Company Registration No. OC414604

EXECUTION VERSION

AFP 1 ASSET HOLDCO LLP

Report and Financial Statements

Period from 14 November 2016 to 31 December 2017

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2019/2/28

AFP 1 ASSET HOLDCO LLP

REPORT AND FINANCIAL STATEMENTS 2017

CONTENTS

AFP 1 ASSET HOLDCO LLP

REPORT AND FINANCIAL STATEMENTS 2017

MEMBERS AND PROFESSIONAL ADVISERS

MEMBERS

AFP 1 Intermediate BorrowingCo Limited
Asset Finance Partners Group Limited

REGISTERED OFFICE

Denmark House
St. Thomas' Place
Ely
Cambridgeshire
CB7 4EX
United Kingdom

REGISTERED NUMBER

OC414604 (England & Wales)

BANKERS

Lloyds Bank
Minster Place
Ely
Cambridgeshire
CB7 4EN
United Kingdom

MEMBERS' REPORT

The members of AFP 1 Asset HoldCo LLP (the "**LLP**") present their annual report and the unaudited financial statements for the period from incorporation on 14 November 2016 to 31 December 2017.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The activity of the LLP is to purchase and hold financial assets forming the whole or part of the security for a capital markets arrangement entered into by two note-issuing companies. Financial assets consist of a diversified portfolio of instalment debtors and finance lease receivables.

The LLP is a limited liability partnership incorporated in England.

The LLP was incorporated on 14 November 2016, and correspondingly the period of activity presented in these financial statements is 14 November 2016 to 31 December 2017.

During the period, the LLP raised £46.5m in capital - £36.4m from the issuance of loans and £10.1m from members' capital contributions. The LLP invested substantially all of these funds in the purchase of instalment debtors and finance lease receivables.

During the period, all purchased instalment debtors and finance lease receivables were originated by AFP Assets Limited in its capacity as originator (the "**Originator**").

Repayments due from the portfolio of instalment debtors and finance lease receivables are collected on behalf of the LLP by AFP Assets Limited in its capacity as servicer (the "**Servicer**").

The Originator is a wholly-owned subsidiary of Asset Finance Partners Group Limited.

The Servicer is a wholly-owned subsidiary of Asset Finance Partners Group Limited.

The LLP is a directly and indirectly wholly-owned subsidiary of Asset Finance Partners Group Limited.

MEMBERS

The members who served during the year were as follows:

AFP 1 Intermediate BorrowingCo Limited (appointed 14 November 2016)
Asset Finance Partners Group Limited (appointed 21 December 2017)
Asset Finance Partners Limited (appointed 14 November 2016; resigned 21 December 2017)
Christoph M. Widmer (appointed and resigned 14 November 2016)

MEMBERS' RESPONSIBILITIES STATEMENT

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law, the members have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

International Accounting Standard 1 ("**IAS 1**") requires that financial statements present fairly for each financial year the partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the partnership's financial position and financial performance; and
- make an assessment of the partnership's ability to continue as a going concern.

MEMBERS' REPORT

MEMBERS' RESPONSIBILITIES STATEMENT (continued)

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships.

The members are responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the firm's website, if any. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The members have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006, as applicable to limited liability partnerships, in preparing the members' report.

GOING CONCERN

At the time of approving the financial statements, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for a period of least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Further details regarding the adoption of the going concern basis can be found in the the LLP's accounting policies in the financial statements.

Approved by the Members on 28 February 2019

Signed on behalf of each of the members by

Christoph M. Widmer

on behalf of Asset Finance Partners Group Limited

on behalf of AFP 1 Intermediate BorrowingCo Limited

Date: 28 February 2019

INCOME STATEMENT
For the period from 14 November 2016 to 31 December 2017

	Note	£
Revenue	4	1,999,167
Cost of sales	5	(1,965,026)
Gross profit		34,141
Administrative expenses		(233,801)
Operating loss, being loss before tax		(199,660)
Tax		-
Loss for the financial period before members' remuneration and profit shares		(199,660)

All activities derive from continuing operations.

The notes on pages 11 to 19 form part of these financial statements.

