Company Registered No: 01628589

AV ASSET FINANCE LIMITED

(Formerly Lombard Corporate Finance (4) Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 27 February 2015

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Directors
Mr Stephen James Ullman
Mr Andrew Spyridon Paizes

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 27 February 2015.

The Directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies' exemption.

Results and dividends

The loss after tax for the year amounted to €69,640 (period ended 27 February 2014: profit after tax of €4,045,899). No dividend was paid during the year and the Directors do not recommend a final dividend to be paid (period ended 27 February 2014: interim dividend of €704,964 was paid and an interim distribution in specie of €3,707,456).

Principal activities and review of the business

The Company's principal activity continues to be the provision of fixed asset finance.

The Company expects to enter into future leasing arrangements that produce a net margin of over 3%. The Directors are actively looking for further leasing opportunities. The Company entered into a Master Sale and Purchase Agreement with Leasedirect Finance Limited ("**LDF**") on 3rd May 2013, under which LDF sold the rights and obligations under various leases to the Company.

Going concern

Arunvill Capital Limited, an affiliated company, has agreed to provide financial support for at least 12 months from the date of signing these financial statements. Also, on the basis of the future business plan the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly these financial statements are prepared on a going concern basis.

Principal risks and uncertainties

The Company receives funding for its activities from Arunvill Capital Limited.

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 15 to these financial statements.

The Company seeks to minimise its exposure to external financial risks other than equity and credit risk, further information on financial risk management policies and exposures is disclosed in note 15.

Directors

The Directors who served during the year were as follows:

	Appointed	Resigned
Mr Stephen Ullman	14 March 2013	-
Mr Andrew Paizes	14 March 2013	-

None of the Directors have any interests in the share capital of the Company.

DIRECTORS' REPORT (continued)

Political and charitable contributions

The Company has not made any charitable or political donations during the current or previous financial years.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Auditors

Ernst & Young LLP were reappointed as auditors of the Company under Section 487 of Companies Act 2006.

Signed on behalf of the Board of Directors by:

Stephen Ullman
Director
29 March 2016

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

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) 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 the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Company;
- select suitable accounting policies in accordance with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

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.

Stephen Ullman
Director
29 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AV ASSET FINANCE LIMITED

We have audited the financial statements of AV Asset Finance Limited for the year ended 27 February 2015 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Director's Report and Financial Statements to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 27 February 2015 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 prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AV ASSET FINANCE LIMITED (continued)

Opinion on other matter 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.

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.

Ernst & Young LLP

Javier Faiz (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
London
29 March 2016

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 27 February 2015

Continuing operations	Notes	Year ended 27 February 2015 €	14 March 2013 to 27 February 2014 €
Revenue	3	(542)	4,030,436
Other Income	4	-	18,404
Operating expenses	5	(68,592)	(60,788)
Operating (loss)/profit		(69,134)	3,988,052
Finance income	6	-	13,246
Finance costs	7	(506)	(10,925)
(Loss)/profit before tax		(69,640)	3,990,373
Tax credit	8	-	55,526
(Loss)/profit for the year/period		(69,640)	4,045,899

The accompanying notes form an integral part of these financial statements.

Continuing operations

The results in the above period ends are derived from continuing operations.

Statement of total recognised gains and losses

The Company has no recognised gains or losses other than the (losses) for the above period ends.

STATEMENT OF FINANCIAL POSITION
as at 27 February 2015

	Notes	27 February 2015 €	27 February 2014 €
Assets			
Non-current assets			
Finance lease receivables	10	1,382	23,219
Current assets			
Finance lease receivables	10	20,884	18,369
Loan receivables	11	103,433	101,731
Trade and other receivables		2,007	3,557
Cash and cash equivalents	16	4,432	14,886
		130,756	138,543
Total assets		132,138	161,762
Liabilities			
Current liabilities			
Borrowings	12	41,470	61,123
Accruals and other liabilities	13	82,167	26,129
		123,637	87,252
Non-current liabilities			
Borrowings	12	28,921	25,290
		28,921	112,542
Total liabilities		152,558	112,542
Equity			
Share capital	17	242	242
Translation reserve		(25)	(25)
Retained earnings		(20,637)	49,003
Total equity		(20,420)	49,220
Total liabilities and equity		132,138	161,762

