PEAC (UK) Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

CONTENTS | **Page**

DIRECTORS AND OTHER INFORMATION

Directors	J. Phillipou	(appointed on 15 May 2017)
	S. Charlton	(appointed on 11 January 2016)
	J. Ashley	(appointed on 1 January 2016)
	J. Staadecker	(appointed on 1 January 2016)
	R. Green	(resigned on 30 November 2016)
	N. Sawbridge	(resigned on 1 January 2016)
Registered Office	Circa 2A High Street Bracknell Berkshire RG12 1AA United Kingdom	
Registered Number	3088213	
Secretary	P. Venner	(appointed on 11 January 2016)
	L. Seufert	(resigned on 1 January 2016)
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU United Kingdom	
Bankers	Barclays Bank PLC Broadgate Leicestershire LE87 2BB United Kingdom	
	Bank of America Merrill Lynch Limited 2 King Edward Street EC1A 1HQ London United Kingdom	

Principal Activity

PEAC (UK) Limited ("the Company") is a leading provider of business asset finance in two specific asset classes; hard assets and soft assets. The hard assets division includes transport, agriculture, construction, manufacturing and the materials handling sector. The soft asset division includes office equipment, technology, business related equipment and the telecommunications sector.

The company works directly with equipment manufacturers, distributors, partners, and dealers (collectively "vendors") and also via brokers and intermediaries to deliver products which include hire purchase, operating lease, finance lease & block discounting. The vendor and broker relationships are typically supported by traditional program or referral agreements that have varying degrees of integration to support the financial transaction.

Review of business and future developments

On 1 January 2016, the shares in the Company were acquired by PEAC Holdings (UK) Limited from CIT Group Holdings (UK) Limited a company incorporated in England and Wales. The Company was renamed PEAC (UK) Limited.

Also effective from 1 January 2016, a new revolving securitised credit facility for £250 million was established with Bank of America Merrill Lynch International Limited ("BAML") to finance the Company's existing receivables and new business originations growth. The drawdown under the facility amounted to £226 million at 31 December 2016.

During the year the Company generated new business originations of £143 million compared to £123 million in 2015, an increase of 16 per cent.

On 4th May 2017, the Company agreed an increase in its facility from BAML from £250 million to £320 million to finance its planned new business growth, as well as extending the revolving period by one year to 31st December 2018.

Results

For the year ended 31 December 2016, the Company recorded a profit after tax of £7,085k compared to a prior year loss of £3,382k largely as a result of lower administrative costs and interest expense.

Lease earnings

Lease earnings increased by £368k on prior year. An increase in income on finance leases and the loan/hire purchase contracts, was partly offset by higher bad debt expenses.

Interest payable and similar charges

The interest payable and similar charges decreased by £3,671k, driven by lower cost of financing from the new securitised credit facility.

Administrative Expenses

Administrative expenses decreased by £5,847k on prior year largely as a result of lower personnel costs and service fees recharged by other Group companies.

Other income

Other income decreased by £1,101k as there has been no recharge to other Group companies made under the new ownership structure.

Interest receivable and similar income

Interest receivable increased by £1,624k as a result of increased loan income from Group companies as shaped by a new Group internal funding structure.

STRATEGIC REPORT (continued)

Other expenses
Other expenses include the mark to market adjustment of £5,019k related to the fair valuing of derivative instruments.

Movement on investments
There has been no movement on investment to the Statement of Comprehensive Income in 2016. Last year's movement of £810k represented the gain the on sale of the investment in subsidiaries.

Tax
The credit balance of £5,887k represents the deferred tax assets recognized in the year.

Funding through securitisation facility
Following the change of ownership, the Company's sources of financing for its portfolio and new originations have been through a combination of funds from its parent, PEAC Holdings (UK) Limited, and from Bank of America Merrill Lynch through a securitized loan facility entered by PEAC Receivables I DAC, the special purpose vehicle set up as part of the securitisation programme.

