

Company Registered No: 04252744

AC ASSET FINANCE LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

For the year ended 27 February 2017

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<b>CONTENTS</b>	<b>Page</b>
Officers and professional advisors	2
Directors' report	3
Independent auditor's report	6
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12

**AC ASSET FINANCE LIMITED**

**04252744**

**OFFICERS AND PROFESSIONAL ADVISORS**

**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**

20<sup>th</sup> 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 2017.

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 £14,598 (2016: £14,246). 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 3 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 reappointed as auditors of the Company under Section 487 of Companies Act 2006.

Signed on behalf of the Board of Directors by:

  
\_\_\_\_\_  
Ian Luke  
Director  
13 July 2017

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

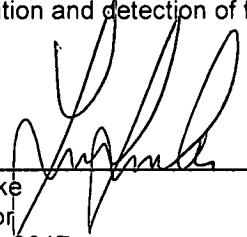
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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  
13 July 2017

## **AC ASSET FINANCE LIMITED**

### **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 2017 on pages 8 to 21. 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 2017 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.

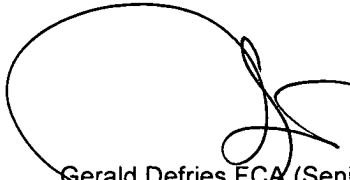
**AC ASSET FINANCE LIMITED**

**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

Date: 13/7/17 .....



## AC ASSET FINANCE LIMITED

### STATEMENT OF COMPREHENSIVE INCOME for the year ended 27 February 2017

Continuing operations	Notes	Year ended 27 February 2017 £	Year ended 27 February 2016 £
Revenue	3	7	347
Operating expenses	4	(17,404)	(14,621)
<b>Operating loss</b>		<b>(17,397)</b>	<b>(14,274)</b>
Finance income	5	2,964	222
Finance cost	6	(165)	(194)
<b>Loss before tax</b>		<b>(14,598)</b>	<b>(14,246)</b>
Tax credit	7	-	-
<b>Loss for the year</b>		<b>(14,598)</b>	<b>(14,246)</b>

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 2017**

	Notes	27 February 2017 £	27 February 2016 £
<b><u>Assets</u></b>			
<b>Current assets</b>			
Finance lease receivables	8	-	1,045
Loan receivables	9	36,418	94,942
Trade and other receivables		360	461
Cash and cash equivalents	13	4,488	4,862
		<u>41,266</u>	<u>101,310</u>
<b>Total assets</b>		<u>41,266</u>	<u>101,310</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Borrowings	10	-	21,374
Accruals and other liabilities	11	16,650	40,722
		<u>16,650</u>	<u>62,096</u>
<b>Total liabilities</b>		<u>16,650</u>	<u>62,096</u>
<b><u>Equity</u></b>			
Share capital	14	100	100
Retained earnings		24,516	39,114
<b>Total equity</b>		<u>24,616</u>	<u>39,214</u>
<b>Total liabilities and equity</b>		<u>41,266</u>	<u>101,310</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 13 July 2017 and signed on its behalf by:

  
\_\_\_\_\_  
Ian Luke  
Director

**AC ASSET FINANCE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
for the year ended 27 February 2017**

	Share capital £	Retained earnings £	Total £
<b>At 27 February 2015</b>	100	53,360	53,460
Loss for the year	-	(14,246)	(14,246)
<b>At 27 February 2016</b>	100	39,114	39,214
Loss for the year	-	(14,598)	(14,598)
<b>At 27 February 2017</b>	100	24,516	24,616

Total comprehensive loss for the year of £14,598 (2016: £14,246) 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 2017**

	Note	27 February 2017 £	27 February 2016 £
<b>Operating activities</b>			
Loss before tax		(14,598)	(14,246)
<b>Adjustments for:</b>			
Finance income	5	(2,964)	(222)
Finance cost	6	165	194
<b>Operating cash flows before movements in working capital</b>		(17,397)	(14,274)
Decrease in finance lease receivables		1,045	25,382
Decrease in trade and other receivables		101	29,619
Decrease in accruals and other liabilities		(24,072)	(20,713)
<b>Net cash flows (used by)/from operating activities</b>		(40,323)	20,014
<b>Cash flows from financing activities</b>			
Reduction in loans from group undertakings		(21,539)	-
Interest on loans		2,964	222
<b>Net cash flows (used by)/from financing activities</b>		(18,575)	222
<b>Net (decrease)/increase in cash and cash equivalents</b>		(58,898)	20,236
<b>Cash and cash equivalents at beginning of year</b>		99,804	79,568
<b>Cash and cash equivalents at end of year</b>	13	40,906	99,804

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

## **AC ASSET FINANCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 27 February 2017**

#### **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) for the year ended 27 February 2017**

#### **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) Changes in accounting policy and disclosures**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the previous year financial statements for the year ended 27 February 2016, except for the adoption of new standards and interpretations effective for annual periods beginning on or after as of 1 January 2016, as listed below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and interpretation apply for the first time in 2016, they do not have a material impact on the financial statements of the Company.

## AC ASSET FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 27 February 2017

#### 1. Accounting policies - continued

##### i) Changes in accounting policy and disclosures - continued

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 1 Disclosure Initiative
- Annual improvements 2012-2014 cycle (1 July 2016)
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (1 January 2016)

##### ***Standards, amendments and interpretations in issue but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Indefinitely)
- IAS 7 Disclosure Initiative – Amendments to IAS 7 (1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (1 January 2017)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2 (1 January 2017)
- IFRS 16 Leases (1 January 2019)

Management anticipates that all of the above standards, amendments and interpretations will be adopted by the Company to the extent applicable to them from their effective dates. The Company is currently assessing the impact of adoption of these new standards, amendments and interpretations on the future financial statements of the Company.

