



ASSET ALLIANCE FINANCE LIMITED

Company registration number 07821117

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



ASSET ALLIANCE FINANCE LIMITED

COMPANY INFORMATION

DIRECTORS

W H Paterson
A M Lannon
D Wilson
D Crawford

COMPANY SECRETARY

N Jennings

Registered number

07821117

Registered office

Arbuthnot House
7 Wilson Street
London
EC2M 2SN

Independent auditor

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

ASSET ALLIANCE FINANCE LIMITED

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ASSET ALLIANCE FINANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present the Strategic Report, the Directors' Report and the financial statements of the company for the year ended 31 December 2019.

Business review

The principal activity of Asset Alliance Finance Limited is to act as an intermediary holding company holding the investment in the trading companies of the Asset Alliance Group. The company received funding from CS Capital Partners III L.P. which it transferred to the group trading companies, Asset Alliance Ltd, Asset Alliance Leasing Limited and ATE Truck & Trailer Sales Limited (now non-trading having hived its trade and assets to Asset Alliance Leasing Limited on 1 January 2019) who are engaged in contract hire and the leasing of commercial vehicles, and the sale, rental and refurbishment of trailers and commercial vehicles.

During the year £nil (2018: £700,000) of funding was provided to Asset Alliance Ltd. The cumulative accretion of interest on the Deep Discounted Bonds held by CS Capital Partner III L.P was waived on 1 July 2019 along with the right to future interest by CS Capital Partner III L.P. As no interest is accreted from 1 July 2019, these Deep Discounted Bonds are financing transactions under FRS 102 and as an interest free loan they have been discounted using a market rate of 8% to determine the present value of the estimated cash flows, with the discount being recognised as a capital contribution within other reserves.

Principal risks and uncertainties

The main risk is the economic environment and the impact that any adverse wider economic event may have on the financial performance of the group trading companies. This risk is mitigated within each of the group trading companies as far as possible through regular Board meetings, budget reviews, planning processes and the preparation and analysis of detailed monthly management accounts.

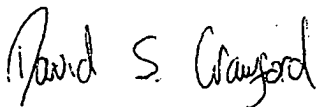
Financial key performance indicators

Given the nature of its operations, there are no key performance indicators.

Future developments

Following the acquisition of the group by Arbuthnot Latham & Co., Limited, the group will use the funding available to continue to grow its position in the market.

This report was approved by the board on 29 April 2021 and signed on its behalf by:



D Crawford
Director

ASSET ALLIANCE FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Results and dividends

The profit for the year, after taxation, amounted to £8,317,723 (2018 - loss £2,070,347).

No dividends were paid during the year.

Directors

The directors who served during the year and up to the date these financial statements were signed were:

W H Paterson
A M Lannon
D Crawford (appointed 31 March 2021)
R J McDougall (resigned 31 March 2021)
D B McArthur (resigned 31 March 2021)
J S Jenkins (resigned 31 March 2021)
D Wilson (appointed 1 January 2019)

ASSET ALLIANCE FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

On 10 December 2020, Asset Alliance Group Holdings Limited entered into an agreement to sell its entire issued share capital to Arbuthnot Latham & Co., Limited, a subsidiary of the Arbuthnot Banking Group plc.

Immediately prior to entering into this agreement, management loan notes with a principal value of £2.0m, were redeemed for £1.1m. The remaining management loan notes (principal value of £2.5m) were redeemed via the issuance of 2,316 "C" share of £0.01 each.

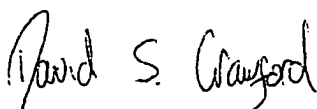
At the same time, the deep discounted bonds issued by Asset Alliance Finance Limited, with a principle value of £19.0m, were novated to Asset Alliance Group Holdings Limited and subsequently redeemed in exchange for 102,331 "A" shares of £0.01 each.

Following regulatory approval, the transaction with Arbuthnot Latham & Co., Limited completed on 31 March 2021. Shortly after completion, Arbuthnot Latham & Co., Limited provided funds to the Group which allowed the third-party revolving credit facility to be repaid in full.

Auditor

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, trading as Azets Audit Services, a company owned by Azets. The auditor, Azets Audit Services will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 April 2021 and signed on its behalf by:



D Crawford
Director

ASSET ALLIANCE FINANCE LIMITED

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

Opinion

We have audited the financial statements of Asset Alliance Finance Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

ASSET ALLIANCE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSET ALLIANCE FINANCE LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

ASSET ALLIANCE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSET ALLIANCE FINANCE LIMITED (CONTINUED)

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members, as a body, 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.

