SG LEASING (GEMS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY REGISTRATION NO. 05038969

CORPORATE INFORMATION

DIRECTORS

S. D. Cook
N. M. Dent
S. L. Fowler
N. C. Proudfoot
L. G. Sides
P. Shields

SECRETARY

K. Balinska-Jundzill

AUDITOR

Deloitte LLP
1 Little New Street
London
EC4A 3TR

BANKERS

Société Générale
SG House
41 Tower Hill
London
EC3N 4SG

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

SG House
41 Tower Hill
London
EC3N 4SG

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

SG Leasing (Gems) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. These financial statements are presented in U.S. dollars because that is the currency of the primary economic environment in which the company operates.

The principal activity of the company continues to be the provision of leasing. The company did not enter into any new lease agreements during the period (31 December 2016: $nil).

The company registration number is 05038969.

The company relies on business generated by staff employed by Société Générale, London Branch whose principal activity is investment banking. The client relationship exists with, and is managed by Société Générale, London Branch..

The directors consider the results for the period to be in line with expectation. The company will continue to administer its portfolio of assets to increase profitability.

The company has secured financing arrangements from group companies and third parties that are matched with its asset base. The risks facing the company and the actions taken to address those risks are set out in the Financial Risk Management paragraph below. There is no indication that these risks will adversely impact the company in the foreseeable future.

The Report of the Directors has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006.

RESULTS AND DIVIDEND

The company made a loss on ordinary activities after taxation of $347,531 (31 December 2016: loss of $1,880,288). The results for the period are set out on page 9.

A dividend of $10,000,000 was declared and paid on 29 September 2017 (31 December 2016: $nil).

REPORT OF THE DIRECTORS (Continued)

FINANCIAL RISK MANAGEMENT

The company's principal risk is financial risk which it is exposed to through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk and credit risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit, liquidity and cash flow risk. The risks relating to liquidity and cash flow are mitigated by the routine monitoring of key management information. Credit risk is monitored by the risk department of Société Générale London Branch. They regularly monitor the credit worthiness of clients and will advise the relevant officer in charge of the exposure if there is any deterioration in the credit status (Refer to Note 13).

DIRECTORS

The directors who served during the period were:

S. J. Caterer	(resigned 30 September 2017)
P. A. Cheesman	(resigned 30 September 2017)
N. C. Proudfoot	(appointed 30 September 2017)
S. L. Fowler	(appointed 30 September 2017)
N. M. Dent	(appointed 30 September 2017)
S. D. Cook	(appointed 30 September 2017)
L. G. Sides	(appointed 16 January 2017)

LIABILITY INSURANCE FOR COMPANY OFFICERS

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report. In addition, the Company maintains liability insurance for its directors and officers.

GOING CONCERN

The Company has adequate availability of financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DISCLOSURE OF INFORMATION PROVIDED TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

APPOINTMENT OF AUDITORS

Deloitte LLP was reappointed and has expressed its willingness to continue in office. Pursuant to the Company's policy of auditor rotation, Deloitte LLP will remain the Company's auditor until such time as the next auditor rotation period is fixed by the Company's members.

By order of the Board,

K. Balinska-Jundzill
Secretary

28 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 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 101 Reduced Disclosure Framework. 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditors' report to the members of SG Leasing (Gems) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SG Leasing (Gems) Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditors' report to the members of SG Leasing (Gems) Limited (Continued).

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

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

Independent auditors' report to the members of SG Leasing (Gems) Limited (Continued).

Matters on which we are required to report by exception

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; or
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

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.

