

Parent Company accounts of
9236618 - AA Holdings Ltd

Registered Number: 02765920

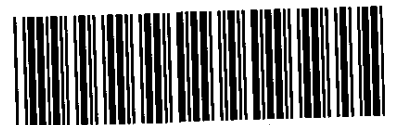
ASSET ADVANTAGE GROUP LIMITED

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

NOT FOR SUBMISSION

COPY IN SUPPORT OF SECTION 479A AUDIT EXEMPTION

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COMPANIES HOUSE

COMPANY INFORMATION

DIRECTORS

J C G Eddy
P J Knight
M P M Olive
A J Ramsay

REGISTERED NUMBER

02765920

REGISTERED OFFICE

Matrix House
Basing View
Basingstoke
Hampshire
RG21 4DZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

ASSET ADVANTAGE GROUP LIMITED

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ASSET ADVANTAGE GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their strategic report on the Group for the year ended 30 September 2017.

INTRODUCTION

The principal activity of the Company and the Group is the trading and leasing of equipment. Throughout the year, the Company and Group continued to have a presence in two separate, but related asset finance markets: the public sector market in which the Group has an historical portfolio of predominantly operating leases, and the SME market, where new business is transacted in the form of finance leases and hire purchase contracts and loans written in the name of Asset Advantage Limited ("AAL"), a wholly owned subsidiary of the Group.

The historic public sector portfolio is made up of operating leases funded through back-to-back head leases. The Group typically retained an investment in the residual value of the leased asset and as such, the majority of the value to the Group of this portfolio is realised at the end of the lease. Consequently, as this portfolio runs down, the residual value is realised either through a sale of the leased assets or through secondary rentals. In both scenarios, the portfolio has historically provided cash to fund the growing SME new business portfolio.

In addition to writing finance leases and hire purchase contracts, AAL provides loans to SME customers where asset finance transactions are not appropriate but where funding is required for the purchase or finance of business critical assets. The SME portfolio, both lease and loan, is funded through borrowings to lend alongside the Group's own equity investment. The borrowings take the form of block discounting facilities, wholesale revolving credit facilities or variable funding notes issued by an SPV under a funding agreement with Commerzbank. AAL writes the finance lease, hire purchase contract or loan with the SME and then borrows funds from a 3rd party secured against the cash receivables under the agreement.

The Group sources new business from a panel of professional introducers. This provides a scalable new business model at a low overhead which has access to a pool of highly experienced individuals covering a range of SME markets and geographical areas. The introducers are able to offer their customers access to the most appropriate funder for their needs, whilst the funders do not have to disappoint the customers by being unable to fund their business. Our underwriting process for new SME business continues to emphasise the underlying credit quality of our customers over the strength of the underlying asset – resulting in both a low bad debt ratio and a portfolio of leases covering a diverse range of assets and loans into a wide variety of industries.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The year ended 30 September 2017 saw continued growth in the SME lending portfolio resulting in an increase in consolidated revenues of £4.0m to £44.7m (from £40.7m in the year ended 30 September 2016). The contribution to turnover from the SME business was £42.9m, up £5.1m from the £37.8m recorded in 2016. Gross profit in the year was £14.9m (up from £13.3m in 2016) with the contribution from the SME business of £13.9m, an increase of £2.2m on the £11.7m recorded in the previous year.

The SME lending portfolio grew to £101.2m (compared to £92.0m at 30 September 2016) with £47.0m of new business being written in the year, a decrease of £4.1m on the £51.1m recorded in the year ended 30 September 2016. £15.6m of the new business lending was in the form of the SME loan product (against £14.7m in the year to 30 September 2016). The fall reflected both an increasingly competitive market and customer worries about the economic climate.

The public sector lease portfolio has continued to run down, as reflected in the fall in tangible assets and the investment in residual value. Its contribution to revenues fell to £1.7m in the year ended 30 September 2017 (down £1.1m from the £2.8m recorded in the year ended 30 September 2016), and the portfolio's contribution to gross profit fell by £0.5m to £1.0m (from £1.5m in the previous year) reflecting the smaller number of assets.

The Group's insurance subsidiary, Advantage Risk Solutions Limited ("ARS"), continues to build a client base but is still in its infancy. Its revenue increased by £37k to £133k from the £96k recorded in the year ended 30 September 2016. ARS was established with the aim of broadening the Group's product offering to the SME market and to provide a further revenue stream.

ASSET ADVANTAGE GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS (continued)

The directors are satisfied with the Group's performance in the current economic climate and that all KPIs (in particular turnover and net income) have been achieved. The main KPIs for the business include:

Profit vs. budget
Bad debt as % of NBV
IRR% vs. Target
Average IRR% by broker
Residual value vs. market value

Funding for new business continues to grow both in terms of facility sizes and number of lenders, enabling the continued progression and development of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Group, and the steps taken for their management, are as follows:

An increase in bad debt:

This could result from both internal and external factors. The principal internal factors would be a change in credit policy (encompassing not only credit underwriting, but also in products offered and markets). However, the credit policy has consistently resulted in low levels of bad debt year on year and therefore there are no plans to change it. Similarly, the business is providing profitable products in a market that the directors believe is sufficiently large for the Group to continue to grow profits and portfolio size in the future and therefore there are no plans to change these. Although the directors have no influence over external factors such as a weakening economy, they have endeavoured to mitigate the risks through financing a broad mix of asset types, industry sectors, business types, demographics and by maintaining an average customer exposure of c. 0.25% of the portfolio. Furthermore, investment in IT systems enables us to produce comprehensive reporting packs facilitating regular and informed analysis of portfolio characteristics and trends.

Liquidity Risk:

The Group funds its operations out of its own cash resources and through 3rd party funding. Whilst it maintains sufficient headroom in its funding facilities to ensure cash is available at all times, there is a small risk that insufficient funds would be available. To mitigate this liquidity risk, the Group forecasts short term cash requirements and long term cash flows 12 months in advance and monitors its performance against these targets. Furthermore, management actively seek out further funding at all times, to ensure that funding is available in the future.

A downturn in residual values:

This risk is mitigated as the Group has a diverse portfolio of asset types leased over a wide range of terms thereby avoiding a concentration of one asset type being returned at the same time. Exposure is monitored through regular portfolio valuations and appropriate provisions are made where necessary. The risk is expected to reduce over time as the public sector operating lease portfolio declines and becomes a smaller part of the business.

Further disclosures relating to capital and financial risk management can be found in Note 4.

DISCLOSURE OF NON FINANCIAL KEY PERFORMANCE INDICATORS

The Group does not currently make use of non-financial key performance indicators.

This report was approved by the board on 25 April 2018 and signed on its behalf.



J C G Eddy
Director

ASSET ADVANTAGE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company and the Group is the trading and leasing of equipment.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis as the directors are of the opinion that the operations will continue into the foreseeable future.

DIVIDENDS

The directors have approved the dividends as set out in Note 20. Interim dividends totalling £500,000 were paid during the year (2016: £375,000) and there was no final or special dividend paid (2016: £125,000 and £233,172 respectively). There were no dividends outstanding at year end.

