

BNP PARIBAS LEASE GROUP PLC

**ANNUAL REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER: 02341989

MONDAY



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BNP PARIBAS LEASE GROUP PLC
COMPANY NUMBER 02341989

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company.

BUSINESS REVIEW

The results of the company for the period to 31 December 2018 are stated in the Statement of Comprehensive Income on page 9 and show a profit before tax of £5,903k (2017: £800k) and a profit after tax of £5,903k (2017: £800k). The Company has net assets of £208,566k (2017: £147,533k).

The only income anticipated by the company is the dividend stream from its main trading subsidiary, BNP Paribas Leasing Solutions Ltd. BNP Paribas Leasing Solutions Ltd provides asset finance by way of hire purchase, leasing, loans and stocking facilities to Business customers of the BNP Paribas Group and third party Introductory sources.

The results of BNP Paribas Leasing Solutions for the year ended 31 December 2018 are in line with expectations having grown New Business volumes by 16% to £904m, and increased Income Generating Assets by 15% to £1,602m. Profit for the period available for distribution, for BNP Paribas Leasing Solutions, is £35m, an increase from 2017 primarily due to a reduction in costs arising from changes in actuarial assumptions within the defined benefit pension schemes.

The Directors of the company closely monitor the performance of BNP Paribas Leasing Solutions Ltd via the provision of regular management information and in their roles as Directors of the subsidiary.

KEY PERFORMANCE INDICATORS

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

	2018	2017
Dividends paid	£2,354,000	£38,800,000
Dividends received	£5,903,000	£800,000

FUTURE OUTLOOK

The Company expects to continue as a holding company.

The main trading subsidiary plans to continue to develop the core business within its existing markets as a result of reinforcing relationships with key manufacturer and distributor partnerships, and the company supports these plans.

Over the course of 2019 the company intends to take further steps to reduce the number of non trading subsidiaries to further simplify the group structure.

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PRINCIPAL RISKS AND UNCERTAINTIES

There are limited risks and uncertainties faced by the Company associated with its activities as an investment company whose investments relate to that of holdings in subsidiary companies.

The risks and uncertainties of the underlying subsidiary companies, in which the Company holds investments, are liquidity risk, interest rate risk, credit risk, bad debt risk and loan to value risk.

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



N James
Director

5 June 2019

Registered Office Address:

Northern Cross
Basing View
Basingstoke
Hampshire
RG21 4HL

BNP PARIBAS LEASE GROUP PLC
COMPANY NUMBER 02341989

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS AND DIVIDENDS

The results of the company for the period to 31 December 2018 are stated in the Statement of Comprehensive Income on page 9 and show a profit before tax of £5,903k (2017: Profit of £800k).

A dividend of £2,354k (2017: £38,800k) was paid during the year. Further information can be found in note 10 to the financial statements.

SHARE CAPITAL

The issued share capital is £338,003. There was no movement in the share capital during the year. Further details are shown in Note 9 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.

INDEPENDENT AUDITORS

Mazars LLP will continue to hold office in accordance with Section 489 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 directors have evaluated Brexit on the most prudent basis i.e. a withdraw from the European Union with no deal and concluded that the impact on the business is not material.

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STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

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.



N James
Director

5 June 2019

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

BNP PARIBAS LEASE GROUP PLC
COMPANY NUMBER 02341989

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BNP PARIBAS LEASE GROUP PLC

Opinion

We have audited the financial statements of BNP Paribas Lease Group Plc for the year ended 31 December 2018 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 2018 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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

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.

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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 6, 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.

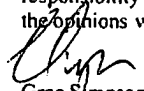
Auditor's responsibilities for the audit of the financial statements

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. 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 (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

6 June 2019

BNP PARIBAS LEASE GROUP PLC
COMPANY NUMBER 02341989

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017	
<u>CONTINUING OPERATIONS</u>	Notes	£'000	£'000	£'000	£'000
PROFIT FROM OPERATIONS			-		-
Dividend Income	2	<u>5,903</u>		<u>800</u>	
			5,903		800
PROFIT BEFORE TAX			5,903		800
Tax Expense	4		-		-
PROFIT FOR THE YEAR					
Attributable to Equity Holders			5,903		800
OTHER COMPREHENSIVE INCOME FOR THE YEAR					
Write down of Investment	5	(1,600)		-	
Revaluation of Investment	5	<u>24,783</u>		-	
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR			23,183		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u>29,086</u>		<u>800</u>

The accompanying notes on pages 13 to 23 are an integral part of this statement.

