

SG LEASING (GEMS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY REGISTRATION NO. 05038969



SG LEASING (GEMS) LIMITED
YEAR ENDED 31 DECEMBER 2020

CORPORATE INFORMATION

DIRECTORS

N. M. Dent
S. L. Fowler
N. C. Proudfoot
L. G. Sides

SECRETARY

K. Balinska-Jundzill

AUDITOR

Deloitte LLP
1 Little New Street
London
EC4A 3TR

BANKERS

Société Générale
One Bank Street
Canary Wharf
London
E14 4SG

REGISTERED OFFICE &
PRINCIPAL PLACE OF BUSINESS

One Bank Street
Canary Wharf
London
E14 4SG

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2020.

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.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

SG Leasing (Gems) Limited is a private company limited by shares incorporated and registered in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales. 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 Company registration number is 05038969.

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 year (31 December 2019: \$nil).

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

The Directors consider the results for the year to be in line with expectation. The Company will continue to administer its portfolio of assets to maintain profitability.

The Company has secured financing arrangements from group companies 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.

COVID-19

The World Health Organization declared the outbreak of a novel coronavirus (Covid-19) as a pandemic resulting in unprecedented restrictions on population movement around the world. Those measures led to the disruption of global economy and as a consequence the financial markets were impacted with significant market volatility.

Impact on the Company's activity

The Company's service provider, SGLB, activated a Business Continuity Plan ("BCP") for the Company's operational processes, including work-from-home, for an indefinite period of time. Business operations in Paris are currently running as normal and the support teams remain at the clients' disposal to assist them.

Staff and Operational resiliency

Alternative working arrangements are in place, especially working from home, and/or back-up sites. All reasonable efforts have been taken to ensure clients' access to services and information from SG Investment Limited. All international business travel is suspended. While people fatigue remains a key concern, SGLB has adopted a flexible working hours and delivery approach, while ensuring staff are taking holidays.

REPORT OF THE DIRECTORS (continued)

COVID-19 (continued)

No amount of stress testing could prepare banks for the operational risks created by Covid-19. So far, SGLB has focused on facilitating staff working from home with priority on site access given to most critical business functions. The management considers that the Company can continue to operate in the current working model in the event the current restrictions are extended further.

Capital

The Covid-19 crisis has so far not had any negative impact on the Company's capital position, thanks to the cash generation remaining consistent and funding requirements being met fully by internal loans from SG Group companies.

The Covid-19 pandemic is still active although, thanks to the vaccination program, many countries including the UK are seeing positive reduction in number of cases. Since the outbreak, the Company has been able to carry on with its operations and support its clients. The Company has adequate availability of financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

OUTLOOK 2021

As of end Q2 2021; the Company's business activity remains strong as the lease agreements remain unchanged.

RESULTS

In the year, the Company made a gain on the modification of its finance leases of \$7,670,334 and an overall loss after taxation of \$2,446,441 (31 December 2019: \$1,624,799). The results for the year are set out on page 11.

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk 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 credit, liquidity and cashflow 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 cashflow 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 SGLB. 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 15).

The Company's policies for managing capital have been disclosed in Note 15.

DIRECTORS

The directors who served during the year and to the date of this report were:

N. C. Proudfoot
S. L. Fowler
N. M. Dent
L. G. Sides

REPORT OF THE DIRECTORS (continued)

GOING CONCERN

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Company, that it has the ability to continue in business for the period. The period of assessment used by the Directors is twelve months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered a wide range of information relating to present and future conditions of the company, including the availability of sufficient resources.

The Company has continued to function without significant disruption to operations by enabling staff to work from home in order to protect themselves while continuing to perform their roles. The Company's only business activity is in respect to finance leases over bareboat charters with a major world market leader. The contractual arrangements are not expected to change as a result of the pandemic. In addition to this, on the basis of the customer's recent results and projections for the current year, the Directors do not anticipate any reduction in net income or asset impairments in the foreseeable future. The current business model shows that there will be sufficient cash to cover liabilities when they are due throughout the life of the leases.

The economic threat of the Covid-19 pandemic will continue to weigh on investors and the economic impact remains hard to assess. There is a risk that the business environment deteriorates or suffers a prolonged downturn. However, 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 despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Company will be able to continue in operational existence for at least 12 months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On the basis of the assessment made, the Directors are satisfied that it continues to be appropriate to prepare the financial statements on a going concern basis, having concluded that there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

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.

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.

SG LEASING (GEMS) LIMITED
YEAR ENDED 31 DECEMBER 2020


REPORT OF THE DIRECTORS (continued)

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.

