Syscap Limited

Annual report and financial statements
for the year ended 31 December 2018
Registered number 02471568

Contents

Directors and officers

Directors

A D'Arcy

Registered Office

CI Tower
St Georges Square
New Malden
Surrey
KT3 4TE

Bankers

The Royal Bank of Scotland
London Corporate Banking
62/63 Threadneedle Street
London
EC2R 8LA

Independent auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Strategic report

The director presents the Strategic report of the company for the year ended 31 December 2018.

Principal activities

The principal activity of the company during the period was arranging lease and loan finance to the Commercial, Professions, Local Authority and Education sectors in the UK. The company specialises in the funding of IT related software and hardware, and short term loan funding to professions and SMEs.

Major Shareholder

Syscap Limited (the 'Company') is a fully owned subsidiary of Wesleyan Bank Limited (the 'Bank').

Business review

New business volume, for the year representing the value of loans, hardware, software and services financed, for the year 2018 amounted to £59,586,039 *(2017: £107,693.241).*

During the course of the year Wesleyan Bank Limited (the Bank) conducted a review of its corporate structure in order to both simplify the group structure and strengthen its capital position. Following this review non-distributable reserves in the Company were converted into distributable reserves under the terms of Sections 642 to 644 of the Companies Act 2006. In addition, the share ownership of the Company was transferred from Syscap Group Limited to the Wesleyan Bank Limited.

The reserves of Syscap Leasing Limited were distributed up by way of dividend to the Company, who in turn distributed its reserves up to the Bank in the form of a realisation of investment in subsidiaries. These distributions amounted to Syscap Limited receiving a dividend from Syscap Leasing Limited of £7,338,625 and in turn declaring a dividend of £14,902,164.

Future developments

The strategy of the business is to grow the Wesleyan Bank balance sheet with more focus on longer term lending within its chosen markets. The expansion of existing products and existing markets are continually reviewed and the development of new products and new markets are assessed annually by the Wesleyan Bank Board and in the strategic plan.

Syscap will continue to earn some income from secondary rentals and broking deals to third parties although broker relationships are in the process of being transferred to Wesleyan Bank.

Strategic report *(continued)*

Financial review

The Company made an operating loss for the year of £725,313 *(2017: £1,286,354)*. Brokerage income from external funders was down slightly on the same period last year resulting from a fall in volume and rate specifically in the short term lending market. This was mitigated by the introduction of a service fee to the Bank in relation to deals introduced to cover the administrative costs of introducing and managing the business on behalf of the Bank.

Principal risks and uncertainties

The management of risk is a fundamental aspect of Wesleyan Bank's policies and Syscap has aligned its risk management framework and governance with it. This includes the management of Strategic Risk, Operational Risk, Credit Risk, Funding and Treasury Risk, Regulatory Risk and Financial Risk where detailed policies exist and are governed under a single Bank group governance structure of Risk Committee, Audit Committee, Asset and Liability Committee and Executive and Board Committees.

Operational Risk

This represents the risks associated with the internal failure of systems or people, or the risk arising from external events.

Credit Risk

Credit risk is defined as the risk that a financial loss arises from the failure of a customer to meet its contractual obligations. The Company has adopted Wesleyan Bank's policy which is a standard approach to credit risk under the PRA's regulations.

Treasury Risk

The Company follows the same approach as the Wesleyan Bank to manage its resources to achieve the optimum return on funds commensurate with requirements of maintaining liquidity, controlling interest rate risk and in accordance with prescribed limits and procedures.

Liquidity Risk

Liquidity risk reflects the potential for the Company to be unable to meet its obligations as they become due, because of an inability to liquidate assets or obtain funding, or that it cannot easily unwind or offset specific exposures without significantly lowered prices, because of inadequate market depth or market disruption. The aim of the Company is to provide positive liquidity throughout time or otherwise to conform to any limits set.

Market Risk

The Directors have concluded that the exposure to market risk is limited since Syscap has become a subsidiary of Wesleyan Bank Limited. This is due to the natural hedge created by retail term deposits on the Bank's balance sheet.

Interest Rate Risk

This is the risk that significant movements in interest rates will have a material impact on the Company's profitability by, for example, reducing net interest margin. Rates are monitored and amended as appropriate on an ongoing basis to ensure that they reflect the market place, the competition and the return that the Company is seeking on its advances.