BNP PARIBAS LEASE GROUP PLC
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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017	
ASSETS	Notes	£'000	£'000	£'000	£'000
Non Current Assets					
Investments	5	189,396		131,912	
Total Non Current Assets			189,396		131,912
Current Assets					
Amounts due from Group Undertakings	8	17,130		15,530	
Cash and Cash Equivalents	7	2,040		91	
Total Current Assets			19,170		15,621
TOTAL ASSETS			208,566		147,533
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	9	338		338	
Share Premium		147,141		147,141	
Revaluation of Investments Reserve		59,084		-	
Retained Earnings		2,003		54	
TOTAL EQUITY			208,566		147,533
TOTAL EQUITY AND LIABILITIES			208,566		147,533

The accompanying notes on pages 13 to 23 are an integral part of this statement.

These financial statements were approved by the Board of Directors on 5 June 2019 and signed on its behalf.

N James
Director



BNP PARIBAS LEASE GROUP PLC
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Ordinary Shares £'000	Redeemable Preference Shares £'000	Share Premium £'000	Revaluation Reserve £'000	Retained Earnings £'000	*Total £'000
Opening balance sheet as at 1 January 2017		50	288	147,141	-	38,054	185,533
					-	38,054	185,533
Profit for the year		-	-	-	-	800	800
Other Comprehensive Income for the year		-	-	-	-	-	-
Total Comprehensive Income for the year		-	-	-	-	800	800
Transactions with owners:							
Dividends paid for the year	10	-	-	-	-	(38,800)	(38,800)
Opening balance sheet as at 1 January 2018		50	288	147,141	-	54	147,533
IFRS 9 First time adjustment	6	-	-	-	34,301	-	34,301
Restated balance sheet as at 1 January 2018		50	288	147,141	34,301	54	181,834
Profit for the year		-	-	-	-	5,903	5,903
Other Comprehensive Income for the year		-	-	-	1,600	(1,600)	-
Net movement in respect of assets held at Fair Value through Other Comprehensive Income		-	-	-	23,183	-	23,183
Total Comprehensive Income for the year		-	-	-	24,783	4,303	29,086
Transactions with owners:							
Dividends paid for the year	10	-	-	-	-	(2,354)	(2,354)
Equity as at 31 December 2018		50	288	147,141	59,084	2,003	208,566

* As a result of the changes on initial application of IFRS 9, the revaluation reserve was restated to £34,301k at 1 January 2018 which meant that the retained earnings became £34,355k at 1 January 2018 and the total equity balance at 1 January 2018 became £181,834k (see note 6).

The accompanying notes on pages 13 to 23 are an integral part of this statement.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before Taxation		5,903		800	
Adjustments for:					
Dividends		<u>(5,903)</u>		<u>(800)</u>	
			-		-
Movements in working capital					
(Increase)/Decrease in Group Undertakings		<u>(1,600)</u>		<u>37,400</u>	
Cash flow from operating activities before tax		<u>(1,600)</u>		<u>37,400</u>	
Corporation Tax Received		<u>-</u>		<u>-</u>	
			<u>(1,600)</u>		<u>37,400</u>
Net cash flow from operating activities			<u>(1,600)</u>		<u>37,400</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Dividends received		<u>5,903</u>		<u>800</u>	
Net cash flow from investing activities			<u>5,903</u>		<u>800</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends paid		<u>(2,354)</u>		<u>(38,800)</u>	
Net cash flow from financing activities			<u>(2,354)</u>		<u>(38,800)</u>
Increase/(Decrease) in cash and cash equivalents			<u>1,949</u>		<u>(600)</u>
Cash and cash equivalents at the start of the year	7		<u>91</u>		<u>691</u>
Cash and cash equivalents at the end of the year	7		<u><u>2,040</u></u>		<u><u>91</u></u>

The accompanying notes on pages 13 to 23 are an integral part of this statement.

BNP PARIBAS LEASE GROUP PLC
COMPANY NUMBER 02341989

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

BNP Paribas Lease Group Plc 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 13.

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.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Revenue

Revenue received by the Company is dividend income arising from its investments in subsidiaries.

Financial Assets - Loans and Receivables

For 2017 Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

For 2017 Impairment was measured by identifying indicators of impairment that had occurred at the balance sheet date and assessing the recoverability of the asset.

For 2018 The Impairment of loans and receivables is now 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.

Financial Assets at Amortised Cost

For 2018 Financial assets are classified at amortised cost if the following two criteria are met: the business model objective is to hold the instrument in order to collect the contractual cash flows and the cash flows consist solely of payments relating to principal and interest on the principal. Such financial assets include most loans and receivables.

Loans and receivables are initially recognised at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

BNP PARIBAS LEASE GROUP PLC
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Continued

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.

The Bank's financing activities comprise movements in issued share capital.

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.

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.

Group Undertakings

The immediate holding Company is BNP Paribas Lease Group SA, which is registered in France. The ultimate parent Company is BNP Paribas SA, which is registered in France.

Interest in Other Entities

All shares in subsidiary undertakings are ordinary share holdings.