Approved by the Board and signed on their behalf by,

24 September 2021


S. L. Fowler
Director

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 of SG Leasing (GEMS) Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 January 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

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".

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, Finance Act 2020 and 2021; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Revenue recognition for finance lease income and gain on modification of finance leases; We performed design and implementation testing of the key controls related to revenue recognition. In addition, we have obtained a confirmation of the finance lease income, agreed the finance lease income to invoices and bank statements, and have recalculated the finance lease income based on contractual terms in the lease agreements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the FCA.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.



Paul Wilde FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 September 2021

SG LEASING (GEMS) LIMITED
YEAR ENDED 31 DECEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<u>Notes</u>	<u>31 December</u> <u>2020</u> \$	<u>31 December</u> <u>2019</u> \$
<u>Continuing Operations</u>			
Revenue	2	9,345,409	15,390,417
Interest expense	3a	(11,129,167)	(16,949,109)
		<hr/>	<hr/>
Gross (loss)		(1,783,758)	(1,558,692)
Other operating expenses			
Administrative expenses	4	(10,464)	(15,483)
Other gains / (losses)	5	7,639,948	(12,565)
		<hr/>	<hr/>
Operating profit / (loss)		5,845,726	(1,586,740)
		<hr/>	<hr/>
PROFIT / (LOSS) BEFORE TAXATION		5,845,726	(1,586,740)
Tax (charge)	6a	(8,292,167)	(38,059)
		<hr/>	<hr/>
LOSS FOR THE YEAR		(2,446,441)	(1,624,799)
		<hr/>	<hr/>
<u>Other Comprehensive Income</u>			
Other comprehensive income for the year		-	-
		<hr/>	<hr/>
Total comprehensive loss for the year		(2,446,441)	(1,624,799)
		<hr/>	<hr/>
Loss attributable to:			
Equity holders of the parent		(2,446,441)	(1,624,799)
		<hr/>	<hr/>
Total comprehensive loss attributable to:			
Equity holders of the parent		(2,446,441)	(1,624,799)
		<hr/>	<hr/>

All losses for the current financial year are from continuing operations.

SG LEASING (GEMS) LIMITED
YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<u>Notes</u>	31 December 2020 \$	31 December 2019 \$
ASSETS			
NON-CURRENT ASSETS			
Finance lease receivables	7	325,700,190	360,734,788
		<u>325,700,190</u>	<u>360,734,788</u>
CURRENT ASSETS			
Finance lease receivables	7	59,523,191	57,214,133
Other receivables	8	-	601,078
Cash and cash equivalents		389,792	896,852
		<u>59,912,983</u>	<u>58,712,063</u>
TOTAL ASSETS		<u>385,613,173</u>	<u>419,446,851</u>
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	9	40,271,836	45,628,172
Other payables	9	2,099,595	4,968,708
		<u>42,371,431</u>	<u>50,596,880</u>
NON-CURRENT LIABILITIES			
Borrowings	9	280,000,000	305,734,317
Deferred tax liability	10	63,444,384	60,871,855
		<u>343,444,384</u>	<u>366,606,172</u>
TOTAL LIABILITIES		<u>385,815,815</u>	<u>417,203,052</u>
NET ASSETS		<u>(202,642)</u>	<u>2,243,799</u>
EQUITY			
Share capital	11	104	104
Retained earnings		(202,746)	2,243,695
TOTAL EQUITY AND RESERVES		<u>(202,642)</u>	<u>2,243,799</u>

The financial statements were approved by the board of directors and authorised for issue on 24 September 2021. They were signed on its behalf by:

Director S. L. Fowler



The notes on pages 14 to 29 form an integral part of these financial statements.
The company registration number is 05038969.

SG LEASING (GEMS) LIMITED
YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<u>Share</u> <u>Capital</u> \$	<u>Retained</u> <u>Earnings</u> \$	<u>Total</u> \$
Balance as at 1 January 2019	104	3,868,494	3,868,598
Total comprehensive loss for the year	-	(1,624,799)	(1,624,799)
Balance as at 31 December 2019	104	2,243,695	2,243,799
Total comprehensive loss for the year	-	(2,446,441)	(2,446,441)
Balance as at 31 December 2020	104	(202,746)	(202,642)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below. SG Leasing (Gems) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

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 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 14.

The financial statements are prepared on historical cost basis.