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J C G Eddy
P J Knight
M P M Olive
A J Ramsay

ASSET ADVANTAGE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

FUTURE DEVELOPMENTS

The directors anticipate the continued growth of the SME portfolio, albeit at a slower rate than previously. Increased competition from other funders and customer concerns around the current economic climate – both Brexit related as well as other cyclical factors – have lead the directors to believe that new business volumes are likely to remain constant in FY 2018 with growth returning from FY 2019 onwards. Whilst the business is seeing increasing demand for its SME loan product, the directors will continue to look to manage a balanced portfolio in terms of product mix.

The operating lease portfolio will continue to wind down, with primary periods on the remaining leases expiring no later 2021.

The contribution from the insurance business is expected to continue to grow as the business develops a customer base. However, this contribution is not anticipated to be material to Group's results for some time.

FINANCIAL RISK MANAGEMENT

Please refer to the strategic report and Note 12 for details of the Company's and Group's risk management policies.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the Company's and the Group's auditors are unaware, and
- that 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 and the Group's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with s485 of the Companies Act 2006.

This report was approved by the board on 25 April 2018 and signed on its behalf.



J C G Eddy
Director

ASSET ADVANTAGE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASSET ADVANTAGE GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Asset Advantage Group Limited's Group financial statements and parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2017 and of the Group's profit and the Group's and the parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as regards the parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and parent Company statements of financial position as at 30 September 2017; the consolidated statement of comprehensive income, the consolidated and Company cash flow statements, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 Group's and parent 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

ASSET ADVANTAGE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASSET ADVANTAGE GROUP LIMITED **(continued)**

Reporting on other information (continued)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 the 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

ASSET ADVANTAGE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASSET ADVANTAGE GROUP LIMITED **(continued)**

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Christine Dobson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
25 April 2018

ASSET ADVANTAGE GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

		2017	2016
	Note	£	£
Revenue	5	44,722,931	40,658,153
Cost of sales		(29,785,069)	(27,357,396)
Gross profit		14,937,862	13,300,757
Administrative expenses		(7,628,658)	(6,258,761)
Operating profit	6	7,309,204	7,041,996
Finance costs	9	(4,936,296)	(4,496,549)
Profit before tax		2,372,908	2,545,447
Income tax expense	10	(784,870)	(382,252)
Profit and total comprehensive income for the year		1,588,038	2,163,195
Attributable to:			
Equity holders of the parent		1,678,391	2,253,820
Non-controlling interest		(90,353)	(90,625)
		1,588,038	2,163,195

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

There was no other comprehensive income for the period.

All amounts relate to continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent Company profit and loss account.

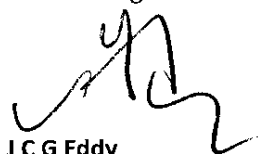
ASSET ADVANTAGE GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

Registered Number: 02765920

	Note	2017 £	2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	636,487	1,118,475
Other financial assets	13	67,296,828	61,353,981
Deferred tax assets	14	164,865	529,717
		<u>68,098,180</u>	<u>63,002,173</u>
Current assets			
Inventories	15	268,883	505,449
Trade and other receivables	16	3,529,514	2,237,355
Other financial assets	13	34,067,802	30,943,134
Cash and cash equivalents	17	4,588,512	3,944,232
		<u>42,454,711</u>	<u>37,630,170</u>
TOTAL ASSETS		<u>110,552,891</u>	<u>100,632,343</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	589,224	589,224
Capital redemption reserve	19	(392,756)	(392,756)
Retained earnings		19,005,222	17,826,831
Equity attributable to the holders of the parent		<u>19,201,690</u>	<u>18,023,299</u>
Non-controlling interests	21	(264,515)	(174,162)
Total equity		<u>18,937,175</u>	<u>17,849,137</u>
Non-current liabilities			
Interest-bearing loans and borrowings	22	33,235,097	43,426,458
		<u>33,235,097</u>	<u>43,426,458</u>
Current liabilities			
Trade and other payables	23	3,802,370	4,302,401
Interest-bearing loans and borrowings	22	53,617,717	34,750,162
Current tax liabilities		960,532	304,185
		<u>58,380,619</u>	<u>39,356,748</u>
TOTAL LIABILITIES		<u>91,615,716</u>	<u>82,783,206</u>
TOTAL EQUITY & LIABILITIES		<u>110,552,891</u>	<u>100,632,343</u>

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 8 to 45 were approved by the board of directors on 25 April 2018 and were signed on its behalf by:



J C G Eddy
Director

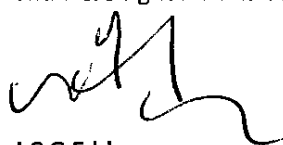
ASSET ADVANTAGE GROUP LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

Registered Number: 02765920

	Note	2017 £	2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	567,523	997,196
Other financial assets	13	-	62,905
Investments	24	570,078	500,078
Deferred tax assets	14	141,336	468,561
		<u>1,278,937</u>	<u>2,028,740</u>
Current assets			
Inventories	15	135,857	290,648
Trade and other receivables	16	11,082,305	9,299,547
Other financial assets	13	182,153	193,513
Cash and cash equivalents	17	52,514	231,619
Current tax receivable		914,798	752,006
		<u>12,367,627</u>	<u>10,767,333</u>
TOTAL ASSETS		<u>13,646,564</u>	<u>12,796,073</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	589,224	589,224
Capital redemption reserve	19	(392,756)	(392,756)
Retained earnings			
At 1 October		7,861,603	8,501,939
(Loss)/Profit for the year attributable to the owners		(1,000,665)	92,836
Other changes in equity		(500,000)	(733,172)
		<u>6,360,938</u>	<u>7,861,603</u>
Total equity		<u>6,557,406</u>	<u>8,058,071</u>
Non-current liabilities			
Interest-bearing loans and borrowings	22	430,740	946,657
		<u>430,740</u>	<u>946,657</u>
Current liabilities			
Trade and other payables	23	4,369,131	3,577,715
Interest-bearing loans and borrowings	22	2,289,287	213,630
		<u>6,658,418</u>	<u>3,791,345</u>
TOTAL LIABILITIES		<u>7,089,158</u>	<u>4,738,002</u>
TOTAL EQUITY & LIABILITIES		<u>13,646,564</u>	<u>12,796,073</u>

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 8 to 45 were approved by the board of directors on 25 April 2018 and were signed on its behalf by:



J C G Eddy
Director

ASSET ADVANTAGE GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Issued capital	Capital redemption reserve	Retained earnings	Equity attributable to holders of parent	Non-controlling interests	Total equity
	£	£	£	£	£	£
As at 1 October 2015	600,000	-	16,306,183	16,906,183	(83,537)	16,822,646
Share capital cancelled	(10,776)	(392,756)	-	(403,532)	-	(403,532)
Total comprehensive income for the year	-	-	2,253,820	2,253,820	(90,625)	2,163,195
Dividends paid	-	-	(733,172)	(733,172)	-	(733,172)
As at 30 September 2016	589,224	(392,756)	17,826,831	18,023,299	(174,162)	17,849,137
Total comprehensive income for the year	-	-	1,678,391	1,678,391	(90,353)	1,588,038
Dividends paid	-	-	(500,000)	(500,000)	-	(500,000)
As at 30 September 2017	589,224	(392,756)	19,005,222	19,201,690	(264,515)	18,937,175

