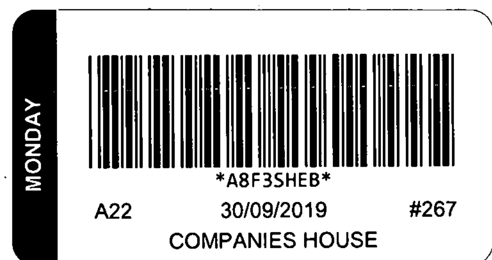
SG (MARITIME) LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018



COMPANY REGISTRATION NO. 04252674

CORPORATE INFORMATION

DIRECTORS

C.A. Hastings
N. C. Proudfoot
L. G. Sides

SECRETARY

K. Balinska-Jundzill

AUDITOR

Deloitte LLP
1 Little New Street
London
EC4A 3TR

BANKERS

Société Générale
SG House
41 Tower Hill
London
EC3N 4SG

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

SG House
41 Tower Hill
London
EC3N 4SG

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and financial statements and auditors' report, for the year ended 31 December 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 (Maritime) Leasing 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 04252674.

The principal activity of the Company is the provision of finance leases.

The Company entered into no new lease agreements during the period (2017: nil) (Refer to Note 6).

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 to be satisfactory. The company will continue to administer its portfolio of assets to increase 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.

RESULTS AND DIVIDEND

The Company made a profit after taxation of $161,617 (2017: loss $917,240). The results for the period are set out on page 8.

No dividends were paid in respect of the current accounting period (2017: nil).

FINANCIAL RISK MANAGEMENT

The Company's principal risk is financial risk which it is exposed to through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk and credit risk.

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this Company are credit, liquidity and cash flow risk. The risks relating to liquidity and cash flow are mitigated by the routine monitoring of key management information. Credit risk is monitored by the risk department of Société Générale London Branch. They regularly monitor the credit worthiness of clients and will advise the relevant officer in charge of the exposure if there is any deterioration in the credit status (Refer to Note 13).

The policy for managing capital is disclosed in Note 13 to the financial statements.

IMPACT OF BREXIT

Concerning the regulatory environment, and in particular Brexit, there has been a comprehensive Brexit impact exercise undertaken at SG London Branch in conjunction with an external legal firm. The Company's operations were included in the analysis and the outcome of the assessment on the Company's operations was that there would be no material impact after Brexit. As there are still possible outcomes of the current negotiations between the United Kingdom and the European Union, it is not possible at this stage to ascertain the full implications for the Company. Management will stay very close to the ongoing issues.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors who served during the period were:

N.C. Proudfoot
C.A. Hastings
L.G. Sides
P. Shields (resigned 20 May 2019)
S.D. Cook (resigned 5 April 2019)

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.

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 for a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DISCLOSURE OF INFORMATION PROVIDED TO AUDITOR

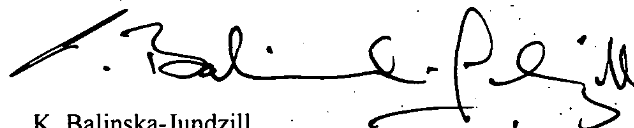
Each of the persons who is a director at the date of approval of this report confirms that:

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

APPOINTMENT OF AUDITORS

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

By order of the Board,



K. Balinska-Jundzill
Secretary

30 September 2019

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 (Maritime) Leasing Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 14.

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

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") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Directors for the financial 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 Report of the Directors.

Independent auditors' report to the members of SG (Maritime) Leasing 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 FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 September 2019

