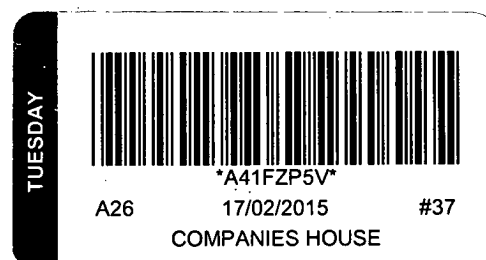


# **SG Leasing (Utilities) Limited**

**(Formerly BMI (No. 3) Limited)**

Report and financial statements  
For the period ended 2 October 2014

REGISTERED NUMBER: 1364426



SG Leasing (Utilities) Limited (Formerly BMI (No. 3) Limited)  
Report and financial statements  
For the period ended 2 October 2014

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**SG Leasing (Utilities) Limited (Formerly BMI (No. 3) Limited)**  
**Directors' report**  
**For the period ended 2 October 2014**

The Directors present their report together with the audited financial statements of the Company for the period ended 2 October 2014. On 2 October 2014 the Company's parent, Barclays Mercantile Business Finance Limited sold its entire shareholding in BMI (No. 3) Limited to TH Investments (Hong Kong) 1 Limited and the Company changed its name to SG Leasing (Utilities) Limited.

**Results and dividends**

During the period the Company made a loss after tax of £677,000 (year ended 31 March 2014: profit of £1,160,000).

On 2 October 2014 the Company paid a dividend of £6,904,604 to Barclays Mercantile Business Finance Limited, the former parent (year ended 31 March 2014: £nil). The Directors do not recommend the payment of a final dividend (year ended 31 March 2014: £nil).

**Change in UK corporation tax rate**

The main rate of corporation tax was reduced from 23% to 21% on 1 April 2014. A further reduction was substantively enacted in July 2013 reducing the rate to 20% on 1 April 2015. These reductions in rate are more fully explained in note 17 of the financial statements.

**Change of accounting reference date**

The accounting reference date of the Company, which was previously 31 March 2015, has been changed to 2 October 2014 for commercial reasons. These financial statements are prepared for the period from 1 April 2014 to 2 October 2014. The prior period covers the year to 31 March 2014 and hence comparative amounts for the income statement, changes in equity, cash flows and related notes are not comparable.

**Directors**

The Directors of the Company, who served during the period and up to the date of signing the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below:

M. Akram	Resigned 2 October 2014
S. D. Cook	Appointed 2 October 2014
N. M. Dent	Appointed 2 October 2014
S. L. Fowler	Appointed 2 October 2014
J. M. Huckle	Resigned 29 August 2014
J. T. Leather	Resigned 2 October 2014
M. A. Nimmo	Appointed 2 October 2014
G. J. Simpson	Resigned 2 October 2014

**Going concern**

After reviewing the Company's performance projections, the available banking facilities and taking into account the support available from Barclays Bank PLC, for the period ended 2 October 2014, and from Société Générale thereafter, 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, the Directors have adopted the going concern basis in preparing these financial statements.

**Statement of Directors' responsibilities**

The following statement, which should be read in conjunction with the Auditors' report set out on pages 6 and 7, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

**Statement of Directors' responsibilities (continued)**

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year. The Directors have prepared the accounts in accordance with International Financial Reporting Standards ('IFRS') to present fairly the financial position of the Company and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that in preparing the financial statements on pages 8 to 25:

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and
- that all the accounting standards which they consider to be applicable have been followed; and
- that the financial statements have been prepared on a going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure 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.

**Financial instruments**

Barclays' financial risk management objectives and policies, which are followed by the Company for the period ended 2 October 2014, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in the note 'Financial Risks' on pages 20 to 24.