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

ASSET ADVANTAGE GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Issued capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
As at 1 October 2015	600,000	-	8,501,939	9,101,939
Share capital cancelled	(10,776)	(392,756)	-	(403,532)
Total comprehensive income for the year	-	-	92,836	92,836
Dividends paid	-	-	(733,172)	(733,172)
As at 30 September 2016	589,224	(392,756)	7,861,603	8,058,071
Total comprehensive loss for the year	-	-	(1,000,665)	(1,000,665)
Dividends paid	-	-	(500,000)	(500,000)
As at 30 September 2017	589,224	(392,756)	6,360,938	6,557,406

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

ASSET ADVANTAGE GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

		2017	2016
	Note	£	£
Cash flows from operating activities			
Cash generated from operations	25	6,154,391	8,541,956
Income tax received/(paid)		238,772	(615,000)
Interest paid		(4,936,296)	(4,496,549)
Net cash flows generated from operating activities		1,456,867	3,430,407
Cash flows from investing activities			
Purchase of property, plant and equipment		(101,746)	(87,345)
Proceeds from the sale of property, plant and equipment		176,408	370,124
Increase in investments in other financial assets		(46,951,176)	(55,103,528)
Receipts from other financial assets		37,883,661	34,118,057
Net cash used in investing activities		(8,992,853)	(20,702,692)
Cash flows from financing activities			
Proceeds from loans and borrowings		43,271,921	36,766,991
Repayment of loans and borrowings		(34,591,655)	(18,803,007)
Share buy back		-	(403,532)
Dividends paid to equity holders of the parent		(500,000)	(608,172)
Net cash flows generated from financing activities		8,180,266	16,952,280
Net increase/(decrease) in cash and cash equivalents		644,280	(320,005)
Cash and cash equivalents at beginning of year		3,944,232	4,264,237
Cash and cash equivalents at end of year		4,588,512	3,944,232

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

ASSET ADVANTAGE GROUP LIMITED
COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Cash (used in)/generated from operations	25	(815,231)	1,489,678
Income tax received/(paid)		238,772	(615,000)
Interest paid		(222,542)	(143,965)
Net cash (used in)/generated from operations		(799,001)	730,713
Cash flows from investing activities			
Purchase of property, plant and equipment		(101,746)	(87,346)
Proceeds from the sale of property, plant and equipment		176,408	370,124
Receipts from other financial assets		74,265	191,724
Investment in subsidiary		-	(150,000)
Net cash flows generated from investing activities		148,927	324,502
Cash flows from financing activities			
Net movement in intercompany balances		(366,228)	(134,081)
Repayment of loans and borrowings		1,337,198	(844,548)
Share buy back		-	(403,532)
Dividends paid		(500,000)	(608,172)
Net cash generated from/(used in) financing activities		470,970	(1,990,333)
Net decrease in cash and cash equivalents		(179,105)	(935,118)
Cash and cash equivalents at beginning of year		231,619	1,166,737
Cash and cash equivalents at end of year		52,514	231,619

The notes on pages 15 to 45 form an integral part of these consolidated financial statements.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 General information

The consolidated financial statements of Asset Advantage Group Limited and its subsidiaries (collectively, the Group) for the year ended 30 September 2017 were authorised for issue in accordance with a resolution of the directors on XX April 2018. Asset Advantage Group Limited (the Company) is a limited company incorporated and domiciled in the United Kingdom. The registered office is located at Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom.

The principal activity of the Company and the Group is the trading and leasing of equipment. Information on the Group's ultimate controlling party is presented in Note 28. Information on other related party relationships of the Group is provided in Note 27.

2 Significant accounting policies

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with European Union adopted International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements have also been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities measured at fair value, and a going concern basis. The consolidated financial statements are presented in pound Sterling and all values are rounded to the nearest pound, except when otherwise indicated.

Exemption from audit by parent guarantee

Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ending 30 September 2017 have been taken by the subsidiary companies stated below:

Company Name	Registered Number	Company Name	Registered Number
AARV Limited	7383482	RA (No 8) Limited	7327764
AssetcoRentals (No.2) Limited	3911424	RA (No 9) Limited	7327721
RV Investor (No1) Limited	6489289	RA (No 10) Limited	7327683
AAG Holdings (UK) Limited	9236621	RA (No 11) Limited	8429945
AAL Holdings (UK) Limited	9236618	RA (No 12) Limited	8429964
AAG Operations Limited	9235397	RA (No 13) Limited	8725470
Advantage Risk Solutions (Holdings) Limited	8936391	RA (No 14) Limited	8725490
Advantage Risk Solutions Limited	8836855	RA (No 15) Limited	8725182
RA (No 3) Limited	6476899	RA (No 17) Limited	10375967
RA (No 4) Limited	6476894	RA (No 18) Limited	10375854
RA (No 6) Limited	7327662	RA (No 19) Limited	10379735
RA (No 7) Limited	7327677	RA (No 20) Limited	10379643

Under Section 479C of the Companies Act 2006, Asset Advantage Group Limited, being the ultimate parent undertaking of the above companies, has given a statutory guarantee of all the outstanding liabilities to which the companies are subject at 30 September 2017.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Asset Advantage Group Limited and its subsidiaries as at 30 September 2017. Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.2 Basis of consolidation (continued)

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group adopts uniform accounting policies. No adjustments have been made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

2.3.1 Fair value measurement

The Group measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Financial instruments (including those carried at amortised cost)

Note 12

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.3.1 Fair Value Measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding VAT, duties and Insurance premium tax where applicable.

Revenue comprises lease and loan income, provision of related fee based services, end of lease income and commissions and fees earned on insurance contracts.

Lease Income

Finance lease income recognised in the year includes both the capital repayment and interest calculated on an actuarial basis under the term of the finance lease arrangement with the customer. Amounts are recognised on a monthly basis.

Operating lease income recognised in the year is the contracted rental amount under the operating lease arrangement with the customer. Amounts are recognised on a monthly basis.

Loan income

Loan revenue recognised in the year is the net interest received on customer repayments.

Fee income

Lease arrangement fees are recognised in full on inception of the related lease. All other lease related fee income is recognised in full in the month in which it arises.

End of lease income

At the end of the lease arrangement with the customer the Company sells the underlying assets to a third party on a mutually agreed date. Sale proceeds are recognised on the agreed date. Any secondary income received in relation to leases is recognised in full in the month in which it falls due.

Insurance income

Insurance income comprises commission received on insurance contracts and fees received for the provision of advice in relation to insurance contracts. It is recognised in the month in which it is received.

2.3.3 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.3.3 Taxes (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for: all deductible temporary differences; the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.3.4 Property, plant and equipment

Property, plant and equipment are stated at original historical cost less accumulated depreciation and/or accumulated impairment losses. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to working condition for its intended use. Assets are depreciated from the date they are brought into use.

Impairment:

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value, if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount. An impairment loss is recognised immediately as an expense.

Assets under leasing arrangements:

Assets held for leasing that are financed under hire purchase or sale of receivables contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and depreciated over the shorter of the lease term (which typically range between 3 to 7 years) and the economic useful life of the assets. Depreciation on these assets is provided under the annuity method. In all cases assets are depreciated down to their estimated residual value.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.3.4 Property, plant and equipment (continued)

Own use assets:

Depreciation is provided at rates calculated to write off the full cost of each asset less any residual value on a straight-line basis over its expected economic useful life as shown below.

