b>(20)</b>
	<hr/>	<hr/>
Loans due from customers net of impairment provisions	<b>(20)</b>	6,459
	<hr/> <hr/>	<hr/> <hr/>
Loans due from Customers within 1 year	-	1,620
Loans due from Customers after 1 year	-	4,859
	<hr/>	<hr/>
Total Loans due from Customers before impairment	-	6,479
	<hr/> <hr/>	<hr/> <hr/>

The below table represents the movement in Impairment Provisions in the year by stage:

	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	6,631	-	-	6,631	(20)	-	-	(20)
Exits from Stage 1	(6,631)	-	-	(6,631)	-	-	-	-
	-	-	-	-	(20)	-	-	(20)



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**14. FIXED ASSETS**

	2019 £'000	2018 £'000
Right-of-use assets:		
1 January	3,101	-
Impairment	(3,101)	-
31 December	-	-
Lease liabilities:		
1 January	3,101	-
Movements	(748)	-
31 December	2,353	-
Lease liabilities payable within 1 year	587	-
Lease liabilities payable after 1 year	1,766	-
Total Lease liabilities	2,353	-

The lease is a ten year lease for the 8th, 9th and 10th floors of a property in Glasgow, expiring 15 September 2023. This is a non-cancellable lease. The Company no longer uses the premises and has therefore impaired the right-of-use asset.

**15. CASH AND CASH EQUIVALENTS**

	2019 £'000	2018 £'000
Balances held with Group bank (see note 22)	10,443	13,412
	10,443	13,412

**16. OTHER RECEIVABLES**

	2019 £'000	2018 £'000
Trade Debtors (Stage 1)	195	1
Corporation tax receivable	216	1,480
Other Receivables (Stage 1)	-	95
	411	1,576

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**17. SHARE CAPITAL**

	2019 £'000	2018 £'000
<b><u>Authorised</u></b>		
1,000 ordinary shares of £1 each	1	1
<b><u>Allotted and fully paid</u></b>		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

**18. DEFERRED TAXATION**

Deferred tax has been provided in full at 17% (2018: 19%) as follows:

	2019 £'000	2018 £'000
Excess of tax allowances over book depreciation	2,095	2,826
Deferred Taxation asset	2,095	2,826
	<u>2,095</u>	<u>2,826</u>

The movement in deferred taxation is reconciled as follows:

	2019 £'000	2018 £'000
Opening balance as at 1 January	2,826	3,419
Deferred Tax Charge	(731)	(593)
Closing balance as at 31 December	2,095	2,826
	<u>2,095</u>	<u>2,826</u>

The Finance Act 2018 (the Act) received Royal Assent on 15 March 2018. The Act maintained the main rates of corporation tax of 19% from April 2017 to March 2020 and 17% from April 2020. The rate used to calculate deferred tax is the rate substantively enacted or enacted at the balance sheet date at which the various timing differences are expected to reverse. In March 2020 after the balance sheet date, a resolution was passed with statutory effect under the provisions of the Provisional Collection of Taxes Act 1968 that the corporation tax rate remains at 19% until the end of March 2022. The impact of the rate remaining at 19% is not expected to have a material impact on the deferred tax balances.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**19. AMOUNTS DUE TO GROUP UNDERTAKINGS**

	Notes	2019 £'000	2018 £'000
Amount owed to Group Undertakings - current liability	22	-	4,455
Amount owed to Group Undertakings - non current liability	22	-	4,859
		<u>-</u>	<u>9,314</u>
		<u>-</u>	<u>9,314</u>

All bank loans and overdrafts are owed to related parties in the BNP Paribas Group and have been classified as financial liabilities measured at amortised cost. These amounts are all non secured.

**20. PROVISION FOR LIABILITIES AND CHARGES**

The movement on the provision for impairment of trade receivables is as follows:

	2018 £'000	Movement in provisions £'000	Provisions Utilised £'000	2019 £'000
Property Provision	2,402	-	(2,402)	-
Provision for Onerous Contracts	3	(3)	-	-
	<u>2,405</u>	<u>(3)</u>	<u>(2,402)</u>	<u>-</u>
	<u>2,405</u>	<u>(3)</u>	<u>(2,402)</u>	<u>-</u>

The property provision relates to a property lease that was entered into by the Company in September 2008 which comprised three floors of office space. The lease subsequently became onerous when the company relocated its operations in July 2012. When applying IFRS 16 for the first time, and as permitted by the standard, the Company adjusted the asset on transition by the onerous lease provision, as an alternative to performing an impairment review.

