STB Leasing Limited
Annual report and Financial Statements
For the year ended 31 December 2018

Registered Number 01648384

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Contents

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2018. The Directors have taken advantage of the small companies' exemption under section 414B of the Companies Act 2006 with regards to the preparation of a Strategic report. As such, no report has been prepared for the year ended 31 December 2018.

Principal activities and business review

The principal activity of STB Leasing Limited ("the Company") during 2018 was the funding and operation of finance leases through a disclosed agency agreement with RentSmart Limited. Alongside this the Company is engaged in the provision of finance to Thinksmart, a trading name of RentSmart Limited which provides loans to its customers in relation to mobile phone rental agreements.

The Statement of Comprehensive Income for the year is set out on page 7. The Directors are satisfied with the performance of the Company during the year and do not envisage any change in the principal activities in the ensuing year.

Results for the year

Loans and advances to customers have fallen during the year due to a decrease in activity. The profit for the year of £609,000 (2017: £1,099,000) has been transferred to reserves. The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Directors serving during the year

N Kapur P A Lynam

Directors' interests

Of the Directors holding office at 31 December 2018, P A Lynam and N Kapur are both directors of Secure Trust Bank PLC, the ultimate and immediate parent company. Their interests in the share capital of that company are shown in the Directors' report of that company's 2018 annual report and accounts. No Director had a beneficial interest in shares of the Company during the year.

Third party indemnity provisions

The Directors of the Company have an insurance policy in place to provide them with indemnity cover. This policy was in force during the year and also at the date of approval of the financial statements.

Risk management

The principal risks and uncertainties of this business relate to credit risk, market risk, liquidity risk, operational risk, conduct risk and regulatory risk. The Company regards the monitoring and controlling of risks as a fundamental part of the management process. Consequently, senior management are involved in the development of risk management policies and in monitoring their application. The principal risks and uncertainties of this business relate to the general retail spending environment and consumers' propensity to borrow. The Company's overall approach to managing internal control and financial reporting is described in Note 4.

Going concern

Secure Trust Bank PLC has agreed to provide financial and other support to the Company for the foreseeable future to enable it to continue in operation. For this reason, the Directors continue to adopt the going concern basis in preparing these financial statements.

Directors' report

Auditor

Each director in office at the date of this Directors' Report confirms that so far as the director 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 as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP was appointed as auditor at the Annual General Meeting held in 2018. Deloitte LLP, has expressed its willingness to accept reappointment. A resolution to reappoint Deloitte LLP will be proposed to the Board of Directors.

Approved by the Board and signed on its behalf

AJ Karter

A J Karter
Secretary
9 May 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 estimates that are reasonable and prudent
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- state whether they have been prepared in accordance with IFRSs as adopted by the EU
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

This responsibility statement was approved by the Board of Directors on 9 May 2019 and is signed on their behalf by:

N Kapur
Director

Independent auditor's report

to the members of STB Leasing Limited

Opinion

In our opinion the financial statements of STB Leasing Limited (the 'Company'):

- 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income
- the statement of financial position
- the statement of changes in equity
- the statement of cash flows
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of STB Leasing Limited

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

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

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

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

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements
- the Directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of Directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of STB Leasing Limited

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

Neil Reed

Neil Reed, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP, Statutory Auditor
Birmingham, United Kingdom
9 May 2019

Statement of comprehensive income

	Note	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Interest and similar income		687	1,298
Operating income		**687**	**1,298**
Operating expenses	5	-	(2)
Profit before income tax		**687**	**1,296**
Income tax expense	7	(78)	(197)
Profit for the year		**609**	**1,099**
Profit attributable to:			
Equity holders of the Company		**609**	**1,099**
Total comprehensive income attributable to:			
Equity holders of the Company		**609**	**1,099**

The Company has no recognised gains and losses other than those included in the results above hence a Statement of Other Comprehensive Income has not been prepared.

The Company's results above are from continuing operations.