There is no comprehensive income or expense other than the loss for the current financial period. Accordingly, no statement of comprehensive income is given.

AFP 1 ASSET HOLDCO LLP

BALANCE SHEET
As at 31 December 2017

	Note	£
Current assets		
Cash and cash equivalents		1,213,709
Net investment in instalment debtors	6	2,416,759
Finance lease receivables	7	11,596,436
Other receivables	8	2,788,493
Total current assets		18,015,397
Non-current assets		
Net investment in instalment debtors	6	15,819,594
Finance lease receivables	7	13,902,887
Total non-current assets		29,722,481
Total assets		47,737,878
Current liabilities		
Trade and other payables	9	1,359,510
Borrowings	10	578,028
Total current liabilities		1,937,538
Non-current liabilities		
Borrowings	10	46,000,000
Total liabilities		47,937,538
Loans and other debts due to members		
Members' capital		-
Retained earnings		(199,660)
Total members' interests		(199,660)
Total members' interests and liabilities		47,737,878

The notes on pages 11 to 19 form part of these financial statements.

For the period ending 31 December 2017, the limited liability partnership is entitled to exemption from audit under section 477 of the Companies Act 2006 (as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006)) Regulations 2008 relating to small LLPs.

The members acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 (as applied to limited liability partnerships) with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime.

AFP 1 ASSET HOLDCO LLP

BALANCE SHEET
As at 31 December 2017

The financial statements of AFP 1 Asset HoldCo LLP, registered number OC414604, were approved by the members and authorised for issue on 28 February 2019.

They were signed on behalf of each of the members by

Christoph M. Widmer

on behalf of Asset Finance Partners Group Limited

on behalf of AFP 1 Intermediate BorrowingCo Limited

Date: 28 February 2019

STATEMENT OF CHANGES IN MEMBERS' INTERESTS
For the period from 14 November 2016 to 31 December 2017

	Members' capital £	Retained earnings £	Total £
Members' interests at 14 November 2016			
Total comprehensive income/(loss) for the period	-	(199,660)	(199,660)
Balance at 31 December 2017	-	(199,660)	(199,660)

The notes on pages 11 to 19 form part of these financial statements.

CASH FLOW STATEMENT
For the period from 14 November 2016 to 31 December 2017

	£
Operating activities	
Loss for the period	(199,660)
Operating cash flow before changes in working capital and provisions	(199,660)
Adjustments for:	
(Increase)/decrease) in other receivables	(2,788,493)
Increase/(decrease) in trade and other payables	1,359,510
Net cash from/(used in) operating activities	(1,628,643)
Investing activities	
Net investment in instalment debtors and finance lease receivables	(43,735,676)
Net cash from/(used in) investing activities	(43,735,676)
Financing activities	
Proceeds from borrowings	46,578,028
Net cash from financing activities	46,578,028
Net increase in cash and cash equivalents	1,213,709
Cash and cash equivalents at the beginning of the financial period	-
Cash and cash equivalents at the end of the financial period	1,213,709

The notes on pages 11 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

1. GENERAL INFORMATION

The financial statements are prepared in accordance with applicable International Financial Reporting Standards.

General information and basis of accounting

The activity of the LLP is to purchase and hold financial assets forming the whole or part of the security for a capital markets arrangement entered into by two note-issuing companies. Financial assets consist of a diversified portfolio of instalment debtors and finance lease receivables.

The LLP is a limited liability partnership incorporated in England.

The LLP was incorporated on 14 November 2016, and correspondingly the period of activity presented in these financial statements is 14 November 2016 to 31 December 2017.

During the period, the LLP raised £46.5m in capital - £36.4m from the issuance of loans and £10.1m from members' capital contributions. The LLP invested substantially all of these funds in the purchase of instalment debtors and finance lease receivables.

During the period, all purchased financial assets were originated by AFP Assets Limited in its capacity as originator (the "**Originator**"). Repayments due in respect of the financial assets are collected on behalf of the LLP by AFP Assets Limited in its capacity as servicer (the "**Servicer**"). The Originator is a wholly-owned subsidiary of Asset Finance Partners Group Limited. The Servicer is a wholly-owned subsidiary of Asset Finance Partners Group Limited. The LLP is a directly and indirectly wholly-owned subsidiary of Asset Finance Partners Group Limited.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and IFRS Interpretation Committee ("**IFRS IC**") interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to limited liability partnerships ("**LLPs**") reporting under IFRS.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the LLP operates. Sterling is also the functional currency of the LLP.