**Directors' third party indemnity provisions**

Qualifying third party indemnity provisions were in force during the course of the financial period ended 2 October 2014 for the benefit of the then Directors and, at the date of this report, are in force as permitted under Part 10 of the Companies Act 2006 for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office. The Company has taken out liability insurance as permitted under Part 10 of the Companies Act 2006 to cover directors and officers.

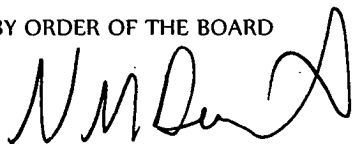
**Independent Auditors**

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

Statement of disclosure of information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'N. M. De A.', written over the text 'BY ORDER OF THE BOARD'.

Director

Date: 10 February 2015

#### Business review and principal activities

During the period the principal activity of the Company was the leasing of equipment, and this is likely to continue for the foreseeable future.

#### Business performance

The results of the Company show a loss after tax of £677,000 (year ended 31 March 2014: profit of £1,160,000) and a profit before tax of £42,000 (year ended 31 March 2014: loss of £1,489,000) for the period. The Company has net assets of £1,754,000 (as at 31 March 2014: £9,336,000). Net cash used in operating activities for the period was £4,579,000 (year ended 31 March 2014: net cash from operating activities of £5,961,000).

#### Future outlook

The Directors consider the Company's balance sheet and cash flow position to be satisfactory and remain confident in the future business outlook.

#### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are more fully explained in note 15 of the financial statements.

#### Operational risk

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors or from external agents.

#### Business risk

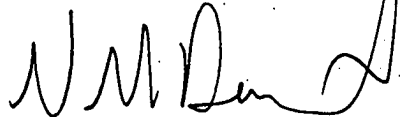
Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures.

The Company is committed to the advanced management of operational and business risks, consistent with the ultimate parent, Société Générale.

#### Key performance indicators

The directors of Barclays PLC managed the group's operations on a business cluster basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company for the period ended 2 October 2014. The development, performance and position of the relevant business cluster, which includes the Company, are discussed in the Barclays PLC annual report, which does not form part of this report.

BY ORDER OF THE BOARD



Director

Date: 10 February 2015

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SG LEASING (UTILITIES) LIMITED (FORMERLY BMI (No. 3) LIMITED)**

**Report on the financial statements**

**Our opinion**

In our opinion, SG Leasing (Utilities) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 2 October 2014 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**What we have audited**

SG Leasing (Utilities) Limited's financial statements comprise:

- the balance sheet as at 2 October 2014;
- the income statement for the period then ended;
- the cash flow statement for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the , rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union. In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SG LEASING (UTILITIES) LIMITED (FORMERLY BMI (No. 3) LIMITED) (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors  
As explained more fully in the Statement of Directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.  
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

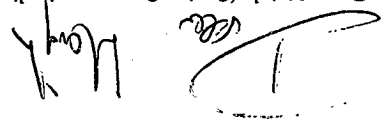
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other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

What an audit of financial statements involves  
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:  
• whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;  
• the reasonableness of significant accounting estimates made by the directors; and  
• the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Drew Haigh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
16 February 2015



SG Leasing (Utilities) Limited (Formerly BMI (No. 3) Limited)

Income statement

For the period ended 2 October 2014

	Note	Period ended 2 October 2014 £'000	Year ended 31 March 2014 £'000
<b>Continuing operations</b>			
Lease revenue	4	988	602
Interest income	6	22	41
Interest expense	6	(968)	(2,132)
<b>Profit/(loss) before tax</b>		<b>42</b>	<b>(1,489)</b>
Tax	7	(719)	2,649
<b>(Loss)/profit after tax</b>		<b>(677)</b>	<b>1,160</b>

Loss after tax and total comprehensive expense for the period was £677,000 (year ended 31 March 2014: profit after tax and total comprehensive income £1,160,000). There were no items of other comprehensive income.

The accompanying notes form an integral part of the financial statements.