The notes on pages 11 to 19 are an integral part of these financial statements

Statement of financial position

	Note	At 31 December 2018 £000	2017 £000
ASSETS			
Cash and cash equivalents		20	10
Loans and advances to customers	8	14,848	17,230
Total assets		**14,868**	**17,240**
EQUITY AND LIABILITIES			
Liabilities			
Current tax liabilities		24	87
Other liabilities	9	9,218	12,136
Total liabilities		**9,242**	**12,223**
Equity attributable to the Company's equity holders			
Share capital	10	-	-
Retained earnings		5,626	5,017
Total equity		**5,626**	**5,017**
Total equity and liabilities		**14,868**	**17,240**

The financial statements on pages 7 to 19 were approved by the Board of Directors on 9 May 2019 and were signed on its behalf by

N Kapur
Director

Company number: 01648384

The notes on pages 11 to 19 are an integral part of these financial statements

Statement of changes in equity

	Share capital	Retained earnings	Total
	£000	£000	£000
Balance at 1 January 2017	**-**	**3,918**	**3,918**
Total comprehensive income for the period			
Profit for the year ended 31 December 2017	-	1,099	1,099
Total comprehensive income for the period	**-**	**1,099**	**1,099**
Balance at 31 December 2017	**-**	**5,017**	**5,017**
Total comprehensive income for the period			
Profit for the year ended 31 December 2018	-	609	609
Total comprehensive income for the period	**-**	**609**	**609**
Balance at 31 December 2018	**-**	**5,626**	**5,626**

The notes on pages 11 to 19 are an integral part of these financial statements

Statement of cash flows

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Cash flows from operating activities		
Profit for the year	609	1,099
Adjustments for:		
Income tax expense	78	197
Cash flows from operating profits before changes in operating assets and liabilities	687	1,296
Changes in operating assets and liabilities:		
- net decrease in loans and advances to customers	2,382	1,455
- net decrease in other liabilities	(3,059)	(2,751)
Net cash flow from operating activities	**10**	**-**
Net cash flow from investing activities	**-**	**-**
Net cash flow from financing activities	**-**	**-**
Net increase in cash and cash equivalents	**10**	**-**
Cash and cash equivalents at 1 January	10	10
Cash and cash equivalents at 31 December	**20**	**10**

Net decrease in loans and advances to customers has been moved from cash flows from operating profits before changes in operating assets and liabilities to net cash flow from operating activities, as this better represents the nature of the underlying activity.

The notes on pages 11 to 19 are an integral part of these financial statements

Notes to the financial statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Reporting entity

STB Leasing Limited is a private company limited by shares and incorporated and domiciled in England and Wales in the United Kingdom. The registered address of STB Leasing Limited is One Arleston Way, Solihull, West Midlands, B90 4LH.

1.2 Basis of presentation

The Company's financial statements have been prepared in accordance with IFRSs (as adopted and endorsed by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

1.3 IFRS 16 Leases

IFRS 16 'Leases' has been issued, and endorsed by the EU, but is not yet effective. It is effective for annual periods beginning on or after 1 January 2019, and has not been adopted early.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the customer ('lessee') and the supplier ('lessor'). It replaces the previous leases standard, IAS 17 'Leases', and related interpretations.

As the Company is not a lessee under any leases, and lessor accounting remains unchanged from IAS 17, the new standard does not have a material impact.

1.4 Interest income

IFRS15 'Revenue from contracts with customers' is effective for the period beginning 1 January 2018. The adoption of the standard has had no impact on either the financial result for the year or the Statement of financial position as at 31 December 2018.

IFRS 9 'Financial instruments', effective for period beginning 1 January 2018, has replaced IAS 39 'Financial Instruments: Recognition and Measurement'. Adoption of the standard has resulted in new accounting policies for interest income and expense, the classification and measurement of financial instruments and the impairment of financial assets which are presented below.

Applicable from 1 January 2018 – IFRS 9 basis

For all financial instruments measured at amortised cost, the effective interest rate method is used to measure the carrying value and allocate interest income or expense. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset or
- the amortised cost of the financial liability.

Notes to the financial statements

In calculating the effective interest rate for financial instruments, other than assets that were credit impaired on initial recognition, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges and broker commissions) and anticipated customer behaviour but does not consider future credit losses.

The calculation of the effective interest rate includes all fees received and paid that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial instrument.

The implementation of IFRS 9 did not have a material impact on shareholders' equity at 1 January 2019 or profit before tax for the year ended 31 December 2019.

