

COMMERZBANK LEASING DECEMBER (12) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2013



Company Registered No 2876163

COMMERZBANK LEASING DECEMBER (12) LIMITED

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the year ended 31 December 2013. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. As a small company, the Company is exempt from the requirement to prepare a Strategic Report.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the leasing of commercial properties, commercial vehicles, plant and equipment through finance lease transactions, and is likely to remain so for the foreseeable future. This is done either by the Company acquiring the asset itself or by facilitating an asset purchase on behalf of a lessee.

During the prior year the Company entered into arrangements with a third party whereby the Company agreed to acquire certain assets which were then leased on to the third party. Prior to the acquisitions, the third party made contributions to the Company, equal to the total purchase price of the assets, under Deeds of Contribution. The legal form of the transactions resulted in the Company earning an upfront participation fee of £721,123 and lease income of £159,102 over the life of the leases. However, whilst the legal form of the arrangements were finance leases, the directors have determined that a more appropriate accounting presentation, given the substance of the transactions, would be to recognise the arrangement as a facilitation arrangement for which the Company earned a fee (being the aggregate of the participation fee, the lease rentals and either the option value for the third party to acquire the assets at the end of the lease or the share of net sales proceeds the Company would be entitled to retain on a market sale of the assets).

During 2013 the Company earned a further £80,000 of facilitation fees with respect to lease variations made to the transactions entered into during the prior year.

RESULTS AND DIVIDENDS

The results of the Company for the year are set out in detail on page 5.

The profit for the financial year was £78,410 (2012 £493,925). The directors do not recommend the payment of a dividend (2012 interim dividend paid of £400,000 on 21 December 2012).

DIRECTORS

The directors of the Company who held office throughout the year and up to the date of signing the financial statements were as follows:

NG Aiken
RA Birch
PR Burrows
AD Levy

The directors benefited from qualifying third party indemnity provisions in place during the year and up to the date of signing the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors in office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

COMMERZBANK LEASING DECEMBER (12) LIMITED

DIRECTORS' REPORT (continued)

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 the directors have prepared the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and will be re-appointed in accordance with Section 487 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



J C Wall
Secretary

Commerzbank Leasing December (12) Limited
Company Registered No 2876163

29 May 2014

COMMERZBANK LEASING DECEMBER (12) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMMERZBANK LEASING DECEMBER (12) LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by Commerzbank Leasing December (12) Limited, comprise

- the Profit and Loss Account and the Balance Sheet, and
- related notes to the financial statements which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

COMMERZBANK LEASING DECEMBER (12) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMMERZBANK LEASING DECEMBER (12) LIMITED (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

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

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies' regime, take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from preparing a Strategic Report

We have no exceptions to report arising from this responsibility

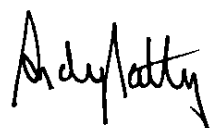
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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



Andrew Batty (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 May 2014

COMMERZBANK LEASING DECEMBER (12) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2013**

| | Note | 2013 £ | 2012 £ |
|--|-------------|-------------------|-------------------|
| Turnover | 2 | 80,000 | 644,680 |
| Cost of sales interest payable to Commerzbank AG London Branch | | - | (149,153) |
| GROSS PROFIT | | <u>80,000</u> | <u>495,527</u> |
| Foreign exchange losses | | (1,590) | (7,471) |
| Interest receivable from Commerzbank AG London Branch | | - | 5,869 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | <u>78,410</u> | <u>493,925</u> |
| Tax on profit on ordinary activities | 4 | - | - |
| PROFIT FOR THE FINANCIAL YEAR | 8 | <u>78,410</u> | <u>493,925</u> |

All amounts stated above are derived from continuing activities

There are no differences between the profit for the financial year above and its historical cost equivalent

There are no recognised gains or losses for the current year or the preceding year other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

A statement showing the movement in the profit and loss account reserve is set out in note 8 on page 10

The accounting policies and notes on pages 7 to 10 form an integral part of these financial statements

COMMERZBANK LEASING DECEMBER (12) LIMITED**BALANCE SHEET****As at 31 December 2013**

| | Note | 2013 £ | 2012 £ |
|---|-------------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Debtors amounts falling due within one year | 5 | 1,608,310 | 791,640 |
| Debtors amounts falling due after more than one year | | | |
| Amounts due under facilitation agreements | | 54,105 | 78,091 |
| | | <hr/> | <hr/> |
| | | 1,662,415 | 869,731 |
| CREDITORS: amounts falling due within one year | | | |
| | 6 | (1,126,802) | (412,528) |
| | | <hr/> | <hr/> |
| NET ASSETS | | 535,613 | 457,203 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 7 | 2 | 2 |
| Profit and loss account | 8 | 535,611 | 457,201 |
| | | <hr/> | <hr/> |
| TOTAL SHAREHOLDER'S FUNDS | 8 | 535,613 | 457,203 |
| | | <hr/> | <hr/> |

The accounting policies and notes on pages 7 to 10 form an integral part of these financial statements

These financial statements on pages 5 to 10 were approved by the Board of Directors and signed on its behalf by



A D Levy
Director

29 May 2014

COMMERZBANK LEASING DECEMBER (12) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the requirements of the Companies Act 2006 and applicable accounting standards in the UK. The principal accounting policies, which have been applied consistently throughout the year, are set out below. In accordance with FRS 18 'Accounting Policies' the Company complies with relevant Statements of Recommended Practice (SORP). The relevant SORP for the Company is issued by the Finance & Leasing Association.

