

Marshall Leasing Limited
Annual Report and Financial Statements
For the year ended 31 December 2018



MARSHALL LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

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MARSHALL LEASING LIMITED

DIRECTORS AND OTHER INFORMATION

Directors

P.G. Cakebread

R. Baird

A. Carson

M. Joyce

G. McDowell

J. McGee

J.A. Ross

P.N. Targett

I. Wright

Company Secretary

Hill Wilson Secretarial Ltd

Registered Office

Bow Bells House

1 Bread Street

London

EC4M 9BE

Registered Number

00156897

Independent Auditor

KPMG LLP

15 Canada Square

Canary Wharf

London

E14 5GL

Bankers

Barclays Bank PLC

9-11 St. Andrew's Street

Cambridge

CB2 3AA

MARSHALL LEASING LIMITED**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present below their Strategic Report for Marshall Leasing Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The Company is a wholly owned subsidiary of N.I.I.B. Group Limited and Bank of Ireland (UK) plc. The ultimate parent company is Bank of Ireland Group plc. The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is on page 2.

The activities of the Company continue to consist primarily of car and commercial vehicle leasing and associated activities.

Review of the business

The Company continues to develop and grow its business-to-business strategy, providing service-led fleet management, offering high added-value service to clients. During the year, the overall fleet showed strong growth increasing by 18.3% (2017: 11.1%).

The client base of the leasing segment remains well diversified and balanced with no single customer representing more than 15% (2017: 12%) of the fleet and with the top ten customers accounting for 48% (2017: 43%) of the fleet. The Company will remain focused on recruiting and retaining clients through its service-driven offering.

Robust risk management and control is a core discipline of the Company's business model and the Company employs sophisticated techniques to monitor and control residual value risk. There has been some pressure on disposal profitability during the year driven in part by the mix of vehicles de-fleeting.

The leasing fleet is financed by fixed rate money market funding obtained through its treasury arrangement with Bank of Ireland (UK) plc. The net book value of the fleet at 31 December 2018 was £92.7 million (2017: £80.6 million) against £78.6 million (2017: £74.4 million) of net funding from Bank of Ireland (UK) plc.

During the year, the Company performed strongly: turnover increased to £44.0 million (2017: £39.8 million) and profit before tax increased to £4.7 million (2017: £3.0 million).

Key performance indicators

	Year ended 31 December 2018	Year ended 31 December 2017
Turnover (£'000)	44,001	39,824
Gross profit (%)	21.36%	18.41%
Gross profit (£'000)	9,400	7,331
Leasing funded fleet (number)	8,138	6,878

Principal risks and uncertainties

The Company faces a range of risks and uncertainties. Set out below are the principal risks and uncertainties the Directors believe could have the most significant adverse impact on the Company's business. The risks and uncertainties described below are not intended to be an exhaustive list.

Economic conditions

A deterioration in the economic conditions in the UK could result in reduced consumer confidence and spending, reduced demand for products and limitations on the Company's ability to increase or maintain its pricing. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Company's business. Any of the foregoing could have a material adverse effect on the Company's prospects, results of operations and financial condition.

The outcome of the referendum on 23 June 2016 regarding the UK's ongoing membership of the European Union has given rise to an ongoing period of economic uncertainty and current industry forecasts are for a decline in the new vehicle market in the UK where the Company operates. In addition, the fall in the value of Sterling since the referendum result has impacted the price of new vehicles which may further impact consumer demand.

Principal risks and uncertainties (continued)***Fluctuations in prices in the used car market***

The Company's financial performance may be affected by fluctuations in prices in the used car market. Such price fluctuations could also impact the Company's business, as it could affect the residual value of the vehicles at the end of leasing agreements. The Company operates a robust independent analysis tool to monitor this area and seek to manage any exposure should the trend analysis predict it.

