ASSET ALLIANCE GROUP HOLDINGS LIMITED

Company registration number: 07726176

Annual Report

For the year ended 31 December 2019

ASSET ALLIANCE GROUP

ASSET ALLIANCE GROUP HOLDINGS LIMITED

COMPANY INFORMATION

Directors
J Cobb
D Crawford
A Lannon
P Marrow
W Paterson
A Salmon
D Wilson
M Van Tonder

Company secretary
N Jennings

Registered Office
Arbuthnot House
7 Wilson Street
London
EC2M 2SN

Registered Number
07726176

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

ASSET ALLIANCE GROUP HOLDINGS LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activity

Company
The principal activity of the Company is to act as a holding Company for investments in a Group of companies engaged in contract hire and leasing of commercial vehicles, and the sale, rental and refurbishment of trailers and commercial vehicles. The Company is non-trading and acts only to hold an investment in its wholly owned subsidiary Asset Alliance Finance Limited and management loans notes for the Directors.

Group
The Group is engaged in contract hire and leasing of commercial vehicles, and the sale, rental and refurbishment of trailers and commercial vehicles. Additionally it acts as a broker for commercial finance and leasing transactions.

Business review including review of key performance indicators
On 1 January 2019, in order to simplify the Group structure and to strengthen the use of a single brand, the trading activities of ATE Truck and Trailer Sales Limited ("ATE") were transferred to Asset Alliance Leasing Limited. As part of this transfer all ATE employees were TUPED over to Asset Alliance Leasing Limited.

The tables below provide key financial and non-financial information relating to the Company's performance during the year.

Financial KPIs	Revenue		Gross Profit		Operating Profit	
	2019 (£m)	2018 (£m)	2019 (£m)	2018 (£m)	2019 (£m)	2018 (£m)
Asset Alliance Group Holdings Limited	**91.6**	71.5	**16.4**	13.5	**5.4**	5.2

The results for the year and the financial position of the Group and Company are as shown in the annexed financial statements.

The first 6 months of 2019 started positively, with strong levels of new business origination from the leasing division and good margins from the asset sales division. As the year progressed a fall in consumer confidence, as a result of Brexit and the subsequent General Election, resulted in a more challenging trading environment.

The Group profit for the year, after taxation, amounted to £10,026,244 (2018 (loss) - £2,263,458). This profit was arrived at after accounting for the waiving of the accreted interest in respect of the management loan notes (£3,290,863) and the deep discounted bonds (£9,996,982), less the interest charge of £721,497 on the management loan notes and deep discounted bonds, as they are now deemed to be financing transactions under FRS 102 as these loans are now interest free.

No dividend is payable (2018 - £nil).

Non-Financial KPIs	2019	2018
Origination (£m)	**127.4**	145.7
New Assets on Fleet	**975**	1,753
Employee Headcount	**112**	89

Principal risks and uncertainties
Economic conditions are regularly considered by the Board. The principle risks and uncertainties in this regard predominantly relate to the impact of COVID-19 and Brexit.

COVID-19

Although not relating to the current year results, COVID-19 has significantly impacted the economy within the UK and has been a key focus for the Board throughout 2020.

The impact on the business was initially felt in March 2020 at the time of the initial UK-wide lockdown. In the early stages of the pandemic the demand for used assets fell significantly, a minority of customers requested forbearance, and the demand for short term rental assets fell. During that period the Group took advantage of all cost saving options available, including utilising the HMRC scheme in relation to the deferral of VAT, furloughing a number of employees and obtaining support from our underlying funders where customers had made forbearance requests. As lock-down restrictions were eased over the summer of 2020, the trading performance of the business improved and we saw a return towards normality in the volume and margin of used asset sales, a reduction in the level of defaults and forbearance requests and an improvement in asset utilisation.

The Board continue to monitor the impact of COVID-19 closely, taking the appropriate actions to maximise cash flow and profitability, and engaging with key stakeholders regularly.

Brexit

The on-going uncertainty in relation to Brexit and, in particular, our future trading relationship with the European Union impacted consumer confidence in the second half of 2019. Customers delayed investment decisions resulting in a reduction in demand for assets.

As we moved through 2020, although the impact of Brexit was largely overshadowed by COVID-19, it was an area that we continued to monitor closely. We are mindful of the wider macro-economic impact of Brexit which, when coupled with COVID-19, could give rise to a greater level of default than we have experienced historically. We will continue to monitor the position, whilst ensuring we maintain a clear focus on credit limits and arrears management.