The Company directly controls the wholly owned subsidiary BNP Paribas Leasing Solutions Limited.

The Company directly controls the non wholly owned subsidiary of JCB Finance Holdings Limited with 50.1% of the share capital.

All companies within the group have an accounting reference date of 31 December.

Dividends

Dividends are recognised when they become legally payable.

BNP PARIBAS LEASE GROUP PLC
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Continued

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 12)
- The calculation of the fair value of Investment, in particular the assumption that the net assets represent the fair value (see note 5)

Investments

For 2017 Investments in subsidiaries were valued at cost less provision for impairment of permanent diminution in value. At each balance sheet date the company reviewed the carrying amounts of its investments to determine whether there was any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment is estimated based on its asset value and value in use. Where the recoverable amount of the investment is less than the carrying value an impairment loss was recognised as an expense.

For 2018 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.

Transition to IFRS 9

Effect on the business model

The implementation of IFRS 9 has not resulted in a significant change to the Company's business model. The main objective of which is to hold financial assets in order to collect cashflows through the collection of contractual payments over the life of the Instrument.

The Company regularly assesses whether the financial instruments' cash flows solely represent payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Classification and measurement

Unless otherwise stated, the comparatives presented are the balance sheet position under IAS 39 at 31 December 2017. All 2018 values under IFRS 9 from 1 January 2018.

BNP PARIBAS LEASE GROUP PLC
COMPANY NUMBER 02341989

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Continued

Standards, amendments and interpretations adopted during the year

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

Annual Improvements to IFRS (2014 - 2016) - Effective for accounting periods beginning on or after 1 January 2018

IFRIC 22 Foreign Currency Transactions and Advance Consideration - Effective date 1 January 2018

IFRS 15 'Revenue from Contracts with Customers' - Effective date 1 January 2018

The standard replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations on revenue recognition. It sets out the principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company's contract with a customer and presents a five step approach to the recognition of revenue.

None of these new standards, amendments or interpretations had a material impact on these financial statements in the year.

IFRS 9 'Financial Instruments' - Effective date 1 January 2018

The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement', containing revised requirements in relation to classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impact of which is disclosed within notes 6 and 12.

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.

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement - Effective 1 January 2019, not yet endorsed by the EU

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures - Effective 1 January 2019, not yet endorsed by the EU

Improvements to IFRSs 2015 - 2017 cycle: Minor amendments to standards and interpretations- Effective 1 January 2019, not yet endorsed by the EU

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

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.

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 2018

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2. DIVIDEND INCOME

	2018 £'000	2017 £'000
Dividend Income	n/a	(800)
Dividend Income from Investments held at fair value through other comprehensive income	(5,903)	n/a
	<u>(5,903)</u>	<u>(800)</u>

3. AUDITOR'S REMUNERATION

The following is included within professional costs in administration expenses:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company	<u>6</u>	<u>6</u>

4. TAXATION

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

	2018 £'000	2017 £'000
Current Tax		
UK Corporation tax on profits of the current year	-	-
Current Tax Credit	-	-

Corporation Tax is calculated at 19% (2017: 19.25%) of the taxable profit for the year.

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

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	(5,903)	(800)
Tax credit at the UK standard rate of Corporation Tax of 19% (2017: 19.25%)	(1,122)	(154)
Tax effect of income that is not taxable	1,122	154
Total Tax Credit for the year	<u>-</u>	<u>-</u>

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5. INVESTMENTS

	2018 £'000	2017 £'000
Investments in subsidiaries designated at Cost	-	131,912
Investments in subsidiaries designated at FVOCI b/fwd	131,912	n/a
First Time Adoption of IFRS 9 (see note 6)	34,301	n/a
1 st January 2018 revised opening balance	166,213	n/a
Subsidiaries dissolved*	(1,600)	-
Fair Value Revaluation	24,783	n/a
	189,396	131,912

*In line with the company's intention to reduce the number of non trading subsidiaries to simplify the Group structure, Same Deutz-Fahr Finance Limited was dissolved via a voluntary strike-off during October 2018. As a result, the Investments in Subsidiaries reduced by £1.6m.

In all shares in subsidiary undertakings are ordinary share holdings. The principal activity of all the companies within the Group is the provision of finance and related services. The following companies are the principal subsidiaries of the Company, which are incorporated in Great Britain and registered in England and Wales.

Directly Controlled Wholly Owned Subsidiary Undertakings

BNP Paribas Leasing Solutions Limited Trading

Directly controlled Non Wholly Owned Subsidiary

JCB Finance Holdings Limited 50.1% Holding

In accordance with IFRS 9 the company has made an irrevocable election to present in other comprehensive income the subsequent changes in the fair value of the investments. This classification has also been applied retrospectively by way of a first time adoption through reserves.