Ben Jackson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 September 2018

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2017

	Notes	31 December 2017 $	31 December 2016 $
Continuing Operations			
Revenue	2	12,429,828	2,916,815
Interest expense	3a	(12,336,335)	(2,776,510)
Gross margin		93,493	140,305
Administrative expenses	4	295	(41,292)
Operating profit		93,788	99,013
PROFIT BEFORE TAXATION		93,788	99,013
Tax	5a	(441,319)	(1,979,301)
LOSS FOR THE PERIOD		(347,531)	(1,880,288)
Other Comprehensive Income			
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(347,531)	(1,880,288)
Loss attributable to:			
Equity holders of the parent		(347,531)	(1,880,288)
Total comprehensive loss attributable to:			
Equity holders of the parent		(347,531)	(1,880,288)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 $	31 December 2016 $
ASSETS			
NON-CURRENT ASSETS			
Finance lease receivables	6	431,407,464	463,254,947
		431,407,464	463,254,947
CURRENT ASSETS			
Finance lease receivables	6	55,885,931	55,741,043
Other receivables	7	-	11,415
Cash and cash equivalents		2,499,044	15,630,834
		58,384,975	71,383,292
TOTAL ASSETS		489,792,439	534,638,239
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	8	44,263,803	28,640,336
Other payables	8	3,497,910	65,170,977
		47,761,713	93,811,313
NON-CURRENT LIABILITIES			
Deferred tax liability	9	70,004,387	25,385,041
Borrowings	8	368,675,180	401,743,195
		438,679,567	427,128,236
TOTAL LIABILITIES		486,441,280	520,939,549
NET ASSETS		**3,351,159**	**13,698,690**
EQUITY			
Share capital	10	104	104
Retained earnings	10	3,351,055	13,698,586
TOTAL EQUITY AND RESERVES		**3,351,159**	**13,698,690**

The financial statements were approved by the board of directors and authorised for issue on 28 September 2018. They were signed on its behalf by:

Director N. M. Dent

The notes on pages 12 to 23 form an integral part of these financial statements.
The company registration number is 05038969.

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2017

	Share Capital	Retained Earnings	Total
	$	$	$
Balance as at 29 September 2016	104	15,578,874	15,578,978
Total comprehensive loss for the period	-	(1,880,288)	(1,880,288)
Balance as at 31 December 2016	104	13,698,586	13,698,690
Total comprehensive loss for the year	-	(347,531)	(347,531)
Dividends paid	-	(10,000,000)	(10,000,000)
Balance as at 31 December 2017	104	3,351,055	3,351,159

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding period is set out below.

a) Basis of preparation

The accompanying financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretation issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (together IFRS) under FRS 101 Reduced Disclosure Framework. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a Cash-Flow Statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Société Générale; these financial statements are available to the public and can be obtained as set out in note 12.

The financial statements are prepared on the historical cost basis.

Adoption of new and revised accounting standards
There are a number of changes to IFRS that were effective from 1 January 2017. They have had no material effect on the Company's financial statements for the period ended 31 December 2017.

(b) Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases.

Leases are categorised as loans and receivables.

(c) Revenue

Revenue comprises of finance lease income less variable interest rate adjustments. Contingent rent is recognised in the period it is earned/incurred.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

(d) Impairment

An impairment loss is recognised immediately in profit and loss when there is objective evidence that the financial asset, including finance lease receivable is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at the initial recognition.

Impairment losses are reversed immediately in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the balance sheet method.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

(f) Financial instruments

Other receivables

Other receivables are initially recognised at fair value and subsequently valued at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. Other receivables are categorised as loans and receivables.

Other payables and borrowings

Other payables and borrowings are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Other payables and borrowings are categorised as liabilities measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(g) Foreign currencies

Transactions in currencies other than the entity's functional currency (United States Dollars) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Translation differences are dealt with in the income statement.

(h) Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Key judgments taken

Taxes

The company's income tax charge and balance sheet provisions (if any) are judgmental in nature. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The ultimate tax treatment can only be determined by final resolution with the local tax authorities.

The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority while also taking into consideration, where appropriate, expert external advice. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the company's domicile. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 8.

Key sources of estimation uncertainty

Impairment of finance lease receivables

The Company will review its finance lease receivables for indicators of any impairment, as uncertainties may exist with respect to the future cash flows expected to be received. If the carrying amount of the finance lease receivables is higher than estimated economical benefits from the asset, impairment to the asset would be recognised.

Impairments are calculated on an individual basis.

2. REVENUE

	31 December 2017 $	31 December 2016 $
Finance income earned on finance lease	28,632,300	7,586,767
Interest Adjustment	(16,213,730)	(4,683,920)
Other income	-	2,464
Interest income	11,258	11,504
	12,429,828	2,916,815

Income has been derived from activities within the UK.