Future developments

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

Stakeholder engagement and section 172(1) statement

From 2019, Directors of large Groups, such as Asset Alliance Group Holdings Limited, are required to publish a statement explaining how they have performed their duty under section 172 of the Companies Act 2006 to have regard to a range of factors when making decisions. This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f) and forms the Directors statement required under section 414CZA of the Companies Act 2016. The Directors have acted in a way that they considered, in good faith, to most likely promote the success of the Group for the benefit of its members as a whole, and in doing so had regard, amongst other things, to:

Likely consequence of any decision in the long term

The Directors make their decisions to ensure that long term prospects are not sacrificed for short term gains. As an example, during 2019 the Group invested significant time and cost on the implementation of a new, best-in-class fleet management, leasing and finance system, which will allow for the continued growth and expansion of the Group. A further illustration relates to our new depot based in Ipswich, the investment in which will be paid back in future years.

Interest of the Group's employees

Given the size of the business, it has not been considered necessary to appoint an employee representative to the Board, however, an update on Human Resource ("HR") matters is included within each meeting. Employees are able to raise concerns in confidence with our HR team, with grievances followed up in line with specified processes.

Communication with employees is of fundamental importance to the Directors and takes place through regular CEO briefings, our annual staff conference, and annual employee survey. These forums give employees the opportunity to shape the decisions of the Group. During 2019, the business invested a significant amount of time and dedicated resources in relation to Learning & Development, developing a platform for continued growth of our employees.

The business has subsequent to the year-end established a People Group designed to better focus on staff learning and development, as well as improving the working environment and inter-Group communication. The business continues to place a strong focus on further developing and improving our staff's working experience and subsequent to COVID-19 has undertaken a Working from Home survey.

Perkbox has been established for every staff member providing valuable staff benefits as well as a direct wellbeing and medical portal to support personal medical and mental wellbeing. A staff wellbeing survey was implemented as part of the 2020 staff appraisal and review process. Working Lunches have also been established to improve inter-departmental awareness and communication and to provide staff with a better platform to openly discuss issues, concerns and suggestions.

Business relationships with suppliers, customers and others
The Directors attach great importance to good relations with customers and business partners. Our customers are central to our business and maintaining and developing client relationships are key to the continued growth of the Group. The significant investment in our new IT system which was designed specifically to allow us to improve our fleet management offering, thereby supporting our customers better. The Group is committed to paying suppliers on time and within credit terms.

Impact on the Group's operations on the community and environment
The Directors are acutely aware of the environmental impact of our fleet, with our portfolio of assets being amongst the youngest, and hence most environmentally friendly, in the market. All our assets meet the Euro VI emission standard.

The Group seeks to give back to the community through its charitable fundraising, supporting a number of local and national charities. In particular, the Group has been a long-term supporter of the STV Children's Appeal through the Glasgow Kiltwalk and other charitable initiatives.

Desirability of the Group maintaining a reputation for high standards of business conduct
In late 2018, the Group embarked on a process to consider how best to formulate and articulate a set of core values that would form the basis of our Group DNA going forward. The output of this review resulted in the following three core values:

1. Pride in our efforts 2. Promises delivered 3: Passion for success

These values manifest themselves at Board meetings and throughout the wider organisation. It was encouraging to note that we were finalists in the 2019 Commercial Motor Awards in a number of categories, including Finance Provider of the Year, and Rental, Leasing and Contract Hire Provider of the Year.

Need to act fairly between members of the Group
As noted within Note 27, the ultimate parent company is Arbuthnot Banking Group PLC. The Directors will focus on the continued growth of the Group for the benefit of its ultimate shareholders.

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

David S. Crawford

D Crawford, Director

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

J Cobb (appointed 31 March 2021)
D Crawford (appointed 31 March 2021)
J Jenkins (resigned 31 March 2021)
A Lannon
P Marrow (appointed 31 March 2021)
D McArthur (resigned 31 March 2021)
R McDougall (resigned 31 March 2021)
W Paterson
A Salmon (appointed 31 March 2021)
D Wilson (appointed 31 March 2021)
M Van Tonder (appointed 31 March 2021)

Disclosure of information to the auditor
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware; and

- he 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 Group's auditor is aware of that information.

Auditor
Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, trading as Azets Audit Services, a Company owned by Azets.

The auditor, Azets Audit Services will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Post balance sheet events

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

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

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

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

Employee engagement and the Group's business relationships with suppliers, customers and others
The required disclosure in respect of this has been included within the section 172(1) statement within the Strategic Report.