Amendments to IFRS that are mandatorily effective for the current year

- Amendments to IFRS 3: Definition of a Business is effective for annual periods beginning on or after 1 January 2020. This will not be applicable to the LLP as all the LLP's activities fall under the definition of a business.
 - Amendments to IAS 1 and IAS 8: Definition of Material is effective for annual periods beginning on or after 1 January 2020. The amendments to the definition of material will not have an impact on the LLP's financial statements. The LLP has not and will not omit, misstate or obscure information in order to influence decisions of the primary users of its financial statements.
 - Amendments to References to the Conceptual Framework in IFRS Standards are effective for annual periods beginning on or after 1 January 2020, with early application permitted. This will not apply to the LLP as it has no contingent assets or contingent liabilities.
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform is effective for annual periods beginning on or after 1 January 2020.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Directors have reviewed the mandatorily effective standards in the year and expect there to be no material impact to the entities.

(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 financial assets at amortised cost less any impairment..

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(c) Revenue

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

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.

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) 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.

(e) Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

a) Classification and measurement

On initial recognition, a financial asset that is a debt instrument can be classified as:

- At amortised cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit and loss (FVTPL)

A financial asset that is a debt instrument is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest (SPPI).

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

A financial asset is classified and measured at FVTOCI if it is not designated at FVTPL, and if it meets both of the following conditions: (i) it is held for collection of contractual cash flows and for selling the assets, and (ii) its cash flows represent SPPI.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as an asset measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's financial assets primarily consist of finance leases.

The Company does not hold equity instruments as at reporting date.

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows of the financial asset are renegotiated or otherwise modified between initial recognition and maturity of a financial asset. Upon modifications of financial assets, the company first assesses whether the modification is substantial or not. The company follows a set of qualitative or quantitative assessment to identify whether a modification is substantial or not. Where a modification is substantial, the resulting financial asset is derecognised and a new financial asset with revised terms is recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Modification of financial assets (continued)

The difference between the amount derecognised and the new amount recognised is included in profit or loss as de-recognition gain or loss. If a modification of a financial asset does not result in derecognition the gross carrying amount of the asset is recalculated and a modification gain or loss is recognised in profit or loss.

b) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, finance lease and other receivables. No impairment loss is recognised for investments in equity instruments.

To determine the amount of impairment or provision to be recorded at each reporting date, these exposures are split among three categories based on the increase in credit risk observed since initial recognition.

An impairment or provision shall be recognised for the exposures in each category as follows:

Observed deterioration in credit risk since initial recognition of the financial asset

Credit risk category	Stage 1 Performing assets	Stage 2 Under-performing or downgraded assets	Stage 3 Credit impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1: <i>maintained if the credit risk has not increased significantly</i>	Credit risk on the instrument has increased significantly since initial recognition/ 30 days past due	Evidence that the instrument has become credit impaired/ 90 days past due
Measurement of credit risk	12 - months Expected credit losses	Lifetime Expected credit losses	Lifetime Expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increases in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(i) Significant increases in credit risk (continued)

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. To identify Stage 2 exposure, the Company uses all available past and forward-looking data (behavioral scores, macroeconomic forecast scenarios, etc.) to assess the counterparty's credit risk. A financial asset moves to the stage 2 exposures if its internal credit risk rating decreased by at least two notches in the last 18 months.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit management purposes as historical; experience indicated that receivables that meet either of the following are generally not recoverable.

- when there is a breach of financial covenants but the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of any of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer of the borrower;
- a breach of contract, such as default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(iii) Credit-impaired financial assets (continued)

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

c) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings and other payables

Borrowings and other payables 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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(f) 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.

(g) Significant accounting judgements, estimates and assumptions

The key judgments concerning the future 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. Additionally, there are no key sources of estimating uncertainty.

The Company's management has not made any judgements, estimates and assumptions during the current financial year.

2. REVENUE

	31 December <u>2020</u> \$	31 December <u>2019</u> \$
Finance income earned on finance lease	22,756,385	24,712,311
Interest Adjustment	(13,411,368)	(9,328,449)
Interest income	392	6,555
	<u>9,345,409</u>	<u>15,390,417</u>

The Company's revenue for the current and preceding year was derived from the United Kingdom market.

3. PROFIT / (LOSS) BEFORE TAXATION

The profit / (loss) before taxation is stated after charging:

	31 December <u>2020</u> \$	31 December <u>2019</u> \$
(a) Interest payable		
\$11,129,167 of the interest payable during the year was attributable to group companies (31 December 2019: \$16,949,109) (Refer to note 14)	<u>(11,129,167)</u>	<u>(16,949,109)</u>

(b) Auditors' remuneration - audit fees

Audit fees payable for the audit of the company's annual financial statements amounted to \$45,779 (31 December 2019: \$38,599). During the year there were no fees relating to non-audit services. These fees are paid by the ultimate parent company, Société Générale.