SG Leasing (Utilities) Limited (Formerly BMI (No. 3) Limited)

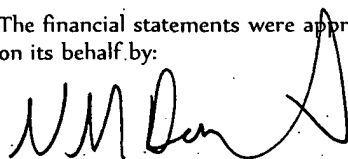
Balance sheet

As at 2 October 2014

	Note	As at 2 October 2014 £'000	As at 31 March 2014 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Finance lease receivables	8	63,538	61,823
<b>Total non-current assets</b>		<b>63,538</b>	<b>61,823</b>
<b>Current assets</b>			
Finance lease receivables	8	6,497	7,224
<b>Total current assets</b>		<b>6,497</b>	<b>7,224</b>
<b>Total assets</b>		<b>70,035</b>	<b>69,047</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amount due to parent undertaking	10	(52,187)	-
Amount due to third parties	11	-	(40,703)
Current tax liability		(14,927)	(1,918)
Other payables	12	-	(1,715)
<b>Total current liabilities</b>		<b>(67,114)</b>	<b>(44,336)</b>
<b>Net current liabilities</b>		<b>(60,617)</b>	<b>(37,112)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	(1,167)	(15,375)
<b>Total non-current liabilities</b>		<b>(1,167)</b>	<b>(15,375)</b>
<b>Net assets</b>		<b>1,754</b>	<b>9,336</b>
<b>SHAREHOLDER'S EQUITY</b>			
Called up share capital	14	-	-
Retained earnings		1,754	9,336
<b>Total shareholder's equity</b>		<b>1,754</b>	<b>9,336</b>

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2015 and were signed on its behalf by:



Director

Date: 10 February 2015

SG Leasing (Utilities) Limited (Formerly BMI (No. 3) Limited)  
Statement of changes in equity  
For the period ended 2 October 2014

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	-	9,336	9,336
Loss after tax	-	(677)	(677)
Dividends paid	-	(6,905)	(6,905)
Balance at 2 October 2014	-	1,754	1,754

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2013	-	8,176	8,176
Profit after tax	-	1,160	1,160
Balance at 31 March 2014	-	9,336	9,336

The accompanying notes form an integral part of the financial statements.

SG Leasing (Utilities) Limited (Formerly BMI (No. 3) Limited)  
Cash flow statement  
For the period ended 2 October 2014

		Period ended 2 October 2014 £'000	Year ended 31 March 2014 £'000
	Notes		
Continuing operations			
Reconciliation of profit/(loss) before tax to net cash flows from operating activities:			
Profit/(loss) before tax		42	(1,489)
Profit on termination of finance lease receivables	4	-	(19)
Non-cash movement in finance lease receivables		(988)	9,955
Interest income		(22)	(41)
Interest expense		968	2,132
Net (decrease)/increase in other payables		(1,715)	58
Cash (used in)/from operating activities		(1,715)	10,596
Receipts from termination of finance leases receivables		-	19
Interest received		22	41
Interest paid		(968)	(2,132)
Interest variation settlement		-	(1,954)
Group relief paid		(1,918)	(609)
Net cash (used in)/from operating activities		(4,579)	5,961
Dividends paid		(6,905)	-
Financing from third parties	11	11,484	(5,961)
Repayment of amounts due to third parties	11	(52,187)	-
Proceeds from re-financing from parent undertaking	10	52,187	-
Net cash from/(used in) financing activities		4,579	(5,961)
Cash and cash equivalents at beginning and end of period/year		-	-

The accompanying notes form an integral part of the financial statements.

**1. Reporting entity**

On 2 October 2014 the Company's parent, Barclays Mercantile Business Finance Limited sold its entire shareholding in BMI (No. 3) Limited to TH Investments (Hong Kong) 1 Limited. On this date the Company changed its name to SG Leasing (Utilities) Limited. These financial statements are prepared for SG Leasing (Utilities) Limited (the 'Company'), the principal activity of which is the provision of leasing to business customers. The financial statements are prepared for the Company only. The Company is a wholly owned subsidiary of TH Investments (Hong Kong) 1 Limited and its ultimate parent company is Société Générale, a company incorporated under the laws of France as a "société anonyme" (the equivalent of a UK public limited company). Société Générale prepares consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS').