Principal risks and uncertainties
The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The directors have delegated the responsibility of monitoring financial risk management to a sub-committee of the Board.

Credit Risk
The Company performs ongoing credit evaluations of its customers and evaluates past-due payment status in its determination of the need for specific customer allowances on its accounts receivable.

Foreign Exchange Risk
The Company has exposure to foreign exchange risk as a result of a number of euro denominated operating expenses. Movements in the euro/sterling exchange rates may cause an increase or reduction in the Company's overhead base. The Company monitors the level of foreign exchange risk on an ongoing basis.

Residual Value
The company has finance lease contracts which have residual values on completion of contract term. These residual values are monitored and reviewed on an ongoing basis by the "End of Lease" team.

Liquidity Risk
The Company has exposure to liquidity risks which it manages by producing regular short and medium term cash flow projections, maintaining minimum cash balances, and utilising its conduit financing facility and drawing on funds from its parent.

Interest Rate Risk
The largest of the Company's interest bearing liability is a floating rate loan. The Company has entered into a SWAP agreement to hedge the risk associated to the movement of the interest rate. The Company monitors the level of interest rate risk on an ongoing basis.

Key performance indicators (KPI's)
In order to an understand the development, performance and position of the business, the directors of the Company use the following KPI:

- Average portfolio yield: 10%
- Cost of funds: 3.02%
- Net charge off rate: 0.59%
- Operating expense ratio: 4.87%

STRATEGIC REPORT (continued)

In prior years, the Company was managed by the directors as a division of the group's operations and therefore no KPI is available for comparative purpose.

By order of the Board

S. Charlton
Director

Date: 30th June 2017

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of PEAC (UK) Limited (formerly CIT Vendor Finance (UK) Ltd) ("the Company") for the year ended 31 December 2016.

Dividends
The Company paid no dividends during the year and the Directors do not recommend the payment of a final dividend in respect of the year (2015: nil).

For the year ended 31 December 2016 the Company made a profit after tax of £7,085k (£3,382k loss in 2015).

Going concern risk
The financial statements have been prepared on a going concern basis.

The ongoing liquidity of the Company is dependent on its rental payment streams, satisfying the eligibility criteria for conduit financing of receivables, as well as its ability to access funding from its parent and ultimate Parent company.

In concluding that the going concern basis is appropriate for the Company for the year ended 31 December 2016 financial statements, the directors have taken various matters into account. Refer to Note 2 to the financial statements on page 15.

Basis of preparation
The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), in force in the United Kingdom at 31 December 2016 and the Statements of Recommended Accounting Practice "Accounting issues in the asset finance and leasing industry". At 31 December 2016 PEAC (UK) Limited was a wholly owned subsidiary of PEAC Holdings (UK) Limited, which is incorporated in the England and Wales. The ultimate parent company is PEAC Holdings (Ireland) DAC. The audited consolidated financial statements of PEAC Holdings (Ireland) DAC for the year ended 31 December 2016, drawn up in accordance with the EU Seventh Directive, include PEAC (UK) Limited.

Events after balance sheet date
On 4th May 2017, the Company agreed an increase in its facility from BAML from £250 million to £320 million to finance its planned new business growth, as well as extending the revolving period by one year to 31st December 2018.

There are no other events after the end of the reporting period to be reported.

Directors and their interests
The names of the Directors who held office during the course of 2016 and to date are listed on page 3. Unless otherwise noted, all directors served for the entire period.

The Company is exempt from the requirement to report directors' interests on the grounds that the company was wholly owned by an overseas company.

Registered Office
The registered office is at Circa 2A High Street, Bracknell, Berkshire RG12 1AA.

Qualifying third party and pension scheme indemnity provisions
At 31 December 2016 and 31 December 2015, or at any time throughout 2016 or 2015, there were no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions in place.

