

Company Registered No: 04252744

AC ASSET FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 27 February 2016



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OFFICERS AND PROFESSIONAL ADVISERS

Directors

Mr Ian Luke

Mr David Sumner

Auditors

Defries Weiss (Accountants) Limited

311 Ballards Lane

London

N12 8LY

Bankers

HSBC Bank plc

60 Queen Victoria Street

London

EC4N 4TR

Solicitors

Macfarlanes LLP

20 Cursitor Street

London

EC4A 1LT

Registered Office

20th Floor

125 Old Broad Street

London

EC2N 1AR

Registered in England and Wales

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 27 February 2016.

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 £14,246 (2015: £50,552). The Directors do not recommend a final dividend.

Principal activities and review of the business

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

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 Company expects to enter in to future leasing arrangements that produce a net margin of over 3%. The Directors are actively looking for further leasing opportunities.

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 12 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 12.

Directors

The Directors who served during the year were as follows:

	Appointed	Resigned
Mr Ian Luke	7 July 2016	-
Mr David Sumner	7 July 2016	-
Mr Stephen Ullman	28 February 2013	7 July 2016
Mr Andrew Paizes	28 February 2013	7 July 2016

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

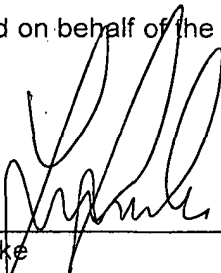
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's 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

Defries Weiss (Accountants) Limited were appointed as auditors of the Company under Section 487 of Companies Act 2006 for the year ended 27 February 2016.

Signed on behalf of the Board of Directors by:



Ian Luke
Director

24 November 2016

DIRECTORS' REPORT (continued)**DIRECTORS' RESPONSIBILITIES STATEMENT**

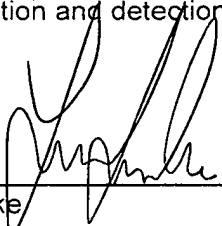
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 year.

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 have 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.



Ian Luke
Director
24 November 2016

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AC ASSET FINANCE LIMITED

We have audited the financial statements of AC Asset Finance Limited for the year ended 27 February 2016 on pages 8 to 22. 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 a Report of the Auditors 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 Statement of Directors' Responsibilities 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 Report of the Directors to identify 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 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

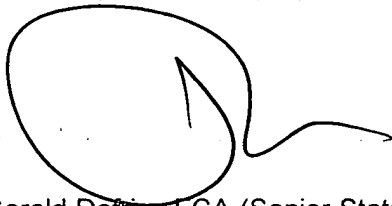
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AC ASSET FINANCE LIMITED (continued)

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 from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.



Gerald Defries FCA (Senior Statutory Auditor)
For and on behalf of Defries Weiss (Accountants) Limited
Statutory Auditors
311 Ballards Lane
London
N12 8LY

24/11/16

Date:

AC ASSET FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 27 February 2016

Continuing operations	Notes	Year ended 27 February 2016 £	Year ended 27 February 2015 £
Revenue	3	347	(123)
Operating expenses	4	(14,621)	(50,634)
Operating loss		(14,274)	(50,757)
Finance income	5	222	205
Finance costs	6	(194)	-
Loss before tax		(14,246)	(50,552)
Tax credit	7	-	-
Loss for the year		(14,246)	(50,552)

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

Continuing operations

The results in the above year 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 year ends.

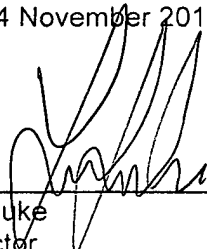
AC ASSET FINANCE LIMITED

**STATEMENT OF FINANCIAL POSITION
as at 27 February 2016**

	Notes	27 February 2016 £	27 February 2015 £
<u>Assets</u>			
Non-current assets			
Finance lease receivables	8	-	1,045
Current assets			
Finance lease receivables	8	1,045	25,382
Loan receivables	9	94,942	64,738
Trade and other receivables		461	30,080
Cash and cash equivalents	13	4,862	14,830
		<u>101,310</u>	<u>135,030</u>
Total assets		<u>101,310</u>	<u>136,075</u>
<u>Liabilities</u>			
Current liabilities			
Borrowings	10	21,374	-
Accruals and other liabilities	11	40,722	61,435
		<u>62,096</u>	<u>61,435</u>
Non-current liabilities			
Borrowings	10	-	21,180
		<u>-</u>	<u>21,180</u>
Total liabilities		<u>62,096</u>	<u>82,615</u>
<u>Equity</u>			
Share capital	14	100	100
Retained earnings		39,114	53,360
Total equity		<u>39,214</u>	<u>53,460</u>
Total liabilities and equity		<u>101,310</u>	<u>136,075</u>