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

David S. Crawford

D Crawford
Director

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

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the 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.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you, if in our opinion:

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

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Bernadette Higgins, (Senior Statutory Auditor)
For and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Dated: 29 April 2021

ASSET ALLIANCE GROUP HOLDINGS LIMITED

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

	Notes	2019 £	2018 £
Turnover	4	**91,612,724**	*71,529,064*
Cost of sales		**(75,185,168)**	*(58,022,098)*
Gross profit		**16,427,556**	*13,506,966*
Administrative expenses		**(10,996,699)**	*(8,879,528)*
Other operating income	5	**-**	*585,627*
Operating profit	7a	**5,430,857**	*5,213,065*
Interest receivable and similar income		**1,484**	*1*
Interest credit/(payable) and similar charges	9	**4,593,903**	*(7,476,524)*
Profit/(loss) on ordinary activities before taxation		**10,026,244**	*(2,263,458)*
Taxation on profit/(loss) on ordinary activities	10	**-**	-
Profit/(loss) for the financial year		**10,026,244**	*(2,263,458)*

There were no recognised gains or losses for 2019 or 2018 other than those included in the Statement of Comprehensive Income.

The notes on page 16 to 38 form part of these financial statements

ASSET ALLIANCE GROUP HOLDINGS LIMITED

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	£	2019 £	£	*2018 £*
Fixed assets					
Intangible assets	11		**1,601,139**		*684,482*
Tangible assets	12		**168,725,152**		*175,009,434*
			170,326,291		*175,693,916*
Current assets					
Stocks	14	**8,307,877**		*3,810,916*	
Debtors: amounts falling due after more than one year	15	**4,361,121**		*3,846,425*	
Debtors: amounts falling due within one year	16	**10,254,765**		*10,900,722*	
Cash at bank and in hand	17	**1,719,460**		*1,312,878*	
		24,643,223		*19,870,941*	
Creditors: amounts falling due within one year	18	**(172,409,947)**		*(25,496,990)*	
Net current liabilities			**(147,766,724)**		*(5,626,049)*
Total assets less current liabilities			**22,559,567**		*170,067,867*
Creditors: amounts falling due after more than one year	19		**27,491,890**		*190,736,666*
Provisions	21		**207,625**		*207,625*
Capital and reserves					
Share capital	22	**1,173**		*1,173*	
Other reserves	23	**4,988,735**		*-*	
Profit and loss account	23	**(10,129,856)**		*(20,877,597)*	
			(5,139,948)		*(20,876,424)*
			22,559,567		*170,067,867*

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

David S. Crawford

D Crawford
Director

Company registered number: 07726176

The notes on pages 16 to 38 form part of these financial statements

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	£	2019 £	£	2018 £
Fixed assets					
Investments	13		**6,405,003**		*6,405,003*
Current assets					
Debtors: amounts falling due within one year	16	**671**		*671*	
Cash at bank and in hand	17	**218**		*218*	
		889		*889*	
Creditors: amounts falling due within one year	18	**(1,979,721)**		*(1,974,981)*	
Net current liabilities			**(1,978,832)**		*(1,974,092)*
Total assets less current liabilities			**4,426,171**		*4,430,911*
Creditors: amounts falling due after more than one year	19		**3,503,283**		*7,449,434*
Capital and reserves					
Share capital	22	**1,173**		*1,173*	
Other reserves	23	**946,717**		-	
Profit and loss account					
At 1 January		**(3,019,696)**		*(2,462,902)*	
Profit/(loss) for the year		**2,857,775**		*(556,794)*	
Transfer between reserves		**136,919**		-	
At 31 December	23	**(25,002)**		*(3,019,696)*	
			922,888		*(3,018,523)*
			4,426,171		*4,430,911*

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

D Crawford
Director

Company registered number: 07726176

The notes on pages 16 to 38 form part of these financial statements

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

	Share capital £	Other reserves	Profit and loss account £	Total Equity £
At 1 January 2019	1,173	-	(20,877,597)	(20,876,424)
Comprehensive Income for the year				
Profit for the year	-	-	10,026,244	10,026,244
Total Comprehensive Income for the year	-	-	10,026,244	10,026,244
Transaction with owners – capital contribution	-	5,710,232	-	5,710,232
Transfer between reserves	-	(721,497)	721,497	-
Total movement in the year	-	4,988,735	10,747,741	15,736,476
At 31 December 2019	1,173	4,988,735	(10,129,856)	(5,139,948)