Going concern

As at the date of the signing of these financial statements the most material asset of the Company is a current account balance held with Commerzbank AG London Branch. The directors do not consider the recovery of the deposit to be a significant and material uncertainty and therefore continue to prepare the financial statements of the Company on a going concern basis.

Arrangements involving a lease

Where the Company enters into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties that involves the legal form of a lease, the directors assess the overall arrangement in order to conclude whether the arrangement should be accounted for as one linked transaction or whether the arrangement meets the definition of a lease under SSAP 21 "Accounting for leases and hire purchase contracts". In making this assessment, the directors consider whether the overall economic effect of the arrangement cannot be understood without reference to the series of transactions as a whole. This is the case, for example, when a series of transactions are closely interrelated, negotiated as a single transaction and take place concurrently or in a continuous sequence.

Funded acquisition of assets to be leased to a third party

In 2012, the Company entered into arrangements with a third party whereby the Company agreed to acquire certain assets which were then leased on to the third party. Prior to the acquisitions, the third party made contributions to the Company, equal to the purchase price of the assets, under Deeds of Contribution. The legal form of this transaction resulted in the Company earning an upfront participation fee of £721,123 and lease income of £159,102 over the life of the leases, with a further £80,000 earned in 2013 following variations made to the leases transacted in 2012.

Whilst the legal form of these arrangements were finance leases, the directors have determined that the most appropriate accounting presentation, given the substance of the transaction, would be to recognise the arrangement as a facilitation arrangement for which the Company earned a fee (being the aggregate of the participation fee, the lease rentals and either the option value for the third party to acquire the assets at the end of the lease or the share of net sale proceeds the Company would be entitled to retain on a market sale of the assets).

Finance leases

Assets leased to clients are classified as finance leases if the lease agreement transfers substantially all of the risks and rewards of ownership to the lessee. The Company provides funding in the form of finance leases to corporate clients. The leases are based on providing the Company with a return appropriate to the credit risk on each client and do not expose the Company to residual value risk on the equipment or contingent liabilities.

Investments in finance leases are stated at the gross amount of minimum future rental payments less gross earnings allocated to future periods. The carrying value of the net investment in finance leases is adjusted for changes in future tax cash flows when changes in tax rates are substantively enacted.

Gross earnings from finance leases are allocated to the profit and loss account over the primary period of the lease using the net actuarial basis to give a constant periodic rate of return on the net cash investment in the leases and agreements. This method of income recognition is considered most appropriate for the leases held by the Company and is in compliance with recommended practice.

COMMERZBANK LEASING DECEMBER (12) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

1. ACCOUNTING POLICIES

Disposal of finance leases

The profit or loss on the disposal of finance leases represents the difference between the book value of the relevant lease receivable and the consideration received

Turnover

Turnover represents gross earnings net of rental rebates, impairments and the profit or loss on the disposal of finance leases, along with facilitation fees earned as part of the set up of transactions in the legal form of a lease

Taxation

The charge for taxation is based on the profit for the year

Full provision is made in the profit and loss account for taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses. The timing differences are recognised as deferred tax liabilities or assets, measured at expected future tax rates. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

Related party transactions

The Company's ultimate parent undertaking, Commerzbank AG, prepares consolidated financial statements, which are publicly available. Accordingly advantage is taken in these financial statements of the exemptions available in FRS 8, 'Related Party Disclosures' for disclosure of transactions with entities that are part of the group or investees of group entities as related parties.

Cash flow statement

The Company has taken advantage of the exemption under FRS 1 (revised) 'Cash Flow Statements' not to prepare a cash flow statement on the grounds that the ultimate parent undertaking, Commerzbank AG, prepares consolidated financial statements, which are publicly available.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at mid-market closing rates of exchange ruling at the balance sheet date. All foreign exchange differences are taken to the profit and loss account in the year in which they arise. All revenue and expense items are translated at the rate applicable to the period when they are recognised.