NOTES TO THE FINANCIAL STATEMENTS

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

	31 December 2017 $	31 December 2016 $
(a) Interest payable $12,336,335 of the interest payable during the period was attributable to group companies (31 December 2016: $2,776,510)	(12,336,335)	(2,776,510)

(b) Auditors' remuneration - audit fees
Audit fees payable for the audit of the company's annual financial statements amounted to $33,973 (31 December 2016: $24,623). During the year there were no fees relating to non-audit services. These fees are paid by the ultimate parent company, Société Générale.

4. OTHER OPERATING EXPENSES

	31 December 2017 $	31 December 2016 $
Other operating expenses	(13,336)	-
Net foreign exchange gains / (losses)	13,631	(41,292)
	295	(41,292)

5. TAXATION

(a) Analysis of the tax credit in the period

	31 December 2017 $	31 December 2017 $	31 December 2016 $	31 December 2016 $
Corporation tax:				
Corporation tax charge for the period		45,883,900		(52,666,298)
Foreign exchange movements		(2,538,109)		2,643,838
Adjustments in respect of prior periods		832,212		-
Total current tax charge		44,178,003		(50,022,460)
Deferred tax:				
Origination and reversal of temporary differences				
Current period movement	(46,044,647)		52,617,387	
Foreign exchange movements	2,538,109		(2,538,110)	
Effect of change in tax rate	(280,235)		(2,036,118)	
Adjustments in respect of prior periods	(832,549)		-	
		(44,619,322)		48,043,159
Tax credit on ordinary activities		(441,319)		(1,979,301)

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION (continued)

(b) The total credit for the period can be reconciled to the accounting loss as follows:

	31 December 2017 $	31 December 2016 $
Profit on ordinary activities before taxation	93,788	99,013
Tax on profit on ordinary activities at standard rate of 19.247% (31 December 2016: 20.00%)	18,051	19,803
Factors affecting the credit:		
Prior year adjustments	337	-
Transfer pricing adjustments	142,696	29,109
Foreign exchange movements	-	(105,728)
Change of tax rate	280,235	2,036,118
	441,319	1,979,301

6. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2017 $	31 December 2016 $	31 December 2017 $	31 December 2016 $
Amounts receivable under finance leases:				
Within one year	57,931,127	57,163,979	55,885,931	55,741,043
In the second to fifth years inclusive	306,861,301	244,411,971	255,623,991	207,417,489
After five years	240,685,284	364,237,606	175,783,473	255,837,458
	605,477,712	665,813,556	487,293,395	518,995,990
Less: unearned finance income	(118,184,317)	(146,817,566)	-	-
Present value of minimum lease payments receivable	487,293,395	518,995,990	487,293,395	518,995,990
Analysed as:				
Non-current finance lease receivables (Recoverable after 12 months)			431,407,464	463,254,947
Current finance lease receivables (Recoverable within 12 months)			55,885,931	55,741,043
			487,293,395	518,995,990

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCE LEASE RECEIVABLES (continued)

The company entered into no new finance lease agreements during the period (31 December 2016: $nil)

The average total lease term is 18 years (31 December 2016: 18 years), with rentals payable annually in arrears.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated as $nil (31 December 2016: $nil) on account of guarantees and collateral placed on behalf of the lessee.

The Company's leases are subject to variation in interest rates based on changes in LIBOR. During the period, the amount of the variation amounts to $16,213,730 (31 December 2016: $4,683,920)

The average effective interest rate contracted approximates 5.76% (31 December 2016: 5.68%) per annum.
The fair value of the company's lease receivables approximates to their carrying value.

The Company is not aware of any material items that would affect the credit quality of its financial lease receivables which are neither past due or impaired. The Company has no financial lease receivables whose carrying value would be impaired or considered to be past due but for renegotiation of their terms.