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

	Share capital £	*Profit and loss account £*	*Total Equity £*
At 1 January 2018	*1,173*	*(18,614,139)*	*(18,612,966)*
Comprehensive Income for the year			
Loss for the year	-	*(2,263,458)*	*(2,263,458)*
Total Comprehensive Income for the year	-	*(2,263,458)*	*(2,263,458)*
At 31 December 2018	*1,173*	*(20,877,597)*	*(20,876,424)*

The notes on pages 16 to 38 form part of these financial statements

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

	Share capital £	Other reserves	Profit and loss account £	Total Equity £
At 1 January 2019	1,173	-	(3,019,696)	(3,018,523)
Comprehensive Income for the year				
Profit for the year	-	-	2,857,775	2,857,775
Total Comprehensive Income for the year	-	-	2,857,775	2,857,775
Transaction with owners – capital contribution	-	1,083,636	-	1,083,636
Transfers between reserves	-	(136,919)	136,919	-
Total movement in the year	-	946,717	2,994,694	3,941,411
At 31 December 2019	1,173	946,717	(25,002)	922,888

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

	Share capital £	*Profit and loss account £*	*Total Equity £*
At 1 January 2018	*1,173*	*(2,462,902)*	*(2,461,729)*
Comprehensive Income for the year			
Loss for the year	-	*(556,794)*	*(556,794)*
Total Comprehensive Income for the year	-	*(556,794)*	*(556,794)*
At 31 December 2018	*1,173*	*(3,019,696)*	*(3,018,523)*

The notes on pages 16 to 38 form part of these financial statements

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	*2018* *£*
Cash flows from operating activities			
Profit/(loss) for the financial year		**10,026,244**	*(2,263,458)*
Adjustments for:			
Interest payable		**(4,593,903)**	*7,476,524*
Interest receivable		**(1,484)**	*(1)*
Amortisation of goodwill		**156,496**	*81,179*
Depreciation of tangible fixed assets		**34,761,304**	*26,555,186*
Gain on disposal of tangible fixed assets		**(148,428)**	*(22,956)*
Decrease/(increase) in stocks		**4,964,716**	*(933,029)*
Decrease/(increase) in debtors		**131,261**	*(2,315,320)*
(Decrease)/increase in creditors		**(2,714,623)**	*3,889,870*
Decrease in provision		**-**	*(5,860)*
Taxation charge		**-**	*-*
Net cash generated from operating activities		**42,581,583**	*32,462,135*
Cash flows from investing activities			
Interest received		**1,484**	*1*
Proceeds on disposal of tangible fixed assets		**9,771,399**	*11,482,237*
Purchases of tangible fixed assets		**(42,431,068)**	*(78,438,431)*
Purchase of goodwill		**(1,073,153)**	*(765,661)*
Net cash used in investing activities		**(33,731,338)**	*(67,721,854)*
Cash flows from financing activities			
Interest paid		**(6,589,360)**	*(4,857,702)*
Net repayment in respect of hire purchase and finance leases		**(13,237,545)**	*(6,825,097)*
Net cash used in financing activities		**(19,826,905)**	*(11,682,799)*
Net decrease in cash and cash equivalents		**(10,976,660)**	*(46,942,518)*
Cash and cash equivalents at beginning of year	17	**(138,825,585)**	*(91,883,067)*
Cash and cash equivalents at the end of year	17	**(149,802,245)**	*(138,825,585)*
Components of cash and cash equivalents			
Cash in hand and in bank		**1,719,460**	*1,312,878*
Bank overdrafts		**(151,521,705)**	*(140,138,463)*
		(149,802,245)	*(138,825,585)*

The notes on pages 16 to 38 form part of these financial statements.

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(i) Analysis of changes in net debt

	At 1 January 2019 £	Cash flows £	Other non-cash changes £	At 31 December 2019 £
Cash and cash equivalents				
Cash	1,312,878	406,582	-	1,719,460
Revolving credit facility	(140,138,463)	(11,383,242)	-	(151,521,705)
	(138,825,585)	(10,976,660)	-	(149,802,245)
Borrowings				
Debt due within one year				
Net obligations under finance leases and hire purchase agreements	(13,108,614)	13,237,545	(11,343,420)	(11,214,489)
Debt due after one year				
Net obligations under finance leases and hire purchase agreements	(15,244,115)	-	6,212,818	(9,031,297)
Management loan notes	(7,449,434)	-	3,946,151	(3,503,283)
Amounts owed to related parties	(27,904,654)	-	12,947,344	(14,957,310)
	(50,598,203)	-	23,106,313	(27,491,890)
	(63,706,817)	13,237,545	11,762,893	(38,706,379)
Total	(202,532,402)	2,260,885	11,762,893	(188,508,624)

The notes on pages 16 to 38 form part of these financial statements.