2. TURNOVER

| | 2013 £ | 2012 £ |
|---|---------------|----------------|
| Income from finance leases (net of impairments) | - | 329,378 |
| Rental rebates – interest variations | - | (564,923) |
| Facilitation fees | 80,000 | 880,225 |
| | <u>80,000</u> | <u>644,680</u> |

Gross rentals receivable in the year in respect of finance leases were £Nil (2012 £24,220,310)

3. OPERATING PROFIT

All administrative expenses, including auditors' remuneration for services to the Company, were borne by Commerzbank AG London Branch. The Company had no employees during the year (2012 None). None of the directors received any emoluments in respect of their services to the Company (2012 £nil). The audit fee applicable in respect of this Company's financial statements was £9,500 (2012 £13,750), with no further services provided to the Company by the Company's auditors.

COMMERZBANK LEASING DECEMBER (12) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

| 4. TAX ON PROFIT ON ORDINARY ACTIVITIES | 2013 | 2012 |
|---|-------------|-------------|
| | £ | £ |
| a) Analysis of the tax charge for the year | | |
| Current tax (note 4b) | - | - |
| b) Factors affecting the current tax charge for the year: | | |
| The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below: | | |
| Profit on ordinary activities before taxation | 78,410 | 493,925 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%) | (18,230) | (121,012) |
| Effects of: | | |
| Depreciation in excess of capital allowances on finance lease receivables | - | (7,652,253) |
| Movement in provisions for lease impairments allowed when utilised | - | 259,156 |
| Non-taxable income | - | 2,110 |
| Non-deductible expense | - | (80,352) |
| Additional expenses not in profit and loss account | - | 2,108,329 |
| Utilisation of losses brought forward | 18,230 | 5,484,022 |
| Current tax (note 4a) | - | - |

As at 31 December 2013 the Company had carried forward losses of £933,749 (2012: £1,012,159) and therefore a potential deferred tax asset of £186,750 (2012: £232,797), measured at the substantively enacted tax rate of 20% (2012: 23%), which has not been recognised in the financial statements due to insufficient future taxable income. The comparative figures are based on the final submitted 2012 tax computations.

| 5. DEBTORS: amounts falling due within one year | 2013 | 2012 |
|--|------------------|----------------|
| | £ | £ |
| Amounts owed by Commerzbank AG London Branch | 485,887 | 411,140 |
| Amounts due under facilitation agreements | 22,216 | 22,731 |
| Other debtors | 1,100,207 | 357,769 |
| | <u>1,608,310</u> | <u>791,640</u> |

The cost of assets acquired in the year for the purpose of leasing under finance leases was £3,914,436 (2012: £98,357,112). In the prior year the Company agreed to acquire assets and then lease them on to a third party, with variations to those leases subsequently arising. Prior to the acquisitions and variations, the third party made contributions to the Company, equal to the total purchase price of £3,914,436 (2012: £98,357,112), under Deeds of Contribution. Accordingly, whilst the Company legally owns the assets, their day one fair value was deemed to be £nil.

| 6. CREDITORS: amounts falling due within one year | 2013 | 2012 |
|--|------------------|----------------|
| | £ | £ |
| Amounts owed to Commerzbank AG London Branch | - | 58,628 |
| Other creditors | 974,329 | 293,141 |
| VAT | 152,473 | 60,759 |
| | <u>1,126,802</u> | <u>412,528</u> |

The amounts owed to Commerzbank AG London Branch are unsecured, repayable on demand and bear interest at market rates.

COMMERZBANK LEASING DECEMBER (12) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

| | | |
|------------------------------------|-------------|-------------|
| 7. CALLED UP SHARE CAPITAL | 2013 | 2012 |
| | £ | £ |
| Allotted, called up and fully paid | | |
| 2 ordinary shares of £1 each | <u>2</u> | <u>2</u> |

8. COMBINED RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

| | Called up share capital £ | Profit and loss account £ | Shareholder's funds total 2013 £ | Shareholder's funds total 2012 £ |
|-------------------------------|--|--|---|---|
| At beginning of the year | 2 | 457,201 | 457,203 | 363,278 |
| Profit for the financial year | - | 78,410 | 78,410 | 493,925 |
| Interim dividends paid | - | - | - | (400,000) |
| At end of the year | <u>2</u> | <u>535,611</u> | <u>535,613</u> | <u>457,203</u> |

9. DIVIDENDS

| | | |
|---|-------------|----------------|
| The aggregate amount of dividends comprises | 2013 | 2012 |
| | £ | £ |
| Interim dividends paid | <u>-</u> | <u>400,000</u> |

10. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the Company is Commerzbank Leasing Holdings Limited, a company incorporated in England & Wales

The smallest and the largest group in which the results of the Company are consolidated is that headed by Commerzbank AG, a company incorporated in Germany under German law. Commerzbank AG is also the ultimate parent undertaking and controlling party. Financial statements of Commerzbank AG are available from Commerzbank AG, Investor Relations, Kaiserplatz, D-60261 Frankfurt am Main, Germany.