The Company is a private limited company, domiciled and incorporated in the United Kingdom. The address of the registered office of the Company is SG House, 41 Tower Hill, London, EC3N 4SG.

**2. Compliance with International Financial Reporting Standards**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

**Basis of preparation**

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments: Recognition and Measurement' as set out in the relevant accounting policies. They are presented in thousands of pounds sterling, £'000, the currency of the country in which the Company is incorporated.

**Critical accounting estimates**

The preparation of financial statements in accordance with IFRS, as adopted by the European Union, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as tax (note 7) and credit risk (note 15).

**3. Summary of significant accounting policies (continued)**

**(a) Interest**

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or loans and receivables and on interest bearing financial liabilities using the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument; or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Company estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

**(b) Current and deferred income tax**

Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current year or prior year taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised on deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is regarded as probable that sufficient taxable profits will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised.

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

**(c) Financial assets and liabilities**

The Company recognises financial instruments from the contract date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired.

Financial assets are initially recognised at fair value and then classified in the following categories and dealt with in the financial statements as follows:

3. Summary of significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

*Finance lease receivables*

Finance lease receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. Finance lease receivables are stated at an amount equal to net investment in the lease, which equates to the present value of the lease payments, discounted at the rate of interest implicit in the lease. Initial direct costs are included in the initial measurement of the finance lease receivables. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

*Financial liabilities*

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss (see below). Financial liabilities are derecognised when extinguished. The Company's financial liabilities comprise trade and other payables and borrowings in the balance sheet.

*Determining fair value*

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid value in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

*Impairment of financial assets*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets, including trade receivables, is impaired. The factors that the Company takes into account include significant financial difficulties of the debtor or the issuer, a breach of contract or default in payments, the granting by the Company of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties.

The Company also considers observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, arising from adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on assets in the portfolio.

3. Summary of significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

*Impairment of financial assets (continued)*

The Company first assesses whether objective evidence of impairment exists individually for individually significant financial assets and then collectively assesses remaining financial assets that are not individually significant. In addition, portfolios of financial assets with similar credit risk characteristics are also collectively assessed.

Impairment allowances are calculated, based on the difference between the carrying amount of the asset and its estimated recoverable amount, calculated by reference to the expected cash flows from it discounted at the original effective interest rate for the asset.

*Netting*

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

(d) Leases

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return. Where there is a change in the lease cash flow assumptions, for example as a result of a change in the corporation tax rate, the resultant change in the current period lease receivable balance is recognised in the current period income statement within lease revenue.

Assets leased to customers under agreements, which do not transfer substantially all the risks, and rewards of ownership are classified as operating leases. The leased assets are included within property, plant and equipment on the Company's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Renewal rental income earned on the secondary rental period is recognised as lease revenue on a receivable basis.

Termination profits and/or losses are included in lease revenue.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand, demand deposits, and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Trading balances are not considered to be part of cash equivalents.

(f) Borrowing costs

The Company does not capitalise borrowing costs.



### 3. Summary of significant accounting policies (continued)

#### (g) Changes in accounting presentation

During the period the Company offset the lease interest variation against its finance lease receivables in accordance with International Accounting Standard (IAS) 17 "Leases". Prior period balances have also been offset in accordance with IAS 17.

#### Future accounting developments

There have been and are expected to be a number of changes to the Company's financial reporting in the next accounting period as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IAS 32 Amendments to Offsetting Financial Assets and Financial Liabilities, is effective from 1 January 2014. The circumstances in which netting is permitted have been clarified; in particular what constitutes a currently legally enforceable right of set-off and the circumstances in which gross settlement systems may be considered equivalent to net settlement. There will be no significant impact on the Company.