The provision for onerous contracts relates to loan agreements entered into by the company which are expected to be loss making. The provision recognised comprises the total losses expected to be incurred through these agreements.

**21. OTHER PAYABLES**

	2019 £'000	2018 £'000
Accruals and Deferred Income	789	854
Other Payables	65	59
	<u>854</u>	<u>913</u>
	<u>854</u>	<u>913</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**22. RELATED PARTY TRANSACTIONS**

The accounts reflect the following transactions with related parties:

	Notes	2019 £'000	2018 £'000
BNP Paribas London Branch - Interest Receivable	2	-	48
BNP Paribas London Branch - Interest Payable	5	(66)	(79)
BNP Paribas London Branch - Breakage Costs	5	(66)	(65)
		<u>(132)</u>	<u>(96)</u>
<b>Amounts due to group undertakings</b>		<b>£'000</b>	<b>£'000</b>
BNP Paribas Leasing Solutions Limited		-	(2,833)
BNP Paribas London Branch - Current Liability		-	(1,622)
BNP Paribas London Branch - Non Current Liability		-	(4,859)
	19	<u>-</u>	<u>(9,314)</u>
<b>Amounts due from group undertakings</b>		<b>£'000</b>	<b>£'000</b>
BNP Paribas Leasing Solutions Limited		975	-
BNP Paribas Rental Solutions Limited		248	-
		<u>1,223</u>	<u>-</u>
<b>Cash and Cash Equivalents</b>		<b>£'000</b>	<b>£'000</b>
Balances held with Group bank	15	10,443	13,412
		<u>10,443</u>	<u>13,412</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Financial Risk Management**

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits.

The Company manages its capital in order to safeguard its ability to continue as a going concern and in order to provide adequate returns for equity holders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or issue new ordinary share capital.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company's maximum exposure to credit risk is the carrying value of the financial assets held at the reporting date £15,609k (2018 £24,273k) The company has assessed this maximum exposure to credit risk at the reporting date and determined that since this arises principally from the Companies receivables from within the BNP Paribas Group, the assets held at the reporting date are stage 1 with a low probability of default as a result further analysis is not disclosed as it is not material.

**General model**

The impairment model for credit risk is based on expected losses, the calculation of which is conducted in two steps;

First the company places facilities in one of three 'stages' to determine the scope of application.

- 'Stage 1' (Performing) where, at the reporting date, the credit risk represented by the facility has not increased significantly since its origination

- 'Stage 2' (Underperforming) where, at the reporting date, the credit risk represented by the facility has deteriorated significantly but the facility is not credit impaired.

- "Stage 3" (Credit Impaired) where, at the reporting date, there are potential losses.

Secondly, the Expected Credit Loss (ECL) is calculated. The ECL is determined by projecting the probability of default (PD), Exposure at default (EAD) and Loss Given Default (LGD) for each future month and for each collective segment. For "Stage 1" a one year ECL is calculated and for "Stage 2" a lifetime ECL is calculated. Facilities in "Stage 3" are covered by specific provisions which correspond to lifetime ECL.

This general model is applied to all instruments within the scope of IFRS 9 impairment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**Forward looking**

PD projection methodologies allow the integration of forward looking information, not otherwise captured when assessing credit deterioration individually. The final ECL is the outcome of the linear combination of 3 weighted ECLs, whose computation is based on forward looking PDs.

The methodology to build forward looking PD term structures requires:

- The construction of a 'Through the (economic) cycle' rating migration probability matrix based on a collected historical time series of rating transitions.
- The construction of a default time series and an econometric model that defines the relationship between the default rate and macroeconomic variables.
- Transformation of the above default rate time series into "Z" time series representing the position in the credit risk cycle (Z-factor) and into a parameter<sup>P</sup> representing the sensitivity of annual probability of default to the economic environment.
- The projection of three one year point in time migration matrices, one for each year of the forward looking horizon whose length corresponds to the horizon of the economic projections supplied by the economists. Each matrix takes into account the impact of the economic forecasts (Baseline, Optimistic and Adverse) on the probability of migration from one rating to another.
- The construction of a cumulative default probability term structure, from these yearly rating migration matrices.