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2016 and signed on its behalf:

Stephen Ullman
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 27 February 2015

	Notes	Share capital €	Translation Reserve €	Retained earnings €	Total €
At 13 March 2013		242	(25)	415,524	415,741
Profit for the period		-	-	4,045,899	4,045,899
Dividends paid	9	-	-	(4,412,420)	(4,412,420)
At 27 February 2014		242	(25)	49,003	49,220
Loss for the year		-	-	(69,640)	(69,640)
At 27 February 2015		242	(25)	(20,637)	(20,420)

Total comprehensive loss for the year ended 27 February 2015 of €69,640 (period to 27 February 2014: Comprehensive income of €4,045,899) was wholly attributable to the owners of the Company.

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 27 February 2015

	Note	Year ended 27 February 2015 €	14 March 2013 to 27 February 2014 €
Operating activities			
(Loss)/profit before tax		(69,640)	3,990,374
Adjustments for:			
Finance income		-	(13,246)
Finance costs		506	10,925
Operating cash flows before movements in working capital		(69,134)	3,988,053
Decrease in finance lease receivables		19,322	33,042,775
Decrease/(increase) in trade and other receivables		1,550	(3,557)
Increase in accruals and other liabilities		56,038	10,965
Net cash flows from operating activities		7,776	37,038,236
Cash flows from investing activities			
Interest received from immediate parent company		-	2,321
Net cash flows from investing activities		-	2,321
Cash flows from financing activities			
Payment of borrowings – immediate parent company		(16,022)	(32,511,519)
Interest paid to immediate parent company		(506)	-
Dividends paid		-	(4,412,421)
Net cash used by financing activities		(16,528)	(36,923,940)
Net increase/(decrease) in cash and cash equivalents		(8,752)	116,617
Cash and cash equivalents at beginning of year		116,617	-
Cash and cash equivalents at end of year	16	107,865	116,617

The accompanying notes form an integral part of these financial statements.

1. Accounting policies

a) Presentation of accounts

The financial statements are prepared on a going concern basis (see the Directors' Report) and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together "IFRS").

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Euro which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

b) Revenue recognition and expenses

Revenue from finance leases and loans and receivables is recognised in accordance with the Company's policies on leases and loans and receivables (see below). Revenue arises in the United Kingdom from continuing activities.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment using the effective interest method. Unguaranteed residual values are subject to regular review. If there is a reduction in the estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Interest income on financial assets that are classified as loans and receivables, and interest expense on financial are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability.

c) Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Other contracts to lease assets are classified as operating leases.

Finance lease receivables are stated in the statement of financial position at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

d) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

e) Capital management

The directors monitor the capital requirements of the Company. The parent company will support any future capital requirements.

1. Accounting policies (continued)

f) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the statement of financial position date.

g) Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments; loans and receivables; held-for-trading; designated as at fair value through profit or loss; or available-for-sale financial assets.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

h) Financial liabilities

On initial recognition financial liabilities are as at amortised cost.

Amortised cost

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

i) Accounting developments

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. None of these have been applied by the Company as yet and the impact of these changes to the Company is as yet unknown. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows is classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

1. Accounting policies - continued

i) Accounting developments - continued

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

In December 2010, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments: Disclosures' delaying the effective date of IFRS 9 to annual years beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures. If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative years or to provide the additional disclosures. The additional transition disclosures must be given if implementation takes place after 2012.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments and will have a significant effect on the Company's financial statements. The Company is assessing the effect of IFRS 9 which will depend on the outcome of the other phases of the IASB's IAS 39 replacement project and on the outcome of the IASB's tentative decision at its December 2011 meeting to reconsider the following topics:

- additional application guidance to clarify how the instrument characteristics test was intended to be applied;
- bifurcation of financial assets, after considering any additional guidance for the instrument characteristics test; and
- expanded use of other comprehensive income or a third business model for some debt instruments.

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability. The amendment and consequential withdrawal of SIC 21 'Deferred Tax: Recovery of Underlying Assets', effective for annual years beginning on or after 1 January 2012, is not expected to have a material effect on the Company.

In May 2011, the IASB issued IFRS 13 'Fair Value Measurement' which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements. The standard is effective for annual years beginning on or after 1 January 2013. Earlier application is permitted. The Company is reviewing the standard to determine their effect on the Company's financial reporting.