STATEMENT OF COMPREHENSIVE INCOME

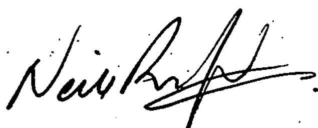
For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 US$	Period ended 8 November to 31 December 2017 US$
Continuing Operations			
Revenue	2	6,461,133	1,572,898
Interest expense	3a	(6,823,349)	(1,045,331)
Gross margin		(362,216)	527,567
Other gains/ losses	3	236,432	(288,062)
Administrative expenses	4	(12,766)	(2,679)
Operating (loss) / profit		(138,550)	236,826
(LOSS) / PROFIT BEFORE TAXATION		(138,550)	236,826
Tax credit / (charge)	5	300,167	(1,154,066)
PROFIT / (LOSS) AFTER TAXATION		161,617	(917,240)
Other Comprehensive Income / (loss)			
Other comprehensive income for the period net of tax		-	-
Total comprehensive income (loss) for the period net of tax		161,617	(917,240)
Income (loss) attributable to:			
Equity holders of the parent		161,617	(917,240)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		161,617	(917,240)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 US$	2017 US$
ASSETS			
NON-CURRENT ASSETS			
Finance lease receivables	6	168,622,526	182,125,958
		168,622,526	182,125,958
CURRENT ASSETS			
Finance lease receivables	6	16,992,778	11,134,807
Other receivables	7	-	76,337,797
Cash		1,274,133	617,199
Total current assets		18,266,911	88,089,803
TOTAL ASSETS		186,889,437	270,215,761
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	8	6,046,705	83,053,094
Other payables	8	1,964,353	7,497,039
Total current liabilities		8,011,058	90,550,133
NON-CURRENT LIABILITIES			
Borrowings	8	148,796,443	154,843,148
Deferred tax liability	8	27,162,500	21,666,988
Total non-current liabilities		175,958,943	176,510,136
TOTAL LIABILITIES		183,970,001	267,060,269
NET ASSETS		2,919,436	3,155,492
EQUITY			
Issued capital	10	104	104
Retained earnings		2,919,332	3,155,388
TOTAL EQUITY AND RESERVES		2,919,436	3,155,492

The financial statements were approved by the board of directors and authorised for issue on 30 September 2019. They were signed on its behalf by:



Director N. C. Proudfoot

The notes on pages 11 to 25 form an integral part of these financial statements.
The company registration number is 04252674.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share Capital	Retained Earnings	Total
	US$	US$	US$
Balance as at 8 November 2017	104	4,072,628	4,072,732
Total comprehensive loss for the period	-	(917,240)	(917,240)
Balance as at 31 December 2017	104	3,155,388	3,155,492
Effect of change in accounting policy for IFRS 9	-	(397,673)	(397,673)
Balance as at 1 January 2018 - as restated	104	2,757,715	2,757,819
Total comprehensive income for the period	-	161,617	161,617
Balance as at 31 December 2018	104	2,919,332	2,919,436

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding period is set out below. The details about the company such as country of incorporation and registration have been disclosed in the report of the directors.

(a) Basis of preparation

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

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

The financial statements are prepared on the historical cost basis.

Impact of application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRSs in advance of their effective dates. Details of these new requirements as well as their impact on Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The members of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 did not result in any significant change in classification and measurement. This is because the financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Impairment of financial assets (continued)

As a result, the Company has recognised $397,673 ECL on initial adoption of IFRS 9 which was recognised against opening Retained Earnings as at 1 January 2018.

Classification and measurement of financial liabilities

There were no changes to the Company's financial liabilities as these are all still measured at amortised cost.

(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.

(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.

(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.

(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.

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. 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.

1. ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

Financial assets

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:

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: maintained if the credit risk has not increased significantly	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. 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.

1. ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

c) Impairment of financial assets (continued)

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 date (behavioral scores, macroeconomic forecast scenarios, etc) to assess the counterpary'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.

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.

d) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

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.

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method. The Company's financial liabilities mostly consist of borrowings and other payables.

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.

(f) 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 areas requiring critical accounting estimates.

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.

Further details on deferred taxes are disclosed in Note 9.