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 24 November 2016 and signed on its behalf by:



Ian Luke
Director

AC ASSET FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 27 February 2016

	Share capital	Retained earnings	Total
	£	£	£
At 27 February 2014	100	22,546	22,646
Loss for the year	-	(50,552)	(50,552)
Dividends Paid		81,366	81,366
At 27 February 2015	100	53,360	53,460
Loss for the year	-	(14,246)	(14,246)
At 27 February 2016	100	39,114	39,214

Total comprehensive loss for the year of £14,246 (2015: £50,552) was wholly attributable to the owners of the Company.

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

AC ASSET FINANCE LIMITED

CASH FLOW STATEMENT
for the year ended 27 February 2016

	Note	27 February 2016 £	27 February 2015 £
Operating activities			
Loss before tax		(14,246)	(50,552)
Adjustments for:			
Finance income	5	(222)	(205)
Finance costs	6	194	-
Operating cash flows before movements in working capital		(14,274)	(50,757)
Decrease in finance lease receivables		25,382	27,279
Decrease/(increase) in trade and other receivables		29,619	(25,150)
(Decrease)/increase in accruals and other liabilities		(20,713)	46,135
Net cash flows from/(used by) operating activities		20,014	(2,493)
Cash flows from financing activities			
Interest on loans		222	374
Net cash flows from financing activities		222	374
Net increase/(decrease) in cash and cash equivalents		20,236	(2,119)
Cash and cash equivalents at beginning of year		79,568	81,687
Cash and cash equivalents at end of year	13	99,804	79,568

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

AC ASSET FINANCE LIMITED

NOTES TO THE 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 Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's accounts 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 period so as to give a constant period 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 liabilities 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 ultimate parent company will support any future capital requirements.

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 years 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 classified 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.

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 assess 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.

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Revenue

	Year ended 27 February 2016 £	Year ended 27 February 2015 £
Finance lease income:		
Rental income	347	(123)
	<u>347</u>	<u>(123)</u>

4. Operating expenses

	Year ended 27 February 2016 £	Year ended 27 February 2015 £
Audit fees	10,000	26,465
Professional fees	2,555	23,100
Other expenses	2,066	1,069
	<u>14,621</u>	<u>50,634</u>

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 £10,000 (2015: £26,465). No fees for any other services were paid to the Company's auditors.

5. Finance income

	Year ended 27 February 2016 £	Year ended 27 February 2015 £
Interest receivable from group undertakings	222	205

6. Finance costs

	Year ended 27 February 2016 £	Year ended 27 February 2015 £
Interest on loans from group undertakings	194	-

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax

	Year ended 27 February 2016 £	Year ended 27 February 2015 £
Current taxation:		
UK corporation tax credit	-	-
Deferred taxation:		
(Credit) for the year	-	-
Impact of tax rate changes	-	-
	-	-
Tax credit for the year	-	-

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 20.09% (2015: blended tax rate 21.17%) as follows:

Loss before tax	(14,246)	(50,552)
Expected corporation tax charge	(2,862)	(10,702)
<i>Effects of:</i>		
Capital allowances	(2,451)	-
Disallowed expenses	402	206
Tax on capital element of lease payments	5,099	5,401
Group relief surrendered to group undertaking	-	-
Current year losses for which no deferred tax asset has been recognised	(188)	5,095
Actual tax credit for the year	-	-

The Company has trading losses of £23,138 and a gross temporary difference of £54,537 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 £15,534 and is calculated at 20%, the substantially enacted rate at the balance sheet date.

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Finance lease receivables

	Within 1 year £	Between 1 and 5 years £	After 5 years £	Total £
27 February 2016				
Future minimum lease payments	1,052	-	-	1,052
Unearned finance income	(7)	-	-	(7)
Carrying value	1,045	-	-	1,045
27 February 2015				
Future minimum lease payments	25,729	1,052	-	26,781
Unearned finance income	(347)	(7)	-	(354)
Carrying value	25,382	1,045	-	26,427

	27 February 2016 £	27 February 2015 £
Current	1,045	25,382
Non-current	-	1,045
	1,045	26,427

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 1 year. The effective interest rate in relation to these finance lease agreements approximates 4% (2015: 4%). Unguaranteed residual values are estimated at £nil (2015: £nil).

