SG LEASING (JUNE) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 JUNE 2018

COMPANY REGISTRATION NO. 2 0 1 0 4 8 2

CORPORATE INFORMATION

DIRECTORS

N. M. Dent
S. Cook
S. Fowler
L. 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 together with the financial statements and auditor's report, for the year ended 30 June 2018.

The directors' report 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 (June) Limited is a Private Company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company registration number is 2010482.

The principal activity of the Company is the provision of leasing and hire purchase finance for plant, machinery and other equipment.

During the year, the Company entered into 15 new hire purchase agreements totaling £317,917,338 (EUR: 358,802,932) (2017: £Nil).

The Company had an investment in The Eiffel Limited Partnership whose principal activity is the provision of ship leasing. During the year, the lease in the partnership was terminated generating a loss on termination of £18.

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, London Branch.

The directors consider the results for the year to be satisfactory and expect the current level of business to be sustained for the foreseeable future. The Company will continue to administer its portfolio of assets to increase profitability.

The directors do not consider there to be any significant impact as a result of the Brexit decision.

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.

RESULTS AND DIVIDEND

The Company made a profit on ordinary activities after taxation for the year of £170,365 (2017: £43,730). The results for the year are set out on page 8. The directors do not recommend payment of a dividend for the year (2017: £Nil).

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 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 creditworthiness 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).

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors who served during the year were:

N. M. Dent	(Chairman)
S. Fowler	(Deputy Chairman)
S. Cook	
L. Sides	
P. Shields	(Appointed on 19 March 2018)

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 despite the current uncertain economic outlook. 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.

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 year 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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

APPOINTMENT OF AUDITOR

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
Company Secretary

29 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS 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 auditor's report to the members of SG Leasing (June) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SG Leasing (June) Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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;
- the cash flow statement; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Independent auditor's report to the members of SG Leasing (June) Limited (Continued)

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.

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 year 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 directors' report.

Independent auditor's report to the members of SG Leasing (June) 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.

Ben Jackson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 March 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 £	2017 £
Continuing Operations			
Revenue	2	613,463	21,947
Gross profit		613,463	21,947
Interest income	3b	12,072	10,380
Interest expense	3c	(118,288)	(35,994)
Investment revenue	4	4,950	19,646
Other losses	5	(218,564)	-
PROFIT BEFORE TAXATION	3	293,633	15,979
Tax (charge) / credit	6	(123,268)	27,751
PROFIT FOR THE YEAR		170,365	43,730
Other Comprehensive Income			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year net of tax		170,365	43,730
Profit attributable to:			
Equity holders of the parent		170,365	43,730
Total comprehensive income attributable to:			
Equity holders of the parent		170,365	43,730

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	2018	2017
		£	£
ASSETS			
NON-CURRENT ASSETS			
Investment in associates	7	-	443,767
Finance lease receivables	8	203,893,350	-
Deferred tax assets	9	-	80,555
		203,893,350	524,322
CURRENT ASSETS			
Finance lease receivables	8	114,023,988	-
Other receivables	10	403	266
Cash and cash equivalents		18,222,452	3,113,374
		132,246,843	3,113,640
TOTAL ASSETS		336,140,193	3,637,962
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	11	112,804,529	281,352
Other payables	11	14,953,907	113,852
		127,758,436	395,204
NON-CURRENT LIABILITIES			
Borrowings	11	204,968,634	-
		204,968,634	-
TOTAL LIABILITIES		332,727,070	395,204
NET ASSETS		**3,413,123**	**3,242,758**
EQUITY			
Share capital	12	100	100
Retained earnings		3,413,023	3,242,658
TOTAL EQUITY AND RESERVES		**3,413,123**	**3,242,758**

The financial statements were approved by the board of directors and authorised for issue on 29 March 2019.