2. REVENUE

	2018 US$	2017 US$
Finance income earned on finance leases	10,693,910	2,596,773
Interest adjustment	(4,629,572)	(1,127,663)
Other income	-	12,989
Interest Income	396,795	90,799
	6,461,133	1,572,898

3. PROFIT BEFORE TAXATION

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

	2018 US$	2017 US$
(a) Interest payable	6,823,349	1,045,331

$6,823,349 of the interest payable during the period was attributable to group companies (2017: $1,045,331)

	2018 US$	2017 US$
(b) Recovery of impairment	236,432	-
(c) Loss on disposal of leases (refer to note 6)	-	288,062

(d) Auditor's remuneration - audit fees
Audit fees payable for the audit of the Company's annual financial statements amounted to US$32,000 (2017: US$27,035).

4. OTHER OPERATING EXPENSES

	2018 US$	2017 US$
Other expenses	4,593	-
Net foreign exchange losses	8,173	2,679
	12,766	2,679

Other operating expenses mainly relate to management charges incurred by the Company during the period.

5. TAXATION

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

	2018 US$	2018 US$	2017 US$	2017 US$
Corporation tax:				
Corporation tax charge for the period		(3,659,327)		16,697,048
Foreign exchange movements		(349,381)		345,875
Adjustments in respect of prior periods		(1,786,971)		2
Total current tax charge		(5,795,679)		17,042,925
Deferred tax:				
Origination and reversal of temporary differences				
Current period deferred tax movement	3,723,113		(16,658,613)	
Adjustments in respect of prior periods	1,787,665		1	
Effect of change in tax rate	(15,266)		769,753	
		5,495,512		(15,888,859)
Tax (credit) / charge on ordinary activities		(300,167)		1,154,066

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

	US$	US$
(Loss) / profit before tax	(138,550)	236,826
Tax on (loss) / profit at standard rate of 19%	(26,325)	44,141
Factors affecting the charge:		
Disallowable expenses	91	-
Non-taxable credits	(10,635)	-
Transfer pricing adjustments	100,655	(5,705)
Foreign exchange movements	(349,381)	345,875
Prior year adjustments	694	2
Change of tax rate	(15,266)	769,753
	(300,167)	1,154,066

6. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease	
	2018 US$	2017 US$	2018 US$	2017 US$
Amounts receivable under finance leases:				
Within one year	17,505,507	18,389,284	16,992,778	11,134,807
In the second to fifth years inclusive	188,498,328	206,887,611	168,622,526	182,125,958
	206,003,835	225,276,895	185,615,304	193,260,765
Less: unearned finance income	(20,388,530)	(32,016,130)	-	-
Present value of minimum lease payments receivable	185,615,304	193,260,765	185,615,304	193,260,765
Loss allowance for uncollectable lease payments	(161,241)	-	(161,241)	-
	185,454,063	193,260,765	185,454,063	193,260,765
Analysed as:				
Non-current finance lease receivables (Recoverable after 12 months)			168,622,526	182,125,958
Current finance lease receivables (Recoverable within 12 months)			16,831,537	11,134,807
			185,454,063	193,260,765

The Company did not enter into any new finance lease agreements during the period (2017: $nil). The average total lease term is 2 years (2017: 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 2017: $nil) on account of guarantees and collateral placed on behalf of the lessee.

The Company's leases are subject to variation in interest rates based on changes in LIBOR. During the year, the amount of variation amounts to $4,629,572 (2017: $1,127,663).

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 nor 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.

6. FINANCE LEASE RECEIVABLES (continued)

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets:

	12m ECL Leases US$	Total US$
Balance as at 31 December 2017 under IAS 39	-	-
Adjustment upon application of IFRS 9	(397,673)	(397,673)
Balance as at 1 January 2018	(397,673)	(397,673)
Net decrease in loss allowance during the year	236,432	236,432
Balance as at 31 December 2018	(161,241)	(161,241)

7. LOANS AND OTHER RECEIVABLES

	2018 US$	2017 US$
Amounts falling due within a year:		
Deposits with group companies	-	76,261,319
Interest receivable on deposits	-	76,478
	-	76,337,797

The deposit held at the end of 2017 with Société Générale Paris of $76,261,319 matured 12 January 2018, it continued rolling monthly until 13 April 2018. The interest received boar interest with a margin of 0.09% plus Libor. There were no further deposits in 2018.

