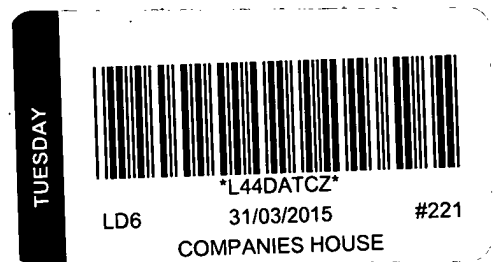


TH STRUCTURED ASSET FINANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
30 JUNE 2014



COMPANY REGISTRATION NO. 03051085

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

CORPORATE INFORMATION

DIRECTORS

N. M. Dent
N.C. Proudfoot
S. Fowler
M.A Nimmo
S. Cook
C.A. Hastings

SECRETARY

K. Balinska-Jundzill

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

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

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the financial statements and auditors' report, for the year ended 30 June 2014.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

TH Structured Asset Finance Limited is a company incorporated in the United Kingdom under the Companies Act 2006. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The principal activity of the company is the provision of leasing and fixed asset finance.

The company registration number is 03051085.

On 4 July 2013, the company invested in two Limited Partnerships, acquiring 0.5% interests in The Mars Maritime and The Saturn Maritime Limited Partnerships for an amount of £35,008. This interest was acquired from a fellow group subsidiary, SG Leasing (December) Limited (Refer to Note 8).

On 10 July 2013, the company exited its lease transaction. An amount of £1,280,131 was received and a pre-tax loss of £12,619,270 was recognised (Refer to Note 4).

The company entered into a new leasing agreement during the year for £1,237,717 (2013: £nil) (Refer to Note 9).

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

The directors consider the results for the year to be 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 current deterioration in the economic environment has not had a significant impact on the Company's activities. The Company has secure 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.

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

RESULTS AND DIVIDEND

The company made a loss on ordinary activities after taxation of £9,694,551 (2013 profit: £13,890,899). The results for the year are set out on page 7.

The company made a dividend payment of two million pounds per share amounting to £4,000,000 for the year (2013: £nil). (Refer to Note 14).

POST BALANCE SHEET EVENTS

On 22 December 2014 the leased asset was refinanced and the existing lease in each of The Mars and Saturn Maritime Limited Partnerships was terminated. The termination sum of £8,648 and £8,311 respectively was received by TH Structured Asset Finance Limited. Following refinancing of the underlying leases, the Mars and Saturn Maritime Limited Partnerships changed functional currency to US dollars, and TH Structured Asset Finance Limited retained 0.5% shares in each of The Mars and Saturn Maritime Limited Partnerships amounting to \$146,750 each.

On 30 December 2014, the Company sold a 0.499% share in each of The Mars and Saturn Maritime Limited Partnerships to SG Leasing IX and 0.001% share in each of The Mars and Saturn Maritime Limited to SG Leasing (USD) Limited for the total of \$146,456.50 and \$293.50 respectively (Refer to Note 20). There was no gain or loss arising on the sale:

REPORT OF THE DIRECTORS (Continued)

FINANCIAL RISK MANAGEMENT

The company's principal risk is financial risk which it is exposed to through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk and credit risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit, liquidity and cash flow risk. The risks relating to liquidity and cash flow are mitigated by the routine monitoring of key management information. Credit risk is monitored by the risk department of Société Générale London Branch. They regularly monitor the credit worthiness of clients and will advise the relevant officer in charge of the exposure if there is any deterioration in the credit status (Refer to Note 19).

DIRECTORS

The directors who served during the year were:

S. Cook
N. Dent
S. Fowler
C. Hastings
M. Nimmo
N. Proudfoot

LIABILITY INSURANCE FOR COMPANY OFFICERS

The company has taken out liability insurance as permitted under Part 10 of the Companies Act 2006 to cover 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. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DISCLOSURE OF INFORMATION PROVIDED TO AUDITORS


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 auditors are 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 auditors are aware of that information.

APPOINTMENT OF AUDITORS

Ernst & Young LLP were appointed and they have expressed their willingness to continue in office. A resolution to reappoint them as auditors of the Company will be proposed at the forthcoming SG Group Annual General Meeting.