During the period, the LLP had no employees, and therefore no disclosure in respect of employees is required.

Adoption of new and revised standards

As at the date of authorisation of the financial statements the following International Financial Reporting Standards and interpretations which have not been applied, were in issue but not yet effective:

- IFRS 1 amendments resulting from annual improvements 2014-2016 cycle which are effective for periods starting on or after 1 January 2018;
- IFRS 3 amendments resulting from annual improvements 2015-2017 cycle which are effective for periods starting on or after 1 January 2019;
- IFRS 9 which is effective for periods starting on or after 1 January 2019;
- IFRS 15 which is effective for periods starting on or after 1 January 2018;
- IFRS 16 which is effective for periods starting on or after 1 January 2019;
- IAS 12 amendments resulting from annual improvements 2015-2017 cycle which are effective for periods starting on or after 1 January 2019; and
- IAS 23 amendments resulting from annual improvements 2015-2017 cycle which are effective for periods starting on or after 1 January 2019.

The members are currently considering the potential impact of the adoption of IFRS 9 and IFRS 15 on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the period, are as follows:

Historical cost

The financial statements have been prepared under the historical cost convention as defined in the IFRS Conceptual Framework.

Going concern

At the time of approving the financial statements, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the LLP and the revenue can be reliably measured regardless of when the payment is being made.

Interest revenue is recorded depending on the nature of financial instruments:

(a) Lease income

Amounts due from lessees under finance lease or hire purchase agreements are recorded as receivables at the amount of the LLP's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LLP's net investment.

(b) Loan income

Interest and other charges earned on instalment finance and other loan agreements are credited to the income statement over the life of the agreement using the effective interest rate such that a constant rate of return is earned in proportion to the capital balances outstanding.

Cost of sales

(a) Interest expense

The interest expense in respect of the LLP's borrowings is calculated on the basis of a year of 365 days and the actual number of days elapsed in that year and the resulting figure rounded to the nearest £0.01 (half of £0.01 being rounded upwards).

(b) Deferred consideration

This is the amount payable to the Originator for providing the origination services. This is paid quarterly and is dependent on the performance of the portfolio in the preceding quarter.

(c) Impairments

The provision for losses relating to the impairment of financial assets is classified as a cost of sales item.

(d) Servicing fee

This is the amount payable to the Servicer for providing collection services. This is paid quarterly and is not dependent on the performance of the portfolio in the preceding quarter.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(a) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

(b) Other receivables

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses (recorded under the caption "Impairment losses in accounts receivable").

When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

(c) Financial assets

Initially, financial assets, are measured at fair value, including transaction costs. Subsequently, financial assets are measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount.

(d) Impairment of financial assets

Under IAS 39 "Financial Instruments Recognition and Measurement", the LLP assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired, and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the financial asset.

If there is objective evidence that an impairment loss on a financial asset classified as either an instalment debtor or a finance lease receivable has been incurred, the LLP measures the amount of the loss as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows from the financial asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are recognised in the statement of comprehensive income and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces, and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted on measuring impairment.

The type of objectively observable impairment events listed under IAS 39 are as follows (IAS 39.59):

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) Derecognition of financial assets

The LLP derecognises a financial asset only when the contractual rights of the cash flows from the financial asset expire or it transfers the financial asset and subsequently all the risks and rewards of ownership of the financial asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Trade accounts payable

Trade accounts payable are stated at their nominal value, which the members approximate to their fair value.

(g) Classification of equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independent of their legal form.

(h) Financial liabilities

Initially, financial liabilities, including borrowings, are measured at fair value, net of transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(i) Derecognition of financial liabilities

The LLP derecognises financial liabilities when, and only when, obligations are discharged, cancelled, or they expire.