DIRECTORS' REPORT (continued)

Auditors and disclosure of information to auditors
(a) In so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

S. Charlton
Director

Registered No: 3088213

Date: 30th June 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)".
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 the 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, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

By order of the Board

S. Charlton
Director

Date: 30th June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEAC (UK) LIMITED

We have audited the financial statements of PEAC (UK) Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEAC (UK) LIMITED (continued)

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

BDO LLP

Daniel Taylor (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date 30/06/17

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	**2016** **£000's**	2015 £000's
Lease earnings	3	**25,545**	25,177
Interest payable and similar charges	6	**(6,828)**	(10,499)
Gross Profit		**18,717**	14,678
Administrative costs	5	**(16,597)**	(22,444)
Other income	4	**-**	1,101
Operating profit		**2,120**	(6,665)
Interest receivable and similar income	7	**4,097**	2,473
Other expenses	8	**(5,019)**	-
Gain on disposal of investments	13	**-**	810
Profit/(Loss) on ordinary activities before taxation	8	**1,198**	(3,382)
Tax on profit/(loss) on ordinary activities	11	**5,887**	-
Profit/(Loss) for the financial year		**7,085**	(3,382)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**7,085**	(3,382)

The notes on pages 15 to 29 form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2016

	Note	2016 £ 000's	2015 £ 000's
Non Current Assets			
Tangible assets	12	**3,754**	4,241
Investments	13	-	-
Debtors: due after one year	15	**145,911**	137,389
		149,665	141,630
Current assets			
Cash at bank	14	**14,130**	3,030
Debtors: due within one year	15	**182,718**	123,435
		196,848	126,465
Creditors: due within one year	18(a)	**(107,642)**	(171,129)
Net current assets/(liabilities)		**89,206**	(44,664)
Total assets less current liabilities		**238,871**	96,966
Creditors: due after one year	18(b)	**(134,820)**	-
Net Assets		**104,051**	96,966
Capital and reserves			
Called up share capital	20	**21,192**	21,192
Share premium reserve	20	**41,919**	41,919
Profit and loss account	20	**40,940**	33,855
Shareholders' funds	21	**104,051**	96,966

The notes on pages 15 to 29 form an integral part of these financial statements.

Approved by the Directors on 20th June 2017 and signed on their behalf by:

S. Charlton
Director

STATEMENT OF CHANGES IN EQUITY

	Note	Called-up share capital	Share Premium reserve	Retained earnings	Total
Balance as at 1 January 2015	**18**	206,192	41,919	(147,763)	100,348
Total comprehensive income for the year		-	-	(3,382)	(3,382)
Share capital reduction	**20**	(185,000)	-	185,000	-
Balance as at 31 December 2015	**21**	21,192	41,919	33,855	96,966
Balance as at 1 January 2016	**18**	21,192	41,919	33,855	96,966
Total comprehensive income for the year		-	-	7,085	7,085
Balance as at 31 December 2016	**21**	21,192	41,919	40,940	104,051

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The financial statements of PEAC (UK) Limited ("the Company") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), the Companies Act 2006.

2. Summary of significant 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. The company has adopted FRS 102 in these financial statements.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 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.

In preparing these financial statements, the directors have made the following judgements:
• Determine whether leases entered into by the Company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
• Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other 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.f, 2.n and 2.p.

b) Going concern

As at 31 December 2016, the Company had net assets of £104m (2015: £97m) and it has recorded a profit after tax of £7.1m for year (2015: £3,382k loss).

An assessment of the Company's ability to continue as a going concern has been carried out and the Directors have concluded that the going concern basis of preparation is appropriate.

c) Exemptions for entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows as PEAC Holdings (Ireland) DAC, includes the company's cash flows in its own consolidated financial statements.