By order of the Board,


K. Balinska-Jundzill
Secretary

27 March 2015

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 year. 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;
- 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.

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

Independent auditors' report to the members of TH Structured Asset Finance Limited

We have audited the Company financial statements of TH Structured Asset Finance Limited for the year ended 30 June 2014 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 20. 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.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP.

James Bateman (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London

27 March 2015

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TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 £	9 months to 30 June 2013 £
Continuing Operations			
Revenue	2	15,691	595,858
Interest expense	6b	(27,987)	(780,416)
Interest receivable	6c	454,619	207,468
Gross margin		442,323	22,910
Other operating income	3	532	15,342,991
Other operating expenses	4	(13,043,442)	(168,689)
Operating (loss) / profit		(12,600,587)	15,197,212
Investment revenues	5	2,100	-
Interest receivable	6c	-	1,005
(LOSS) / PROFIT BEFORE TAXATION		(12,598,487)	15,198,217
Tax	7	2,903,936	(1,307,318)
(LOSS) / PROFIT FOR THE PERIOD		(9,694,551)	13,890,899
Other Comprehensive Income			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year net of tax		(9,694,551)	13,890,899
(Loss) / Profit attributable to:			
Equity holders of the parent		(9,694,551)	13,890,899
Total comprehensive (loss) / income attributable to:			
Equity holders of the parent		(9,694,551)	13,890,899

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	2014 £	2013 £
ASSETS			
NON-CURRENT ASSETS			
Finance lease receivables	9	810,584	-
		<hr/> 810,584	<hr/> -
CURRENT ASSETS			
Other Investments	8	23,040	-
Finance lease receivables	9	427,133	14,166,901
Other receivables	10	98,415	4,969,337
Cash and cash equivalents		1,323,566	15,837,332
		<hr/> 1,872,154	<hr/> 34,973,570
TOTAL ASSETS		<hr/> 2,682,738	<hr/> 34,973,570
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	11	420,267	15,098,437
Other payables	11	7,609	1,854,581
Deferred tax liability	12	1	2,896,833
		<hr/> 427,877	<hr/> 19,849,851
NON-CURRENT LIABILITIES			
Borrowings	11	825,693	-
		<hr/> 825,693	<hr/> -
TOTAL LIABILITIES		<hr/> 1,253,570	<hr/> 19,849,851
NET ASSETS		<hr/> 1,429,168	<hr/> 15,123,719
EQUITY			
Share capital	13	2	2
Retained earnings		1,429,166	15,123,717
TOTAL EQUITY AND RESERVES		<hr/> 1,429,168	<hr/> 15,123,719

The financial statements were approved by the board of directors and authorised for issue on 27 March 2015.
They were signed on its behalf by:



Director C. A. Hastings

The notes on pages 11 to 26 form an integral part of these financial statements.

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance as at 30 September 2012	2	1,232,818	1,232,820
Total comprehensive income for the period	-	13,890,899	13,890,899
Balance as at 30 June 2013	2	15,123,717	15,123,719
Total comprehensive income for the year	-	(9,694,551)	(9,694,551)
Dividends paid	-	(4,000,000)	(4,000,000)
Balance as at 30 June 2014	2	1,429,166	1,429,168

TH STRUCTURED ASSET FINANCE LIMITED
YEAR ENDED 30 JUNE 2014

CASH FLOW STATEMENT

For the year ended 30 June 2014

	<u>Notes</u>	<u>2014</u> £	<u>2013</u> £
Net cash flow (used in) / from operating activities	18b	(1,640,035)	1,583,137
<u>Investing activities</u>			
Interest received		480,722	203,250
Acquisition of investments		(35,008)	-
Income and distributions from partnerships		14,068	-
Net cash flow from investing activities		459,782	203,250
<u>Financing activities</u>			
Dividends paid		(4,000,000)	-
Loan raised		1,257,035	15,281,908
Repayments of borrowings		(10,590,548)	(1,793,403)
Net cash flow (used in) / from financing activities		(13,333,513)	13,488,505
Net (decrease) / increase in cash and cash equivalents		(14,513,766)	15,274,892
Cash at the beginning of the year		15,837,332	562,441
Cash at the end of the year	18a	1,323,566	15,837,332

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, except for the revaluation of financial instruments held at fair value.