Applicable prior to 1 January 2018 – IAS 39 basis
Interest income is recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1.5 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised on origination. Loans and receivables are carried at amortised cost using the effective interest method. Although the credit risk of loans and receivables is borne by RentSmart through the agency agreement, all other risks and rewards associated with these loans are borne by the Company.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount.

1.6 Leases

As a lessor:

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to finance leases, the present value of the lease payments is recognised as a gross receivable. Future unearned finance income is deducted from the gross receivable, and the net amount is recognised as loans and advances from customers. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

1.7 Income taxation
Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

1.8 Impairment
Applicable from 1 January 2018 – IFRS 9 basis
The Company recognises loss allowances for Expected Credit Losses ("ECLs") on all financial assets carried at amortised cost, including lease receivables and loan commitments.

Credit loss allowances are measured as 12 month ECL, as it has been determined that the financial assets have low credit risk at the reporting date. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the widely understood definition of 'investment grade' assets. Such assets are classified as stage 1 assets.

The Company's loan book comprises finance leases through a disclosed agency agreement in place with RentSmart, and other lending through a funding facility provided to Thinksmart, a trading name of RentSmart Limited.

Finance leases
Given the Company has no direct interaction with the ultimate customers of the finance leases through the disclosed agency agreement in place with RentSmart, and Rentsmart provides the Company with cash collateral, from an impairment perspective the loan portfolio is viewed as a series of loans to RentSmart Limited. IFRS 9 contains an option to apply a simplified approach for instruments deemed to be low credit risk. For such instruments an entity is allowed to assume, at the reporting date, that no significant increases in credit risk have occurred and therefore recognise an allowance based on 12-month ECLs.

The application guidance of IFRS 9 states credit risk can be considered to be low if;
- the instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and
- adverse changes in economic and business conditions in the longer term, may but will not necessarily, reduce the ability of the borrower to fulfil its contractual obligations.

As an entity, RentSmart Limited meets all the conditions listed above, and therefore applies the low credit risk option. The credit risk associated with the finance leases is retained by its partner, RentSmart Limited, who provide cash collateral as described in Note 9. As the collateral provided exceeds the 12 month ECL, the Company does not have any overall exposure to credit risk in relation to the finance lease lending.

Other lending
There is limited credit risk exposure in relation to the funding provided to Thinksmart and accordingly, on an ongoing basis, the Company assesses whether there is objective evidence that the Thinksmart financial asset is impaired. In assessing objective evidence of a loss event for other lending the Company considers the following factors:
- if any contractual repayment date has been missed
- Covenant breaches
- If the financial prospects of the borrower's customers deteriorates.

Notes to the financial statements

1.9 Dividends
Final dividends on ordinary shares are recognised in equity in the period in which they are approved by Shareholders. Interim dividends on ordinary shares are recognised in equity in the period in which they are paid.

1.10 Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Any amounts received over nominal value are recorded in the share premium account, net of direct issuance costs.

2. Critical accounting judgements and key sources of estimation uncertainty

2.1 Judgements
No critical judgements have been identified.

2.2 Key sources of estimation uncertainty
There are no estimations which, based on a reasonably possible change within the next 12 months, could have a material impact on the Company's financial results.

3. Maturity analysis of assets and liabilities
The table below shows the undiscounted maturity analysis of the Company's financial assets and liabilities as at 31 December 2018:

At 31 December 2018	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash and cash equivalents	20	-	20
Loans and advances to customers	5,901	8,947	14,848
Total assets	**5,921**	**8,947**	**14,868**
LIABILITIES			
Current tax liabilities	24	-	24
Trade payables	147	-	147
Amounts due to the immediate parent company	9,071	-	7,179
Total liabilities	**9,242**	**-**	**9,242**

The table below shows the undiscounted maturity analysis of the Company's financial assets and liabilities as at 31 December 2017:

At 31 December 2017	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash and cash equivalents	10	-	10
Loans and advances to customers	5,073	12,157	17,230
Total assets	**5,083**	**12,157**	**17,240**
LIABILITIES			
Current tax liabilities	87	-	87
Trade payables	417	-	417
Amounts due to the immediate parent company	11,719	-	11,719
Total liabilities	**12,223**	**-**	**12,223**