Lessor leases

Leases are classified as finance leases if they transfer substantially all the risks and rewards of ownership to another party. All other leases are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases being the minimum lease payments and any unguaranteed residual value discounted at the effective interest rate in the lease. Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment.

Members' capital

Members' capital is classified as debt and accordingly is split between current and non-current components on the balance sheet. This classification is a result of the LLP being obligated to make minimum payments to the contributing members. Minimum payments are calculated on the basis of (a) the total principal value of members' capital contribution, (b) a fixed percentage, (c) a year of 365 days and the actual number of days elapsed in that year, and the resulting figure rounded to the nearest £0.01 (half of £0.01 being rounded upwards).

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the LLP's accounting policies, which are described in note 2, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the LLP's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the members have made in the process of applying the LLP's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(a) Impairments for bad and doubtful debts

Instalment debtor and finance lease contracts ordinarily have terms greater than one year. As a result, there is uncertainty as to whether associated receivables can be recovered in the future. Provisions and bad debts are recognised when, and only when, there is an indicator that associated receivables cannot be satisfied or recovered in full. To identify if there are any indications that the receivables cannot be recovered in full, the LLP considers both the historical performance of its investments, and the projected cashflows of each instalment debtor and finance lease contract.

At the period end, the book value of instalment debtors was £18,236,353 and the book value of finance lease receivables was £25,499,323.

4. REVENUE

An analysis of the LLP's revenue for the year is as follows:

	£
Interest revenue	1,846,426
Amortisation of note issuance premiums	98,224
Other revenue	54,517
Total	1,999,167

All revenue is generated from the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

5. COST OF SALES

An analysis of the LLP's cost of sales for the period is as follows:

	£
Funding costs	1,251,319
Deferred consideration	382,583
Impairment	187,109
Amortisation of upfront fees	66,791
Servicing fee	60,377
Rechargeable expenses	6,839
Defined profit for funding companies	5,000
Origination costs	5,008
Total	1,965,026

6. NET INVESTMENT IN INSTALMENT DEBTORS

2017	Year in which receipt is expected			
	<1 year £	1 to 5 years £	>5 years £	Total £
Future minimum lease payments	3,876,218	17,435,577	933,030	22,244,825
Unearned finance income	(1,459,459)	(2,421,223)	(127,790)	(4,008,472)
Present value	2,416,759	15,014,354	805,240	18,236,353
Impairment	-	-	-	-
Net carrying value and present value	2,416,759	15,014,354	805,240	18,236,353

Instalment debtors consist of amounts due from secured business loans.

All secured business loans are secured by land and/or buildings in the United Kingdom.

All secured business loans are structured to be over-collateralised at inception as well as throughout the term of the loan.

The maximum exposure to credit risk of the LLP's net investment in instalment debtors is equal to the carrying amount of the net investment in instalment debtors or £18,236,353 as at 31 December 2017.

At the time of approving the financial statements, the members have a reasonable expectation that the collateral held as security against the secured business loans mitigates 100% of the LLP's maximum exposure to credit risk associated with its net investment in instalment debtors.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

7. FINANCE LEASE RECEIVABLES

At the balance sheet date, the LLP had contracted with customers for the following future minimum lease payments under non-cancellable finance leases.

2017	Year in which receipt is expected			
	<1 year	1 to 5 years	>5 years	Total
	£	£	£	£
Future minimum lease payments	12,713,271	15,248,653	306,280	28,268,204
Unearned finance income	(929,726)	(1,639,437)	(12,609)	(2,581,772)
Present value	11,783,545	13,609,216	293,671	25,686,432
Impairment	(187,109)	-	-	(187,109)
Net carrying value and present value	11,596,436	13,609,216	293,671	25,499,323

All finance lease receivables are secured over leased assets being equipment, vehicles, machinery and livestock in the United Kingdom.

All finance lease receivables are structured to be over-collateralised at inception as well as throughout the term of the lease.

The maximum exposure to credit risk of the LLP's investment in finance lease receivables is equal to the carrying amount of the finance lease receivables or £25,499,323 as at 31 December 2017.

At the time of approving the financial statements, the members have a reasonable expectation that the collateral held as security against the finance lease receivables mitigates 100% of the LLP's maximum exposure to credit risk associated with its investment in finance lease receivables.