They were signed on its behalf by:

Director N. M. Dent

The notes on pages 12 to 27 form an integral part of the financial statements.
The Company registration number is 2010482.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Share Capital	Retained Earnings	Total
	£	£	£
Balance as at 1 July 2016	100	3,198,928	3,199,028
Comprehensive income for the year	-	43,730	43,730
Balance as at 30 June 2017	100	3,242,658	3,242,758
Comprehensive income for the year	-	170,365	170,365
Balance as at 30 June 2018	100	3,413,023	3,413,123

CASH FLOW STATEMENT

For the year ended 30 June 2018

	Notes	2018 £	2017 £
Net cash flow used in operating activities	16b	(302,843,385)	(504,008)
Investing activities			
Interest received		11,935	10,423
Distributions from partnership		448,717	1,732,480
Net cash flow from investing activities		460,652	1,742,903
Financing activities			
Repayments of borrowings		(29,251,405)	(3,103,245)
Loans raised		346,743,216	1,734,853
Net cash flow from / (used in) financing activities		317,491,811	(1,368,392)
Net increase / (decrease) in cash and cash equivalents		15,109,078	(129,497)
Cash at the beginning of the year		3,113,374	3,242,871
Cash at the end of the year	16a	18,222,452	3,113,374

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.

(a) Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been prepared under the historical cost convention.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after 1 January 2018
- IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019
- IFRS 17 "Insurance Contracts" is effective for annual period beginning on or after 1 January 2021
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" are effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" are effective for annual periods beginning on or after 1 January 2018
- Amendments to IAS 40 "Transfers of Investment Property" are effective for period beginning on or after 1 January 2018
- Annual improvements to IFRSs 2014 - 2016 Cycle "Amendments to IFRS 1 First-time Adoption of International Reporting Standards and IAS 28 Investments in Associates and Joint Venture" are effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRIC 22 "Foreign Currency Transactions and Advanced Consideration" is effective for annual periods beginning on or after 1 January 2018
- IFRIC 23 "Uncertainty over Income tax Treatments" is effective for annual periods beginning on or after 1 January 2019

The members do not expect that the adoption of the Standards listed above will have an impact on the financial statements of the Company in future periods, except as noted below:

IFRS 9 – Financial instruments

IFRS 9 has become effective for periods commencing 1 January 2018. The Company will apply IFRS 9 from 1 January 2018 but has elected not to restate the comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the financial statements will depend on the economic decisions and judgments made as at the year-end. The Directors have performed an initial assessment of potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9.

Classification and measurement

The classification and measurement of financial instruments will depend on how these are managed and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI) or through profit or loss (FVTPL). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of the financial assets.

No major changes are expected in the classification and measurement of the financial instruments held by the Company as a result of the revision from IAS 39 to IFRS 9 as the vast majority will still be at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Classification and measurement (Continued)

The accounting for financial liabilities will also be unchanged as the Company expects to continue with the current classification of these balances.

Impairment

Under IFRS 9, expected credit losses are required to be recognised for all assets which are not carried at FVTPL. These include the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Company will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

Based on the analysis done to date, the Company's preliminary calculations of the impairment charge under IFRS 9 are not material as a result of the assets all being at stage 1 whereby there is no increased credit risk since initial recognition.

Overall, the adoption of IFRS 9 is not expected to have a significant impact on the financial statements of the Company.

In the current year, the Company has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 7 - "Disclosure Initiative".
- Amendments to IAS 12 - "Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual improvements to IFRSs 2014 - 2016 Cycle

Going concern

The directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting

(b) Finance leases

Leases and hire purchase agreements 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 and hire purchase agreements are recorded as receivables at the amount of the Company's net investment in the leases.

(c) Revenue

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. Secondary rental income is recognised when the rentals fall due in accordance with the lease agreement.

Lease termination revenue is recognised when the lease term prematurely comes to an end. Early settlement fees are usually set out in the lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(d) Other operating income

Interest income – is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income received from Partnerships – is recognised based on the Company's share of the partnership profits (per the partnership agreement).

(d) Impairment

An impairment loss is recognised immediately in profit and loss when there is objective evidence that the financial asset 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

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.

(e) Taxation

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

Tax is recognised in the profit and loss statement except to the extent that it relates to items recognised in the statement of total recognised gains and losses.

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially 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, if any.

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. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(f) Financial instruments

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.

Other receivables

Other receivables are initially recognised at fair value and subsequently valued at amortised cost, using the effective interest rate method. This is the rate that exactly discounts estimated future cash flow payments or receipts through the expected life of the financial instrument. 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.