Leasehold improvements	-	Life of lease
Vehicles	-	3 years
Fixtures & furniture	-	5 years
Computer equipment	-	2 years
Office equipment	-	2 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Profits or losses on the disposal of both leased and own use fixed assets are included in the calculation of operating profit.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3.5 Investment in residual values

Investments in residual values are accounted for upfront at the inception of a primary lease agreement, and held at cost on the balance sheet throughout the duration of the primary lease, less any provision for impairment where circumstances indicate that the carrying amount may not be recoverable.

Impairment reviews are carried out annually by the directors and assets impaired when indicators show this is appropriate.

Residual values in relation to HP funded assets are netted off the head lease liability. However in these circumstances to improve clarity of the financial statements, investment in residual values and head lease liabilities are presented gross.

2.3.6 Investments

Investments in the parent Company separate accounts are initially measured at cost with any subsequent movements in the value of the investment being recognised as an impairment in terms of IAS 36 – Impairment of assets. IAS 27 – Separate financial standards states that where an entity has opted for the cost accounting method for investments then the cost of the investments should be at the lower of their carrying amount and the fair value less costs to sell. Therefore the investments in the accounts have been disclosed on a net realisable value basis.

2.3.7 Leases

As part of its asset management activities, the Company enters into leases with customers that are funded through related head leases or head hire purchase (HP) facilities with financial institutions. Under the terms of the head leases, the Company will normally act as the lessor's agent for disposing of the residual assets at the end of the lease term and may participate in the proceeds of sale. The accounting treatment of these head leases and subleases depends on the substance of the arrangements.

Where the Company simultaneously enters into a head lease and sublease under terms that limit the funder's recourse to the Company to certain specific cash flows from the sublease in such a way that all the benefits and all the risks associated with those cash flows are transferred to the funder, the arrangements are accounted for as a single transaction. Accordingly, only the Company's cash investment in any residual value is recognised in the balance sheet.

Where, however, the transaction is negotiated such that the Group is exposed to the credit risk on the underlying lease with the customer, the head lease or head HP facilities and sublease are accounted for as separate transactions.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.3.7 Leases (continued)

Accordingly, where the head lease or similar contract is a HP contract, the capital element of future financing obligations is recorded as a liability, while the interest element is charged to the profit and loss account over the period of the HP agreement so as to produce a constant rate of charge on the capital outstanding.

The accounting treatment of the related sublease will depend on the nature of the sublease. Where the underlying lease is a finance lease, it will be recorded as a finance lease receivable and the interest from the finance lease will be recognised in income over the lease term on a basis that gives a constant rate of periodic rate of return on the outstanding investment.

Where the underlying lease with the customer is an operating lease, the related asset will be capitalised as a fixed asset and depreciated over the shorter of the lease term and its useful life, and rental income from operating leases will be recognised on a straight-line basis over the lease term.

2.3.8 Inventories

Inventories are valued at the lower of cost (being the residual value of the asset) and net realisable value.

Inventories comprise assets formerly leased to customers under long term arrangements for which those arrangements have since ended. Cost is determined on an individual asset basis being the residual value of the asset. Net realisable value is based on the estimated selling prices less all relevant marketing, selling and distribution costs.

There are no amounts held in respect of raw materials or work in progress.

2.3.9 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A) Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale ("AFS") financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

This category is the most relevant to the Group as it includes receivables from loans and finance leases made to UK SMEs, the Group's core business. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in cost of sales in the statement of profit or loss. The losses arising from impairment in receivables from loan and finance leases are recognised in the statement of profit or loss in administrative expenses.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.3.9 Financial Instruments – initial recognition and subsequent measurement (continued)

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

iv) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

v) Financial assets carried at amortised cost.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

B) Financial Liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest bearing loans and borrowings.

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

2.3.10 Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2.3.11 Dividends

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of the United Kingdom, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.3.12 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.

2.3.13 Trade and other receivables

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.

2.3.14 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.

2.3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, including those issued on the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by shareholders.

2.3.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from supplier. They are recognised initially at fair value and subsequently measured at amortised cost using the EIR method.

2.3.17 Pension Scheme

Payments to defined contribution pension schemes are charged as an expense as they fall due.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

No significant judgements were required to be made.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Bad debt estimate

During the year the Company revised the accounting treatment used for its non-performing portfolio agreements. Historically once an agreement had been terminated, an amount equal to the net book value of the agreement was written off as a loss in the statement of comprehensive income, with any recoveries recognised as profit as and when they were made.

Upon review of the recoveries obtained and peer companies in the industry, management have revised the write off policy and thus agreements are no longer written off in full upon termination but a provision that takes into account the risk of non-recovery is raised. The change in estimate amounts are disclosed in Note 6 below.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The non-financial assets considered for impairment are property, plant and equipment and inventories that have circa carrying amounts £0.6m and £0.3m respectively. However no impairments were required for these assets during the year.

Impairment of investment

The Company assesses the carrying cost of its investments in subsidiaries on an annual basis. Where an impairment is considered likely, the carrying cost of the investment is compared to the expected recoverable amount calculated using a discounted cash flow method. This year, the company has recognised an impairment in its investment in Advantage Risk Solutions Ltd (ARS) of £280k (2016: £150k). Further information is found in Note 24.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

There were no unutilised tax losses in the current year and the deferred tax assets relate to the capital allowances.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

4 Financial risk management

4.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Group does not use derivative financial instruments to hedge risk exposures. Details of the Group's risk management policies are found in the Strategic Report and Note 12.

Foreign exchange risk

The Group operates primarily in the UK and has limited exposure to foreign exchange risk.

4.2 Capital Management

The Group's objective is to maintain a strong capital base to support its operations in line with relevant forecasts whilst providing a return to its shareholders. The capital base for these purposes comprises total equity at 30 September 2017 amounting to £18.9m (2016: £17.8m) as well as interest-bearing loans and borrowings amounting to £91.6m gross (2016: £82.8m). The Group is not subject to any external regulatory capital requirements. It is, however, required within certain borrowing facilities to maintain a ratio of borrowings to net worth.

5 Revenue

An analysis of turnover by class of business is as follows:

	2017	2016
	£	£
Lease income	36,145,467	31,893,431
Loan income	3,869,978	3,306,413
Fee income	574,825	509,905
End of lease income	3,999,439	4,852,086
Insurance commission	133,222	96,318
	<u>44,722,931</u>	<u>40,658,153</u>

All turnover arose within the United Kingdom and from a single business segment.

There are no contingent rentals in respect of operating lease income.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

6 Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of leased assets (note 11)	279,990	517,430
Depreciation of own use assets (note 11)	84,421	65,540
Depreciation of leasehold property (note 11)	36,400	47,059
Services provided by the company's auditors:		
- Fees payable for the audit	53,644	170,731
- Fees payable for other services - tax compliance	34,400	70,000
- Fees for other services - tax advisory services	51,600	105,000
Operating Leases (rent)	101,043	130,505
* Decrease in provision for bad debt allowance	(820,492)	-

* The change in bad debt estimate documented in Note 3 above resulted in an decrease in the current year bad debt allowance of £820,492. Future effects of the change in estimate are impracticable to determine and therefore no disclosure has been made.