8 OTHER RECEIVABLES

	£
Amounts owed by group undertakings	895,117
Prepayments	1,893,376
Total	2,788,493

The amounts owed by the group undertakings are unsecured, non-interest bearing and repayable on demand.

9. TRADE AND OTHER PAYABLES

	£
Trade payables	90,633
Accruals and deferred income	1,241,677
Other payables	27,200
Total	1,359,510

As at 31 December 2017, trade payables are due in the normal course of the LLP's activities. The members believe that the fair market value of these payments is approximately equivalent to the book value.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

10. BORROWINGS

	£
Secured borrowings:	
Loans	36,439,398
Unsecured borrowings:	
Member's capital contributions	10,138,630
Total borrowings	46,578,028
Amount due for settlement within 12 months	578,028
Amount due for settlement after 12 months	46,000,000

The loans are secured borrowings with a floating charge over all assets of the LLP including bank accounts, instalment debtors and finance lease receivables.

The loans are issued in sterling.

The final maturity date of the loans is 31 December 2028.

The period end carrying value of the loans is £36,439,398 comprising (i) the nominal value of the loans issued of £36,000,000, and (ii) accrued but unpaid interest of £439,398.

All changes in secured borrowings related to the issuance of loans.

During the period, the LLP received a capital contribution from AFP 1 Intermediate BorrowingCo Limited ("**Intermediate BorrowingCo**") of £10,000,000. The capital contribution is accounted for as an unsecured borrowing in these financial statements on the basis that the LLP is obligated to make minimum payments to Intermediate BorrowingCo. These minimum payments are calculated on the basis of (a) the total principal value of the capital contribution, (b) a fixed percentage, (c) a year of 365 days and the actual number of days elapsed in that year, and the resulting figure rounded to the nearest £0.01 (half of £0.01 being rounded upwards).

11. COMPENSATION OF MEMBERS AND KEY MANAGEMENT PERSONNEL

In the period ended 31 December 2017, there have been no emoluments to members or key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

12. FINANCIAL RISK MANAGEMENT

The LLP seeks to manage the financial risks relating to its operations through the following methods:

Management of investment risk

The LLP invests in instalment debtors and finance lease receivables which are secured by assets including land, buildings, equipment, machinery, vehicles and livestock.

The LLP's investment strategy is to buy and hold to maturity.

The LLP's exit strategy for each finance lease receivable or instalment debtor is twofold. First, to collect the contracted repayments from the respective obligor on the due date. Second, in the event of failure of the first exit strategy fails and the underlying financing agreement is terminated, to recover and monetise the associated collateral.

Accordingly, the LLP's investment risk breaks down into two elements – credit risk, being the risk of an obligor defaulting on its contracted repayment obligations and asset risk, being the risk that the amount recoverable from the recovery and disposal of the asset is less than the carrying value of the finance lease or instalment debtor.

Credit risk is managed to minimise losses, maximise recoveries and prevent fraud. The LLP's credit policy comprises both bottom-up and top-down elements. From a bottom-up perspective, the LLP's credit policy requires consideration to be given to the financial and credit status of each counterparty and the quality of the collateral taken from or asset being financed for such counterparty. From a top-down perspective, the LLP's credit policy requires adherence to concentration limits across a number of different measures. At the period end, the maximum exposure to a single counterparty, or group of related counterparties was £5,816,994.

The LLP assesses the credit quality of its portfolio by reviewing the payment performance of each finance lease receivable and each instalment debtor and by reviewing the number of days past due. At the balance sheet date, the analysis of the portfolio (excluding terminated receivables) based on days past due was as follows:

Number of days past due	2017 £	2017 %
0	42,325,586	96.36%
1 - 30	324,358	0.74%
31 - 60	247,245	0.56%
61 +	1,025,595	2.34%
Total	43,922,784	100.00%

Asset risk is managed to minimise losses, maximise recoveries and prevent fraud. The LLP's credit policy sets maximum loan to value parameters with respect to investment in any finance lease receivable or instalment debtor depending upon multiple factors including without limitation the credit quality of the borrower, the type of asset, the age of the asset, the saleability of the asset, the economic life of the asset, the fair market value of the asset upon inception of the underlying lease or loan. The LLP's credit policy seeks to ensure in respect of each finance lease receivable and instalment debtor, that the forecast carrying value of such finance lease receivable or instalment debtor is less than the forecast recoverable value of the associated collateral throughout its term.