Funding structure***Credit risk***

Credit risk is the exposure to losses arising primarily from vehicle financing contracts to clients that default on their repayments. The quality of all lending is monitored and measured using independent grading tools and monitoring services. These are supplemented with credit risk related management information. The vast majority of clients operate on a direct debit basis, and arrears are rare.

Liquidity risk

It is Company policy to ensure that resources are available during all reasonably foreseeable circumstances to meet obligations arising from customer asset expansion. Development, implementation and monitoring of this policy are the responsibility of the Company and the Bank of Ireland (UK) plc's Asset and Liability Committee.

Interest rate risk

Interest rate risk arises primarily from the Company's exposure to interest rate fluctuations whilst offering customer products, which are at a fixed rate of interest. This exposure is managed using fixed rate deposits and loans.

Regulatory compliance

The Company is subject to regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example, those set out by the Financial Conduct Authority. Non-compliance can lead to fines, public reprimand or, in the extreme, closure of parts of the business.

Information risk

The Company is dependent on the efficient and uninterrupted operation of its information technology and computer systems, which are vulnerable to damage or interruption from power loss, telecommunications failures, sabotage, vandalism or similar misconduct. Whilst the Company has put in place insurance cover, and also contingency and disaster recovery plans, in order to mitigate the impact of such failures, it can never be certain that these plans could cover every eventuality or situation or fully recompense every loss.

Cyber security

Whilst the Company does not complete vehicle sales to customers via the internet or its websites, it does utilise the internet and its websites significantly in the marketing of its products and services. In common with other businesses, the Company is therefore at risk of 'denial of service' attacks on its websites which could impact the Company's trading performance if its websites are affected for a prolonged period. In addition, the Company stores certain customer information electronically and therefore faces risks associated with unauthorised access to that data which could have reputational and/or regulatory consequences for the Company. The Company monitors its security policies and processes in order to mitigate (but cannot eliminate) the risks associated with cyber security.

Staff retention

The Company relies on a number of key employees, both in its management and its operations, with specialised skills and extensive experience in their respective fields. Any failure by the Company to recruit, replace, retain or motivate suitably qualified and experienced employees could impact its growth or its sales performance, increase its wage costs and adversely affect its business, results of operations and financial condition.

Approval

This Strategic Report was approved by the Board on 4 April 2019.



P.G. Cakebread
Director

MARSHALL LEASING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2018.

Financial performance

The profit for the year, after tax, amounted to £3,764,000 (2017: £1,936,000). Dividends of £nil were paid during the year to the Company's immediate parent N.I.I.B. Group Limited (2017: dividends of £18,712,000 were paid to the Company's former parent, Marshall Motor Group Limited.)

Going concern

The Company's balance sheet at 31 December 2018 shows a net current liability position. However, this position is being funded through the Company's treasury arrangement with the Bank of Ireland (UK) plc which enables the Company to meet its liabilities as they fall due. The Bank of Ireland (UK) plc has provided a letter of support to the Company indicating its willingness to provide this support on an ongoing basis for a period of at least 12 months from the date of approval of the accounts.

On the basis of their assessment of the Company's financial position, including the Company's current dependence on the treasury function managed by the Bank of Ireland (UK) plc, the Directors have reasonable expectations that the Company will be able to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Events since the balance sheet date

There were no significant post balance sheet events requiring disclosure since the financial year end.

Future outlook

The Company seeks to continue and accelerate the growth of the business through further expansion into the personal contract hire market, whilst optimising the performance of the business, and continuing to focus on excellence in customer service.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are set out below. Except where noted, they served for the entire period:

P.G. Cakebread

R. Baird

A. Carson

M. Joyce

G. McDowell (appointed 14 January 2019)

J. McGee

J.A. Ross

P.N. Targett

I. Wright

Statement of disclosure of information to auditor

In so far as each of the persons who were Directors at the date of approving these financial statements is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

MARSHALL LEASING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Independent auditor

KPMG was appointed on 18 December 2018 as the Company's external auditor to conduct the Company's audit for the year ended 31 December 2018. KPMG has expressed willingness to be re-appointed in accordance with Section 487(2) of the Companies Act 2006.