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

d) Foreign currency

(i) Functional and presentation currency
The company's functional and presentation currency is the pound sterling.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.
At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

e) Lease Earnings

Lease Earnings are derived entirely from activities in the United Kingdom and comprise of finance income recognised in the period in respect of finance leases, hire purchase contracts and rental receivable on operating lease contracts. It also includes income in respect of early terminations of such types of contracts, gains / losses made on sale of equipment and renewal income, offset by any recoveries, charge offs and changes in bad debt provision for the year.

i) Operating leases
Where the Company leases out equipment for less than its expected useful life or does not transfer substantially all the risks and rewards of ownership, the lease is accounted for as an operating lease. Operating lease rental income is recognised on a straight-line basis over the term of the lease.

ii) Finance leases (and hire purchase/loan contracts with similar characteristics)
Where the Company leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease, and the net investment is included in current assets. Income from finance leases is credited to the statement of comprehensive income on a basis that produces a constant periodic rate of return on the outstanding net investment.

Amounts due from lessees in respect of Finance Leases are stated at the total of the minimum lease payments plus residual value less rentals received to date and less finance income allocated to future periods.

f) Residual values

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset, its residual value will fluctuate because of the uncertainty of the future market and technological changes or product enhancements as well as general economic conditions. Residual values are set at the commencement of the lease based upon management's expectations of future values. During the course of the lease, residual values are reviewed on an annual basis so as to identify any impairment provision required. This monitoring takes account of the Company's past history for residual values, current values and projections of the likely future market for each group of assets.

Any permanent impairment in the residual value of an asset is identified within such reviews and charged immediately to the statement of comprehensive income.

g) Initiation costs

The Company's policy with respect to initiation costs is to capitalise costs and amortise on a reducing balance basis over the life of the related lease.

NOTES TO THE FINANCIAL STATEMENTS

h) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension scheme.
i) Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.
ii) Annual bonus plan
The company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

i) Interest receivable and similar income and interest payable and similar charges

All income and expense is recognised on an accruals basis so as to match costs incurred with revenues earned, irrespective of when payments are made or received.

j) Taxation

UK Corporation tax is provided on taxable profits/(losses) at the current tax rate.

Deferred tax is provided on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Deferred tax assets are recognized based on the profit expected by the Company based on its financial plan.

k) Tangible fixed assets and depreciation

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Assets under operating leases are classified as fixed assets and depreciated from original cost to estimated residual value.

Depreciation on tangible fixed assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Operating lease equipment	Over the term of the leases
Leasehold property	Over the period of lease
Office equipment	Straight line over 4 years

l) Investments in subsidiaries

Investment in subsidiary companies is held at cost less accumulated impairment losses.
Acquisition expenses are treated as part of the cost of acquisition and include incremental costs such as professional fees paid to investment banks, accountants, legal advisers and other consultants. Such expenses exclude any other costs, or allocation of costs, that would still have been incurred had the acquisition not been entered into.

NOTES TO THE FINANCIAL STATEMENTS

The carrying values of the investment in subsidiary undertakings are reviewed for impairment on an annual basis. To the extent that the carrying value is considered to be less than the recoverable amount, an impairment charge is reflected in the statement of comprehensive income.

m) Issue cost of capital instruments

Issue costs are those incurred directly in connection with the issue of a capital instrument and that would not have been incurred had the specific instrument in question not been issued.

Issue costs are accounted for as a deduction from the amount of the consideration received and amortized over the instrument's term.

n) Financial instruments

(i) Financial assets
Basic financial assets, including net investment in finance leases, intercompany loans and hire purchase contracts, trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specific notional amounts. Interest rate swaps relate to contracts taken out by the company with Bank of America Merrill Lynch as part of the securitisation programme started in January 2016, in which the company either receives or pays a floating rate of interest in return for paying or receiving a fixed rate of

interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The valuation of the interest rate swaps for the approximate net amount to be received or paid (i.e., the fair value) is marked-to-market by using counterparty prices, and such valuations are based on the obligations of the company relative to the terms of the contract, current interest rates, interest accrual through the valuation date and certain other factors.

The Company and PEAC Receivables I DAC, the special purpose vehicle set up as part of the securitized facility, entered into derivative financial instruments, to manage the entity's exposure to interest rate risk under the securitisation programme during the year.