8. BORROWINGS AND OTHER PAYABLES

		2018 US$	2017 US$
Amounts falling due within a year:			
Borrowings		6,046,705	83,053,094
Interest payable due to group undertakings		1,419,784	867,836
Other payables		161,241	439,191
Deferred income		317,017	317,017
Corporation tax		66,311	5,872,995
		8,011,058	90,550,133
Amounts falling due after a year:			
Borrowings		148,796,443	154,843,148
Deferred tax liability	9	27,162,500	21,666,988
		175,958,943	176,510,136

Borrowings comprise of variable rate loans of $154,843,148 (2017: $237,896,242) financing the investment in finance lease receivables (refer to note 6). Principal and interest payments are settled in cash and are made quarterly based on a 3 month Libor plus spread.

The variable loan of $154,843,148 (2017: $237,896,242) approximates the fair value.

The directors consider that the remaining carrying amount of other payables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

9. DEFERRED TAXATION

(a) Analysis of deferred tax balances

	2018 US$	2017 US$
Accelerated capital allowances	27,162,498	27,754,389
Losses	-	(6,087,403)
Total provision, without discounting	27,162,498	21,666,986

(b) Analysis of movement in provision

	2018 US$	2017 US$
Provision at start of period	21,666,986	37,555,845
Deferred tax charged to profit and loss for the period	5,495,512	(15,888,859)
Deferred tax liability at end of period	27,162,498	21,666,986

(c) Effect of reduction in rate of Corporation Tax

Legislation was introduced in Finance (No. 2) Act 2015 to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017. A further measure in Finance Act 2016 enacted a reduction in the main rate of corporation tax to 17% from 1 April 2020. These reductions are taken into account in calculating the deferred tax liability disclosed in the accounts.

10. SHARE CAPITAL AND EQUITY

	2018 US$	2017 US$
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.

11. EMPLOYEES COST AND DIRECTORS' EMOLUMENTS

The directors received no emoluments for services to the Company or Société Générale (its parent) during the period (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 either period. All personnel who perform services are employed and remunerated by Société Générale London Branch.

12. HOLDING AND CONTROLLING COMPANY

The Company's immediate parent company is TH Investments (Hong Kong) I Limited, a company incorporated 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 financial statements may be obtained from the registered office at 29 Boulevard Haussmann, 75009 Paris, France.

13. FINANCIAL INSTRUMENTS

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

The main risks incurred in the Company's activities are as follows:

i) Credit Risk

The Company's principal financial assets exposed to credit risk are finance lease receivables. 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.

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 granted. 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.

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

13. FINANCIAL INSTRUMENTS (continued)

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:

2018	Note	External credit rating	Internal credit rating	12m ECL or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					US$	US$	US$
Finance lease receivables	6	4-	Stage 1 (a)	12m ECL	185,615,304	(161,241)	185,454,063

(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.

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 most balances are held in USD.

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.

13. FINANCIAL INSTRUMENTS (continued)

iv) Fair Values (continued)

The following 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.

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 as well as third party borrowings.

(a) Maturity analysis of financial liabilities

	Less than 1 year		1 to 5 years	
	2018	2017	2018	2017
	US$	US$	US$	US$
Financial Liabilities				
Amounts owed to group undertakings	6,046,705	83,053,094	148,796,443	154,843,148
Interest payable to group companies	1,419,784	867,836	-	-
Other borrowings	161,241	439,191	-	-
	7,627,730	84,360,121	148,796,443	154,843,148

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

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and liabilities held at amortised cost

	2018 US$	2017 US$
Financial assets	186,889,436	270,215,761
Financial liabilities	156,424,173	239,203,269

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 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

	2018 US$	2017 US$
Share Capital	104	104
Additional capital contribution	-	5,149,755
Retained earnings	2,919,332	(1,994,367)
Total capital	2,919,436	3,155,492

14. RELATED PARTIES

The Company's immediate parent company is TH Investments (Hong Kong) 1 Limited (incorporated in Hong Kong). SG (Maritime) Leasing 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.