Approval

This Directors' Report was approved by the Board on 4 April 2019.



P.G. Cakebread
Director

MARSHALL LEASING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



P.G. Cakebread
Director

4 April 2019

MARSHALL LEASING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL LEASING LIMITED

Opinion

We have audited the financial statements of Marshall Leasing Limited ("the company") for the year ended 31 December 2018, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity and related notes, including the accounting policies in note 2.

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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the estimated useful life and residual value of property, plant and equipment and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover these reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

MARSHALL LEASING LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL LEASING LIMITED
(CONTINUED)**

Strategic report and Directors' report (continued)

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in the reports for the financial year is consistent with the financial statements; and
- in our opinion the reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jonathan Bingham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
4 April 2019

MARSHALL LEASING LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018**

		Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Turnover	Note 4	44,001	39,824
Cost of sales		<u>(34,601)</u>	<u>(32,493)</u>
Gross profit		9,400	7,331
Administrative expenses		<u>(3,467)</u>	<u>(3,719)</u>
Operating profit		5,933	3,612
Net interest expense	8	<u>(1,239)</u>	<u>(618)</u>
Profit before taxation	5	4,694	2,994
Taxation	9	<u>(930)</u>	<u>(1,058)</u>
Profit for the year and total comprehensive income		<u>3,764</u>	<u>1,936</u>

All of the activities of the Company are classed as continuing.

The notes on pages 13 to 24 form part of these financial statements.

MARSHALL LEASING LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2018

		31 December 2018 £'000	31 December 2017 £'000
	Note		
Fixed assets			
Tangible assets	11	92,663	80,617
Intangible assets	12	383	483
		<u>93,046</u>	<u>81,100</u>
Current assets			
Debtors - amounts falling due after one year	14	1,850	1,311
Debtors - amounts falling due within one year	15	16,402	2,578
Cash at bank and in hand		1,595	702
		<u>19,847</u>	<u>4,591</u>
Creditors: amounts falling due within one year	17	<u>(56,002)</u>	<u>(38,753)</u>
Net current liabilities		<u>(36,155)</u>	<u>(34,162)</u>
Total assets less current liabilities		56,891	46,938
Creditors: amounts falling due after one year	18	(51,019)	(44,830)
Provision for liabilities	19	<u>-</u>	<u>(900)</u>
Net assets		<u>5,872</u>	<u>1,208</u>
Capital and reserves			
Called-up share capital	23	70	70
Other reserve	24	900	-
Profit and loss account		4,902	1,138
Shareholders' funds		<u>5,872</u>	<u>1,208</u>

The notes on pages 13 to 24 form part of these financial statements.

The financial statements were approved by the Board of Directors on 4 April 2019 and signed on its behalf by:



P.G. Cakebread
Director

Company Number: 00156897

MARSHALL LEASING LIMITED**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2018**

	Called-up Share capital £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	70	-	17,914	17,984
Profit for the financial year and total comprehensive income	-	-	1,936	1,936
Dividends paid	-	-	(18,712)	(18,712)
At 31 December 2017	70	-	1,138	1,208
Profit for the financial year and total comprehensive income	-	-	3,764	3,764
Capital contribution	-	900	-	900
At 31 December 2018	70	900	4,902	5,872

MARSHALL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Marshall Leasing Limited (the "Company") is a private limited liability company incorporated in England and Wales. The registered office is Bow Bells House, 1 Bread Street, London, EC4M 9BE. The financial statements of the Company have been prepared in compliance with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*.

The financial statements of Marshall Leasing Limited were authorised for issue by the Board of Directors on 4 April 2019.

The financial statements are prepared in sterling which is the functional and presentational currency of the Company and rounded to the nearest thousand pounds unless otherwise stated.