#### 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)**  
for the year ended 27 February 2017

**3. Revenue**

	Year ended 27 February 2017 £	Year ended 27 February 2016 £
Finance lease income:		
Rental income	7	347
	<u>7</u>	<u>347</u>

**4. Operating expenses**

	Year ended 27 February 2017 £	Year ended 27 February 2016 £
Audit fees	8,750	10,000
Professional fees	8,400	2,555
Other expenses	254	2,066
	<u>17,404</u>	<u>14,621</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 £8,750 (2016: £10,000). No fees for any other services were paid to the Company's auditors.

**5. Finance income**

	Year ended 27 February 2017 £	Year ended 27 February 2016 £
Interest receivable from group undertakings	2,964	222

**6. Finance cost**

	Year ended 27 February 2017 £	Year ended 27 February 2016 £
Interest on loans from group undertakings	165	194



# AC ASSET FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 27 February 2017

### 7. Tax

	Year ended 27 February 2017 £	Year ended 27 February 2016 £
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 rate of UK corporation tax of 20% (2016: blended tax rate 20.09%) as follows:

Loss before tax	(14,598)	(14,246)
Expected corporation tax charge	(2,920)	(2,862)
<i>Effects of:</i>		
Tax on capital element of lease payments	209	5,099
Disallowed expenses	-	402
Capital allowances	(1,847)	(11,761)
Loan relationships	(560)	(6)
Current year losses for which no deferred tax asset has been recognised	5,118	9,128
Actual tax credit for the year	-	-

The Company has trading losses of £93,411. The unrecognised deferred tax asset is £18,683 and is calculated at 20%, the substantially enacted rate at the balance sheet date.

**AC ASSET FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 27 February 2017

**8. Finance lease receivables**

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	£	£	£	£
<b>27 February 2017</b>				
Future minimum lease payments	-	-	-	-
Unearned finance income	-	-	-	-
Carrying value	-	-	-	-
<b>27 February 2016</b>				
Future minimum lease payments	1,052	-	-	1,052
Unearned finance income	(7)	-	-	(7)
Carrying value	1,045	-	-	1,045

	27 February 2017 £	27 February 2016 £
Current	-	1,045
Non-current	-	-
	-	1,045

**9. Loan receivables**

	27 February 2017 £	27 February 2016 £
Loans to other undertakings	36,418	94,942

**10. Borrowings**

	27 February 2017 £	27 February 2016 £
Loans from group undertakings (current)	-	21,374

**11. Accruals and other liabilities**

	27 February 2017 £	27 February 2016 £
Accruals	16,650	40,170
Other taxes	-	552
	16,650	40,722

## AC ASSET FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 27 February 2017

#### 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 £
<b>27 February 2017</b>				
<b>Financial assets</b>				
Loan receivables	-	36,418	-	36,418
Trade and other receivables	-	-	360	360
	-	36,418	360	36,778
<b>Financial liabilities</b>				
Accruals and other liabilities	-	-	16,650	16,650
	-	-	16,650	16,650
<b>Net financial assets/(liabilities)</b>	-	36,418	(16,290)	20,128
<b>27 February 2016</b>				
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
Borrowings	-	21,374	-	21,374
Accruals and other liabilities	-	-	40,722	40,722
	-	21,374	40,722	62,096
<b>Net financial assets/(liabilities)</b>	4,371	59,682	(29,701)	34,352

## AC ASSET FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 27 February 2017

#### 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 2017 £	27 February 2016 £
Loss before tax would decrease by	-	22

##### 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 2017 £	27 February 2016 £
<u>Sector</u>			
Small and Medium Enterprises	-	-	1,045
Finance lease receivables		-	1,045
Group undertakings	1	36,418	94,942
Maximum credit exposure		36,418	95,987

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) for the year ended 27 February 2017

#### 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 £
<b>27 February 2017</b>		
<b>Financial Assets</b>		
Trade and other receivables	36,778	-
	<u>36,778</u>	<u>-</u>
<b>Financial Liabilities</b>		
Accruals and other liabilities	16,650	-
	<u>16,650</u>	<u>-</u>
<b>Net financial assets</b>	<u>20,128</u>	<u>-</u>
<b>27 February 2016</b>		
<b>Financial Assets</b>		
Trade and other receivables	96,448	-
	<u>96,448</u>	<u>-</u>
<b>Financial Liabilities</b>		
Borrowings	21,374	-
Accruals and other liabilities	40,722	-
	<u>62,096</u>	<u>-</u>
<b>Net financial assets</b>	<u>34,352</u>	<u>-</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 2017 £	27 February 2016 £
Cash at bank	4,488	4,862
Deposits with group undertakings (note 10)	36,418	94,942
<b>Cash and cash equivalents per cash flow statement</b>	<u>40,906</u>	<u>99,804</u>

## AC ASSET FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 27 February 2017

#### 14. Share capital

	27 February 2017 £	27 February 2016 £
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.

As at 27 February 2017 the Company was owed £36,418 by Arunvill Capital Limited ("ACL") (2016: £69,197). ACL made two repayments in the amounts of £25,000 and £10,560 on 28 April 2016 and 30 November 2016 respectively. The outstanding loan receivable generates interest at a rate of 5% per annum.

As at 27 February 2017 the Company was owed £NIL (2016: £4,371) by AV Asset Finance Limited ("AVAF"). The loan receivable from AVAF was 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 final LDF payment was received on 16 February 2017. AVAF settled the residual balance of the loan (£3,498) on 24 February 2017.

#### 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.