Strategic report *(continued)*

Business risk

Uncertainty remains regarding Brexit and the impact this may have on organisations and the wider economy. As a result, we have considered the possible scenarios that could arise and how they could impact the Company and its customers. The highest impact is anticipated by commentators to be from a 'no-deal' scenario, in that it may adversely impact financial markets and discourage customer investment. In general, we believe that the Company would not be significantly impacted, mainly due to us being solely UK based, being strong financially, and the profile of our core target market. Additionally, an exercise has been undertaken internally to identify any regulatory impact of Brexit on company's operational ability, which concluded that no major impact is expected.

A D'Arcy

Director

CI Tower
St Georges Square
New Malden
Surrey
KT3 4TE

Director's report

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

Results and dividends

The audited financial statements for the year ended 31 December 2018 are set out on pages 10 to 25. During the year Syscap Limited made a profit before tax of £6,613,312 *(2017: loss £1,282,345).*

The Director recommended the payment of a dividend of £14,902,164 (2017: £nil).

Directors and directors' interest

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

A D'Arcy (appointed on 19th December 2018)
S Deutsch (resigned on 19th December 2018)
L O'Loingsigh (resigned 28 February 2018)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Donations

The Company made no political or charitable donations during the year *(2017: Nil)*

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 group and the Company and of the profit or loss of the group and 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 United Kingdom Accounting Standards, comprising FRS102, 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.

Directors report *(continued)*

Financial risk management

The entity's exposure to principal risks and uncertainties is mentioned in the strategic report.

Future developments

Future developments are covered in the strategic report.

Exemptions for qualifying entities under FRS 102

Exemptions are covered in note 3 'Accounting policies'.

Disclosure of information to auditors

The directors who held 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditor and were re-appointed as auditors by the Board.

A D'Arcy

Director
26 March 2019

CI Tower
St Georges Square
New Malden
Surrey
KT3 4TE

Independent auditor's report to the members of Syscap Limited

Opinion

We have audited the financial statements of Syscap Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent auditor's report to the members of Syscap Limited *(continued)*

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 strategic report and the 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.

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 directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Independent auditor's report to the members of Syscap Limited *(continued)*

Auditor's responsibilities for the audit of the financial statements

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

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

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

Steven Robb (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
27 March 2019

Notes:

1. The maintenance and integrity of the web site within which these accounts are available is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and loss account
for the year ended 31 December 2018

	Note	Year to 31 December 2018 £	Year to 31 December 2017 £
Turnover	*5*	**6,170,905**	6,035,860
Administrative expenses		**(6,896,218)**	(7,322,214)
Operating Loss		**(725,313)**	(1,286,354)
Dividend received from Investment	*6*	**7,338,625**	-
Profit before interest and taxation	*7*	**6,613,312**	(1,286,354)
Interest receivable and similar income	*8*	**-**	4,009
Profit/(loss) on ordinary activities before taxation		**6,613,312**	(1,282,345)
Tax on profit/(loss) on ordinary activities	*10*	**123,769**	565,723
Profit/(loss) for the financial year		**6,737,081**	(716,622)

All results derive from continuing operations.

The profit/(loss) for each financial year represents the total comprehensive income of that year and therefore no separate statement of comprehensive income has been presented.

Balance sheet

As at 31 December 2018

	Note	**As at 31 December 2018**		As at 31 December 2017	
		£	**£**	£	£
Fixed assets					
Intangible assets	*11*		**276,928**		599,756
Tangible assets	*12*		**44,092**		100,175
Investments	*13*		**1,000,100**		1,000,100
			1,321,120		1,700,031
Current assets					
Debtors: amounts falling due within one year	*14*	**783,664**		8,679,983	
Debtors: amounts falling due after one year	*14*	**208,038**		228,918	
Total debtors		**991,702**		8,908,901	
Cash at bank and in hand		**158,638**		225,567	
		1,150,340		9,134,468	
Creditors: amounts falling due within one year	*17*	**(1,971,460)**		(2,169,417)	
Net current assets			**(821,120)**		6,965,051
Total assets less current liabilities			**500,000**		8,665,082
Net assets			**500,000**		8,665,082
Capital and reserves					
Called up share capital	*18*		**500,000**		500,000
Share premium account			**-**		9,304
Retained earnings			**-**		8,155,778
Total shareholder's funds			**500,000**		8,665,082

The notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements on pages 10 to 25 were approved by the board of directors on 26 March 2019 and were signed on its behalf by:

A D'Arcy

Director

Statement of changes in equity
for the year ended 31 December 2018

	Called up share capital	Share premium account	Retained earnings	Total shareholder's funds
	£	£	£	£
Balance as at 1st January 2017	500,000	9,304	8,872,401	9,381,705
Total comprehensive loss for the year	-	-	(716,622)	(716,622)
Balance as at 31 December 2017	**500,000**	**9,304**	**8,155,779**	**8,665,083**
Balance as at 1st January 2018	500,000	9,304	8,155,779	8,665,083
Conversion of non-distributable reserves under the terms of Sections 642 to 644 of the companies act 2006	-	(9,304)	9,304	-
Dividends declared	-	-	(14,902,164)	(14,902,164)
Total comprehensive income for the year	-	-	6,737,081	6,737,081
Balance as at 31 December 2018	**500,000**	**-**	**-**	**500,000**

Notes to the financial statements for the year ended 31 December 2018

1 Statutory information

Syscap Limited is a company domiciled in England and Wales, registration number 02471568. The registered address is CI Tower, St Georges Square, New Malden, KT3 4TE.

The principal activity of the Company during the period was arranging lease finance for organisations and companies for the acquisition of IT hardware and software and the provision of loans and associated services across a wide range of UK SMEs.

The Company expects to continue with its current activities for the foreseeable future.

The principal accounting policies are set out below and have been applied consistently throughout the year.

2 Compliance with accounting standards

The Company's financial statements 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 Republic of Ireland' ("FRS 102"), and the Companies Act 2006.

3 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.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable UK accounting standards, provisions of the Companies Act 2006 and in compliance with the Statement of Recommended Accounting Practice issued by the Finance and Leasing Association.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on a going concern basis, which is based on continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year to 31 December 2018, the Company made an operating loss of £725,313 *(2017: loss £1,282,354).* As at 31 December 2018 the Company has net assets of £500,000 *(2017: £8,665,082).* Syscap Limited bears the majority of overheads for Syscap Leasing Limited and sales and marketing costs in relation to its parent Wesleyan Bank.

Following the restructuring of the Wesleyan Bank corporate structure the Company will continue to earn income from secondary rentals and from broking deals from third parties. Other costs borne by the company will be reimbursed by the entities within the Wesleyan Bank structure that incur them.

Notes to the financial statements *(continued)*

3 Accounting policies *(continued)*

Turnover

Turnover is stated exclusive of value added tax and represents the commission due to the Company for acting as a broker and introducing business to third party funders. Turnover also includes income derived from selling assets and extended rentals at the end of brokered leases. Turnover is recognised when the lessee has received delivery of the good and/or services.

Total volume, as mentioned in the Strategic Report, is the total value of loans, hardware, software and services financed, whether purchased by the group or not.

Intangible Assets

Software development costs are recognised as an intangible asset and are capitalised to the extent there is expected to be a future benefit and these are separately identifiable and incremental. The costs are amortised over 2 years. However, the internally developed proposal management and pricing tool, Cordis, is expected to be used within the business over a longer period of time and is being amortised over 5 years.

Tangible fixed assets

Tangible fixed assets are stated at original historical cost less accumulated depreciation. The directors regularly review the useful economic lives of assets and, where necessary, adjust the expected useful life.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, from the date of acquisition as follows:

Office furniture and fittings	-	4 years
IT equipment	-	3 years

Leases

At inception, the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Notes to the financial statements *(continued)*

Leases *(continued)*

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Residual values

Residual values exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions. Due to this level of uncertainty, a provision has been created to cover any permanent impairment required in the future.

Bad debt provisions

The Company carefully monitors the credit quality of its portfolio and makes provision for specific bad debts as they arise, taking into account possible recoveries from the customer and sale proceeds of the asset.

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financial 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 profit or loss.

If there is a 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 profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares 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 method.

Notes to the financial statements *(continued)*

Financial Instruments *(continued)*

Financial liabilities (continued)

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 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 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.

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

Foreign currency

The Company's functional currency is pound sterling. Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. There are no balances denominated in a foreign currency at 31 December 2018. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.

Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off following any impairment.

Notes to the financial statements *(continued)*

Cash flow statement

The Company has taken advantage of the exemption, under FRS 102, paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Wesleyan Assurance Society, includes the Company's cash flows in its own consolidated financial statements.