The Company accounts have also adopted the following disclosure exemptions:

- Presentation of a cash-flow statement and related notes;
- Financial instrument-related disclosures;
- Key management personnel compensation disclosures;
- Related party disclosures with wholly owned subsidiaries within the Group; and
- Preparation of consolidated financial statements - the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts.

These exemptions have been applied as the Company is a qualifying entity and the shareholders of the Company have been notified in writing and no objection has been made to the use of the exemptions. The Company is a wholly owned subsidiary of N.I.I.B. Group Limited and Bank of Ireland (UK) plc. The consolidated financial statements of Bank of Ireland (UK) plc may be obtained from Bow Bells House, 1 Bread Street, London, EC4M 9BE.

Consolidation

These financial statements are separate financial statements and do not contain consolidated financial information as the parent undertaking of a group. The Company is exempt under section 400 (for EEA immediate parents) of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its intermediate parent undertaking Bank of Ireland (UK) plc, a company incorporated in England, as at 31 December 2018. Copies of the consolidated Bank of Ireland (UK) plc financial statements can be obtained from Bow Bells House, 1 Bread Street, London, EC4M 9BE.

Going concern

The Company's balance sheet at 31 December 2018 shows a net current liability position. However, this position is being funded through the Company's treasury arrangement with Bank of Ireland (UK) plc which enables the Company to fund its business growth and meet its liabilities as they fall due. Bank of Ireland (UK) plc has confirmed that it will continue to fund and support the Company for a period of thirteen months from the date of approval of the financial statements by the Directors.

On the basis of their assessment of the Company's financial position, including the Company's current dependence on the treasury function managed by Bank of Ireland (UK) plc, the Directors of the Company consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Turnover**

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received excluding value added tax. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover in respect of the sale of vehicles previously held as fixed assets under the heading 'Vehicles held for contract rental' is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually when a customer takes possession of a vehicle, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or expected to be incurred in respect of the transaction can be measured reliably.

MARSHALL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Turnover (continued)***Lease income*

Rental income from finance leases is recognised in revenue over the period of the lease. Turnover from operating leases is recognised evenly over the hire period.

Rendering of services

Turnover in respect of other services is recognised once the service has been provided and includes vehicle maintenance income and fleet management fees.

Finance income

The interest elements of the rental obligations are credited to the income statement over the period of the lease and are apportioned based on a pattern reflecting a constant periodic rate of return.

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Estimated residual values are included in the calculation of depreciation. The useful lives applicable are:

Leasehold land and buildings	- over the lease term
Plant and machinery	- 2 to 5 years
Vehicles held for leasing	- over the lease term

Vehicles acquired for the purpose of letting under lease contracts are depreciated evenly over the period of the lease contract to reduce the original cost to the estimated residual value at the end of the lease.

Impairment of assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement for the year.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement for the year.

Intangible assets

Intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight line basis over their useful life of five years. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

Leasing - as lessee

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leasing - as lessor***Finance leases*

Assets leased to third parties that transfer substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognised as a receivable in the statement of financial position equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest elements of the rental obligations are credited to the income statement over the period of the lease and are apportioned based on a pattern reflecting a constant periodic rate of return. Finance lease income is presented in revenue.

Operating leases including contract hire

A lease that does not transfer substantially all the risks and rewards of ownership are treated as operating leases. Their annual rentals are credited to the income statement on a straight-line basis over the term of the lease. Costs incurred, including depreciation, are recognised in line with the normal depreciation policy for similar assets.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Taxation

Income tax payable on profits is recognised as an expense in the year in which profits arise. Tax provisions are provided on a transaction by transaction basis using a best estimate approach. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

A current tax provision is recognised when the Company has a present obligation as a result of a past event and it is probable that there will be a future outflow of funds to a fiscal authority to settle the obligation.

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. Deferred income tax is determined using tax rates (and tax laws) that have been enacted, or substantively enacted, by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The rates enacted, or substantively enacted, at the balance sheet date, are used to determine deferred income tax. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss.