Azets Audit Services

Bernadette Higgins (Senior Statutory Auditor)

for and on behalf of

Azets Audit Services, Statutory Auditor

Chartered Accountants

Titanium 1

King's Inch Place

Renfrew

PA4 8WF

29 April 2021

ASSET ALLIANCE FINANCE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Administrative expenses		(3,035)	(3,336)
OPERATING LOSS	4	(3,035)	(3,336)
Interest receivable and similar income		10	1
Interest credit/(payable) and similar expenses	5	8,320,748	(2,067,012)
PROFIT/(LOSS) BEFORE TAX		8,317,723	(2,070,347)
Tax on profit/(loss)	6	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		8,317,723	(2,070,347)

There were no recognised gains or losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

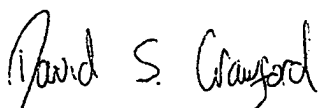
The notes on pages 10 to 19 form part of these financial statements.

ASSET ALLIANCE FINANCE LIMITED
REGISTERED NUMBER:07821117

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	7	5,576,007	5,576,007
		<u>5,576,007</u>	<u>5,576,007</u>
Current assets			
Debtors: amounts falling due within one year	8	18,877,284	18,880,937
Cash at bank and in hand	9	423,404	423,544
		<u>19,300,688</u>	<u>19,304,481</u>
Creditors: amounts falling due within one year	10	(341,556)	(342,324)
Net current assets		<u>18,959,132</u>	<u>18,962,157</u>
Total assets less current liabilities		<u>24,535,139</u>	<u>24,538,164</u>
Creditors: amounts falling due after more than one year	11	14,957,310	27,904,654
Capital and reserves			
Share capital	12	5,000,277	5,000,277
Other reserve - investment	13	575,731	575,731
Other reserve - capital contribution	13	4,042,018	-
Profit and loss account	13	(40,197)	(8,942,498)
		<u>9,577,829</u>	<u>(3,366,490)</u>
		<u>24,535,139</u>	<u>24,538,164</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2021 by:



D Crawford
Director

The notes on pages 10 to 19 form part of these financial statements.

ASSET ALLIANCE FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £	Other reserve - investment £	Other reserve - capital contribution £	Profit and loss account £	Total equity £
At 1 January 2019	5,000,277	575,731	-	(8,942,498)	(3,366,490)
Comprehensive income for the year					
Profit for the year	-	-	-	8,317,723	8,317,723
Total comprehensive income for the year	-	-	-	8,317,723	8,317,723
Transfer between reserves	-	-	(584,578)	584,578	-
Transaction with owners - capital contribution	-	-	4,626,596	-	4,626,596
	-	-	4,042,018	584,578	4,626,596
At 31 December 2019	5,000,277	575,731	4,042,018	(40,197)	9,577,829

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Other reserve - investment £	Profit and loss account £	Total equity £
At 1 January 2018	5,000,277	575,731	(6,872,151)	(1,296,143)
Comprehensive income for the year				
Loss for the year	-	-	(2,070,347)	(2,070,347)
Total comprehensive income for the year	-	-	(2,070,347)	(2,070,347)
At 31 December 2018	5,000,277	575,731	(8,942,498)	(3,366,490)

The notes on pages 10 to 19 form part of these financial statements.

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the company drawn up to 31 December 2019.

The continuing activity of Asset Alliance Finance Limited is to act as an intermediary holding company holding the investment in the trading companies of the Asset Alliance Group. The company received funding from CS Capital Partners III L.P. which it transferred to the group trading companies, Asset Alliance Ltd, Asset Alliance Leasing Limited and ATE Truck & Trailer Sales Limited (now non-trading having hived its trade and assets to Asset Alliance Leasing Limited on 1 January 2019) who are engaged in contract hire and the leasing of commercial vehicles, and the sale, rental and refurbishment of trailers and commercial vehicles.

Asset Alliance Finance Limited is a company limited by shares incorporated in the United Kingdom and registered in England. Details of the registered office and number can be found on the company information page of these financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies, as detailed in note 3.

The following principal accounting policies have been applied:

2.2 Going concern

The share capital of Asset Alliance Group Holdings Limited was purchased by Arbuthnot Latham & Co., Limited, a subsidiary of the Arbuthnot Banking Group plc, on 31 March 2021. As part of the transaction, the group's liabilities in relation to the management loan notes, deep discount bonds and the revolving credit facility, have been settled. The group is now funded by way of a £200m facility, issued from its parent company, Arbuthnot Latham & Co., Limited.