Related party transactions

The Company has taken advantage of the exemption available to wholly owned subsidiaries not to disclose transactions with group entities since the consolidated financial statements of Wesleyan Assurance Society, within which the Company is included, are publicly available.

Critical accounting estimates and assumptions

Estimates and judgements are critically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, seldom equal the related actual results. The estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

(ii) Residual values

Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions.

(iii) Impairment charge for credit losses

Specific impairment provisions are made against advances for which recovery is considered to be doubtful and represent the quantification of actual and expected losses from identified accounts. The amount of specific impairment provision raised is assessed on a case by case basis.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following available exemption for qualifying entities:

(i) the requirement to prepare a statement of cash flows.
(ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. This exemption is not available to financial institutions as defined in the FRS 102 Glossary. In addition, the Company law disclosures are still required;
(iii) the non-disclosure of key management personnel compensation in total.

4 Segmental information

The Company's turnover arises wholly within the United Kingdom from its principal activities as set out in the Strategic report.

Notes to the financial statements *(continued)*

5 Turnover

Turnover is stated exclusive of value added tax and represents the commission due to the Company for acting as a broker and introducing business to third party funders as well as Syscap Leasing Limited and Wesleyan Bank. Turnover also includes income derived from selling assets and extended rentals at the end of brokered leases. Turnover is recognised when the lessee has received delivery of the goods and/or services.

6 Dividends from Investments

Dividends received from the restructuring of trading subsidiaries.

	Year to 31 December 2018	Year to 31 December 2017
	£	£
Syscap Leasing Limited	**7,338,625**	-
	7,338,625	-

During the course of the year the Bank conducted a review of the corporate structure of its asset finance activities. Following this review the Company converted non-distributable reserves into distributable reserves under the terms of Sections 642 to 644 of the Companies Act 2006. The dividend received from Syscap Leasing Limited forms part of this restructure.

7 Profit on ordinary activities before taxation

	Year to 31 December 2018	Year to 31 December 2017
	£	£
Profit on ordinary activities before taxation is stated after charging the following amounts:		
Depreciation of tangible fixed assets:		
- owned assets	**87,860**	153,863
Amortisation of intangible assets:		
- licence fees	-	1,960
- software development	**183,901**	195,919
Operating lease rentals – land and buildings	**139,620**	139,620
Management charge	**364,635**	302,761
Services provided by the Company's auditor		
Fees payable for the audit	**34,000**	34,000

8 Interest receivable and similar income

	Year to 31 December 2018	Year to 31 December 2017
	£	£
Bank interest received	-	4,009
	-	4,009

Notes to the financial statements *(continued)*

9 Directors' Remuneration

The remuneration payable to the directors comprising three (2017: three) executive directors who served during the year ended 31 December 2018 was as follows:

	2018	2017
	£	£
Aggregate emoluments	**852,583**	861,513
Highest paid director emoluments	**768,082**	375,320

The remuneration disclosed above comprises the total remuneration received by each director for their services as directors of the Company and, where applicable, a group holding company and fellow subsidiary companies. It is not practicable to apportion these amounts between services as directors of the Company and services as directors of the holding and fellow subsidiary companies. Otherwise a group holding company has borne the expense covering the directors' services to the Company and subsidiary companies. Included in the remuneration of the highest paid director is an amount of £372,078 payable as compensation for loss of office (2017: £nil). The remuneration of the directors did not include any amounts for pension contributions (2017: £nil).

10 Tax on loss on ordinary activities

Analysis of charge in year

	Year to 31 December 2018	Year to 31 December 2017
	£	£
Current tax		
UK corporation tax on loss for the year	**(173,401)**	(264,588)
Adjustments in respect of previous years	**52,940**	(275,582)
Total current tax	**(120,461)**	(540,170)
Deferred tax (note 16)		
Origination and reversals of timing differences	**40,963**	21,200
Adjustments in respect of previous years	**(52,315)**	(46,753)
Impact of change in tax rate	**8,044**	-
Total deferred tax	**(3,308)**	(25,553)
Tax on loss on ordinary activities	**(123,769)**	(565,723)

The adjustment in respect of previous years relates to capital allowances taken last year against profits but subsequently reversed, allowing for profits to be surrendered for group relief.