In the event that the LLP becomes aware of any objectively observable evidence that the repayments in respect of any finance lease receivable or instalment debtor held by the LLP will not be received on the scheduled payment dates for a prolonged period, then the LLP analyses the loss given default risk in respect of any such finance lease receivable or instalment debtor to calculate the value of any impairment. This analysis comprises two elements: (i) a discounted cash flow model of the expected revised payment stream; and (ii) an updated valuation of the underlying collateral to determine the recoverability of the receivable in the event that the underlying agreement is terminated and the associated collateral is monetised.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

12. FINANCIAL RISK MANAGEMENT (continued)

Management of liquidity risk

The LLP manages liquidity risk by maintaining adequate cash reserves and borrowing facilities and by continuously monitoring forecast and actual cash flows.

The LLP's principal liquidity risk is that it has a mismatch between cash inflows from the receipt of interest and principal payments from its investment in instalment debtors and finance lease receivables and required cash outflows to meet payment obligations in respect of its borrowings and members' capital contributions. The terms of the LLP's borrowings and of the LLP's payment obligations in respect of its members' capital contributions are structured to eliminate such liquidity risk for example through the ability to defer payments in respect of the LLP's borrowings and members' capital contributions.

Management of asset liability maturity mismatch risk

The LLP invests substantially all of its capital in instalment debtors and finance lease receivables. The LLP funds its investments via capital from borrowings (disclosed in note 10) and members' interest (comprising members' capital and retained earnings which are disclosed on page 8). The LLP manages the risk of a mismatch in the maturity profile of its assets and its liabilities by maintaining the weighted average remaining term of its investment in instalment debtors and finance lease receivables below the weighted average remaining term of its capital.

Management of refinancing risk

The LLP invests substantially all of its capital in instalment debtors and finance lease receivables. The LLP funds its investments via capital from borrowings (disclosed in note 10) and members' interest (comprising members' capital and retained earnings which are disclosed on page 8). The LLP manages refinancing risk by maintaining the weighted average remaining term of its investment in instalment debtors and finance lease receivables below the weighted average remaining term of its capital.

Management of capital risk

The LLP is not subject to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Categories of financial instruments

The classification of financial instruments under IAS 39 is summarised in the table below.

	Note	£
Financial assets		
Cash and bank balances		1,213,709
Net investment in instalment debtors	6	18,236,353
Finance lease receivables	7	25,499,323
Other receivables	8	895,117
Financial liabilities		
Trade and other payables	9	117,833
Borrowings	10	46,578,028

The fair value of the financial assets and liabilities is considered not to be materially different to the carrying amounts in the balance sheet.

14. EVENTS AFTER THE BALANCE SHEET DATE

No events were noted after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 14 November 2016 to 31 December 2017

15. RELATED PARTY TRANSACTIONS

The balance sheet at the period end includes:

- £277,310 owed to the LLP by Asset Finance Partners Group Limited, which directly and indirectly owns 100% of the LLP's member interests; and
- £10,054 owed to the LLP by AFP Assets Limited, a sister company.

The income statement includes the following expenses:

- £56,449 relating to charges from Asset Finance Partners Limited, a sister company; and
- £359,014 relating to charges from AFP Assets Limited, a sister company; and
- £24,260 relating to charges from Asset Finance Partners Group Limited, which directly and indirectly owns 100% of the LLP's member interests.

6. ULTIMATE CONTROLLING UNDERTAKING

At the period end, the immediate parent undertaking is Intermediate BorrowingCo. The smallest and largest group in which the LLP's results are consolidated is Asset Finance Partners Group Limited, whose registered office is Denmark House, St Thomas Place, Ely, CB7 4EX, United Kingdom. The consolidated accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ, United Kingdom. The LLP's ultimate controlling party is Christoph M. Widmer