7 Employee information

	2017 £	2016 £
Wages and salaries	2,775,795	2,367,758
Social security costs	361,165	312,139
Other pension costs	80,594	62,362
	3,217,554	2,742,259

Staff Numbers

	2017 Number	2016 Number
Operations	6	4
Administration	40	33
	46	37

The above staff numbers are the number of employees within the Group at year end. The Group operates a defined contribution retirement benefit plan for all qualifying employees. The total expense recognised for the plan in the year was £80,594 (2016: £62,362).

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

8 Directors' remuneration

Retirement benefits are accruing to three (2016: three) directors under a defined contribution pension scheme. The directors are considered to be the key management. No share option schemes are operated.

	2017	2016
	£	£
Aggregate emoluments	970,486	712,987
Company contributions to a defined contribution pension scheme	25,059	18,142
	<u>995,545</u>	<u>731,129</u>

	2017	2016
	£	£
Highest paid director		
Total emoluments	458,329	298,829
Company contributions to a defined contribution pension scheme	11,525	7,636
	<u>469,854</u>	<u>306,465</u>

9 Finance costs

	2017	2016
	£	£
On bank loans and overdrafts	740,340	337,351
On other lease financing arrangements	3,970,064	4,009,148
On hire purchase and sale of receivables contracts	225,892	150,050
	<u>4,936,296</u>	<u>4,496,549</u>

10 Income tax expense

	2017	2016
	£	£
<i>Current tax</i>		
UK Corporation tax on profits for the year	398,140	389,738
Adjustment in respect of prior years	21,878	(244,691)
Total current tax	<u>420,018</u>	<u>145,047</u>
<i>Deferred tax (see note 14)</i>		
Origination and reversal of timing differences	70,590	227,328
Adjustment in respect of prior years	45,092	(17,803)
Impact of change in tax rates	-	27,680
Reduction in deferred tax asset recognised	249,170	-
Total deferred tax	<u>364,852</u>	<u>237,205</u>
Income tax expense	<u>784,870</u>	<u>382,252</u>

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

10 Income tax expense (continued)

The current tax charge is higher (2016: lower) than the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained as follows:

	2017 £	2016 £
Factors affecting tax charge for the year		
Profit before taxation	2,372,910	2,545,447
Tax on profits at an average rate of 19.5% (2016: 20%)	<u>462,717</u>	<u>509,089</u>
Effects of:		
Impact of change in tax rates	(4,211)	27,102
Expenditure not deductible for tax purposes	10,224	48,138
Impact of unrecognised deferred tax	249,170	60,417
Adjustment in respect of prior years	66,970	(262,494)
Total tax charge for the year	<u><u>784,870</u></u>	<u><u>382,252</u></u>

Factors that may affect future tax charges

The Finance (No 2) Act 2015, included legislation to reduce the main rate of corporation tax in the UK from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 and was substantively enacted on 26 March 2015. The Finance Act 2016, included legislation to further reduce the main rate of corporation tax in the UK to 17% from 1 April 2020 and was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

11 Property, plant and equipment

Group	Leased Assets Other fixed assets	Leased Assets Plant and machinery	Leased Assets Vehicles	Own use Leasehold Improvements	Own use Fixtures and Furniture	Own Use Computer equipment	Own Use Office equipment	Own Use Vehicles	Total
Cost	£	£	£	£	£	£	£	£	£
At 1 October 2015	60,817	4,052,011	3,255,808	149,328	85,640	342,230	15,372	4,629	7,965,835
Additions	-	-	-	22,508	16,063	48,774	-	-	87,345
Disposals	-	(626,497)	(2,158,743)	-	-	-	-	-	(2,785,240)
At 30 September 2016	60,817	3,425,514	1,097,065	171,836	101,703	391,004	15,372	4,629	5,267,940
Additions	-	-	-	-	-	95,969	5,777	-	101,746
Disposals	-	(1,300,527)	(144,028)	-	-	-	-	-	(1,444,555)
At 30 September 2017	60,817	2,124,987	953,037	171,836	101,703	486,973	21,149	4,629	3,925,131
Accumulated depreciation									
At 1 October 2015	27,052	2,934,913	2,613,079	88,377	34,332	309,829	3,757	2,394	6,013,733
Depreciation charge	6,753	314,791	195,887	47,059	19,904	35,694	7,707	2,235	630,030
Disposals	-	(626,497)	(1,867,801)	-	-	-	-	-	(2,494,298)
At 30 September 2016	33,805	2,623,207	941,165	135,436	54,236	345,523	11,464	4,629	4,149,465
Depreciation charge	6,760	203,875	69,355	36,400	20,376	57,689	6,356	-	400,811
Disposals	-	(1,128,215)	(133,417)	-	-	-	-	-	(1,261,632)
At 30 September 2017	40,565	1,698,867	877,103	171,836	74,612	403,212	17,820	4,629	3,288,644
Net book value									
At 30 September 2017	20,252	426,120	75,934	-	27,091	83,761	3,329	-	636,487
At 30 September 2016	27,012	802,307	155,900	36,400	47,467	45,481	3,908	-	1,118,475
At 1 October 2015	33,765	1,117,098	642,729	60,951	51,308	32,401	11,615	2,235	1,952,102

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

11 Property, plant and equipment (continued)

Company	Leased Assets Plant and machinery	Leased Assets Vehicles	Own use Leasehold Improvements	Own use Fixtures and Furniture	Own Use Computer equipment	Own Use Office equipment	Own Use Vehicles	Total
Cost	£	£	£	£	£	£	£	£
At 1 October 2015	3,437,514	609,630	149,328	85,640	342,230	15,372	4,629	4,644,343
Additions	-	-	22,508	16,063	48,774	-	-	87,345
Disposals	(12,000)	(251,643)	-	-	-	-	-	(263,643)
At 30 September 2016	3,425,514	357,987	171,836	101,703	391,004	15,372	4,629	4,468,045
Additions	-	-	-	-	95,969	5,777	-	101,746
Disposals	(1,300,527)	(35,492)	-	-	-	-	-	(1,336,019)
At 30 September 2017	2,124,987	322,495	171,836	101,703	486,973	21,149	4,629	3,233,772
Accumulated depreciation								
At 1 October 2015	2,372,387	423,416	88,377	34,332	309,829	3,757	2,395	3,234,493
Depreciation charge	262,822	83,435	47,059	19,904	35,695	7,707	2,234	458,856
Disposals	(12,000)	(210,500)	-	-	-	-	-	(222,500)
At 30 September 2016	2,623,209	296,351	135,436	54,236	345,524	11,464	4,629	3,470,849
Depreciation charge	203,875	30,315	36,400	20,376	57,689	6,356	-	355,011
Disposals	(1,128,215)	(31,396)	-	-	-	-	-	(1,159,611)
At 30 September 2017	1,698,869	295,270	171,836	74,612	403,213	17,820	4,629	2,666,249
Net book value								
At 30 September 2017	426,118	27,225	-	27,091	83,760	3,329	-	567,523
At 30 September 2016	802,305	61,636	36,400	47,467	45,480	3,908	-	997,196
At 1 October 2015	1,065,127	186,214	60,951	51,308	32,401	11,615	2,234	1,409,850

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

12 Financial instruments

The Group's principal financial instruments are financial assets comprising of loans and receivables and financial liabilities recorded at amortised cost, comprising of interest bearing loans and borrowings.