NOTES TO THE FINANCIAL STATEMENTS

4. ADMINISTRATIVE EXPENSES

	31 December 2020	31 December 2019
	\$	\$
Other operating expenses	(10,464)	(15,483)

5. OTHER GAINS

	2020	2019
	\$	\$
Impairment (charge)	(25,069)	(13,627)
Gain on modification of leases	7,670,334	-
Net foreign exchange (losses) / gains	(5,317)	1,062
	7,639,948	(12,565)

Gain on modification of leases relates to the revision of cashflows following the retention of the UK tax rate in 2020.

6. TAXATION

(a) Analysis of the tax (credit) in the year

	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	\$	\$	\$	\$
Corporation tax:				
Corporation tax (charge) / credit for the year		(5,724,501)		(4,806,665)
Foreign exchange movements		3,647		(63,022)
Adjustments in respect of prior periods		1,216		(154)
Total current tax (charge) / credit		(5,719,638)		(4,869,841)
Deferred tax:				
Origination and reversal of temporary differences				
Current year movement	4,424,847		4,830,287	
Effect of change in tax rate	(6,997,376)		1,495	
Total deferred tax charge / (credit)		(2,572,529)		4,831,782
Tax credit / (charge)		(8,292,167)		(38,059)

NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION

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

	31 December 2020 \$	31 December 2019 \$
Profit before taxation	5,845,726	(1,586,740)
Tax (charge) at standard rate of 19% (31 December 2019: 19%)	(1,110,688)	301,481
Factors affecting the credit:		
Non-taxable credits	-	5,920
Prior year adjustments	1,216	(154)
Transfer pricing adjustments	(188,967)	(283,779)
Foreign exchange movements	3,648	(63,022)
Change of tax rate	(6,997,376)	1,495
	<u>(8,292,167)</u>	<u>(38,059)</u>

7. FINANCE LEASE RECEIVABLES

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	31 December 2020 \$	31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Amounts receivable under finance leases:				
Within one year	61,314,191	59,030,499	59,585,854	57,251,727
In the second to fifth years inclusive	368,642,882	425,806,494	325,700,190	360,734,788
After five years	-	-	-	-
	<u>429,957,073</u>	<u>484,836,993</u>	<u>385,286,044</u>	<u>417,986,515</u>
Less: unearned finance income	<u>(44,671,029)</u>	<u>(66,850,478)</u>	-	-
Present value of minimum lease payments receivable	<u>385,286,044</u>	<u>417,986,515</u>	<u>385,286,044</u>	<u>417,986,515</u>
Loss allowance for uncollectable lease payments	<u>(62,663)</u>	<u>(37,594)</u>	<u>(62,663)</u>	<u>(37,594)</u>
	<u>385,223,381</u>	<u>417,948,921</u>	<u>385,223,381</u>	<u>417,948,921</u>
Analysed as:				
Non-current finance lease receivables (Recoverable after 12 months)			325,700,190	360,734,788
Current finance lease receivables (Recoverable within 12 months)			59,523,191	57,214,133
			<u>385,223,381</u>	<u>417,948,921</u>

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE LEASE RECEIVABLES

The company entered into no new finance lease agreements during the period (31 December 2019: \$nil). The average lease term left is 2 years (31 December 2019: 3 years), with rentals payable quarterly in arrears. Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated as \$nil (31 December 2019: \$nil) on account of guarantees and collateral placed on behalf of the lessee. The average effective interest rate contracted approximates 5.74% (31 December 2019: 5.76%) 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. The following table shows the movement in expected credit losses that has been recognised for the respective financial assets:

	<u>12m ECL</u>	
	<u>Leases</u>	<u>Total</u>
	\$	\$
Balance as at 1 January 2019	(23,967)	(23,967)
Increase in loss allowance rising from financial assets recognised in current year	(13,627)	(13,627)
Balance as at 31 December 2019	(37,594)	(37,594)
Increase in loss allowance rising from financial assets recognised in current year	(25,069)	(25,069)
Balance as at 31 December 2020	(62,663)	(62,663)

8. OTHER RECEIVABLES

	<u>31 December</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>
	\$	\$
Amounts falling due within one year:		
Amounts owed by group undertakings	-	600,000
Interest receivable from group companies	-	1,078
	<u>-</u>	<u>601,078</u>

There was no deposit as at 31 December 2020.