In June 2011, the IASB issued amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those that are subject to subsequent reclassification. The amendments are effective for annual years beginning on or after 1 July 2012. Earlier application is permitted.

1. *Accounting policies - continued*

i) Accounting developments - continued

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' and 'Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)'. The amendment to IAS 32 adds application guidance on the meaning of 'a legally enforceable right to set off' and on simultaneous settlement. IFRS 7 is amended to require disclosures facilitating comparisons between those entities reporting under IFRS and those reporting under US GAAP. The amendments are effective for annual years beginning on or after 1 January 2014 and are required to be applied retrospectively.

The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle" in May 2012 implementing minor changes to IFRSs, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual accounting years beginning on or after 1 January 2013 and are not expected to have a material effect on the Company.

Management are aware of the changes of IFRS and have considered their impact upon the financial statements; management have concluded that these changes do not impact the financial statements and will be undertaking a review at the next period end to asses any impact for that period.

2. *Critical accounting policies and key sources of estimation uncertainty*

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the Directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the Directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Leased assets

The judgements and assumptions involved in the Company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are those that relate to the criteria for assessing whether substantially all the significant risks and rewards of ownership of leased assets are transferred to other entities.

3. Revenue

	Year ended 27 February 2015 €	14 March 2013 to 27 February 2014 €
Finance lease income:		
Lease assignment proceeds	-	4,027,379
Rental income	(542)	3,057
	(542)	4,030,436

4. Other income

	Year ended 27 February 2015	14 March 2013 to 27 February 2014
	€	€
Fee income	-	18,404
	-	18,404

5. Operating expenses

	Year ended 27 February 2015	14 March 2013 to 27 February 2014
	€	€
Professional fees	21,100	15,322
Audit fees	32,944	12,187
Bad debt	-	33,494
Bank charges	157	32
Other expenses	1,061	-
Foreign exchange (gain)/loss	13,330	(247)
	68,592	60,788

Staff costs, number of employees and directors' emoluments
The Company has no employees. The Directors of the Company do not receive remuneration for specific services provided to the Company.

Auditor's remuneration
The auditor's remuneration for the current year is €23,237 (period ended 27 February 2014: €21,894 (of which €9,707 has been expensed in the current year)). €6,670 (period ended 27 February 2014: €6,670) was paid to the Company's auditor in respect of taxation services to the Company, as well as fees in relation to the audit of the Company's financial statements.

6. Finance income

	Year ended 27 February 2015	14 March 2013 to 27 February 2014
	€	€
Interest on loans to immediate parent	-	13,246

7. Finance costs

	Year ended 27 February 2015	14 March 2013 to 27 February 2014
	€	€
Interest on loans from group undertakings	506	10,925

8. Tax

	Year ended 27 February 2015 €	14 March 2013 to 27 February 2014 €
Current taxation:		
UK corporation tax charge/(credit) for the period	-	-
Deferred taxation:		
Charge/(credit) for the period	-	(57,727)
Impact of tax rate changes	-	2,201
	-	(55,526)
Tax (credit) / charge for the period	-	(55,526)

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 21.17% (period to 27 February 2014: blended rate 23.05%) as follows:

	Year ended 27 February 2015 €	14 March 2013 to 27 February 2014 €
(Loss)/Profit before tax	(69,640)	3,990,373
Corporation tax charge	(14,747)	919,730
Effects of:		
Non-deductible expenses	225	-
S383 income – sale of lessor	-	4,659,012
Capital allowances	(3,287)	(1,518)
Crystallisation of deferred tax not previously recognised	-	4,605,755
Depreciation in excess of capital allowances	-	(1,441)
Reduction in deferred tax following change in rate of UK corporation tax	-	2,201
Capital element of lease rentals	4,423	2,577
Charge/(release or extinguishment of a deferred tax liability for a period)	-	(57,727)
Group Relief surrendered from group undertaking	-	(5,525,103)
S383 expense – sale of company lessor	-	(4,659,012)
Current period losses for which no deferred tax asset has been recognised	13,386	-
Actual tax charge/(Credit) for the year	-	(55,526)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013, 21% with effect from 1 April 2014 and 20% from 1 April 2015.