Liquidity and interest rate risks

The Group has traditionally borrowed at fixed interest rates only and matched these to its fixed rate lending. This year saw the Group borrow at both fixed and floating interest rates in order to access larger liquidity pools and benefit from the lower interest rates that these carry. At 30 September 2017, 72% of the Group's drawn facilities were on a floating rate basis (2016: 11%), with interest rates based on one month GBP LIBOR. In the event of a one half of one percentage point increase in LIBOR for the whole year, profit before tax would be adversely effected by £173k (2016: £44k).

The Group's policy on funding capacity is to ensure that there is always long-term funding in place. The Group endeavours to have committed borrowing facilities in place in excess of forecast gross borrowing requirements for a minimum of the next 12 months. At 30 September 2017 the Group's principal committed borrowing facilities totalled £177m (2016: £108m). The contractual maturities of the Group's and Company's facilities are detailed in Note 12 below along with the Group's committed facilities. As a result the liquidation risk is not considered material.

The table below sets out the gross contractual maturities of the Group's and Company's financial instruments;

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

12 Financial Instruments (continued)

Group

Year ended 30 September 2017

Fixed Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Loans and receivables - gross	64,031,874	46,464,022	29,657,546	15,361,024	3,978,354	159,492,820
Trade and other receivables	3,489,514	-	-	-	-	3,489,514
Receivables due from related parties (see Note 27)	40,000	-	-	-	-	40,000
Cash and cash equivalents	4,588,512	-	-	-	-	4,588,512
Interest-bearing loans and borrowings	(17,290,590)	(15,207,460)	(10,007,385)	(6,203,819)	(1,878,225)	(50,587,479)
Trade and other payables	(3,802,370)	-	-	-	-	(3,802,370)
	51,056,940	31,256,562	19,650,161	9,157,205	2,100,129	113,220,997

Floating Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Bank and third party loans	(36,615,000)	-	-	-	-	(36,615,000)
	(36,615,000)	-	-	-	-	(36,615,000)

Year ended 30 September 2016

Fixed Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Loans and receivables - gross	42,283,698	33,546,550	22,702,390	13,279,133	5,155,598	116,967,369
Trade and other receivables	2,237,355	-	-	-	-	2,237,355
Cash and cash equivalents	3,944,232	-	-	-	-	3,944,232
Interest-bearing loans and borrowings	(29,710,264)	(21,302,445)	(14,688,751)	(8,038,370)	(3,041,442)	(76,781,272)
Trade and other payables	(4,302,401)	-	-	-	-	(4,302,401)
	14,452,620	12,244,105	8,013,639	5,240,763	2,114,156	42,065,283

Floating Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Bank and third party loans	(8,798,566)	-	-	-	-	(8,798,566)
	(8,798,566)	-	-	-	-	(8,798,566)

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

12 Financial Instruments (continued)

Company

Year ended 30 September 2017

Fixed Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Loans and receivables - gross	447,832	282,983	43,876	354,960	-	1,129,651
Trade and other receivables	11,042,306	-	-	-	-	11,042,306
Receivables due from related parties (see Note 27)	40,000	-	-	-	-	40,000
Cash and cash equivalents	52,514	-	-	-	-	52,514
Interest-bearing loans and borrowings	(341,400)	(282,983)	(43,876)	(354,960)	-	(1,023,219)
Trade and other payables	(4,369,131)	-	-	-	-	(4,369,131)
	6,872,121	-	-	-	-	6,872,121

Floating Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Bank and third party loans	(2,100,000)	-	-	-	-	(2,100,000)
	(2,100,000)	-	-	-	-	(2,100,000)

Year ended 30 September 2016

Fixed Rate

	Within one year £	1 - 2 years £	2 - 3 years £	3 - 4 years £	4 - 5 years £	Total £
Loans and receivables - gross	741,517	433,394	282,983	30,324	354,960	1,843,178
Trade and other receivables	9,299,547	-	-	-	-	9,299,547
Cash and cash equivalents	231,619	-	-	-	-	231,619
Interest-bearing loans and borrowings	(635,371)	(433,394)	(282,983)	(30,324)	(354,960)	(1,737,032)
Trade and other payables	(3,577,715)	-	-	-	-	(3,577,715)
	6,059,597	-	-	-	-	6,059,597

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

13 Other financial assets

Group	2017 £	2016 £
Current assets		
Loan receivables	9,257,203	6,703,475
Finance lease receivables	24,680,862	24,120,440
Investments in residual values	129,737	119,219
	34,067,802	30,943,134
Non-current assets		
Loan receivables	22,276,458	16,405,432
Finance lease receivables	45,020,370	44,933,737
Investments in residual values	-	14,812
	67,296,828	61,353,981
Company	2017	2016
	£	£
Current assets		
Finance lease receivables	75,721	87,367
Investments in residual values	106,432	106,146
	182,153	193,513
Non-current assets		
Finance lease receivables	-	62,905
	-	62,905

13.1 Finance lease receivables

The Group enters into finance lease arrangements for a variety of equipment used by customers in their business. All leases are denominated in pound Sterling. Leases have an average term of between 3 - 5 years with no leases being granted for more than 5 years.

Group	Minimum lease payments		Present value of minimum lease payments	
	2017 £	2016 £	2017 £	2016 £
Less than 1 year	32,412,694	32,493,106	24,163,922	24,120,438
More than 1 year but less than 5 years	53,483,819	53,803,636	45,020,370	44,933,739
	85,896,513	86,296,742	69,184,292	69,054,177
Less: Unearned finance income	(16,712,221)	(17,242,565)	-	-
Present value of minimum lease payments receivable	69,184,292	69,054,177	69,184,292	69,054,177

An allowance amount of £1,461,121 (2016: £1,618,437) has been raised for the potential of uncollectible lease receipts.

The finance lease receivables at the end of the year exclude receivables due on impaired agreements and there are no unguaranteed residual values of assets leased under finance leases.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

13.1 Finance lease receivables (continued)

Company	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	£	£	£	£
Less than 1 year	78,538	75,764	75,720	74,552
More than 1 year but less than 5 years	-	78,538	-	75,720
	78,538	154,302	75,720	150,272
Less: Unearned finance income	(2,817)	(4,030)	-	-
Present value of minimum lease payments receivable	75,721	150,272	75,720	150,272

However the loans and receivables above include amounts that are past due at the end of the reporting period. An analysis of this aging is as below:

Age of receivables that are past due but not impaired

Group	2017		2016	
	£	£	£	£
	Leases	Loans	Leases	Loans
Less than 30 days	215,515	62,313	437,703	35,948
31 - 60 days	82,719	25,124	22,922	11,742
61 - 90 days	32,779	13,242	14,471	14,324
91 - 120 days	27,925	9,061	8,060	1,946
Greater than 120 days	54,562	42,335	53,718	-
Total	413,500	152,075	536,874	63,960

Company	2017	2016
	£	£
	Leases	Leases
Less than 30 days	14,222	30,061
31 - 60 days	163	468
61 - 90 days	-	40
91 - 120 days	-	760
Greater than 120 days	20,740	7,524
Total	35,125	38,853

The credit risk inherent in loans and receivables is reviewed under impairment policies as detailed in Note 2. Under this review, the credit quality of assets which are neither past due nor impaired were considered good. In the case of assets where there was evidence of non-payment and other objective evidence of impairment, the assets were considered impaired and the carrying value written down to the net realisable amount.