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 and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. Any unrecognised deferred tax assets are reassessed at the end of each reporting period at which point any previously unrecognised deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are not discounted.

Tax on items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity respectively. Where applicable, tax on items recognised in other comprehensive income is subsequently reclassified to the income statement, together with the deferred gain or loss.

Pensions

The ultimate parent company prior to the acquisition of the Company by N.I.I.B. Group Limited, Marshall of Cambridge (Holdings) Limited, operated a number of different pension funds, including both defined contribution and defined benefit schemes, for the employees of its group. With the permission of the Trustees, the Company's employees continued in these pension schemes through to February 2018, pending transition to the Bank of Ireland Group pension scheme in March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions (continued)

The assets of all the schemes operated by Marshall of Cambridge (Holdings) Limited were held in separately administered trust funds. For the defined contribution schemes, contributions were charged to the income statement as they became payable in accordance with the rules of the scheme. For the defined benefit scheme, there was no contractual arrangement for charging the net defined benefit cost between individual companies. The Company had therefore accounted for the contributions to the scheme as a defined contribution scheme.

From March 2018, employees became members of a Bank of Ireland Group defined contribution scheme, for which contributions are charged to the income statement as they become payable in accordance with the rules of the scheme and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The Company makes judgements and estimates concerning the future. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Estimated useful life of property, plant and equipment and impairment testing

The Company estimates the useful life and residual values of property, plant and equipment and reviews these estimates at each financial year end. The Company also tests for impairment when a trigger event occurs or annually as appropriate.

Leasing (lessee and lessor)

The Company occupies a commercial building and the Company leases out vehicles to third parties as lessor. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether the lease transfers the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Assets held for contract hire

For vehicles leased under operating leases, the annual depreciation charge is calculated using residual values which represent the estimated net sales proceeds expected from the sale of the assets at the end of the operating lease period. Due to the inherent uncertainty associated with such valuation methodology and in particular the volatility of prices of second hand vehicles, the carrying value of the residual values may differ from their realisable value.

Management is careful to ensure that exposure to residual value risk is effectively managed to minimise the Company's exposure to residual value risk. The residual values used mirror those utilised in the creation of the original client contract. Management benchmark internal residual values for the existing fleet of vehicles against industry standard valuation tools by third party providers. The residual values for the entire portfolio are reassessed using an independent valuation tool on a monthly basis throughout the life of the underlying contracts, with adjustments being made if required. The process of realising asset values is effectively managed to maximise net sale proceeds.

Depreciation on vehicles leased under operating leases is presented within cost of sales.

The following residual values are included in the calculation of the net book value of fixed assets held for use in operating leases:

	2018	2017
	£m	£m
Within 1 year	23	15
1 – 2 years	18	15
Greater than 2 years	14	18
Total	55	48

MARSHALL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**Tax**

The taxation charge accounts for amounts due to UK authorities, and includes estimates based on a judgement of the application of law and practice, in certain cases, to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial, and regulatory guidance and, where appropriate, external advice.

At 31 December 2018 the Company had a net deferred tax asset of £1,653,000 (2017: £1,394,000), of which £nil (2017: £nil) related to trading losses. See note 16.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences and unutilised tax losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits and the future reversals of existing taxable temporary difference.

To the extent that the recognition of a deferred tax asset is dependent of sufficient future profitability, a degree of estimation and the use of assumptions are required. The Company's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, projections of future taxable income, the impact of tax legislation and future reversals of existing taxable temporary differences.

4. TURNOVER

Turnover is all attributable to the principal activity of the Company, which is car and commercial vehicle leasing, vehicle contract hire and fleet management. All turnover arises from continuing activities within the United Kingdom and is stated net of VAT.