As the Company retains the risk and rewards of these derivative financial instruments, the impact of these derivatives have been reflected in the financial statements of the Company as at 31 December 2016. The interest rate derivatives have a total notional of £246,667k (2015: nil) and a fair value adjustment at 31 December 2016 of £5,019k (2015: nil). The derivative contracts are due to mature in 2022.

The impact of these derivatives have been reflected in the Statement of Comprehensive Income of the Company.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Cash and cash equivalents

Included in cash and cash equivalents and deposits held on call with the bank.

p) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular, provision is not made for future operating losses.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS

3. Lease Earnings

Lease earnings includes the following:

	2016 £ 000's	2015 £ 000's
Finance lease income	**17,365**	16,777
Operating lease income	**1,827**	1,859
Loans/hire purchase income	**2,955**	2,424
Gain on disposals	**791**	722
Other fees	**4,112**	4,123
Change in bad debt provision/ charge offs (net of recoveries)	**(1,505)**	(728)
	25,545	25,177

4. Other income

	2016 £ 000's	2015 £ 000's
Recharge to group undertakings	**-**	1,101
	-	1,101

5. Administrative costs

Administrative costs in the period include :	2016 £ 000's	2015 £ 000's
European shared service centre fee (operations costs)	**8,187**	5,258
Depreciation	**1,307**	1,286
Corporate recharges of central cost (professional costs)	**-**	6,966
Professional fees (legal fees, audit fees, consulting fees)	**221**	367
Staff costs	**5,160**	6,802
Other costs (including marketing/ sales, occupancy, maintenance, utilities)	**1,497**	1,351
Foreign exchange loss	**225**	414
	16,597	22,444

NOTES TO THE FINANCIAL STATEMENTS

6. Interest Payable and Similar Charges

Interest payable and Similar Charges include:

	2016 £ 000's	2015 £ 000's
Interest on intercompany loans from group undertakings	**137**	8,754
Interest expense on third party debt	**5,697**	1,007
Deferred debt issuance costs amortised	**616**	191
Other charges	**378**	547
	6,828	10,499

Deferred debt issuance costs:	2016 £ 000's	2015 £ 000's
At 1 January	**-**	176
Additions	**2,142**	15
Amortised through SOCI during the year	**(616)**	(191)
At 31 December	**1,526**	-

Debt issuance costs are deferred on the balance sheet and subsequently written off over the weighted average life of the portfolio. The costs deferred at year-end 31 December 2016 include the company's allocation of the fees relating to setting up the securitisation program.

7. Interest receivable and similar income

	2016 £ 000's	2015 £ 000's
Interest on intercompany loans to parent	**4,090**	2,466
Bank interest receivable	**7**	7
	4,097	2,473

8. Profit /(Loss) on ordinary activities before taxation

Profit /(Loss) on ordinary activities before taxation is stated after charging:

	2016 £ 000's	2015 £ 000's
Fees paid to company auditors – for current year audit services	**95**	105
– for prior year auditor services	**-**	64
Fees paid for tax compliance	**15**	-
Staff costs (see note 9)	**5,160**	6,802
Other expenses:		
- Mark to market valuation of derivative	**5,019**	-
- Operating lease expenses	**146**	103
Depreciation:		
- Operating Lease equipment	**1,301**	1,280
- Other tangible fixed assets	**6**	6

NOTES TO THE FINANCIAL STATEMENTS

9. Staff numbers and related costs

The average number of people employed by the Company (including directors) is 43 (2015: 46).

	2016	2015
Senior management	**3**	2
Credit, Finance and Legal	**10**	8
Sales and Marketing	**14**	14
Operations	**16**	22
Average number of employees	**43**	46

	2016 £ 000's	2015 £ 000's
Wages & salaries	**3,648**	4,810
Social security	**487**	698
Other pension costs	**276**	279
Other benefits and sales incentives	**749**	1,015
	5,160	6,802

In 2016, under the new ownership, a Defined Contribution Pension (DCP) Scheme has been set up. The assets of the scheme are held separately from those of the Company in an independently administered fund. The DCP contributions were £203k for the year (2015: £279k).