13.2 Loan receivables

All loan receivables are denominated in pound Sterling and have an average term of between 3 - 5 years with none granted for more than 5 years. The balances as per Note 12 above are the capital outstanding amounts and therefore represent the maximum risk exposure for these loans.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

14 Deferred tax assets

Group	2017	2016
	£	£
At the beginning of the year	529,717	766,923
Charge for the year	(70,590)	(227,329)
Adjustments in respect of prior years	(45,092)	17,803
Impact of change in tax rates	-	(27,680)
Impact of unrecognised deferred tax	(249,170)	-
At end of year	164,865	529,717
Deferred taxation can be analysed as follows:		
Accelerated capital allowances	164,865	491,178
Adjustment in respect of prior years	-	7,552
Effects of changes in tax rates	-	(2,217)
Origination and reversal of timing differences	-	33,204
Provision for deferred taxation	164,865	529,717

A deferred tax asset has been recognised in the current financial year on the basis that it is considered more likely than not that there will be sufficient profits from which the future reversal of the underlying timing differences can be deducted. The deferred tax asset recognised in 2016 was £529,717.

Company	2017	2016
At the beginning of the year	468,561	698,953
Charge for the year	(100,922)	(219,567)
Adjustments in respect of prior years	(50,478)	25,392
Derecognition of deferred tax asset	(175,825)	(36,217)
At end of year	141,336	468,561
Deferred taxation can be analysed as follows:		
Accelerated capital allowances	141,336	435,357
Origination and reversal of timing differences	-	33,204
Provision for deferred taxation	141,336	468,561

15 Inventories

Group	2017	2016
	£	£
Finished goods	268,883	505,449
Company	2017	2016
	£	£
Finished goods	135,857	290,648

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

15 Inventories (continued)

Included in the cost of sales amount are inventories amounting to £193,420 (2016; £722,822) that have been expensed in the current year.

The inventory balance at year end is used to determine whether adjustments are required and based on this review the fair value less costs to sell of such inventory items is determined. Based on management's review the carrying amount in the accounts is the fair value less costs to sell and thus no adjustments are required or made.

There are no inventories held that have been pledged as security.

16 Trade and other receivables

Group	2017 £	2016 £
Prepayments and accrued income	2,316,638	1,103,634
Trade receivables	1,172,487	974,658
Value added tax recoverable	-	159,063
Other receivables	40,389	-
	<u>3,529,514</u>	<u>2,237,355</u>
 Company	 2017 £	 2016 £
Amounts owed by group undertakings	9,991,391	8,323,808
Prepayments and accrued income	1,014,386	748,616
Trade receivables	36,139	68,060
Value added tax recoverable	-	159,063
Other receivables	40,389	-
	<u>11,082,305</u>	<u>9,299,547</u>

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

17 Cash and cash equivalents

Group	2017 £	2016 £
Cash at bank and in hand	<u>4,588,512</u>	<u>3,944,232</u>
 Company	 2017 £	 2016 £
Cash at bank and in hand	<u>52,514</u>	<u>231,619</u>

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

18 Issued capital

	2017	2016
Group and company	£	£
Authorised shares		
Ordinary 'A' shares of £1 each	50,000	50,000
Ordinary 'B' shares of £1 each	50,000	50,000
Bonus Issue 'A' shares of £1 each	450,000	450,000
Ordinary 'C' shares of £1 each	50,000	50,000
	<u>600,000</u>	<u>600,000</u>

Ordinary shares issued and fully paid

	No.	£
At 1 October 2015	600,000	600,000
Shares bought back	(10,776)	(10,776)
At 30 September 2016	<u>589,224</u>	<u>589,224</u>
At 30 September 2017	<u>589,224</u>	<u>589,224</u>

The Group only has ordinary shares in issue. These are broken down into categories A, B and C. Class A shares have voting rights whereas B and C do not, however all classes have rights to dividends at differing profit level thresholds.

19 Capital redemption reserve

During the year ended 30 September 2016 the Company bought back shares from a resigning director which resulted in a capital redemption reserve. £10,776 worth of shares were acquired for more than their par value creating a reserve of £392,756.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

20 Dividends proposed and paid

	2017 £	2016 £
Ordinary 'A'		
Interim Dividends paid; £0.61 per share (2016: £0.46 per share)	30,000	22,720
Final Dividend approved; £Nil per share (2016: £0.14 per share)	-	6,909
Special Dividend paid £Nil per share (2016: £0.48 per share)	-	23,659
	<u>30,000</u>	<u>53,288</u>
Ordinary 'B'		
Interim Dividends paid; £2.03 per share (2016: £1.52 per share)	100,000	75,000
Final Dividend approved; £Nil per share (2016: £0.51 per share)	-	25,000
	<u>100,000</u>	<u>100,000</u>
Bonus Issue 'A'		
Interim Dividends paid £0.61 per share (2016: £0.46 per share)	270,000	202,280
Final Dividend approved; £Nil per share (2016: £0.14 per share)	-	68,091
Special Dividend paid £Nil per share (2016: £0.48 per share)	-	209,513
	<u>270,000</u>	<u>479,884</u>
Ordinary 'C'		
Interim Dividends paid £2.03 per share (2016: £1.52 per share)	100,000	75,000
Final Dividend approved; £0.51 per share (2016: £0.51 per share)	-	25,000
	<u>100,000</u>	<u>100,000</u>
Balance of dividends paid on equity capital	<u>500,000</u>	<u>733,172</u>

21 Non-controlling interests

	Year ended 2017 £	Year ended 2016 £
Balance at beginning of year	(174,162)	(83,537)
Share of loss for the year	(90,353)	(90,625)
Balance at end of year	<u>(264,515)</u>	<u>(174,162)</u>

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

22 Interest-bearing loans and borrowings

Group	2017	2016
	£	£
Current liabilities		
Amounts due under lease financing arrangements	16,949,190	25,698,199
Bank and third party loans	36,615,000	8,798,566
Net obligations under hire purchase and sale of receivable contracts	53,527	253,397
	53,617,717	34,750,162
Non-current liabilities		
Amounts due under lease financing arrangements	32,615,070	42,426,274
Net obligations under hire purchase and sale of receivable contracts	620,027	1,000,184
	33,235,097	43,426,458

In respect of amounts due under lease financing arrangements, security has been provided to various financial institutions under financing facilities in the form of assignment of lease receivables under the underlying finance leases.

Amounts owed to financial institutions under hire purchase contracts and sale of receivable contracts as set out above, are secured against the related assets. They are limited recourse and the Company carries no credit risk.

Company	2017	2016
	£	£
Current liabilities		
Bank loans	2,100,000	-
Net obligations under hire purchase and sale of receivable contracts	189,287	213,630
	2,289,287	213,630
Non-current liabilities		
Net obligations under hire purchase and sale of receivable contracts	430,740	946,657
	430,740	946,657

23 Trade and other payables

Group	2017	2016
	£	£
Accruals and deferred income	852,618	902,050
Dividends proposed	-	125,000
Other payables	1,641,608	1,674,006
Other taxation and social security	527,609	70,322
Trade payables	780,535	1,531,023
	3,802,370	4,302,401

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

23 Trade and other payables (continued)

Company	2017	2016
	£	£
Accruals and deferred income	788,506	771,427
Amounts owed to group undertakings	2,870,509	2,335,884
Dividends proposed	-	125,000
Other taxation and social security	527,609	70,322
Trade creditors	182,507	275,082
	<u>4,369,131</u>	<u>3,577,715</u>

Amounts owed to Group undertakings are unsecured, non-interest bearing and repayable on demand.