The Company has trading losses of €63,214 and a gross temporary difference of €48,456 in relation to excess capital allowances of which no deferred tax asset has been recognised given uncertainty of their utilisation. The unrecognised deferred tax asset is €22,334 and is calculated at 20%, the substantially enacted rate at the balance sheet date.

9. Ordinary dividends

	Year ended 27 February 2015	14 March 2013 to 27 February 2014
	€	€
Interim dividend paid - distribution in specie 23 January 2014 (€37,074.57 per share)	-	3,707,456
Second interim dividend paid 23 January 2014 (€7,049.64 per share)	-	704,964
	-	4,412,420

10. Finance lease receivables

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	€	€	€	€
27 February 2015				
Future minimum lease payments	21,337	1,391	-	22,728
Unearned finance income	(453)	(9)	-	(462)
Carrying value	20,884	1,382	-	22,266
27 February 2014				
Future minimum lease payments	21,340	24,542	-	45,882
Unearned finance income	(2,971)	(1,323)	-	(4,294)
Carrying value	18,369	23,219	-	41,588

	27 February 2015	27 February 2014
	€	€
Current	20,884	18,369
Non-current	1,382	23,219
	22,266	41,588

The Company entered into a Master Sale and Purchase Agreement with Leasedirect Finance Limited ("**LDF**") on 3rd May 2013, under which LDF sold the rights and obligations under various leases to the Company. The remaining term of the leases is less than 2 years.

Unguaranteed residual values are estimated at €nil (27 February 2014: €nil).

The effective interest rate in relation to finance lease agreements approximates 4% (2014: 4%).

11. Loan receivables

	27 February 2015	27 February 2014
	€	€
Loans to immediate parent company	101,731	101,731
Loans to other group undertakings	1,702	-
	103,433	101,731

12. Borrowings

	27 February 2015 €	27 February 2014 €
Current:		
Loans from group undertakings	41,470	61,123
Non-current:		
Loans from group undertakings	28,921	25,290

13. Accruals and other liabilities

	27 February 2015 €	27 February 2014 €
Accruals	80,148	24,996
Other taxes	2,019	1,133
	82,167	26,129

14. Deferred tax

The following are the major tax liabilities recognised by the Company, and the movements thereon.

	Capital allowances €
At 13 March 2013	55,526
Credit to income	(55,526)
At 27 February 2014	-
Credit to income	-
At 27 February 2015	-

15. Financial instruments and risk management

(i) Fair value

There is no material difference between the fair value of financial instruments carried on the balance sheet and their carrying value.

The fair value of loans and receivables is estimated by discounting expected future cash flows using current interest rates and making adjustments for credit.

All financial assets are classed as finance lease receivables or loans and receivables. All financial liabilities are classified as amortised cost.

(ii) Financial risk management

The principal risks associated with the Company's businesses are as follows:

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities.

AV ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial instruments and risk management - continued

Interest rate risk
Interest rate risk arises where assets and liabilities have different re-pricing maturities.

The financial liabilities of the Company consist of amounts due or accrued to group undertakings. The amounts due to group undertakings do not have any significant interest rate risk as they are due primarily on demand.

The following tables indicate financial assets and liabilities that are exposed to interest rate risk:

27 February 2015	Fixed Rate €	Variable Rate €	Non-interest earning €	Total €
Financial assets				
Finance leases	22,266	-	-	22,266
Loan receivables	-	101,731	1,702	103,433
Trade and other receivables	-	-	2,007	2,007
	22,266	101,731	3,709	127,706
Financial liabilities				
Borrowings	28,921	41,470	-	70,391
Accruals and other liabilities	-	-	82,167	82,167
	28,921	41,470	82,167	152,558
Net financial assets/(liabilities)	(6,655)	60,261	(78,458)	(24,852)

27 February 2014	Fixed Rate €	Variable Rate €	Non-interest earning €	Total €
Financial assets				
Finance leases	41,588	-	-	41,588
Loan receivables	-	101,731	-	101,731
Trade and other receivables	-	-	3,557	3,557
	41,588	101,731	3,557	146,876
Financial liabilities				
Borrowings	25,290	61,123	-	86,413
Accruals and other liabilities	-	-	26,129	26,129
	25,290	61,123	26,129	112,542
Net financial assets/(liabilities)	16,298	40,608	(22,572)	34,334

The sensitivity analysis below has been determined based on the exposure to interest rates at the statement of financial position date and the balances receivable and/or payable at the statement of financial position date were receivable and/or payable for the whole period.