10. Directors' remuneration

	2016 £ 000's	2015 £ 000's
Directors' emoluments	**641**	746
Compensation for loss of office	**395**	-
	1,036	746

Two directors were employed and paid by the Company. The other directors have not received remuneration for their service to the Company.
Emoluments of the highest paid director were £656k that includes £395k as compensation for loss office (2015: £746k).

11. Taxation

a. Analysis of the tax charge in the year	2016 £ 000's	2015 £ 000's
Current tax:		
UK corporation tax on loss of the periods	-	-
Adjustment in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	5,887	-
Total deferred tax	5,887	-
Tax on profit/(loss) on ordinary activities	**5,887**	-

NOTES TO THE FINANCIAL STATEMENTS

b. Factors affecting tax charge for the period	**2016**	2015
	£ 000's	£ 000's
Reconciliation of current tax on profits on ordinary activities at the standard rate of corporation tax to the company's actual current tax charge is shown below		
Profit/(loss) on ordinary activities before tax	**1,198**	(3,382)
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2015: 20.25%)	**240**	(685)
Effects of:		
Income not subject to tax	**-**	(164)
Deferred tax adjustments and deferred tax not recognised	**(1,155)**	789
Expenses not deductible for tax purposes	**915**	60
Recognition of deferred tax brought forward	**(5,887)**	-
Current tax (credit)/charge for period (note 10a.)	**(5,887)**	-

c. Factors that may affect future tax charges

The Corporation Tax main rate will reduce to 19% for the years starting the 1 April 2017, 2018 and 2019 and at 17% for the year starting 1 April 2020.

12. Tangible assets

	Office equipment	**Office Equipment under Operating leases**	**Leasehold Property**	**Total**
	£ 000's	£ 000's	£ 000's	£ 000's
Cost				
At 1 January 2016	275	6,076	49	6,400
Additions	-	1,010	-	1,010
Disposals	-	(2,415)	-	(2,415)
At 31 December 2016	**275**	**4,671**	**49**	**4,995**
Depreciation				
At 1 January 2016	248	1,862	49	2,159
Charge for the period	6	1,301	-	1,307
Disposals	-	(2,225)	-	(2,225)
At 31 December 2016	**254**	**938**	**49**	**1,241**
Net Book Value				
At 31 December 2016	**21**	**3,733**	**-**	**3,754**
At 31 December 2015	27	4,214	-	4,241

NOTES TO THE FINANCIAL STATEMENTS

The Company's residual value exposure in respect of operating lease equipment, all of which are expected to be disposed of at the end of the lease term, is expected to be recovered as follows:

	2016	2015
	£'000	£'000
Less than 1 year	**396**	757
1 - 2 years	**322**	92
2 - 3 years	**404**	348
3 - 5 years	**269**	504
Over 5 years	**-**	-
Total	**1,391**	1,701

13. Investments

The Company's investments in the share capital of subsidiary undertakings comprised:

	2016	2015
	£'000	£'000
At 1 January	-	70,001
Disposal of investments	-	(70,001)
At 31 December	-	-

The company sold its investment in CIT Group (UK) Limited and CIT Equipment Finance (UK) Limited during 2015 realizing a gain of £810K.

14. Cash at Bank

Included in cash at bank is cash in hand and deposits held on call as well as restricted cash relating to cash collections for the securitised lease contracts.