Turnover is analysed as follows:

	2018 £'000	2017 £'000
Sale of goods	12,385	12,356
Operating lease income	26,719	23,380
Finance lease income	204	265
Rendering of services	4,693	3,823
Turnover	44,001	39,824

5. PROFIT BEFORE TAX

This is stated after charging:

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	20,862	18,811
Operating lease costs – land and buildings	48	45
Auditor's remuneration – audit of the financial statements	37	31

KPMG LLP became the Company's principal auditor in 2018 prior to which Ernst & Young LLP was the principal auditor. The figures shown in the table relate to fees paid to KPMG LLP or Ernst & Young LLP as principal auditor respectively.

6. EMPLOYEE COSTS

Employee costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	1,902	1,087
Social security costs	213	135
Other pension costs	175	949
	2,290	2,171

MARSHALL LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. EMPLOYEE COSTS (continued)

The average number of employees during the year was as follows:

	2018 Number	2017 Number
Administration	15	15
Sales and aftersales	21	21
	<u>36</u>	<u>36</u>

7. DIRECTORS' REMUNERATION

Remuneration in respect of Directors was as follows:

	2018 £'000	2017 £'000
Emoluments	565	1,030
Pension contributions	27	178
	<u>592</u>	<u>1,208</u>

Retirement benefits are accruing to three Directors under defined benefit schemes. In 2017, three Directors participated in money purchase pension schemes and one Director participated in the defined benefit scheme provided by the former ultimate parent company, Marshall of Cambridge (Holdings) Limited.

Five of the Directors did not receive any emoluments in respect of their services to the Company but instead received emoluments for their services from other companies. The Directors do not believe that it is practicable to apportion this amount between service as a Director of the Company and services as a Director of other group companies.

In 2017, three of the Directors of the Company (before the acquisition by N.I.I.B. Group Limited) were also Directors of its former immediate parent company and the costs of their services were borne by Marshall Motor Holdings plc. After change of ownership, four directors (2017: four) are also directors of the immediate parent N.I.I.B. Group Limited, or Bank of Ireland (UK) plc and the cost of their services are borne by those companies.

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2018 £'000	2017 £'000
Emoluments	<u>194</u>	<u>574</u>

8. NET INTEREST EXPENSE

	2018 £'000	2017 £'000
Interest payable to Bank of Ireland (UK) plc	1,343	49
Interest receivable from group companies	(88)	(510)
Bank interest	(16)	1,079
	<u>1,239</u>	<u>618</u>

Interest receivable from group companies in 2018 relates to amounts with Bank of Ireland (UK) plc, while the 2017 amount relates to Marshall Group companies.

MARSHALL LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TAXATION

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018	2017
	£'000	£'000
<i>UK Corporation tax</i>		
Current tax on profits for the year	894	825
Adjustment in respect of previous periods	295	45
Total current tax	1,189	870
<i>Deferred tax</i>		
Origination and reversal of timing differences	(149)	223
Prior year adjustments	(110)	(35)
Total deferred tax	(259)	188
Taxation on profit on ordinary activities	930	1,058

b) Factors affecting the total tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018	2017
	£'000	£'000
Profit before tax	4,694	2,994
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	892	576
Effects of:		
Expenses not deductible for tax purposes	3	13
Adjustments to tax charge in respect of previous periods	185	9
Other	(150)	460
Total tax charge for the period	930	1,058

c) Factors that may affect future tax charges

The applicable tax rate for the current year is 19% (2017: 19.25%). A reduction to the corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 9 September 2016.

This will reduce the Company's future current tax charge accordingly and the deferred tax asset at 31 December 2018 has been calculated based on the expected long term rate of 17%. For further information on deferred tax balances see note 16.

10. DIVIDENDS

The dividend for 2018 was £nil (2017: £18,712,015 - 26,731.43p per share).