9. Loan receivables

	27 February 2016 £	27 February 2015 £
Loans to other group undertakings	94,942	64,738

10. Borrowings

	27 February 2016 £	27 February 2015 £
Loans from other group undertakings (current)	21,374	-
Loans from other group undertakings (non-current)	-	21,180

11. Accruals and other liabilities

	27 February 2016 £	27 February 2015 £
Accruals	40,170	60,540
Other taxes	552	895
	40,722	61,435

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. 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 classed 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.

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 to group undertakings and third party liabilities. The amounts due to group undertakings do not have any significant interest rate risk as they are due primarily on demand. The third party trade payables do not have any significant interest rate risk as the Company follows the policy and practice on payment of creditors determined by Arunvill Capital Limited.

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

	Variable Rate £	Fixed interest earning £	Non- interest earning £	Total £
27 February 2016				
Financial assets				
Finance leases	-	1,045	-	1,045
Loan receivables	4,371	80,011	10,560	94,942
Trade and other receivables	-	-	461	461
	4,371	81,056	11,021	96,448
Financial liabilities				
Borrowings	-	21,374	-	21,374
Accruals and other liabilities	-	-	40,722	40,722
	-	21,374	40,722	62,096
Net financial assets/(liabilities)	4,371	59,682	(29,701)	34,352
27 February 2015				
Financial assets				
Finance leases	-	26,427	-	26,427
Loan receivables	54,178	-	10,560	64,738
Trade and other receivables	-	-	30,080	30,080
	54,178	26,427	40,640	121,245
Financial liabilities				
Borrowings	-	21,180	-	21,180
Accruals and other liabilities	-	-	61,435	61,435
	-	21,180	61,435	82,615
Net financial assets/(liabilities)	54,178	5,247	(20,795)	38,630

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Financial instruments and risk management - continued

Interest rate risk - continued

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 year.

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

	27 February 2016 £	27 February 2015 £
Loss before tax would decrease by	22	271

Currency risk

The Company has no currency risk as all transactions and balances are denominated in sterling.

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:

	No. of counterparties	27 February 2016 £	27 February 2015 £
<u>Sector</u>			
Small and Medium Enterprises	1	1,045	26,427
Finance lease receivables		1,045	26,427
Group undertakings	2	94,942	64,738
Maximum credit exposure		95,987	91,165

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

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Financial instruments and risk management - continued

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.

Financial Liabilities and Financial Assets

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

	0 – 12 Months £	1 – 3 Years £
27 February 2016		
Financial Assets		
Trade and other receivables	96,448	-
	<u>96,448</u>	<u>-</u>
Financial Liabilities		
Borrowings	21,374	-
Accruals and other liabilities	40,722	-
	<u>62,096</u>	<u>-</u>
Net financial assets	<u>34,352</u>	<u>-</u>
27 February 2015		
Financial Assets		
Trade and other receivables	120,200	1,045
	<u>120,200</u>	<u>1,045</u>
Financial Liabilities		
Borrowings	-	21,180
Accruals and other liabilities	61,435	-
	<u>61,435</u>	<u>21,180</u>
Net financial assets/(liabilities)	<u>58,765</u>	<u>(20,135)</u>

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.

13. Cash and cash equivalents per cash flow statement

	27 February 2016 £	27 February 2015 £
Cash at bank	4,862	14,830
Deposits with group undertakings (note 10)	94,942	64,738
Cash and cash equivalents per cash flow statement	<u>99,804</u>	<u>79,568</u>

AC ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Share capital

	27 February 2016 £	27 February 2015 £
Authorised:		
100 Ordinary shares of £1	100	100
	<hr/>	<hr/>
	100	100
Allotted, called up and fully paid:		
100 Ordinary shares of £1	100	100
	<hr/>	<hr/>
	100	100

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

15. 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 affiliate company.

16. Related parties

Group undertakings

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 2016 the Company was owed £69,197 by Arunvill Capital Limited ("ACL") (2015: the Company owed £10,620 to ACL). On 26 February 2016 the Company lent £80,000 to ACL.

As at 27 February 2016 the Company was owed £4,371 (2015: £29,178) from AV Asset Finance Limited ("AVAF") and £NIL (2015: 25,000) from AW Asset Finance Limited ("AWAF"). The loan receivable from AVAF is made up of a loan of £50,236 extended on 31 July 2013 less LDF lease repayments paid into the Company's bank account and due to AVAF. The AWAF loan was received in full with interest on 5 March 2015.

17. Ultimate holding company

The Company is a wholly owned subsidiary of Arulux First S.à r.l, a company incorporated and registered in Luxembourg. The ultimate parent 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.