24 Investments

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2015	500,078
Additions	150,000
At 30 September 2016	<u>650,078</u>
Additions	350,000
At 30 September 2017	<u>1,000,078</u>
Impairment	
At 1 October 2015	-
Impairment	(150,000)
At 30 September 2016	<u>(150,000)</u>
Impairment	(280,000)
At 30 September 2017	<u>(430,000)</u>
Net book value	
At 30 September 2017	<u>570,078</u>
At 30 September 2016	<u>500,078</u>

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

24 Investments (continued)

The financial statements include the financial statements of the Group and the subsidiaries listed in the table below. All subsidiaries are situated at the company's registered address which is as per Note 1: General Information.

Name	Principal Activities	Location of	% equity interest	
			2017 %	2016 %
AAG Holdings (UK) Limited	Holding company	England	100	100
AAG Operations Limited	Holding company	England	100	100
AAL Holdings (UK) Limited	Holding company	England	100	100
AARV Limited	Leasing & trading of equipment	England	100	100
Asset Advantage Funding 1 Limited	Leasing & trading of equipment	England	-	-
Advantage Risk Solutions (Holdings) Limited	Holding company	England	70	70
Advantage Risk Solutions Limited	Insurance Broker	England	70	70
Asset Advantage Limited	Leasing & trading of equipment	England	100	100
Asset Co Rentals No2 Limited	Leasing & trading of equipment	England	100	100
RA (NO 3) Limited	Leasing & trading of equipment	England	100	100
RA (NO 4) Limited	Leasing & trading of equipment	England	100	100
RA (NO 6) Limited	Leasing & trading of equipment	England	100	100
RA (NO 7) Limited	Leasing & trading of equipment	England	100	100
RA (NO 8) Limited	Leasing & trading of equipment	England	100	100
RA (NO 9) Limited	Leasing & trading of equipment	England	100	100
RA (NO 10) Limited	Leasing & trading of equipment	England	100	100
RA (NO 11) Limited	Leasing & trading of equipment	England	100	100
RA (NO 12) Limited	Leasing & trading of equipment	England	100	100
RA (NO 13) Limited	Leasing & trading of equipment	England	100	100
RA (NO 14) Limited	Leasing & trading of equipment	England	100	100
RA (NO 15) Limited	Leasing & trading of equipment	England	100	100
RA (NO 16) Limited	Leasing & trading of equipment	England	100	100
RA (NO 17) Limited	Leasing & trading of equipment	England	100	100
RA (NO 18) Limited	Leasing & trading of equipment	England	100	100
RA (NO 19) Limited	Leasing & trading of equipment	England	100	100
RA (NO 20) Limited	Leasing & trading of equipment	England	100	100
RV Investor No 1 Limited	Leasing & trading of equipment	England	100	100

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

25 Cash inflow from operations

Group	2017 £	2016 £
Profit before tax	2,372,908	2,545,447
<i>Adjusted for:</i>		
Depreciation	400,811	630,031
Finance costs	4,936,296	4,496,549
	<u>7,710,015</u>	<u>7,672,027</u>
Decrease in inventory	236,566	252,460
Increase in trade and other receivables	(1,292,159)	(914,634)
(Decrease)/Increase in trade and other payables	<u>(500,031)</u>	<u>1,532,103</u>
Net cash generated from operations	<u>6,154,391</u>	<u>8,541,956</u>
 Company	 2017 £	 2016 £
(Loss)/profit before tax	(836,233)	121,031
<i>Adjusted for:</i>		
Depreciation	355,011	458,856
Investment Impairment	280,000	150,000
Finance costs	222,542	143,965
	<u>21,320</u>	<u>873,852</u>
Decrease in inventory	154,791	27,015
Increase in trade and other receivables	(1,782,758)	(565,901)
Increase in trade and other payables	<u>791,416</u>	<u>1,154,712</u>
Net cash (used in)/ generated from operations	<u>(815,231)</u>	<u>1,489,678</u>

26 Operating lease arrangements

Group as lessee

The Group has had commercial leases on certain office equipment as well as the rentals on the building. These leases have come to an end during the year.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

Operating lease commitments — Group as lessee	2017 £	2016 £
Within one year	-	49,090
	<u>-</u>	<u>49,090</u>

Group as lessor

The Group has operating leases on assets that are leased to clients. Rental income on these assets is treated as lease income and included in the revenue from normal operations. There are no contingent rentals.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

26 Operating lease arrangements (continued)

Future minimum rentals receivable under non-cancellable leases are as follows;

Operating lease commitments — Group as lessor	2017	2016
	£	£
Within one year	245,400	635,370
After one year but not more than 5 years	437,529	1,115,212
	682,929	1,750,582

27 Related parties

Balances and transactions within the Group have been eliminated upon consolidation and thus are not disclosed in this note. However for the Company accounts, disclosure is required for transactions and balances with related parties that are not 100% within the Group and thus see disclosure below.

Company

Related party:

Advantage Risk Solutions Limited (ARS)
J. C. G. Eddy

Relationship

Common shareholder
Director

Related party transactions

Advantage Risk Solutions Limited:

ARS business expenses are paid through AAG's business account and thus creating the related party transactions incurred between ARS and AAG. The nature and the amount of these transactions are as follows:

	2017	2016
	£	£
Expenses incurred by AAG	388,769	376,893
<i>J. C. G. Eddy</i>		
Services provided to the director	4,825	8,220

Related party balances

	2017	2016
	£	£
<i>Loan from related party:</i>		
Advantage Risk Solutions Limited	139,608	422,992
<i>Loan to related party</i>		
J. C. G. Eddy	40,000	-

All amounts relating to the services rendered to the director have been settled at year end.

The loan to the related party is unsecured, interest-free and payable on demand.

Key management expenses and transactions

The remuneration of the directors who are the only key management personnel is disclosed in Note 8 Directors' remuneration.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

28 Ultimate controlling parent and party

The ultimate parent undertaking is Asset Advantage Group Limited, a company incorporated in England. The consolidated financial statements of Asset Advantage Group Limited are available from Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom. The ultimate controlling party of Asset Advantage Group Limited is J C G Eddy who is also a director of Asset Advantage Group Limited.

29 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the requirements for general hedge accounting. Another version of IFRS 9 was issued in July 2014 mainly to include a) Impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

IFRS 15 Revenue from Contracts from Customers

The new standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.

The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 16 Leases

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

The standard also contains expanded disclosure requirements for lessees. It substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The standard supersedes the following Standards and Interpretations: (a) IAS 17 Leases; (b) IFRIC 4 determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

ASSET ADVANTAGE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 (continued)

29 Standards issued but not yet effective (continued)

Adoption

IFRS 9 and IFRS 15 are applicable for accounting periods beginning on or after 1st January 2018, whilst IFRS 16 is applicable in accounting periods beginning on or after 1st January 2019. The Group is not required to adopt the new standards for the year ended 30th September 2018, and will look to adopt them in the financial year beginning 1st October 2018.

Annual Improvements 2014-2016 Cycle

Annual improvements to IFRSs 2014-2016 Cycle include a number of amendments which are either not applicable or will not have a material effect on the consolidated financial statements.