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 9 Financial Instruments (issued 2009 and 2010) is effective for annual periods beginning on or after 1 January 2015.
- Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27) are effective for annual period beginning on or after 1 January 2014.
- IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 is effective for annual period beginning on or after 1 January 2014.
- IFRIC Interpretation 21 Levies (IFRIC 21) is effective for annual periods beginning on or after 1 January 2014.
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 are effective for annual periods beginning on or after 1 January 2014.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements.

At the date of authorisation of these financial statements, the following amended IFRS and IFRIC interpretations have been applied in these financial statements. The adoption of these Standards and Interpretations had no impact on the financial statements.

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans - Amendments to IFRS 1
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (Revised 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs - 2009-2011 Cycle:
- IFRS 1 – Repeat application of IFRS 1
- IFRS 1 – Borrowing Costs
- IAS 1 – Clarification of the requirement for comparative information
- IAS 16 – Classification of servicing equipment
- IAS 32 – Tax effects of distributions to holders of equity instruments
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(b) Finance leases

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

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

Leases are categorised as loans and receivables.

(c) Revenue

Revenue comprises of finance lease income and net sales proceeds.

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.

The net sales proceeds represent the gross sales proceeds less the rental rebate (the major part of sales proceeds received, usually 99%).

(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.

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.

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.

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.

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. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. Other receivables are categorised as loans and receivables.

Other payables and long-term payables

Other payables and long-term payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Other payables and long-term payables 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) Significant accounting judgements, estimates and assumptions

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

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

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

Taxes (Continued)

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. 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 12.

2. REVENUE

	<u>2014</u> <u>£</u>	<u>9 months</u> <u>to 30 June</u> <u>2013</u> <u>£</u>
Finance income earned on finance leases	15,691	595,858
	<u>15,691</u>	<u>595,858</u>

Income has been derived from activities within the UK.

3. OTHER OPERATING INCOME

	<u>2014</u> <u>£</u>	<u>9 months</u> <u>to 30 June</u> <u>2013</u> <u>£</u>
Amortisation of consent fees	532	641
Loan waiver	-	15,342,350
	<u>532</u>	<u>15,342,991</u>

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER OPERATING EXPENSES

	<u>2014</u>	<u>9 months to 30 June 2013</u>
	<u>£</u>	<u>£</u>
Other operating expenses	(424,172)	(168,689)
Loss on termination of lease assets	(12,619,270)	-
	<u>(13,043,442)</u>	<u>(168,689)</u>

On 10 July 2013, the company exited its lease transaction. An amount of £1,280,131 was received and a pre-tax loss of £12,619,270 was recognised. At the same time, the parent company TH Investments (Hong Kong) 2 received a compensation payment of £10,854,962 from the third party which offset the loss at the group level.

5. INVESTMENT REVENUE

	<u>2014</u>	<u>9 months to 30 June 2013</u>
	<u>£</u>	<u>£</u>
Income received from partnerships (Refer to Note 8)	2,100	-
	<u>2,100</u>	<u>-</u>

6. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss) / profit on ordinary activities before taxation is stated after (charging) / crediting:

	<u>2014</u>	<u>9 months to 30 June 2013</u>
	<u>£</u>	<u>£</u>
(a) Auditors' remuneration - audit fees	-	-
<p>Audit fees payable for the audit of the company's annual financial statements amounted to £12,000 (2013: £9,000). These fees are paid by the ultimate parent company, Société Générale.</p>		
(b) Interest payable. All of the interest payable during the year was attributable to group companies (2013: £627,159) (Refer to Note 15).	(27,987)	(780,416)
(c) Interest receivable. All of the interest receivable during the year was attributable to group companies (2013: £207,468) (Refer to Note 15).	454,619	208,473

NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION

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

	<u>2014</u>	<u>2014</u>	<u>9 months</u> <u>to 30 June</u>	<u>9 months</u> <u>to 30 June</u>
	<u>£</u>	<u>£</u>	<u>2013</u>	<u>2013</u>
			<u>£</u>	<u>£</u>
Corporation tax:				
Corporation tax credit / (charge) for the period		6,974		(340,372)
Adjustments in respect of prior periods		130		(1,335,158)
Total current tax credit / (charge)		7,104		(1,675,530)
Deferred tax:				
Origination and reversal of temporary differences				
Current period movement	2,834,154		378,885	
Adjustments in respect of prior periods	(130)		-	
Effect of change in tax rate	62,808		(10,673)	
		2,896,832		368,212
Tax credit / (charge) on ordinary activities		2,903,936		(1,307,318)

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

	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>
(Loss) / Profit on ordinary activities before taxation	(12,598,487)	15,198,217
Tax on loss / (profit) on ordinary activities at standard rate of 22.50% (30 June 2013: 23.67%)	2,834,832	(3,596,911)
Factors affecting the credit / (charge):		
Disallowable expenses	-	(71)
Non-taxable credits	-	3,631,023
Partnership adjustments	1,188	-
Transfer pricing adjustments	5,108	4,472
Change of tax rate	62,808	(10,673)
Prior Year Adjustments	-	(1,335,158)
	2,903,936	(1,307,318)

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS

The company has the following investment undertakings:

	<u>Country of Incorporation</u>	<u>Holding</u>	<u>%</u>
		Partnership income & profit share	
The Mars Maritime Limited Partnership	Great Britain		0.5%
		Partnership income & profit share	
The Saturn Maritime Limited Partnership	Great Britain		0.5%
		<u>2014</u> <u>£</u>	<u>2013</u> <u>£</u>
Opening balance		-	-
Additions during the period:		35,008	-
The Mars Maritime Limited Partnership		17,836	-
The Saturn Maritime Limited Partnership		17,172	-
Distributions and movements during the period:		(14,068)	-
The Mars Maritime Limited Partnership		(7,171)	-
The Saturn Maritime Limited Partnership		(6,897)	-
Income received from partnership (Refer to Note 5):		2,100	-
The Mars Maritime Limited Partnership		1,076	-
The Saturn Maritime Limited Partnership		1,024	-
Closing balance		23,040	-
Analysed as:			
Non-current investments (Recoverable after 12 months)		-	-
Current investments (Recoverable within 12 months)		23,040	-
		23,040	-

The principal activities of the partnerships is the provision of ship leasing.

On 04 July 2013, the company acquired a 0.5% share interest in The Mars and The Saturn Maritime Limited Partnership from SG Leasing December Limited for £17,836 and £17,172 respectively. The Company is a General Partner of the Partnerships.

During the year the company received distributions of £7,171 and £6,897 from The Mars and The Saturn Maritime Limited Partnerships and recognised income of £1,076 and £1,024 respectively.

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCE LEASE RECEIVABLES

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts receivable under finance leases:				
Within one year	435,001	15,000,441	427,133	14,166,901
In the second to fifth years inclusive	870,002	-	810,584	-
After five years	-	-	-	-
	<u>1,305,003</u>	<u>15,000,441</u>	<u>1,237,717</u>	<u>14,166,901</u>
Less: unearned finance income	(67,286)	(833,540)	-	-
Present value of minimum lease payments receivable	<u>1,237,717</u>	<u>14,166,901</u>	<u>1,237,717</u>	<u>14,166,901</u>
Analysed as:				
Non-current finance lease receivables (Recoverable after 12 months)			810,584	-
Current finance lease receivables (Recoverable within 12 months)			427,133	14,166,901
			<u>1,237,717</u>	<u>14,166,901</u>

On 10 July 2013, the company terminated its lease. A termination sum of £1,280,131 was received, resulting in a pre-tax loss of £12,619,270 (Refer to Note 4).

The company entered into a new finance lease agreements during the year amounting to £1,237,717 (2013: £nil). The average lease term is 3 years, with rentals payable annually in advance.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated as £nil (2013: £nil) on account of guarantees and collateral placed on behalf of the lessee.

The average effective interest rate contracted approximates 3.46% (2013: 5.34%) per annum.

The approximate fair value of these finance lease receivables is £1,281,533 (2013: £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.