4. Financial risk management

Strategy

The Directors and senior management of the Company have formally adopted a Risk and Controls Policy which sets out the Board's attitude to risk and internal controls. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

(a) Credit risk

The Company has a limited exposure to credit risk, which is largely driven by risk of consumer impairment, and does not currently hold any material impairment provision. The Company primarily purchases assets which are leased to customers who rent equipment through the retail partnership with RentSmart. RentSmart retains the credit risk for all outstanding receivables on the rental agreements and the Company holds collateral from that company as noted in Note 9, to mitigate the Company's credit risk to RentSmart. The Thinksmart funding facility, which provides consumer hire agreements for smart phones, is subject to ongoing review and close management in line with the Company's credit risk policies. The level of impairment provision required in respect of the Thinksmart facility has been assessed as being immaterial.

Management assesses the potential concentration risk from geographic and individual loan concentration. Due to the nature of the Company's lending operations the Directors consider the lending operations of the Company to be well diversified.

(b) Market risk

Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements.

Currency risk

The Company has no exposures to foreign currencies.

Interest rate risk

Interest rate risk is the potential adverse impact on the Company's future cash flows from changes in interest rates and arises from the differing interest rate risk characteristics of the Company's assets and liabilities. In particular, fixed rate products expose the Company to the risk that a change in interest rates could cause a reduction in interest income relative to variable rate interest flows.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, or can only do so at excessive cost. The financial obligations at the balance sheet date are limited to amounts owed to the immediate parent company, Secure Trust Bank PLC and collateral held from the agent RentSmart. Financial obligations are regularly monitored by the Company.

(d) Operational risk

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiatives and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by an internal audit function. The results of the internal audit reviews are discussed with the Company's senior management, with summaries submitted to the Group Audit Committee.

Notes to the financial statements

(e) Conduct risk

Conduct risk reflects the potential for customers (and the business) to suffer financial loss or other detriment through the actions and decisions made by the business and its staff.

Conduct risk is defined as the risk that the Company's products / services, and the way they are delivered, result in poor outcomes for customers or markets in which we operate, or harm to the Company. This could be as a direct result of poor or inappropriate execution of our business activities or behaviour from staff.

The Company takes a principles based approach which covers both regulated and unregulated activities.

(f) Regulatory risk

Regulatory risk is the risk that the Company fails to be compliant with all relevant regulatory requirements. This could occur if the Company failed to interpret, implement and embed processes and systems to address regulatory requirements, emerging risks, key focus areas and initiatives or deal properly with new laws and regulations. The Company seeks to manage regulatory risks through the Group-wide risk management framework in place within the parent company. The parent company Group Compliance and Regulatory Risk Committee is responsible for reviewing and monitoring regulatory changes, and ensuring that appropriate actions are taken, and also reviewing and approving the compliance risk management framework.

5. Operating expenses

The Company had operating expenses of £nil in 2018 (2017: £1,696).

The audit fees for the current and prior year were borne by the immediate parent company Secure Trust Bank PLC, which made no recharge to the Company. The audit fees attributable to the Company were £4,000 (2017: £7,354).

6. Employee information

The Company had no employees during 2018 (2017: none). Directors' emoluments were paid by the immediate parent company Secure Trust Bank PLC which made no recharges to the Company for their services.

7. Income tax expense

	2018 £000	2017 £000
Current taxation		
Corporation tax charge - current year	78	195
Corporation tax charge - adjustments in respect of prior years	-	2
Income tax expense	**78**	**197**
Tax reconciliation		
Profit before tax	687	1,296
Tax at 19.00% (2017: 19.25%)	130	250
Permanent adjustments	(52)	(55)
Prior period adjustments	-	2
Income tax expense for the period	**78**	**197**

The Government substantively enacted a reduction in the main rate of UK corporation tax from 20% to 19% (effective from 1 April 2017) and a further reduction to 17% (effective 1 April 2020).

8. Loans and advances to customers

	2018	2017
	£000	£000
Gross loans and advances	14,848	17,230
	14,848	**17,230**

For a maturity profile of loans and advances to customers, refer to Note 3.