Borrowings and other payables

Borrowing and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. These 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) Investments in associates

Investments in an associate are accounted for using the equity method of accounting less provision for any impairment.

Distributions received from the partnerships are recognised when the entities right to receive the distributions have been established. Any distributions are recognised as a reduction of the cost of the investment.

(h) Significant accounting judgements, estimates and assumptions

Key judgments concerning the future at the reporting date that can have a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Company reviews its investments in associates for indicators of any impairment at least annually or whenever events or changes in circumstance indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires the determination of a recoverable amount, which, in the case of investments in associates, is its net asset value. If the carrying amount of the investments in associates is higher than the net asset value of the associates, an impairment to the asset would be recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(h) Significant accounting judgements, estimates and assumptions (Continued)

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 countries 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 9.

2. REVENUE

	2018	2017
	£	£
Finance income earned on finance leases	613,463	21,947
	613,463	21,947

The Company entered into 15 new hire purchase lease arrangements amounting to £317,917,338 (EUR: 358,802,932.43) (2017: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2018	2017
	£	£
(a) Auditors' remuneration - audit fees	-	-
Audit fees payable for the audit of the company's annual financial statements amounted to £25,000 (2017: £12,500). These fees are paid by the ultimate parent company, Société Générale.		
(b) Interest receivable. The interest receivable during the year attributable to group companies was £12,072 (2017: £10,380) (Refer to Note 13).	12,072	10,380
(c) Interest payable. The interest payable during the year attributable to group companies was £118,288 (2017: £35,561) (Refer to Note 13).	(118,288)	(35,994)

No non-audit fees were paid to the auditors,

4. INVESTMENT REVENUE

	2018	2017
	£	£
Income received from partnership (Refer to Note 7)	4,968	19,646
Loss on termination of partnership	(18)	-
	4,950	19,646

The Company received income from its investment in The Eiffel Limited Partnership which was terminated during the year generating a loss of £18.

5. OTHER LOSSES

	2018	2017
	£	£
Other fee expense	(219,161)	-
Foreign exchange gain	597	-
	(218,564)	-

Other fee expense relates to the amounts paid to SGNY towards a guarantee received to cover the credit risk in respect of hire purchase agreements entered into by the Company.

NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION

(a) Analysis of the tax (charge) / credit in the period

	2018 £	2018 £	2017 £	2017 £
Corporation tax:				
Corporation tax charge for the year		(55,094)		(249,721)
Adjustments in respect of prior periods		12,381		(1,447)
Total current tax charge		(42,713)		(251,168)
Deferred tax:				
Origination and reversal of temporary differences				
Current year movement	(80,555)		287,298	
Effect of change in tax rate	-		(8,379)	
		(80,555)		278,919
Tax (charge) / credit on profit on ordinary activities		(123,268)		27,751

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

	2018 £	2017 £
Profit on ordinary activities before taxation	293,633	15,979
Tax on profit on ordinary activities at standard rate of 19% (2017: 19.75%)	(55,790)	(3,156)
Factors affecting the charge:		
Partnership tax	(91,525)	35,025
Transfer pricing adjustments	11,666	5,708
Adjustments in respect of prior periods	12,381	(1,447)
Effect of tax rate change	-	(8,379)
	(123,268)	27,751

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT

The company has the following investment undertaking:

	Country of Incorporation	Holding	%
The Eiffel Limited Partnership	Great Britain	Partnership income & profit share	49.999%

	Contribution £	Current account £	Total £
Balance as at 1 July 2016	17,656,618	(15,500,017)	2,156,601
Distributions from the Partnership during the year	-	(1,732,480)	(1,732,480)
Income from Partnership	-	19,646	19,646
Balance as at 30 June 2017	17,656,618	(17,212,851)	443,767
Distributions from the Partnership during the year	-	(448,717)	(448,717)
Income from Partnership	-	4,968	4,968
Loss on termination of Partnership	-	(18)	(18)
Balance as at 30 June 2018	17,656,618	(17,656,618)	-

The principal activity of the partnership was the provision of ship leasing.

The underlying lease within the Partnership was terminated in July 2017 generating a loss on termination of £18.

8. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2018 £	2017 £	2018 £	2017 £
Amounts receivable under finance leases:				
Within one year	114,313,891	-	114,023,988	-
In the second to fifth years inclusive	206,251,990	-	203,893,350	-
After five years	-	-	-	-
	320,565,881	-	317,917,338	-
Less: unearned finance income	(2,648,542)	-	-	-
Present value of minimum lease payments receivable	317,917,339	-	317,917,338	-
Analysed as:				
Non-current finance lease receivables (Recoverable after 12 months)			203,893,350	-
Current finance lease receivables (Recoverable within 12 months)			114,023,988	-
			317,917,338	-

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE LEASE RECEIVABLES (Continued)

The Company enters into hire purchase leasing arrangements in computers, machinery and equipment.

During the year, the Company entered into 15 new hire purchase or leasing agreements (2017: £Nil).

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £Nil (2017: £Nil).

The average effective interest rate contracted approximates 0.65% (2017: 0%) per annum.

The approximated fair value of these finance lease receivables is £320,539,648 (EUR:361,762,483) (2017: £Nil).

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.

9. DEFERRED TAXATION

	2018 £	2017 £
(a) Analysis of deferred tax balances		
Accelerated capital allowances	-	80,555
	-	80,555

	2018 £	2017 £
(b) Analysis of movement in provision		
Provision at beginning of year	(80,555)	198,364
Deferred tax charge / (credit) for the year	80,555	(278,919)
Deferred Tax Asset	-	(80,555)

Deferred tax has been provided in respect of all potential tax liabilities and assets.

(c) Deferred tax not provided

Legislation was introduced in Finance Act 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020. These reductions are taken into account in calculating the deferred tax asset disclosed in the accounts.

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RECEIVABLES

	2018	2017
	£	£
Amounts falling due within one year:		
Interest receivable from group undertakings (Refer to Note 13)	403	266
	403	266

The directors consider that the carrying amount of other receivables approximates their fair value due to their short term nature.

The credit risk on group undertakings is limited because the undertakings are solvent, under common control and the directors are confident of them continuing as going concerns. No balances with group undertakings are past due.

11. BORROWINGS AND OTHER PAYABLES

	2018	2017
	£	£
Amounts falling due within one year:		
Borrowings owed to group undertakings (Refer to Note 13)	112,804,529	281,352
Interest payable to group undertakings (Refer to Note 13)	29,516	1,607
Other payables	14,896,211	-
Corporation tax (group relief)	28,180	112,245
	127,758,436	395,204

	2018	2017
	£	£
Amounts falling due after one year:		
Borrowings owed to group undertakings (Refer to Note 13)	204,968,634	-
	204,968,634	-

The carrying amount of £317,773,163 (2017: £281,352) relates to the fixed rate loan financing the hire purchase agreements (Refer to Note 8). Principal and interest payments were settled in cash and are made quarterly on a monthly basis on interest rates ranging from 0.06% to 0.41%. The fair value of these loans is £318,761,963.

The carry value of other payables approximates the fair value.

NOTES TO THE FINANCIAL STATEMENTS

12. SHARE CAPITAL

	2018 £	2017 £
Authorised:		
100 ordinary shares of £1 each	100	100
Issued and fully paid:		
100 ordinary shares of £1 each	100	100

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

13. RELATED PARTY TRANSACTIONS

During the year, the company entered into the following transactions with related parties within the group.

	Amounts owed by related parties		Amounts owed to related parties	
	2018 £	2017 £	2018 £	2017 £
Société Générale, London (including cash balances)	18,222,855	3,113,640	317,802,679	282,957
Société Générale, New York	-	-	114,722	-
	18,222,855	3,113,640	317,917,401	282,957

	Group interest paid		Group interest received	
	2018 £	2017 £	2018 £	2017 £
Société Générale, London	118,288	35,561	12,072	10,380
	118,288	35,561	12,072	10,380

	Income received from Limited Partnerships		Distributions received from Limited Partnerships	
	2018 £	2017 £	2018 £	2017 £
The Eiffel Limited Partnership	4,968	19,646	448,717	1,732,480
	4,968	19,646	448,717	1,732,480

SG Leasing (June) Limited is a subsidiary of SG Leasing (March) Limited whose immediate holding company is Société Générale Investments (U.K.) Limited.