7. OTHER RECEIVABLES

	31 December 2017 $	31 December 2016 $
Amounts falling due within one year:		
Interest receivable from group companies	-	11,415
	-	11,415

8. BORROWINGS AND OTHER PAYABLES

	31 December 2017 $	31 December 2016 $
Amounts falling due within one year:		
Borrowings	44,263,803	28,640,336
Interest payable to group companies	2,719,420	2,388,764
Corporation tax	778,490	62,659,671
Other sundry creditors	-	122,542
	47,761,713	93,811,313
Amounts falling due after one year:		
Borrowings	368,675,180	401,743,195
	368,675,180	401,743,195

Borrowings comprise of variable rate loans of $412,938,983 (31 December 2016: $430,383,531) financing the investment in finance lease receivables (Refer to Note 6). Principal and interest payments are settled in cash and are made monthly based on a 1 month Libor plus spread. The variable loans approximate their fair value. The directors consider that the remaining carrying amount of other payables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

9. DEFERRED TAXATION

	31 December 2017 $	31 December 2016 $
(a) Analysis of deferred tax balances		
Losses	-	(47,537,838)
Accelerated capital allowances	70,004,387	72,922,879
Total liability	70,004,387	25,385,041
(b) Analysis of movement in deferred tax liability		
Liability at beginning period	25,385,041	73,428,200
Transfers in	24	-
Deferred tax debit to profit and loss for the period	44,619,322	(48,043,159)
Deferred tax liability at end of period	70,004,387	25,385,041

Legislation was introduced in Finance (No. 2) Act 2015 to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017. A further measure in Finance Act 2017 enacted a reduction in the main rate of corporation tax to 17% from 1 April 2020. These reductions are taken into account in calculating the deferred tax liability disclosed in the accounts.

10. SHARE CAPITAL AND EQUITY

	31 December 2017 $	31 December 2016 $
Issued and fully paid:		
2 deferred ordinary shares of £1 each	4	4
100 ordinary shares of $1 each, fully paid	100	100
	104	104

The company has one class of ordinary shares which carry no right to fixed income.

11. EMPLOYEES COST AND DIRECTORS' EMOLUMENTS

The directors received no emoluments for services to the company or TH Investments (Hong Kong) 1 Limited (its parent) during the period (31 December 2016: £nil).

None of the directors had any material interest in any contract in relation to the business of the company.

The company does not have any employees for either period. All personnel who perform services are employed and remunerated by Société Générale London Branch.

NOTES TO THE FINANCIAL STATEMENTS

12. HOLDING AND CONTROLLING COMPANY

The company is a subsidiary of TH Investments (Hong Kong) 3 Limited, whose immediate holding company is TH Investments (Hong Kong) 1 Limited. Both companies are incorporated and registered in Hong Kong.

The company's ultimate holding company, controlling party and parent of the smallest and largest group for which group accounts are prepared is Société Générale, which is incorporated in France. Copies of the group accounts of Société Générale are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

13. FINANCIAL INSTRUMENTS

The management of risks in relation to financial instruments is an integral part of Société Générale's Group corporate culture. The risks encountered by the Company are managed on its behalf by Société Générale. The company has hedged its loan exposures by currency, rate and maturity. It therefore does not have any material sensitivity to any of these risks.
The main risks incurred in the Company's activities are as follows:

i) Credit Risk

The Company's principal financial assets exposed to credit risk are finance lease receivables and cash and cash equivalents. The Company is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations.

To mitigate exposure to credit risk the Group has a risk approval process that is based on five principles:

- All transactions giving rise to a counterparty risk must be authorised in advance.
- All requests for authorisations relating to a specific client or client group are handled by a central operating division called the Risk Division. This division is designated, on a case-by-case basis, to ensure a consistent approach to risk management and the permanent control of Société Générale's potential exposure.
- Systematic recourse to internal risk ratings. These ratings are provided by the operating divisions that are able to enter into financial exposure with a client and are validated by the Risk Division; they are included in all loan applications and are considered as part of the decision process regarding the issue of a loan.
- Responsibility for analysing and approving risk is delegated to specific credit risk units.
- Risk assessment departments are fully independent at each decision making level.

The Risk Division aims to increase Société Générale's expertise by centralising the analysis of the quality of Société Générale's counterparties and the approval of exposure limits allocated to all locations and business lines.

The maximum credit risk that the Company is exposed to, without taking into account any collateral held or other credit enhancements, is the gross carrying amount of finance leases receivables and cash and cash equivalents. The gross carrying amounts are declared in the balance sheet and the notes to the accounts.