As the group has access to significant funds through this facility, and given the commitment and support from its parent company, the directors believe that the preparation of the financial statements on a going concern basis is appropriate.

2.3 Consolidation

These financial statements are for the company. Asset Alliance Finance Limited is a parent entity and the exemption from consolidation has been taken as consolidated financial statements are prepared by its parent, Asset Alliance Group Holdings Limited, a company incorporated in the United Kingdom. Copies of the group financial statements may be obtained from that company's registered address.

Exemption has been taken from preparing a Statement of Cash Flows on the grounds that a consolidated Statement of Cash Flows is prepared within the consolidated financial statements of

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

Asset Alliance Group Holdings Limited.

2.4 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.5 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expenditure recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the UK where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The criteria that the company uses to determine if there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 1. Adverse changes in the payment status of borrowers in the portfolio; and
 2. National or local economic conditions that correlate with defaults on the assets in the portfolio.

As an initial step the company assesses whether objective evidence of impairment exists.

The amount of the loss is measured, in the case of assets measured at amortised cost, as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced to the present value of estimated future cash flows and the amount of the loss is recognised in the Statement of Comprehensive Income. Where the investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

2.11 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.11 Financial instruments (continued)

third parties, loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when contractual rights to the cashflows from the assets expire, or when the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Share capital

Ordinary shares are classified as equity. Called up share capital represents the nominal value of shares that have been issued.

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

At 1 July 2019, Asset Alliance Finance Limited entered into an agreement with CS Capital Partners III L.P to waive any accreted interest and future interest on the deep discounted bonds held. Under FRS 102, the deep discounted bonds constitute an interest free loan, and therefore, must be recognised as a financing transaction. The principal amount of £18,999,329 has been discounted using an interest rate of 8% based on the interest rate applied to the deep discounted bonds previously. This discount has been recognised as a capital contribution within other reserves. The discount will be unwound until the maturity of the deep discount bonds in 2022 with the interest charge recognised within the Statement of Comprehensive Income.

4. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Fee payable to auditor - audit	2,385	2,700
Fee payable to auditor - non-audit	500	484
	<u>2,885</u>	<u>3,184</u>

There were no employees during the year (2018: none). The directors received no remuneration during the year (2018: £nil).

5. Interest payable and similar expenses

	2019 £	2018 £
Accretion of deep discounted bonds	1,091,657	2,067,012
Waived accreted interest on deep discounted bonds	(9,996,982)	-
Interest charge on financing transactions under FRS 102	584,577	-
	<u>(8,320,748)</u>	<u>2,067,012</u>

6. Taxation

Due to the use of group brought forward losses and group capital allowances, no corporation tax is due (2018: £nil).

ASSET ALLIANCE FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****7. Fixed asset investments**

	Investments in subsidiary companies £
Cost	
At 1 January 2019	5,576,007
At 31 December 2019	<u>5,576,007</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Asset Alliance Ltd	Contract hire and lease of commercial vehicles.	Ordinary	100%
Forest Asset Finance Limited	Finance consultants.	Ordinary	100%
Asset Alliance Group Finance No. 2 Limited	Holding company.	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Asset Alliance Ltd	(2,813,383)	264,953
Forest Asset Finance Limited	1,240,911	165,741
Asset Alliance Group Finance No. 2 Limited	2,400,144	-

8. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	<u>18,877,284</u>	<u>18,880,937</u>
	<u>18,877,284</u>	<u>18,880,937</u>

ASSET ALLIANCE FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	423,404	423,544
	423,404	423,544

10. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Amounts owed to group undertakings	338,671	338,671
Accruals and deferred income	2,885	3,653
	341,556	342,324

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to related parties - deep discounted bonds	14,957,310	27,904,654
	<u>14,957,310</u>	<u>27,904,654</u>

At 1 July 2019 Asset Alliance Finance Limited entered into an agreement with CS Capital Partners III L.P waiving all accreted and future interest in respect of the deep discounted bonds. As such, this requires the deep discounted bonds to be classified as an interest free loan and required to be treated as a financing transaction under FRS 102. Therefore, the principal amount of £18,999,329 has been discounted to its present value as at 1 July 2019 using a discount rate of 8% which was the previous interest rate applied to the deep discounted bonds. The discounted amount, recognised as a capital contribution within other reserves on initial recognition of the financing transaction at 1 July 2019, will be unwound by charging interest to the Statement of Comprehensive Income until the deep discounted bonds mature in December 2022, when the £18,999,329 principle is payable (2018: principal and accreted interest payable in December 2022).