Notes to the financial statements *(continued)*

10 Tax on loss on ordinary activities *(continued)*

Factors affecting the tax charge for the current year

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% *(2017:19.25%)*. The difference is explained below:

	Year to 31 December 2018	Year to 31 December 2017
	£	£
Reconciliation of the tax expense		
Profit/(loss) on ordinary activities before taxation	**6,613,312**	(1,282,345)
Current tax at 19% (2017: 19.25%)	**1,256,530**	(246,852)
Income not subject to tax	**(1,394,339)**	-
Expenses not deductible for tax purposes	**5,372**	4,694
Adjustments to tax charge in respect of prior years	**52,939**	(322,335)
Adjustment for deferred tax prior year	**(52,315)**	(1,230)
Impact of change in tax rate	**8,044**	-
Total tax charge	**(123,769)**	(565,723)

11 Intangible assets

	Licence fee	Software Development	Total
	£	£	£
Cost			
At beginning of year	33,600	1,485,031	1,518,631
Disposals	(33,600)	(385,970)	(419,570)
At end of year	-	1,099,061	1,099,061
Accumulated amortisation			
At beginning of year	33,600	885,275	918,875
Charge for year	-	183,901	183,901
Disposals	(33,600)	(247,043)	(280,643)
At end of year	-	822,133	822,133
Net book value			
At 31 December 2018	**-**	**276,928**	**276,928**
At 31 December 2017	-	599,756	599,756

Software development costs arose from the internal development of software programs. These costs are being amortised over a period of 2 years. However, the internally developed proposal management and pricing tool, CORDIS, is expected to be used within the business over a longer period of time and is being amortised over 5 years. Ongoing costs that relate to the development of software are capitalised and amortised once the project is complete and the cost of the project is known.

Notes to the financial statements *(continued)*

12 Tangible assets

	Office furniture and fittings	IT equipment	Totals
	£	£	£
Cost			
At beginning of year	127,660	978,997	1,106,657
Additions	212	31,564	31,776
Disposals	(34,989)	(212,972)	(247,961)
At end of year	92,883	797,589	890,472
Accumulated depreciation			
At beginning of year	114,873	891,608	1,006,481
Charge for year	12,579	75,281	87,860
Disposals	(34,989)	(212,972)	(247,961)
At end of year	92,463	753,917	846,380
Net book value			
At 31 December 2018	**420**	**43,672**	**44,092**
At 31 December 2017	12,787	87,389	100,176

13 Investments

	Shares in group undertakings 31 December 2018	Shares in group undertakings 31 December 2017
	£	£
Cost	**1,000,100**	1,000,100

The subsidiary undertakings of Syscap Limited at 31 December 2018 are:

Name of company	**Number of £1 ordinary shares held**	**Percentage held**
Investments at 1st January 2018		
Syscap Leasing Limited	**1,000,000**	100%
Serco Paisa Limited	**100**	50%
	1,000,100	
Investments at 31st December 2018		
Syscap Leasing Limited	**1,000,000**	100%
Serco Paisa Limited	**100**	50%
	1,000,100	

All companies registered office is at CI Tower, St Georges Square, New Malden, Surrey, KT3 4TE

The principal activity of Syscap Leasing Limited is the provision of lease finance for IT equipment. This company commenced trading on 1 April 2006.

Serco Paisa Limited is a joint venture formed by Syscap Limited and Serco Holdings Limited. The principal activity is the arranging of finance for clients of Serco Leisure Operating Limited, a wholly owned subsidiary of Serco Holdings Limited.

The directors believe that the carrying value of investments is supported by the underlying net assets.

Notes to the financial statements *(continued)*

14 Debtors

	31 December 2018	31 December 2017
	£	£
Amounts falling due within one year:		
Trade debtors	**174,014**	117,628
Amounts owed by ultimate parent undertakings	**-**	3,544
Amounts owed by group undertakings	**791**	7,971,433
Net investment in finance leases	**14,485**	25,467
Other debtors	**16,935**	58,192
Intercompany tax debtor	**385,048**	264,586
Prepayments and accrued income	**192,391**	239,133
	783,664	8,679,983
Amounts falling due after one year:		
Deferred tax asset (note 16)	**208,038**	204,730
Net investment in finance leases	**-**	24,188
	208,038	228,918
	991,702	8,908,901

Amounts owed by group undertakings are unsecured and repayable on demand. Amounts owed by trading undertakings are interest bearing at 2.75% per annum: December. Amounts owed by Syscap group companies are interest free. Amounts owed by Wesleyan group companies are interest bearing at 1.25%.