	2016	2015
	£'000	£'000
Cash at bank	**14,130**	3,030
Of which restricted	***3,298***	-

NOTES TO THE FINANCIAL STATEMENTS

15. Debtors

	Note	2016 £'000	2015 £'000
Amounts falling due within one year:			
Trade debtors		**24,944**	21,735
Net investment in finance leases and hire purchase contracts		**103,702**	104,289
Bad debts provision	16	**(3,614)**	(2,822)
Amounts owed by parent undertaking	23	**45,153**	30
Amounts owed by other group undertakings	23	**4,288**	-
Other debtors		**605**	68
Deferred tax asset	17	**5,887**	-
Prepayments and accrued income		**1,753**	135
		182,718	123,435

	2016 £'000	2015 £'000
Amounts falling due after more than one year:		
Net investment in finance leases and hire purchase contracts	**145,911**	137,389
	145,911	137,389

	2016 £'000	2015 £'000
Reconciliation of gross investment and present value of minimum lease payments receivable		
Gross investment in the lease	**291,736**	279,680
Less: Finance charges allocated to future periods	**(42,123)**	(38,002)
	249,613	241,678

	2016 £'000	2015 £'000
Gross investment in finance leases		
One year or less	**117,753**	117,934
Between one and five years	**172,775**	161,397
Over five years	**1,208**	349
Total net investment	**291,736**	279,680

	2016 £'000	2015 £'000
Present value of minimum lease payments receivables		
One year or less	**103,703**	104,289
Between one and five years	**145,016**	137,125
Over five years	**894**	264
Total net investment	**249,613**	241,678

	2016 £'000	2015 £'000
Residual values included in finance lease net investment		
One year or less	**15,048**	5,546
Between one and five years	**11,541**	20,897
Over five years	**-**	39
Total exposure	**26,589**	26,482

Included in debtors at 31 December 2016 was a portfolio of lease receivables with a net present value of £240,715k, sold to a fellow subsidiary under a securitisation structure set up in January 2016. The directors have concluded that the Company retains all significant risks and rewards associated with the receivables and accordingly these assets continue to be recognised in the Company's financial statements and a financial liability was also recognised in respect of the related funding received.

16. Provision for bad and doubtful debts

Provision against specific debts	2016 £'000	2015 £'000
1 January	**2,822**	4,465
Increase /(decrease) during the year	**792**	(1,643)
31 December	**3,614**	2,822

17. Deferred tax asset/(liability)

Deferred taxation assets / (liabilities) recognised in the accounts and the assets / (liabilities) not recognised are as follows:

	2016 Recognised £'000's	2016 Unrecognised £'000's	2015 Recognised £'000's	2015 Unrecognised £'000's
At 1 January	**-**	**41,427**	-	44,414
Acquisitions during the current year	**-**	**-**	-	322
(Released)/arising relating to the current year	**-**	**(980)**	-	669
(Released)/arising during the prior year	**-**	**(225)**	-	637
Recognition of deferred tax through SOCI	**5,887**	**(5,887)**	-	-
Adjustment due to change in rate	**-**	**(2,289)**	-	(4,615)
At 31 December	**5,887**	**32,046**	-	41,427

The amount of the unprovided deferred tax asset at the balance sheet date in respect of all timing differences is £32,046k (2015: unprovided £41,427k) using a rate of 17% (2015:18%). The tax rate will reduce at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 17% for the year starting 1 April 2020. The Directors believe sufficient taxable profits to utilise the losses will arise in the future and have decided to recognize deferred tax assets for £5,887k based on the accounting policy described in note 2.j. The majority of these losses and charges may be carried forward indefinitely under current law.

NOTES TO THE FINANCIAL STATEMENTS

18(a). Creditors: amounts falling due within one year

	Note	2016	2015
		£ 000's	£ 000's
Trade creditors		**(4,498)**	(2,254)
Amounts owed to other group undertakings	23	**(1,642)**	(4)
Amounts owed to immediate parent undertaking	23	**(1,601)**	(163,184)
Loan note facility		**(91,623)**	-
Other creditors including taxation and social security		**(1,233)**	(3,210)
Derivative financial liability		**(5,019)**	-
Accruals and deferred income		**(2,026)**	(2,477)
		(107,642)	(171,129)

18(b). Creditors: amounts falling after one year

	2016	2015
	£ 000's	£ 000's
Loan note facility	**(134,820)**	-
	(134,820)	-

PEAC Receivables I DAC entered into a senior loan facility with Bank of America Merrill Lynch as part of the securitisation programme started in January 2016. The facility is backed by commercial equipment lease contracts.