IFRS 9 Financial Instruments will change the classification and therefore the measurement of the Company's financial assets, the recognition of impairment and hedge accounting. In addition to these changes, the effect of changes in the Company's own credit risk on the fair value of financial liabilities that the Company designates at fair value through profit and loss will be included in other comprehensive income rather than the income statement. A number of the significant proposals have yet to be finalised and it is therefore not yet possible to estimate the financial effects. The effective date of IFRS 9 is still to be determined.

In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue new standards on insurance contracts and revenue recognition. The Company will consider the financial impacts of these new standards as they are finalised.

### 4. Lease revenue

Lease revenue represents income from agreements entered into relating to leased assets, instalment credit, and other financial facilities. Income is calculated in accordance with note 3(d).

Lease revenue is arrived at after taking into account:

	Period ended 2 October 2014 £'000	Year ended 31 March 2014 £'000
Repricing adjustment (note 17)	-	(1,479)
Profit on termination of finance lease receivables	-	19

## 5. Administrative expense

The Company has no full time employees (year ended 31 March 2014: none). Administrative expenses of the Company were borne by this Company's former parent undertaking, Barclays Mercantile Business Finance Limited, for the period ended 2 October 2014 and will be borne by Société Générale thereafter. Audit fees of £12,500 (year ended 31 March 2014: £7,000) are borne by Barclays Bank PLC.

The Directors acting on behalf of the Company for the period ended 2 October 2014 did not receive any remuneration from the Company and no contributions were made, by the Company, under defined benefit or defined contribution pension schemes, on their behalf (year ended 31 March 2014: £nil). The services of the former Directors are considered to be insignificant in relation to their overall management responsibility relating to the Barclays Mercantile Business Finance group.

The Directors currently acting on behalf of the Company do not receive any emoluments for services to the Company or TH Investments (Hong Kong) Limited.

None of the Directors has any material interest in any contract in relation to the business of the Company.

All personnel who perform services are employed and remunerated by Société Générale, London Branch.

## 6. Interest income and interest expense

Interest income and interest expense comprise the following:

	Period ended 2 October 2014 £'000	Year ended 31 March 2014 £'000
<b>Interest income</b>		
Amounts due from third parties	22	41
<b>Total interest income</b>	<b>22</b>	<b>41</b>
<b>Interest expense</b>		
Amounts due to third parties	(968)	(2,132)
<b>Total interest expense</b>	<b>(968)</b>	<b>(2,132)</b>

Interest expense is that specifically associated with the funding of leased assets.

## 7. Tax

The analysis of the (charge)/credit for the year is as follows:

	Period ended 2 October 2014 £'000	Year ended 31 March 2014 £'000
<b>Current tax:</b>		
Current year	(14,927)	(1,321)
<b>Deferred tax: (note 13)</b>		
Current year credit	14,208	3,970
<b>Total (charge)/credit</b>	<b>(719)</b>	<b>2,649</b>

The effective rate of tax is 1,712% (year ended 31 March 2014: 178%). The change in rate is due to the change in rate at which deferred tax liabilities will unwind.

7. Tax (continued)

A numerical reconciliation of the applicable tax rate and the average effective tax rate is as follows:

	Period ended 2 October 2014 £'000	Year ended 31 March 2014 £'000
Profit/(loss) before tax	42	(1,489)
Tax (charge)/credit at standard UK corporation tax rate of 21% (year ended 31 March 2014: 23%)	(9)	343
Change in rate at which deferred tax will reverse	(32)	2,306
Amounts chargeable under CTA 2010 s.383	(678)	-
Overall tax (charge)/credit	(719)	2,649
Effective tax rate %	1,712%	178%

8. Finance lease receivables

The Company is a lessor of finance leases, providing asset financing for its customers. An analysis of the impact of these transactions on the Company's balance sheet and income statement is as follows:

	2 October 2014			31 March 2014		
	Gross investment in finance lease receivables	Future finance income	Net investment in finance lease receivables	Gross investment in finance lease receivables	Future finance income	Net investment in finance lease receivables
	£'000	£'000	£'000	£'000	£'000	£'000
Not more than one year	9,201	(2,704)	6,497	9,201	(1,977)	7,224
Over one year but not more than two years	11,606	(3,153)	8,453	11,606	(3,380)	8,226
More than two years but not more than five years	33,761	(6,559)	27,202	33,761	(7,291)	26,470
More than five years	34,276	(6,393)	27,883	34,276	(7,149)	27,127
Total more than one year	79,643	(16,105)	63,538	79,643	(17,820)	61,823
Total	88,844	(18,809)	70,035	88,844	(19,797)	69,047

An analysis of the fair value of the Company's finance lease receivables and the valuation methodology applied is detailed in note 16.

9. Dividends on ordinary shares

On 2 October 2014 a dividend of £6,904,604 was paid to Barclays Mercantile Business Finance Limited, the former parent (£69,046 per share) (year ended 31 March 2014: £nil).

10. Amounts due to parent undertaking

The amounts due to the parent company have no fixed maturity date and are unsecured, bearing interest at rates varying throughout the year based on prevailing market interest rates.

The Company has the financial support of its former parent, Barclays Bank PLC (see note 15) for the period ended 2 October 2014 and has the financial support of its parent, Société Générale, thereafter.

The fair value of borrowings is disclosed in note 16.

11. Amount due to third parties

Amounts due to third parties represent amounts due to Barclays Mercantile Business Finance Limited.

On 2 October 2014 the Company's parent, Barclays Mercantile Business Finance Limited sold its entire shareholding in BMI (No. 3) Limited to TH Investments (Hong Kong) Limited. On this date the amounts due to Barclays Mercantile Business Finance Limited were repaid.

12. Other payables

Other payables have no fixed maturity date, are unsecured and are non-interest bearing. Their fair value is disclosed in note 16.

13. Deferred tax

The components of and the movement on the deferred income tax account during the period was as follows:

	Accelerated tax depreciation	Rental apportionment	Future relief under CTA 2010 s.383	Total
	£'000	£'000	£'000	£'000
<b>Liabilities</b>				
At 1 April 2014	(13,339)	(2,036)	-	(15,375)
Income statement (charge)/credit	(427)	1,067	13,568	14,208
	(13,766)	(969)	13,568	(1,167)
<b>Assets</b>	-	-	13,568	13,568
<b>Liabilities</b>	(13,766)	(969)	-	(14,735)
At 2 October 2014	(13,766)	(969)	13,568	(1,167)

	Accelerated tax depreciation	Rental apportionment	Future relief under CTA 2010 s.383	Total
	£'000	£'000	£'000	£'000
<b>Liabilities</b>				
At 1 April 2013	(17,053)	(2,292)	-	(19,345)
Income statement credit	3,714	256	-	3,970
At 31 March 2014	(13,339)	(2,036)	-	(15,375)

### 13. Deferred tax (continued)

Deferred income taxes are provided in full on temporary differences under the liability method using a principal tax rate of 20% (31 March 2014: 20%).

The amount of deferred tax liability expected to be settled after more than 12 months is £12,546,000 (year ended 31 March 2014: £11,969,000).

The amount of deferred tax asset expected to be settled after more than 12 months is £nil (31 March 2014: £nil).

The deferred tax asset is recognised based on management assessment that it is probable that the relevant entities will have taxable profits against which the temporary differences can be utilised.

### 14. Share capital

Particulars of the Company's share capital were as follows:

	Number of shares	Ordinary shares £
At 1 April 2014 and 2 October 2014	100	100

### 15. Financial risks

The Company's activities expose it to a variety of financial risks. These are credit risk, liquidity risk and market risk (including interest rate risk). Consequently, the Company devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control.