The table below shows the timing of the reversal of the discount:

	2019 £
Discounted principal	14,957,310
Interest charge within 1 year	1,241,449
Interest charge within 1-2 years	1,344,489
Interest charge within 2-5 years	1,456,081
	<u>18,999,329</u>

Secured loans

HSBC bank holds the following security: Unlimited Multilateral Guarantee dated 9 February 2012 given by Asset Alliance Group Holdings Limited, Asset Alliance Finance Limited, ATE Truck & Trailer Sales Limited and Asset Alliance Ltd.

Asset Alliance Finance Limited has provided guarantees to various funders in respect of assets purchased by Asset Alliance Ltd under finance leases and hire purchase agreements.

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
5,000,277 (2018 - 5,000,277) Ordinary shares of £1.00 each	5,000,277	5,000,277

Ordinary shares are non-redeemable and one vote can be cast per share. Dividends may be declared in general meetings.

13. Reserves

Other reserve - investment

In 2016 the investment in Forest Asset Finance Limited was purchased from Asset Alliance Group Holdings Limited for the consideration of 1,000,010 £1 ordinary shares which were issued during the year. The difference of £575,731 between the investment value of £1,575,741 and the ordinary share capital issued was taken to this other reserve.

Profit and loss account

The profit and loss account includes all current and prior year retained profit or losses.

Other reserve - capital contribution

The other reserve comprises the capital contribution of £4,626,596 recognised in respect of the Deep Discounted Bonds following the waiving of the accreted and future interest charges on 1 July 2019 less the £584,578 transfer to the profit and loss account, which is the interest charge in the year in respect of these Bonds, as this is a financing transaction under FRS 102.

14. Related party transactions

As permitted under FRS 102, transactions with other 100% owned companies in the group have not been disclosed as related party transactions.

The total bonds issued accreted by £1,091,657 (2018: £2,067,012) in the year. At 1 July 2019 all cumulative and future interest was waived, resulting in £9,996,982 being waived. The total undiscounted balance due to CS Capital Partners III L.P. at 31 December 2019 is £18,998,329 (2018: £27,904,654). The reduction in accretion and subsequent balance is due to the agreement put in place to waive accreted and future interest in respect of the deep discounted bonds.

The deep discounted bonds principal is due to be redeemed on 22 December 2022.

ASSET ALLIANCE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. Post balance sheet events

On 10 December 2020, Asset Alliance Group Holdings Limited entered into an agreement to sell its entire issued share capital to Arbuthnot Latham & Co., Limited, a subsidiary of the Arbuthnot Banking Group plc.

Immediately prior to entering into this agreement, management loan notes with a principal value of £2.0m, were redeemed for £1.1m. The remaining management loan notes (principal value of £2.5m) were redeemed via the issuance of 2,316 "C" share of £0.01 each.

At the same time, the deep discounted bonds issued by Asset Alliance Finance Limited, with a principle value of £19.0m, were novated to Asset Alliance Group Holdings Limited and subsequently redeemed in exchange for 102,331 "A" shares of £0.01 each.

Following regulatory approval, the transaction with Arbuthnot Latham & Co., Limited completed on 31 March 2021. Shortly after completion, Arbuthnot Latham & Co., Limited provided funds to the Group which allowed the third-party revolving credit facility to be repaid in full.

16. Controlling party

100% of Asset Alliance Finance Limited's share capital is owned by Asset Alliance Group Holdings Limited. Asset Alliance Group Holdings Limited is a subsidiary of Arbuthnot Latham & Co., Limited (a company registered in England and Wales), which in turn is a subsidiary of Arbuthnot Banking Group PLC (also a company registered in England and Wales), which is the ultimate parent company. Sir Henry Angest, the Group Chairman and CEO, has a beneficial interest in 56.1% of the issued Ordinary share capital of Arbuthnot Banking Group PLC and is regarded by the Directors as the ultimate controlling party. A copy of the consolidated financial statements of Arbuthnot Banking Group PLC may be obtained from 7 Wilson Street, London, EC2M 2SN.

These financial statements are consolidated into the financial statements of Asset Alliance Group Holdings Limited. Copies of the Asset Alliance Group Holdings Limited consolidated financial statements can be obtained from its registered office at Arbuthnot House, 7 Wilson Street, London, EC2M 2SN.