Maturity of Discounted Floating Rate Note	2016	2015
	£ 000's	£ 000's
One year or less	**(91,623)**	-
Between one and five years	**(134,820)**	-
Over five years	**-**	-
Total	**(226,443)**	-

19. Financial instruments

The Company's financial instruments may be analysed as follows:

	2016	2015
	£ 000's	**£ 000's**
Financial assets		
Financial assets measured at amortised cost	334,514	263,719
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	(5,019)	-
Financial liabilities measured at amortised cost	(235,054)	(166,790)

Financial assets measured at amortised cost comprise cash, trade debtors, finance lease and hire purchase receivables, other debtors and amounts owed by group companies.
Financial liabilities measured at amortised cost comprise bank and intercompany loans, trade creditors and other creditors.

NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities measured at fair value through profit or loss include derivative financial instruments comprising interest rate swaps.

Information regarding the company's exposure to and management of credit risk, liquidity risk, market interest rate risk, and foreign exchange risk is included in the Strategic report.

20. Called up share capital and reserves

	2016	2015
Authorised		
Ordinary Shares of £1 each	350,000,000	350,000,000
Allotted, called up and fully paid		
Ordinary Shares of £1 each	21,191,605	21,191,605

In November 2015 the issued share capital of the Company was reduced from £206,191,605 to £21,191,605 by cancelling and extinguishing 185,000,000 ordinary shares of £1 each. The sum of £185,000,000 was credited to the Company's distributable reserves.

	Share premium reserve £ 000's	**Profit and loss account £ 000's**	**Total £ 000's**
At 1 January 2016	41,919	33,855	75,774
Profit for year	-	7,085	7,085
At 31 December 2016	**41,919**	**40,940**	**82,859**

The share premium account includes the premium on issue of equity shares, net of any issue costs.
Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Reconciliation of movements in shareholders' funds

	2016 £ 000's	2015 £ 000's
Profit/ (loss) for the financial year	**7,085**	(3,382)
Net addition to shareholders' fund	**7,085**	(3,382)
Opening shareholders' funds	**96,966**	100,348
Closing shareholders' funds	**104,051**	96,966

22. Contingent liabilities and commitments

22(a) – Contingent liabilities
There were no contingent liabilities at 31 December 2016 (2015 – none).

NOTES TO THE FINANCIAL STATEMENTS

22(b) – Commitments

Land and buildings	**2016**	2015
	£ 000's	£ 000's
At the year-end, the Company have rental commitments under non-cancellable operating leases were as follows:		
Expiring:		
- Not later than 1 year	-	-
- Later than 1 year and not later than 5 years	**120**	218
- Later than 5 years	-	-
Total	**120**	218

23. Related party transactions

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.
Details of the availability of the group financial statements are given in note 24.

24. Controlling parties

At the year end, the immediate controlling party, was PEAC Holdings (UK) Limited, a company incorporated in England. Copies of its financial statements are available from Devonshire House, 1 Mayfair Place, London, W1J 8AJ, United Kingdom.

The parent undertaking of both the largest and smallest group of undertakings for which group financial statements are drawn up, and of which the company and immediate controlling party were members, is PEAC Holdings (Ireland) DAC, a company incorporated in the Republic of Ireland. Copies of its financial statements are available from Block 2, Blackrock Business Park, Carysfort Avenue, Blackrock, Co. Dublin.

25. Subsequent events

On 4th May 2017, the Company agreed an increase in its facility from BAML from £250 million to £320 million to finance its planned new business growth, as well as extending the revolving period by one year to 31st December 2018.

There are no other events after the end of the reporting period to be reported.

26. Key management compensation

The compensation of senior management team was £1,343k (2015: £1,053k).
No pension contributions were made for the benefit of any of the senior management team.

27. Approval of financial statements

The financial statements were approved by the directors on 30 June 2017.