The underlying assets financed under finance leases are held as collateral and remain in the ownership of the Company. These assets can be potentially called upon as security. The Company has entered into finance leasing arrangements in film, machinery and equipment.

The Company is not aware of any material items that would affect the credit quality of its financial assets. The Company has no financial assets whose carrying value would be impaired or considered to be past due but for renegotiation of their terms.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

ii) Market Risk: Interest Rate Risk and Sensitivity Analysis

As the principal business of the Company is lease financing it has a potential market risk exposure to movements in interest rates. Société Générale's policy is to concentrate interest rate risks within the capital market activities. These are monitored and controlled by the Group using 'Value at Risk' assessment models.

Therefore the Company is constrained from entering into transactions where there is a significant interest rate exposure. If a fixed rate lease or loan is entered into by the Company it must be financed on an equal fixed rate basis with one of the dedicated market teams. As this effectively hedges any interest rate risk exposure there is no sensitivity to interest rate movements in the Company's accounts.

Where the fixing date is greater than one year, in the absence of an actively traded market, the fair value is calculated by discounting future cash flow to present values based on a market rate yield curve.

iii) Currency Risk

The Company has limited exposure to foreign currency risk as all transactions are under taken in US dollars with the exception of the taxation payments which are made in sterling. Where the company enters into exposures other than US dollars, then it will hedge these exposures with Société Générale and translate those amounts at the spot rate prevailing at the end of the year.

iv) Fair Values

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, credit spreads or interest rates and yield curves observable at commonly quoted intervals); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The Company develops unobservable inputs using the best information available in the circumstances, which would include the Company's own data, taking into account all information about market participant assumptions that is reasonably available.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

iv) Fair Values (continued)

Where the interest rate fixing date of loans, receivables and lease financing transactions are less than one year they are considered to approximate their carrying value due to the short -term nature of these instruments.

Where the fixing date is greater than one year, in the absence of an actively traded market, the fair value is calculated by discounting future cash flow to present values based on a market rate yield curve. The fair value hierarchy of these loans is classified as Level 2.

v) Liquidity Risk

The principles and standards applicable to the management of liquidity risk are defined at Group level. The Company is responsible for managing its own liquidity and for respecting any liquidity constraints locally or those provided by the Asset Liability Management Department, a dedicated division that manages liquidity in the Group overall.

The Company's financial liabilities are primarily in the form of intercompany borrowings from Société Générale's treasury teams.

(a) Maturity analysis of financial liabilities

	Less than 1 year		1 to 5 years		Greater than 5 years	
	31 December 2017 $	31 December 2016 $	31 December 2017 $	31 December 2016 $	31 December 2017 $	31 December 2016 $
Financial liabilities						
Amounts owed to group undertakings	44,263,803	28,640,336	158,675,180	401,743,195	210,000,000	-
Interest payable to group companies	2,719,420	2,388,764	-	-	-	-
Other trade payables	-	122,542	-	-	-	-
	46,983,223	31,151,642	158,675,180	401,743,195	210,000,000	-

The above being the undiscounted cash flow expected to be made.

(b) Financial assets and liabilities held at amortised cost

	31 December 2017 $	31 December 2016 $
Financial assets	489,792,439	534,638,239
Financial liabilities	415,658,403	432,894,837

Société Générale's treasury teams ultimately manage the liquidity exposure of the Group. The objective is to finance the Group's activities at the best possible rates under normal conditions and ensure it can meet its obligations in the event of a crisis.

vi) Concentration Risk

Although the Company's assets are concentrated by geography, type of client and economic sector this is mitigated by its membership of the Société Générale group, which through its other subsidiaries, achieves suitable diversification.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

vii) Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital structure

	31 December 2017 $	31 December 2016 $
Share capital	104	104
Retained earnings	3,351,055	13,698,586
Total capital	3,351,159	13,698,690

14. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is TH Investments (Hong Kong) 1 Limited (incorporated in Hong Kong). SG Leasing (Gems) Limited is incorporated in Great Britain and registered in England and Wales.

The ultimate holding company, controlling party and parent of the smallest and largest group for which group accounts are prepared is Société Générale.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

No guarantees have been given or received.