#### *Credit risk*

Credit risk is the risk that the Company's customers or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations in relation to the Company's financial assets.

The Company uses statistical modelling techniques in its credit rating systems. These systems assist the Company in credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurement across all credit exposures. The key building blocks in the measurement system are the probability of customer default ('PD') (expressed through an internal risk rating), exposure at default ('EAD') and severity of loss-given-default ('LGD').

The Company assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12 month period. Exposure at default represents the expected level of utilisation of the credit facility when default occurs. At default the customer may not have drawn the loan/lease fully or may have already paid some of the principal, so that exposure is typically less than the approved loan limit. When a customer defaults, much of the outstanding loan/lease is usually recovered.

15. Financial risks (continued)

*Credit risk (continued)*

The part that is not recovered, the actual loss, is the LGD. The three components above, PD, EAD, and LGD, are used to calculate the expected loss.

Credit exposures are actively managed, where weaknesses are detected action is taken to mitigate the risks. These include steps to reduce the amounts outstanding or the sale of assets. In addition, to mitigate the risk, security may be taken for funds advanced.

The Company's principal financial assets are finance lease receivables, which represent the entity's maximum exposure to credit risk in relation to financial assets.

Collateral can be an important mitigant of credit risk and the Company has partially mitigated this risk by securing its net investment in finance lease receivables through retention of legal title to the moveable leased assets.

**Maximum exposure to credit risk**

Whilst the Company's maximum exposure to credit risk is the carrying value of the assets, the likely exposure is far less due to the collateral and credit risk mitigants described in the section above. The analysis presented below shows the financial effects of these mitigants.

	Total Exposure	Total collateral and other enhancements
	£'000	£'000
As at 2 October 2014		
Finance lease receivables	70,035	52,996
Total maximum exposure at 2 October	70,035	52,996
	Total Exposure	Total collateral and other enhancements
	£'000	£'000
As at 31 March 2014		
Finance lease receivables	69,047	52,252
Total maximum exposure at 31 March	69,047	52,252

**Financial assets subject to credit risk**

For the purposes of the Company's disclosures regarding credit quality, financial assets subject to credit risk have been analysed as follows:

	Note	2 October 2014 Finance lease receivables £'000	Total £'000
As at 2 October			
Neither past due nor impaired	(a)	70,035	70,035
Total		70,035	70,035
Impairment allowance		-	-
Total carrying amount		70,035	70,035

15. Financial risks (continued)

Financial assets subject to credit risk (continued)

	Note	31 March 2014 Finance lease receivables £'000	Total £'000
As at 31 March			
Neither past due nor impaired	(a)	69,047	69,047
Total		69,047	69,047
Impairment allowance		-	-
Total carrying amount		69,047	69,047

(a) Financial assets neither past due nor impaired

Financial assets neither past due nor impaired can be analysed according to the rating systems used by the Company when assessing customers and counterparties. The credit quality of financial assets subject to credit that were neither past due nor impaired, based on credit rating, was as follows:

2 October 2014	Strong £'000
Finance lease receivables	70,035
Total financial assets subject to credit risk neither past due nor impaired	70,035
31 March 2014	Strong £'000
Finance lease receivables	69,047
Total financial assets subject to credit risk neither past due nor impaired	69,047

Strong indicates there is a very high likelihood of the asset being recovered in full.

*Market risk*

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates and foreign exchange rates.

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities.

The Company lends at both variable and fixed rates and finances the deals with fixed and variable debt with the parent company.

15. Financial risks (continued)

*Interest rate risk (continued)*

*Interest rate sensitivity analysis*

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 2 October 2014.

At 2 October 2014, if interest rates for the year had been 25 basis points lower/higher with all other variables being constant, there would have been an insignificant effect on profit (at 31 March 2014: insignificant).