9. BORROWINGS AND OTHER PAYABLES

	<u>31 December</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>
	\$	\$
Amounts falling due within one year:		
Borrowings	40,271,836	45,628,172
Interest payable to group companies	1,830,156	3,219,906
Corporation tax	269,439	1,748,802
	<u>42,371,431</u>	<u>50,596,880</u>
Amounts falling due after one year:		
Borrowings	280,000,000	305,734,317
	<u>280,000,000</u>	<u>305,734,317</u>

NOTES TO THE FINANCIAL STATEMENTS

9. BORROWINGS AND OTHER PAYABLES (continued)

Borrowings comprise of variable rate loans of \$320,271,836 (31 December 2019: \$351,362,489) financing the investment in finance lease receivables (Refer to Note 7). Principal and interest payments are settled in cash and are made monthly based on a 3-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.

10. DEFERRED TAXATION

	31 December 2020 \$	31 December 2019 \$
(a) <u>Analysis of deferred tax balances</u>		
Accelerated capital allowances	63,444,384	60,871,855
Total liability	63,444,384	60,871,855
	2020 \$	2019 \$
(b) <u>Analysis of movement in deferred tax liability</u>		
Liability at beginning of year	60,871,855	65,703,637
Deferred tax (credit) / debit to profit and loss for the year	2,572,529	(4,831,782)
Deferred tax liability at end of year	63,444,384	60,871,855

Effect of reduction in rate of Corporation Tax

Legislation was introduced in the Finance Act 2020, to increase the main rate of corporation tax for the Financial Year 2020 from the 17% previously announced to 19% with effect from 1 April 2020. The increase is taken into account in calculating the deferred tax liability disclosed in the accounts to 31st December 2020. Legislation was also proposed in the Finance Bill 2021 to increase the rate of corporation tax to 25% with effect from 1 April 2023. The effect of this future change would be to increase the liability by USD 9,153,556.

11. SHARE CAPITAL AND EQUITY

	31 December 2020 \$	31 December 2019 \$
Authorised, 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.

NOTES TO THE FINANCIAL STATEMENTS

12. 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.

13. 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 year (2019: £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 year. All personnel who perform services are employed and remunerated by Société Générale London Branch.

14. HOLDING AND CONTROLLING COMPANY

The Company is a subsidiary of TH Investments (Hong Kong) 1 Limited; 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.

15. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (continued)

i) Credit Risk (continued)

- 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 other receivables. 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 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.

The Company's current credit risk grading framework has been disclosed in Note 1.

The table below details the credit quality of the Company's financial assets, as well as the maximum exposure to credit risk by credit risk rating grades:

Finance lease receivables	Note	External credit rating	Internal credit rating	Credit risk category	12m or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
						\$	\$	\$
2019	7	A	3	Stage 1 (a)	12m ECL	417,986,515	(37,594)	417,948,921
2020	7	A	3	Stage 1 (a)	12m ECL	385,286,044	(62,663)	385,223,381

(a) For finance lease receivables, the Company has chosen not to apply the simplified approach and instead applies the general approach to its impairment model for the finance lease. The leases have been classed as Stage 1 following an assessment of their credit risks and therefore a 12m loss allowance has been recognised. The Company determines the expected credit losses on these assets by using an internal calculator, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

NOTES TO THE FINANCIAL STATEMENTS

15. 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 undertaken 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 Company 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

15. 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

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

	<u>Less than 1 year</u>		<u>1 to 5 years</u>	
	<u>31 December</u> <u>2020</u> \$	<u>31 December</u> <u>2019</u> \$	<u>31 December</u> <u>2020</u> \$	<u>31 December</u> <u>2019</u> \$
Financial liabilities				
Amounts owed to group undertakings	40,271,836	45,628,172	280,000,000	305,734,317
Interest payable to group companies	1,830,156	3,219,906	-	-
	<u>42,101,992</u>	<u>48,848,078</u>	<u>280,000,000</u>	<u>305,734,317</u>

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

(b) Financial assets and liabilities held at amortised cost

	<u>31 December</u> <u>2020</u> \$	<u>31 December</u> <u>2019</u> \$
Financial assets	<u>385,613,173</u>	<u>419,446,851</u>
Financial liabilities	<u>322,101,992</u>	<u>354,582,395</u>

It is Société Générale's treasury teams ultimately manage the liquidity exposure of the Company. The objective is to finance the Company's activities at the best possible rates under normal conditions and ensure it can meet its obligations in the event of a crisis. The Company's interest rate and maturity risks are mitigated by the inherent matching present in timing and amounts of the assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS (continued)

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.

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

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
	\$	\$
Share capital	104	104
Retained earnings	(202,746)	2,243,695
	<hr/>	<hr/>
Total capital	(202,642)	2,243,799
	<hr/> <hr/>	<hr/> <hr/>

16. POST BALANCE SHEET EVENT

There were no events subsequent to the yearend date which would materially affect the financial statements of the Company.