Société Générale, London and Société Générale, New York are branches of Société Générale, which is incorporated in France.

NOTES TO THE FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS (Continued)

SG Leasing (June) Limited is a subsidiary of SG Leasing (March) Limited whose immediate holding company is Société Générale Investments (U.K.) Limited.

Société Générale, London and Société Générale, New York are branches of Société Générale, which is incorporated in France.

The ultimate holding company, controlling party and parent of the smallest and largest group for which group accounts are prepared is Société Générale (Refer to Note 15).

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

Funding obtained from Societe Generale London Branch, is in accordance with the Group wide policy on managing interest rate risk and liquidity risk (Refer Note 17).

No guarantees have been given or received.

For the year ended, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: £Nil).

Remuneration of key management personnel
The remuneration of the directors has been set out in Note 14.

Directors' transactions
There were no loans, quasi-loans or any other transactions carried out with the directors during the year other than what has already been disclosed in the directors report (2017: £Nil).

14. EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

The directors received no emoluments for services to the Company or SG Leasing (March) Limited during the year (2017: £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 2018 and 2017. All personnel who perform services are employed and remunerated by Société Générale London Branch.

15. HOLDING AND CONTROLLING COMPANY

The Company is a subsidiary of SG Leasing (March) Limited whose immediate holding company is Société Générale Investments (U.K.) Limited. Both companies are incorporated in Great Britain and registered in England and Wales.

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.

16. NOTES TO THE CASH FLOW STATEMENT

	2018 £	2017 £
(a) Reconciliation of cash		
Cash and bank balances	15,222,452	113,374
Short-term bank deposits	3,000,000	3,000,000
Cash and cash equivalents	18,222,452	3,113,374
(b) Reconciliation of profit on ordinary activities to cash from operating activities		
Profit on ordinary activities before tax	293,633	15,979
Adjusted for:		
Increase in finance lease receivables	(317,917,338)	-
Increase in other payables	14,896,211	-
Loss on termination of partnership	18	-
Interest expense	118,288	35,994
Interest income	(12,072)	(10,380)
Income from partnership	(4,968)	(19,646)
Operating cash flows before working capital changes	(302,626,228)	21,947
Cash flow from operations	(302,626,228)	21,947
Interest paid	(90,379)	(44,569)
Income taxes	(126,778)	(481,386)
Net cash flow used in operating activities	(302,843,385)	(504,008)

17. FINANCIAL INSTRUMENTS

The management of risks in relation to financial instruments is an integral part of Société Générale's (The Group) corporate culture. The risks encountered by the Company are managed on its behalf by Société Générale. 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 cash deposits with banks and finance lease receivables. 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; and
- Risk assessment departments are fully independent at each decision making level.

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (Continued)

i) Credit Risk (Continued)

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 cash deposits with banks 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 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.

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 is not significantly exposed to foreign currency risk. If the company enters into exposures other than Sterling then it will hedge these exposures with Société Générale.

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;

17. FINANCIAL INSTRUMENTS (Continued)

iv) Fair Values (Continued)

- 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.

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. Access to source of funding is sufficiently available at Group level.

The financial liabilities declared below include inter-company balances with, and subsidiaries of, the Company's ultimate parent company Société Générale.

(a) Maturity analysis of financial liabilities

	Less than 1 year		2 to 5 years		Greater than 5	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
Financial liabilities						
Borrowings owed to group undertakings	112,804,529	281,352	204,968,634	-	-	
Interest payable to group undertakings	29,516	1,607	-	-	-	
Other payables	14,896,211	-	-	-	-	
	127,730,256	282,959	204,968,634	-	-	

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

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS (Continued)

v) Liquidity Risk (Continued)

(b) Financial assets and liabilities held at amortised cost

	2018	2017
	£	£
Financial assets	336,140,193	3,557,407
Financial liabilities	332,698,890	282,959

It is Société Générale's treasury teams which 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 parent company, SG Leasing (March) Limited, 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

	2018	2017
	£	£
Share capital	100	100
Retained earnings	3,413,023	3,242,658
Total capital	3,413,123	3,242,758