Loans and advances to customers include finance lease receivables as follows:

	2018	2017
	£000	£000
Gross investment in finance lease receivables:		
- Less than 1 year	7,913	10,963
- Later than 1 year and no later than 5 years	5,829	7,804
	13,742	18,767
Unearned future finance income on finance leases	(2,964)	(3,827)
Net investment in finance leases	**10,778**	**14,940**
The net investment in finance leases may be analysed as follows:		
- Less than 1 year	5,630	8,027
- Later than 1 year and no later than 5 years	5,148	6,913
Net investment in finance leases	**10,778**	**14,940**
Other Lending	4,070	2,290
Gross loans and advances	**14,848**	**17,230**

With the exception of loans and advances to customers, the carrying amount of financial assets represents the Company's maximum exposure to credit risk. The Company's maximum exposure to credit risk for loans and advances to customers is £14,848,000

Finance leases
Due to the arrangement with RentSmart described in Note 4, the Company applies the low credit risk option available in IFRS 9 to the net investment in finance leases of £10,778,000 (2017: £14,940,000), and accordingly all loans and advances to customers fall into IFRS 9 stage 1. For an explanation of the criteria allowing application of the low credit risk option, see Note 1.8. The impairment provision required has been assessed as being immaterial.

Other lending
The table below summarises the impairment on other lending to Thinksmart of £4,070,000 (2017: £2,290,000) on an IFRS 9 basis:

	2018	2017 (On transition)
	£000	£000
Gross loans and advances	14,848	17,230
Stage 1: Subject to 12 month ECL	1.6	0.3
Stage 2: Subject to lifetime ECL	-	-
Stage 3: Subject to lifetime ECL	-	-
Total provision	**1.6**	**0.3**

Within this note, provision balances in respect of 2018 are prepared on an IFRS 9 basis and effect of transition on 2017 comparatives is presented. Given there was immaterial movement between Stage 1, Stage 2 and Stage 3 ECL, a reconciliations from opening to closing impairment allowance for losses is not prepared.

Notes to the financial statements

The tables below summarise the December 2017 loans and advances to customers on an IAS 39 basis:

	2017
	£000
Neither past due nor impaired	16,943
Past due up to 90 days	287
Gross	17,230
Less: allowance for impairment	-
Net	**17,230**

None of these loan balances have had any renegotiated payment terms. The portfolio does not have a significant concentration to any individuals. Gross amounts of loans and advances to customers that were past due up to 90 days were as follows:

	2017
	£000
Past due up to 30 days	143
Past due 30 - 60 days	91
Past due 60 - 90 days	53
Total	**287**

9. Other liabilities

	2018	2017
	£000	£000
Trade payables	147	417
Amounts due to the immediate parent company	9,071	11,719
	9,218	**12,136**

Collateral
At 31 December 2018 the Company held collateral from RentSmart of £1,892,000 (2017: £2,519,000). The Company buys assets which are then leased to customers of RentSmart and the Company pays RentSmart a commission, which is recognised within operating income as part of the effective interest rate. In return RentSmart will continue to operate the agreement, retain the credit risk and provide the Group with a collateral amount that is based upon the balance of customer receivables and expected new agreements during the following month. The Company is not exposed or entitled to the risks and rewards of ownership of this collateral and therefore it is not recognised on the balance sheet.

Amounts due to the immediate parent company
Amounts due to the immediate parent company do not bear any interest, have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

10. Share capital

	Number of ordinary shares	Share capital
		£'000
At 1 January and at 31 December 2018	2	-

There was no movement in the issued share capital in the current or prior year. The total number of ordinary shares in issue at 31 December 2018 and 31 December 2017 was 2 with a par value of £1 per share (2017: £1 per share). Both issued shares are fully paid.

11. Related-party transactions

Amounts due to related companies are included in Note 9.

Notes to the financial statements

12. Commitments

Credit Commitments

At 31 December 2018 the Company had commitments of £32,613 to extend credit to customers (2017: £ 78,436).

13. Immediate and ultimate parent company

The ultimate and immediate parent company is Secure Trust Bank PLC. A copy of the financial statements of Secure Trust Bank PLC may be obtained from Secure Trust Bank PLC, One Arleston Way, Solihull, West Midlands, B90 4LH.

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