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RECEIVABLES

	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Amounts owed by group undertakings (Refer to Note 15)	-	4,518,964
Interest receivable from group companies (Refer to Note 15)	98	26,201
Other debtors	-	424,172
Corporation tax	98,317	-
	<u>98,415</u>	<u>4,969,337</u>

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

During the year, £424,172 being the unamortised portion of the £840,000 premium paid by the company in 2011 to secure its funding arrangements with SG London branch, has been written off.

The unamortised balance of £424,172 is included in the operating expenses for the year (Refer to Note 4).

11. BORROWINGS AND OTHER PAYABLES

	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Borrowings owed to group undertakings (Refer to Note 15)	420,267	15,098,437
Interest payable to group companies (Refer to Note 15)	7,609	62,605
Rentals received in advance	-	267,500
Other trade payables	-	12,885
Corporation tax	-	1,511,591
	<u>427,876</u>	<u>16,953,018</u>
Amounts falling due after one year:		
Borrowings owed to group undertakings (Refer to Note 15)	825,693	-
	<u>825,693</u>	<u>0</u>

The directors consider that the fair value of the fixed rate loans is £1,232,488 (2013: £12,419,752). The carrying value of these loans amounted to £1,222,027 (2013: £12,400,000).

The variable loans of £23,934 approximate their fair value (2013: £2,698,436).

The fixed and variable loans form part of the amounts owed to group undertakings balance above.

NOTES TO THE FINANCIAL STATEMENTS

12. DEFERRED TAXATION

	<u>2014</u> £	<u>2013</u> £
(a) <u>Analysis of deferred tax balances</u>		
Accelerated capital allowances	-	2,896,259
Short term temporary differences	1	574
	<hr/>	<hr/>
Total liability	1	2,896,833
	<hr/>	<hr/>
	<u>2014</u> £	<u>2013</u> £
(b) <u>Analysis of movement in deferred tax liability</u>		
Liability at beginning of year	2,896,833	3,265,045
Deferred tax debit to profit and loss for the year	(2,896,832)	(368,212)
	<hr/>	<hr/>
Deferred tax liability at end of year	1	2,896,833
	<hr/>	<hr/>

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

Legislation was introduced in Finance Act 2012 to reduce the main rate of corporation tax from 26% to 24% with effect from 1 April 2012, and to 23% with effect from 1 April 2013. The effect of this reduction is reflected in the deferred tax liability disclosed in the accounts. The UK Government has also legislated in the Finance Act 2013 to reduce the rate by a further 2%, to 21% with effect from 1 April 2014 and by a further 1%, to 20% with effect from 1 April 2015.

The directors estimate that the effect of these changes will be to reduce the company's deferred tax liability by £nil (2013: £nil).

13. SHARE CAPITAL

	<u>2014</u> £	<u>2013</u> £
Issued and fully paid:		
2 ordinary shares of £1 each, fully paid	2	2
	<hr/>	<hr/>

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

14. DIVIDENDS

	<u>2014</u> £	<u>2013</u> £
Declared and paid during the year:		
Dividends on ordinary shares:		
Interim dividend two million pounds per share (2013: nil)	4,000,000	-
	<hr/>	<hr/>
	4,000,000	-
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS

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

	<u>Amounts owed by related parties</u>		<u>Amounts owed to related parties</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
SG London Branch	1,323,664	20,382,497	1,253,569	15,161,042
	<u>1,323,664</u>	<u>20,382,497</u>	<u>1,253,569</u>	<u>15,161,042</u>
	<u>Group interest paid</u>		<u>Group interest received</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
SG London Branch	27,987	102,379	454,619	208,473
ACR	-	524,780	-	-
	<u>27,987</u>	<u>627,159</u>	<u>454,619</u>	<u>208,473</u>

ACR Limited is a subsidiary of Société Générale Investments (U.K.) Limited who is a subsidiary of Société Générale.

Société Générale London is a branch 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 17).

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

The amounts outstanding are unsecured and have no fixed date of repayment, settlement occurs in cash. Certain amounts are interest free.

Inter-company balances with similar counterparties have not been netted off due to differing contractual terms and the lack of intention to settle the balances concurrently.

For the year ended, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2013: £nil).

No guarantees have been given or received.

Remuneration of key management personnel

The remuneration of the directors, has been set out in Note 16.