15 Residual values

Unguaranteed residual values for IT equipment under leases, which form part of the net investment in finance leases, can be analysed as follows:

	31 December 2018	31 December 2017
	£	£
Finance leases		
Year in which the residual value will be recovered:		
Within 1 year	**15,929**	25,467
Between 1 and 2 years	**-**	24,188
Total	**15,929**	49,655

Notes to the financial statements *(continued)*

16 Deferred tax asset

	31 December 2018	31 December 2017
	£	£
At beginning of year	**204,730**	179,177
Adjustment in respect of prior years	**52,315**	46,753
Profit and loss charge for the year	**(40,963)**	(21,200)
Impact of change in tax rate	**(8,044)**	-
At end of year	**208,038**	204,730

The deferred tax asset arises as follows and is included in debtors (note 14):

	31 December 2018	31 December 2017
	£	£
Accumulated difference between capital allowances and depreciation	**208,038**	204,730
At end of year (note 14)	**208,038**	204,730

Factors affecting current and future tax charges

As at the balance sheet date the following changes to the UK corporation tax system were substantively enacted (i) a reduction in the corporation tax rate to 19% effective from the 1 April 2017 and (ii) a further reduction in the corporation tax rate to 17% from the 1 April 2020. These changes have been enacted at the balance sheet date and are therefore reflected in the deferred tax balances at the balance sheet date.

The directors are of the opinion that, based on recent and forecast trading, it is probable that the level of profits in future years is sufficient to enable the above assets to be recovered.

17 Creditors: amounts falling due within one year

	31 December 2018	31 December 2017
	£	£
Trade creditors	**140,580**	117,326
Amounts owed to ultimate parent undertaking	**368,011**	397,412
Amounts owed to group undertakings	**896,378**	890,112
Other creditors	**5,314**	16,751
VAT payable	**-**	30,991
Accruals and deferred income	**561,177**	716,825
	1,971,460	2,169,417

Amounts owed to parent and group undertakings are unsecured and repayable on demand. Amounts owed by Syscap group companies are interest free.

Notes to the financial statements *(continued)*

18 Called up share capital

	31 December 2018	31 December 2017
	£	£
Authorised		
£500,000 (2017: 1,000,000) ordinary equity shares of £1 each	**500,000**	1,000,000
Allotted called up fully paid		
£500,000 (2017: 500,000) ordinary equity shares of £1 each	**500,000**	500,000

19 Guarantees and other financial commitments

Guarantees

All funding requirement is provided by the parent, Wesleyan Bank, or Wesleyan Assurance Society.

Financial commitments

The New Malden premises lease was extended for a further 3 years from 30 October 2017. The next break clause is 30 October 2020. The total rental for the year is £139,620 *(2017: £139,620)*. The minimum future annual rentals under the foregoing leases which expire in the following periods are:

	31 December 2018	31 December 2017
	£	£
Within one year	**139,620**	139,620
Two to Five years	**116,350**	255,970

20 Contingent liabilities

The Company brokers lease finance agreements and loans to third party lessors. Under certain brokerage agreements the lessors are entitled to require the Company to repurchase the equipment at the end of the lease for a predetermined amount. At year end the total amount of potential future repurchase costs resulting from the exercise of selling options by lessors was £10,537 *(2017: £18,505)*.

In the past, the sale or releasing of repurchased equipment has been a significant contributor to profits. As a consequence of this it is the directors' view that expected turnover from the sale or releasing of this equipment will exceed the costs of repurchase.

Notes to the financial statements *(continued)*

21 Ultimate parent undertaking

The Company is a subsidiary undertaking of Wesleyan Bank Limited, a company registered in England and Wales. During the year, following a review of the corporate structure of the Bank's subsidiaries, the shareholding of the Company was transferred from Syscap Group Limited to the Bank. The directors consider that the ultimate parent company, Wesleyan Assurance Society, is the Company's ultimate controlling party.

The largest and smallest group in which the results of the Company are consolidated is headed by Wesleyan Assurance Society. The consolidated financial statements of these groups may be obtained from the principal place of business at Colmore Circus, Birmingham, B4 6AR.

22 Post balance sheet events

There have been no significant events after the statement of financial position date.