Indirectly Controlled Wholly Owned Subsidiary Undertakings

BNP Paribas Lease Group (Rentals) Limited Non-Trading
Commercial Vehicle Finance Limited Non-Trading

Indirectly controlled Non Wholly Owned Subsidiary

Claas Financial Services Limited 51% Trading
JCB Finance SAS (registered in France) 50.1% Trading
JCB Finance Management Services Limited 50.1% Trading

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6. IFRS 9 "FINANCIAL INSTRUMENTS" AND IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

On 1 January 2018 the Company adopted IFRS 15 and IFRS 9.

As permitted, the company is not restating comparatives on initial application. Instead the classification and measurement and impairment requirements have been applied retrospectively by adjusting the opening balance sheet at 1 January 2018.

The following table presents the expected credit loss impacts of the company transitioning:

	IAS 39		IFRS 9 transitional adjustments		IFRS 9
	Measurement Category	Carrying amount at 31 Dec 2017 £'000	Classification and Measurement £'000	Measurement Category	Carrying amount at 1 Jan 2018 £'000
Investments	Amortised Cost	131,912	34,301	Fair value through other comprehensive income	166,213
Cash and Cash Equivalents	Amortised Cost	91	-	Amortised Cost	91
Amounts Due from Group Undertakings	N/A	15,530	-	N/A	15,530
Total Assets		147,533	34,301		181,834
Total Liabilities		-	-		-
Total Equity		147,533	34,301		181,834

IFRS 15 "Revenue from Contracts with Customers" has been applied without any significant change to the balance sheet.

7. CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Balances held with Group bank (see note 8)	2,040	91
	2,040	91

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8. RELATED PARTY TRANSACTIONS

The accounts reflect the following transactions with related parties:

	Notes	2018 £'000	2017 £'000
Dividends received on ordinary shares		5,903	800
		<u>5,903</u>	<u>800</u>
Amounts due from group undertakings		£'000	£'000
Balances held with Group Bank		2,040	91
BNP Paribas Leasing Solutions Limited		17,130	15,530
		<u>19,170</u>	<u>15,621</u>

9. SHARE CAPITAL

	2018 £'000	2017 £'000
<u>Authorised</u>		
400,000 ordinary shares of £1 each	400	400
<u>Allotted and fully paid</u>		
50,000 ordinary shares of £1 each	50	50
288,003 Redeemable preference shares of £1 each	288	288
	<u>338</u>	<u>338</u>

For the purpose of the cash flow statement, the Company's financing activities comprise share capital and reserves only. The movements in these balances represent the only changes to financing activities in the current and preceding period.

10. DIVIDENDS

	2018 £'000	2017 £'000
Prior Year Final Dividend: £1.08 (2017: £760.00) per share	54	38,000
Current Year Interim Dividend: £46.00 (2017: £16.00) per share	2,300	800
	<u>2,354</u>	<u>38,800</u>

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11. CAPITAL COMMITMENTS AND CONTINGENCIES

There were no capital commitments and contingencies at 31 December 2018 (2017: Nil)

12. 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 £19,170k (2017: £15,621k)

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.

Adoption of IFRS 9

Impairment 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 confirmed losses.

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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.

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.

Assessment of deterioration is based on the comparison of the probabilities of default or the ratings on the date of initial recognition with those existing at the reporting date. There is also, according to the standard, a rebuttable presumption that the credit risk of an instrument has significantly increased since initial recognition when the contractual payments are more than 30 days past due.

The indicator used for assessing increase in credit risk is also the internal counterparty rating of the obligor of the financial instrument.

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) weighted by the probability of occurrence of these losses over the expected life of 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.

The financial instrument is assumed to be in stage 1 when its rating is better than or equal to 4- (or its 1-year PD is below or equal to 0.25%) at reporting date, since changes in PD related to downgrades in this zone are less material, and therefore not considered as "significant".

Changes in the 1-year probability of default are considered as a reasonable approximation of changes in the lifetime probability of default. Deterioration in credit quality is considered significant, and the financial instrument is therefore placed in stage 2, if the ratio (1-year PD at the reporting date / 1-year PD at origination) is higher than 4. As a backstop, when an financial instrument becomes 30 days past due, the credit risk is deemed to have increased significantly since initial recognition and the financial instrument is therefore placed into stage 2.

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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Maturity Profile of Financial Assets

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

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 receivable from Group Undertakings	17,130	-	-	-	17,130

Year Ended 31 December 2017

	Less than 3 months £'000	3 - 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Amounts receivable from Group Undertakings	15,530	-	-	-	15,530

13. PARENT AND ULTIMATE CONTROLLING PARTY

The immediate parent is BNP Paribas Lease Group SA, which is incorporated in France. 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.

14. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.