The following table shows the effect if interest rates had been 0.5% higher and all other variables were held constant:

	27 February 2015 €	27 February 2014 €
Loss before tax would increase by	301	203

Currency risk
The Company has currency risk as the finance leases it acquired in May and July 2013 are denominated in Pound Sterling. The Company disposed of its euro denominated leases in March 2013.

15. Financial instruments and risk management - continued

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the company's credit risk management framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

Maximum credit exposure and neither past due nor impaired:

Sector	No. of counterparties	27 February 2015	27 February 2014
		€	€
Gym equipment	1	5,330	9,240
Computing equipment	1	6,783	8,751
Bathroom equipment	1	10,153	16,283
Finance lease receivables		22,266	34,274
Group undertakings		-	-
Maximum credit exposure		22,266	34,274

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on both the statement of financial position structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the statement of financial position and from undrawn commitments and other contingent obligations.

15. Financial instruments and risk management - continued

Financial Liabilities and Financial Assets
The following table shows by contractual maturity the cash flows payable or receivable from the statement of financial position date including future interest payments

27 February 2015	0 – 12 Months €	1 – 3 Years €
Financial Assets		
Trade and other receivables	126,324	1,382
	126,324	1,382
Financial Liabilities		
Borrowings	41,470	28,921
Accruals and other liabilities	82,167	-
	123,637	28,921
Net financial assets/(liabilities)	2,687	(27,539)

27 February 2014	0 – 12 Months €	1 – 3 Years €
Trade and other receivables	123,657	23,219
	123,657	23,219
Financial Liabilities		
Borrowings	61,123	25,290
Accruals and other liabilities	26,129	-
	87,252	25,290
Net financial assets/(liabilities)	36,405	(2,071)

Operational risk
Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by the directors and the Company Chief Operating Officer and Chief Executive Officer. The Company also maintains contingency facilities to support operations in the event of disasters.

16. Cash and cash equivalents per cash flow statement

	27 February 2015 €	27 February 2014 €
Cash at bank with group undertaking	4,432	14,886
Short term deposits with group undertakings	103,433	101,731
Cash and cash equivalents per cash flow statement	107,865	116,617

17. Share capital

		27 February 2015 €	27 February 2014 €
Equity shares			
Authorised:			
100	Ordinary shares of €1	100	100
100	Deferred shares of £1	142	142
		242	242
Allotted, called up and fully paid:		100	100
100	Ordinary shares of €1	100	100
100	Deferred shares of £1	142	142
		242	242

The Company has one class of ordinary voting shares and one class of deferred shares neither of which carry any right to fixed income.

18. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. Going forward the Company will be funded through intercompany loans from Arunvill Capital Limited its affiliated company.

19. Related parties

Group undertakings

As at 27 February 2015, the Company's immediate parent is Arulux Second S.à r.l, a company incorporated and registered in Luxembourg.

Amounts due to or from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties. All amounts due to or from related parties incur or earn interest at low or nil interest rates.

As at 27 February 2015 the Company owed €28,921 (2014: €25,290) to Arunvill Capital Limited and €41,468 (2014: €61,123) to AC Asset Finance Limited. The amount payable to AC Asset Finance Limited is made up of a loan of £50,236 extended on 31 July 2013 less lease repayments due to the Company paid in AC Asset Finance's bank account.

As at 27 February 2015 the Company was owed €101,731 (2014: €101,731) from Arulux Second S.à r.l and €1,702 (2014: €nil) from Arunvill Capital Asset Finance Limited ("ACAF"). The receivable from ACAF is a lease amount due to the Company that was paid into ACAF's bank account and subsequently paid to the Company on 30 November 2015.

20. Ultimate holding company

The Company is a wholly owned subsidiary of Arulux Second S.à r.l, a company incorporated and registered in Luxembourg. The ultimate company and controlling entity is Arunvill Holdings (Gibraltar) Limited, a corporation registered in Gibraltar.

The Company's financial statements have been included in the group financial statements of the ultimate parent company, Arunvill Holdings (Gibraltar) Limited, c/o Line Group Limited, 57/63 Line Wall Road, PO Box 199, Gibraltar.