MARSHALL LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. TANGIBLE FIXED ASSETS**

	Plant and machinery £'000	Vehicles held for leasing £'000	Total £'000
Cost or valuation			
At 1 January 2018	45	116,232	116,277
Additions	2	43,651	43,653
Disposals	-	(24,493)	(24,493)
At 31 December 2018	47	135,390	135,437
Depreciation			
At 1 January 2018	35	35,625	35,660
Charge for the year	5	20,857	20,862
On disposals	-	(13,748)	(13,748)
At 31 December 2018	40	42,734	42,774
Net book value			
At 31 December 2018	7	92,656	92,663
At 31 December 2017	10	80,607	80,617

12. INTANGIBLE ASSETS

	Total £'000
Cost or valuation	
At 1 January 2018	500
At 31 December 2018	500
Amortisation	
At 1 January 2018	17
Charge for the year	100
At 31 December 2018	117
Net book value	
At 31 December 2018	383
At 31 December 2017	483

Costs directly associated with brand licences controlled by the Company and which will generate economic benefits exceeding costs beyond one year are recognised as intangible assets. These costs include the price of the brand licence.

MARSHALL LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****13. SUBSIDIARIES**

Name of Undertaking	Proportion Held	Country of Incorporation	Principal activity at period end
Gates Contract Hire Ltd.	100%	England and Wales	Dormant

Gates Contract Hire Limited is a wholly owned dormant subsidiary of Marshall Leasing Limited and whose registered office is Bow Bells House, 1 Bread Street, London, United Kingdom, EC4M 9BE. The investment has been fully impaired as at 31 December 2018 and 31 December 2017.

14. DEBTORS: amounts falling due after one year

	2018	2017
	£'000	£'000
Amounts due from group companies	204	-
Prepayments and accrued income	212	-
Net investment in finance leases	216	218
Other debtors	-	168
Deferred taxation (note 16)	1,218	925
	1,850	1,311

15. DEBTORS: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts due from group companies	14,901	-
Trade debtors	772	619
Net investment in finance leases	54	160
Other debtors	240	419
VAT	-	819
Prepayments and accrued income	-	91
Deferred taxation (note 16)	435	470
	16,402	2,578

16. DEFERRED TAX

	2018	2017
	£'000	£'000
At 1 January	1,394	1,582
Changes in provision	259	(188)
At 31 December	1,653	1,394

The deferred tax asset relates to the tax effect of timing differences in respect of:

	2018	2017
	£'000	£'000
Excess of taxation allowances over depreciation on fixed assets	1,653	1,394
	1,653	1,394

The amount of net reversal of deferred tax expected to occur next year is £435,000 (2017: £470,000) relating to the reversal of existing timing differences on tangible fixed assets.

17. CREDITORS: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts owed to group companies	52,083	34,207
Trade creditors	1,002	3,360
Taxation and social security	66	49
Other creditors	296	14
Accruals and deferred income	1,658	253
Corporation tax	897	870
	56,002	38,753

MARSHALL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CREDITORS: amounts falling due after one year

	2018	2017
	£'000	£'000
Amounts owed to group companies	47,221	40,242
Accruals and deferred income	3,798	4,588
	51,019	44,830

19. PROVISION FOR LIABILITIES

	2018	2017
	£'000	£'000
Pension Scheme		
At 1 January	900	-
Changes in provision	(900)	900
At 31 December	-	900

A provision for £900,000 was made in 2017 for the Company's liability to the Marshall of Cambridge (Holdings) Limited Executive Pension Plan pursuant to Section 75 of the Pensions Act 1995. This balance was settled on 12 February 2018 (see note 24).

20. PENSIONS

As described in note 2, the Company now participates in a Bank of Ireland Group defined contribution scheme. The cost of contributions to the defined contribution scheme for 2018 amounts to £165,939.