Forward-looking information is considered when assessing significant increase in credit risk and when measuring expected credit losses.

The determination of significant increase in credit risk is supplemented by the consideration of more systemic forward looking factors (such as macro-economic, sectorial or geographical risk drivers) that could increase the credit risk of some exposures. These factors can lead to tighten the transfer criteria into stage 2, resulting in an increase of ECL amounts for exposures deemed vulnerable to these risk drivers.

**Significant increase in credit risk**

Significant increase in credit risk may be assessed on an individual basis or on a collective basis (by grouping financial instruments according to common credit risk characteristics) taking into account all reasonable and supportable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition.

The indicator used for assessing increase in credit risk is the rating; this could be the expert rating, a statistical rating or a default rating. There is also a factor in the rating model that, in accordance with the standard, considers that the credit risk of an instrument has increased since initial recognition when the contractual payments are more than 30 days past due.

Credit risk is measured through the allocation of internal credit gradings to each counterparty from a range of 1 – 12.

In the general principles of the Standard, significant increase in credit risk since initial recognition is assessed at each reporting date at financial instrument level in order to determine in which stage the financial instrument should be placed.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**Measurement of expected credit losses**

Expected credit losses are defined as an estimate of credit losses (i.e. the present value of all cash shortfalls)

The amount of expected credit losses is measured on the basis of probability-weighted scenarios, in view of past events, current conditions and reasonable and supportable economic forecasts over the expected life of the financial instrument. They are measured on an individual basis for all exposures.

In practice, for exposures classified in stage 1 and stage 2, expected credit losses are measured as the product of the PD, LGD and EAD, discounted at the effective interest rate of the exposure (EIR). For exposures classified in stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument.

A financial asset is considered doubtful and classified in "stage 3" when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred for example, the financial instrument becomes 90 days past due or knowledge or indications of significant financial difficulties.

**Definition of default**

The definition of default is aligned with the Basel regulatory default definition, with a rebuttable presumption that the default occurs no later than 90 days past-due.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Gross Exposure Movement**

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the maximum exposure to credit risk on these assets.

	Internal grading
Low Risk	1+ to 5-
Medium Risk	6+ to 8-
High Risk	9+ to 10-
In Default	11 and 12.

**Year Ended 31 December 2019**

	Gross carrying amount				Allowance for ECL			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low Risk	411	-	-	411	(20)	-	-	(20)
	<b>411</b>	<b>-</b>	<b>-</b>	<b>411</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>

**Year Ended 31 December 2018**

	Gross carrying amount				Allowance for ECL			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grading not available	8,207	-	-	8,207	(20)	-	-	(20)
	<b>8,207</b>	<b>-</b>	<b>-</b>	<b>8,207</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The following table represents the carrying amount of the financial assets that are past due but not impaired (by age of past due), and impaired assets. The credit risk is mitigated due to the Company retaining legal title to assets subject to finance leases and hire purchase agreements. The Company does not have any further credit enhancements. The amounts shown are stated before any provision on a portfolio basis.

**Balances in Arrears**

**Year Ended 31 December 2019**

	Not past due £'000	0-29 days £'000	30-59 days £'000	60 - 89 days £'000	Over 90 days £'000	Total £'000
Finance Leases	1,457	-	-	-	-	1,457
Loans to Customers	-	-	-	-	-	-
	1,457	-	-	-	-	1,457
	1,457	-	-	-	-	1,457

**Year Ended 31 December 2018**

	Not past due £'000	0-29 days £'000	30-59 days £'000	60 - 89 days £'000	Over 90 days £'000	Total £'000
Loans to Customers	6,479	-	-	-	-	6,479
	6,479	-	-	-	-	6,479
	6,479	-	-	-	-	6,479

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to borrow from BNP Paribas, a related party, at a fixed rate matching fixed rate lending. Access to sources of funding is sufficiently available and debt maturing within 12 months can be replaced with Group companies.

**Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by funding the loans with fixed rate funding within the Group. Finance lease receivables and loans due to customers are at fixed rate and as a result the Company has a limited exposure to variable rates of interest.

Since all loans are borrowed at a fixed rate at the time of the financing the interest sensitivity is minimal.

**Foreign Currency Risk**

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to this risk as it does not transact with overseas companies or operate in overseas countries. The Company's exposure to foreign exchange risk is therefore not considered to be significant and accordingly sensitivity analysis information has not been provided.

The net exposure to foreign exchange is minimal therefore no further disclosure is considered appropriate.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Maturity Profile of Assets and Liabilities**

The tables below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments

**Financial Assets**

**Year Ended 31 December 2019**

	Less than 3 months £'000	3 - 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Finance Lease Receivables	101	306	1,050	-	1,457
Loans due from Customers	-	-	-	-	-
Other Receivables	411	-	-	-	411
	<u>512</u>	<u>306</u>	<u>1,050</u>	<u>-</u>	<u>1,868</u>

**Year Ended 31 December 2018**

	Less than 3 months £'000	3 - 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Loans due from Customers	434	1,263	4,935	-	6,631
Other Receivables	1,576	-	-	-	1,576
	<u>2,010</u>	<u>1,263</u>	<u>4,935</u>	<u>-</u>	<u>8,207</u>

**Financial Liabilities**

**Year Ended 31 December 2019**

	Less than 3 months £'000	3 - 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Amounts due to Group Undertakings	-	-	-	-	-
Lease Liabilities	147	440	1,766	-	2,353
Other Payables	65	-	-	-	65
	<u>212</u>	<u>440</u>	<u>1,766</u>	<u>-</u>	<u>2,418</u>

**Year Ended 31 December 2018**

	Less than 3 months £'000	3 - 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Amounts due to Group Undertakings	3,270	1,268	5,001	-	9,539
Other Payables	60	-	-	-	60
	<u>3,330</u>	<u>1,268</u>	<u>5,001</u>	<u>-</u>	<u>9,599</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Continued**

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Reconciliation of liabilities from financing activities**

The tables below summarise the changes in liabilities arising from financing activities.

**Year Ended 31 December 2019**

<u>Short term borrowings</u>	2018 £'000	Cash flows £'000	Non-Cash changes £'000	2019 £'000
Share Capital and Reserves	11,641	-	761	12,402
Amounts payable to Group Undertakings	9,539	(10,537)	998	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Year Ended 31 December 2018**

<u>Short term borrowings</u>	2017 £'000	Cash flows £'000	Non-Cash changes £'000	2018 £'000
Share Capital and Reserves	10,547	-	1,094	11,641
Amounts payable to Group Undertakings	49,349	(39,666)	(144)	9,539
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**24. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of a financial instrument 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 finance lease receivables and hire purchase agreements, the carrying value is a reasonable approximation of fair value.

For all other financial assets and liabilities the carrying value approximates the fair value due to the short-term nature of these financial assets and liabilities.

**25. PARENT AND ULTIMATE CONTROLLING PARTY**

The immediate parent is BNP Paribas Leasing Solutions SA, which is incorporated in Luxembourg. The ultimate parent company and the ultimate controlling party is BNP Paribas SA which is incorporated in France.

The parent undertaking of the smallest group in which the results of the Company are consolidated is BGL BNP Paribas SA which is incorporated in Luxembourg. The parent undertaking of the largest group in which the results of the Company are consolidated is BNP Paribas SA. The consolidated financial statements of BGL BNP Paribas SA and BNP Paribas SA are available to the public and may be obtained from 16 Boulevard des Italiens, 75009 Paris, France.

**26. EVENTS AFTER THE REPORTING PERIOD**

Since the balance sheet date there has been a global outbreak of a novel strain of coronavirus (COVID-19) which is causing widespread disruption to financial markets and normal patterns of business activities across the world, including the UK. In view of its currently evolving nature it is not currently possible to estimate the future impact of COVID-19 on the Company, The directors have considered the financial impact of COVID-19 and concluded that this is a non-adjusting post balance sheet event.