*Liquidity risk*

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. The Company has the financial support of its parent, Barclays Bank PLC for the period ended 2 October 2014, and thereafter from its parent, Société Générale, that is designed to ensure the Company has sufficient available funds for operations and planned expansion.

**Contractual maturity of financial assets and financial liabilities**

The table below presents the undiscounted cash flows receivable/payable by the Company under financial assets/liabilities by remaining contractual maturities at the balance sheet date.

As all financial liabilities are either on demand or are short-term in nature, the amounts disclosed in the table for financial liabilities represent both the contractual discounted and undiscounted cash flows (i.e. nominal values).

	On demand	<1 year	1-5 years	>5 years	Total 2 October 2014
	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>					
Finance lease receivables	-	6,497	35,655	27,883	70,035
<b>Total</b>	-	6,497	35,655	27,883	70,035
<b>Liabilities</b>					
Amounts due to parent undertaking	(52,187)	-	-	-	(52,187)
<b>Total</b>	(52,187)	-	-	-	(52,187)
Contractual maturity gap	(52,187)	6,497	35,655	27,883	
Cumulative contractual maturity gap	(52,187)	(45,690)	(10,035)	17,848	



15. Financial risks (continued)

*Liquidity risk(continued)*

	On demand	<1 year	1-5 years	>5 years	Total 31 March 2014 £'000
	£'000	£'000	£'000	£'000	£'000
<i>Assets</i>					
Finance lease receivables	-	7,224	34,696	27,127	69,047
<b>Total</b>	-	7,224	34,696	27,127	69,047
<i>Liabilities</i>					
Amounts due to third parties	(40,703)	-	-	-	(40,703)
<b>Total</b>	(40,703)	-	-	-	(40,703)
Contractual maturity gap	(40,703)	7,224	34,696	27,127	
Cumulative contractual maturity gap	(40,703)	(33,479)	1,217	28,344	

16. Fair value of financial instruments

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For finance lease receivables, the carrying amount is a reasonable approximation of fair value.

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

17. Change in UK corporation tax rate

During July 2013 substantive enactments reduced the main rate of corporation tax to 21% on 1 April 2014 and 20% on 1 April 2015 respectively; this is reflected in these financial statements. The effect of these changes on these financial statements was insignificant.

18. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both.

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its Directors. The Company, which is a wholly owned subsidiary and, after the period ended 2 October 2014, is consolidated within the financial statements of Societe Generale (see note 20), has disclosed transactions with related parties which are members of the Barclays Group in notes 5, 6, 7, 9, 10 and 11.

19. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management. The Company regards as capital its equity, as shown in the balance sheet.

Total capital is as follows:

	2 October 2014	31 March 2014
Called up share capital	£ 000	£ 000
Retained earnings	-	-
<b>Total capital resources</b>	<b>1,754</b>	<b>9,336</b>

In order to maintain or adjust the capital structure, the Company may limit the payment of dividends to shareholders, return capital to shareholders or issue new shares.

20. Parent undertaking and ultimate holding company

On 2 October 2014 the Company's parent, Barclays Mercantile Business Finance Limited sold its entire shareholding in BMI (No. 3) Limited to TH Investments (Hong Kong) 1 Limited.

For the period ended 2 October 2014, the parent undertaking of the smallest group that presents group financial statements was Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that presents group financial statements was Barclays PLC. Both companies are incorporated in the United Kingdom and registered in England. Barclays Bank PLCs and Barclays PLCs statutory accounts are available from Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.

From the period ended 2 October 2014, the Company is a subsidiary of TH Investments (Hong Kong) 1 Limited which is incorporated and registered in Hong Kong and whose parent company is Société Générale, which is incorporated and registered in France.

The Company's ultimate holding company, controlling party and parent of the smallest and largest group for which group accounts are prepared is Société Générale, which is incorporated and registered in France. Copies of the group accounts of Société Générale are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.