Up to February 2018, the Company participated in two of the pension schemes operated by Marshall of Cambridge (Holdings) Limited for the benefit of its employees, one of which had elements of both defined benefit and defined contribution, while the other was entirely defined contribution. Both schemes were funded by the payment of contributions to trustee administered funds which were kept independently from the assets of Marshall of Cambridge (Holdings) Limited. With the permission of the Trustees, the Company's employees continued in these pension schemes through to February 2018, pending transition to the Bank of Ireland Group pension scheme in March 2018. The total pension cost in respect of defined contribution schemes for January and February 2018 amounted to £16,000 (2017: £49,000). The total unpaid pension contributions outstanding at 31 December 2018 was £nil (2017: £7,000). The scheme which had elements of both defined benefit and defined contribution was known as the Marshall Group Executive Pension Plan. There was no contractual agreement for charging the net defined benefit cost between individual companies so the Company had therefore accounted for the contributions to the scheme as a defined contribution scheme. The total pension cost for the Company in 2017 in respect of this scheme was £900,000.

As part of the acquisition by N.I.I.B. Group Limited, the Company ceased to employ any active members of the Executive Pension Plan on and from 24 November 2017. Agreement was reached on 7 February 2018 to settle this debt for £900,000 pursuant to Section 75 of the Pensions Act 1995. Upon payment of this debt, the Company was discharged from the trusts of the Plan and from any further obligations in relation to the Plan. This amount was reflected in the pension charge for the year ended 31 December 2017.

MARSHALL LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. LEASING: as a lessee

The Company's future minimum operating lease commitments are all due within one year amounting to £198,241 (2017: £40,375).

	2018 £'000	2017 £'000
Within one year	40	40
Between one and five years	158	-
	198	40

22. LEASING: as a lessor

Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments. At 31 December 2018, these receivables amounted to £269,378 (2017: £378,457), and will bear interest income until their maturity dates.

	Total future payments £'000	Unearned interest income £'000	Present Value £'000
31 December 2018			
Within one year	166	3	163
Between one and five years	108	2	106
	274	5	269

	Total future payments £'000	Unearned interest income £'000	Present Value £'000
31 December 2017			
Within one year	177	7	170
Between one and five years	216	8	208
	393	15	378

The majority of the leases typically run for a non-cancellable period of two to nine years. Under the contracts, title either passes to the lessee at the conclusion of the lease period, or the arrangements include an option to purchase the leased equipment after that period.

The Company has entered into non-cancellable operating leases, as lessor, on a number of its vehicles included in tangible fixed assets. The terms of these leases vary.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Within one year	22,368	24,883
Between one and five years	21,303	28,050
	43,671	52,933

23. SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, called up and fully paid:		
70,000 ordinary shares of £1 each	70	70

MARSHALL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. OTHER RESERVE

	2018	2017
	£'000	£'000
At 1 January	-	-
Capital contribution	900	-
At 31 December	900	-

As part of the acquisition by N.I.I.B. Group Limited, on 12 February 2018 a payment of £900,000 was made to settle the Company's participation in the Marshall of Cambridge (Holdings) Limited Executive Pension Plan pursuant to Section 75 of the Pensions Act 1995.

25. TRANSACTIONS WITH RELATED PARTIES

The Company has availed itself of the FRS 102 exemption relating to the disclosure of transactions with other wholly owned subsidiaries of the Bank of Ireland Group. There are no other transactions with related parties.

26. CONTROLLING PARTIES

The Company's immediate parent undertaking is N.I.I.B. Group Limited. The smallest group of which the Company is a member and for which group financial statements are prepared is Bank of Ireland (UK) plc, a company incorporated in England and Wales. Copies of the Bank of Ireland (UK) plc financial statements can be obtained from Bow Bells House, 1 Bread Street, London, EC4M 9BE.

The Company's ultimate holding company is Bank of Ireland Group plc.

The largest group of which the Company is a member and for which group financial statements are prepared is Bank of Ireland Group plc, a public limited company incorporated and registered in the Republic of Ireland. Copies of the consolidated financial statements of Bank of Ireland Group plc for the year ended 31 December 2018 may be obtained from the Group Secretary, Bank of Ireland, 40 Mespil Road, Dublin 4, Republic of Ireland.

27. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events requiring disclosure since the financial year end.

28. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on 4 April 2019.