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 (2013: £nil).

NOTES TO THE FINANCIAL STATEMENTS

16. EMPLOYEES COST AND DIRECTORS' EMOLUMENTS

The directors received no emoluments for services to the company or TH Investments (Hong Kong) 2 Limited during the year (2013: £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.

17. HOLDING AND CONTROLLING COMPANY

The company is a subsidiary of TH Investments (Hong Kong) 2 Limited (incorporated in Hong Kong) whose immediate holding company is Société Générale Investments (U.K.) Limited, 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.

18. NOTES TO THE CASHFLOW STATEMENT

	<u>2014</u>	<u>2013</u>
	£	£
(a) <u>Reconciliation of cash</u>		
Cash at bank and in hand	1,323,566	15,837,332
(b) <u>Reconciliation of (loss) / profit on ordinary activities to cash from operating activities</u>		
(Loss) / Profit on ordinary activities before tax	(12,598,487)	15,198,217
Adjusted for:		
Interest receivable	(454,619)	(208,473)
Interest expense	27,987	780,416
Investment income	(2,100)	-
Loan waiver	-	(15,342,350)
Operating cash flows before working capital changes	(13,027,219)	427,810
Decrease in finance lease receivables	12,929,184	1,811,642
Decrease in other receivables	424,172	176,703
Decrease in other payables	(280,385)	(642)
Cash flow from operations	45,752	2,415,513
Interest paid	(82,983)	(728,184)
Income taxes	(1,602,804)	(104,192)
Net cash flow from (used in) / from operating activities	(1,640,035)	1,583,137

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS

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

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

i) Credit Risk

The Company's principal financial assets exposed to credit risk are finance lease receivables and other 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.
- Risk assessment departments are fully independent at each decision making level.

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

The maximum credit risk that the Company is exposed to, without taking into account any collateral held or other credit enhancements, is the gross carrying amount of finance leases receivables and other receivables 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.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (Continued)

ii) Market Risk: Interest Rate Risk and Sensitivity Analysis

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

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

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

iii) Currency Risk

The Company has limited exposure to foreign currency risk as all balances are held in Sterling.

iv) Fair Values

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.

v) Liquidity Risk

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

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

(a) Maturity analysis of financial liabilities

	<u>Less than 1 year</u>		<u>2 to 5 years</u>		<u>Greater than 5 years</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Financial liabilities						
Amounts owed to group undertakings	420,267	15,098,437	825,693	-	-	-
Interest payable to group companies	7,609	62,605	-	-	-	-
Rentals received in advance	-	267,500	-	-	-	-
Corporation tax	-	1,511,591	-	-	-	-
Other trade payables	-	12,885	-	-	-	-
	<u>427,876</u>	<u>16,953,018</u>	<u>825,693</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and liabilities held at amortised cost

	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>
Financial assets	1,336,132	19,136,238
Financial liabilities	1,253,569	16,953,018

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 ameliorated by its membership of the Société Générale group, which through its other subsidiaries, achieves suitable diversification.

vii) Capital Management Policies and Procedures

The Company's capital management objectives are:

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

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

Capital structure

	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>
Share capital	2	2
Retained earnings	1,429,166	15,123,717
Total capital	1,429,168	15,123,719

NOTES TO THE FINANCIAL STATEMENTS

20. POST BALANCE SHEET EVENTS

On 22 December 2014 the leased asset was refinanced and the existing lease in each of The Mars and Saturn Maritime Limited Partnerships was terminated. The termination sum of £8,648 and £8,311 respectively was received by TH Structured Asset Finance Limited. Following refinancing of the underlying leases, the Mars and Saturn Maritime Limited Partnerships changed functional currency to US dollars, and TH Structured Asset Finance Limited retained 0.5% shares in each of The Mars and Saturn Maritime Limited Partnerships amounting to \$146,750 each.

On 30 December 2014, the Company sold a 0.499% share in each of The Mars and Saturn Maritime Limited Partnerships to SG Leasing IX and 0.001% share in each of The Mars and Saturn Maritime Limited to SG Leasing (USD) Limited for the total of \$146,456.50 and \$293.50 respectively. There was no gain or loss arising on the sale.