1. General information

These consolidated financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the Group's transactions are denominated. They comprise the financial statements of the Company and its subsidiaries (together 'the Group') drawn up for the year ended 31 December 2019.

Asset Alliance Group Holdings Limited is non-trading and acts only to hold an investment in its wholly owned subsidiary, Asset Alliance Finance Limited, and management loan notes.

The Company is a United Kingdom Company limited by shares, incorporated in the United Kingdom and registered in England. Details of the registered number and office can be found on the Company information page of these financial statements.

2. Accounting policies

Basis of preparation of financial statements

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

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

The Group has taken the exemptions allowed by FRS 102 not to prepare a Parent Company Statement of Comprehensive Income or Parent Company Statement of Cash Flows.

The principal accounting policies are summarised below. They have all been applied consistently through the year.

Going concern

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

As the Group has access to significant funds through this facility, and given the commitment and support from its Parent Company, the Directors believe that the preparation of the financial statements on a going concern basis is appropriate.

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of Asset Alliance Group Holdings Limited and its subsidiaries for the year ended 31 December 2019.

Revenue

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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred the significant risks and rewards of ownership to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Group will receive the consideration due under the transaction; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably; and
- It is probable that the Group will receive the consideration due under the contract.
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Comprehensive Income over the shorter of the estimated useful economic life and the term of the lease.

2. Accounting policies (continued)

Leased assets (continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Assets that are purchased and subsequently hired out to customers on hire purchase agreements or finance leases are not capitalised on the Balance Sheet.

Pensions

Defined contribution pension plan

The Group provides a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in other creditors as a liability in the Consolidated Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Other operating income

Other operating income is included in the Statement of Comprehensive Income when receivable.

Finance costs

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

Current and deferred taxation

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

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

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

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

2. Accounting policies (continued)

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

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold property	-	2, 5 or 10 years straight line
Plant and machinery	-	20% straight line basis
Equipment, fixtures and fittings	-	15% or 20% straight line basis
Commercial vehicles	-	Over the lease period
Motor vehicles	-	Over the lease period or over 2 to 5 years
Computer equipment	-	25% straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount. Gains or losses on disposal of commercial vehicles or the rental fleet are recognised within 'cost of sales' in the Statement of Comprehensive Income. Gains and losses for all other fixed assets are recognised in administrative costs.

Intangible Assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. The intangible will start to be amortised upon completion.

Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are re-measured to market value at each Balance Sheet date. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2. Accounting policies (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration transferred over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of its subsidiaries at the date of acquisition. Goodwill is recognised as an asset as it represents synergies the Group expects to receive from acquisition. Goodwill is subsequently amortised over its estimated useful life which is deemed to be five years from acquisition. If the recoverable amount of the cash generating unit is less than the carrying amount of the investment, the impairment to the related goodwill is recognised in the Statement of Comprehensive Income. Goodwill on acquisition is the difference paid for the trade and assets and the fair value of the assets purchased.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the potential impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Trucks and trailers held for sale within stock may be rented out under a short term rental agreement.

Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to Group undertakings and to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

2. Accounting policies (continued)

However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

Impairment of financial assets

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

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

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

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

In the case of financial assets measured at cost, the impairment loss will be the difference between the asset's carrying amount and the best estimate of the sales price that would be achieved at the reporting date.

2. Accounting policies (continued)

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

Debtors

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

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.

Bank overdrafts are included in creditors falling due in less than one year.

Creditors

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

Maintenance accrual

Maintenance costs are estimated at the start of each new contract and accrued on a straight-line basis, over the term of the contract. Costs are charged to the maintenance accrual as incurred. On an annual basis management review the reasonableness of the total maintenance provision with reference to the number of assets on the fleet, and the average age of these assets.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchanged rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

All foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

2. Accounting policies (continued)

Provisions

Provisions are made where an event has taken place that give the Group a legal or constructive obligation that will probably require settlement by transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expenses to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Share capital

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

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

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

The Directors are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied to the depreciation rates which have been deemed to be appropriate for the class of asset and based on the expected useful life of the asset. The stock provision and bad debt provision are based on a year-end review by the management team. Maintenance costs are estimated at the start of each new contract and accrued on a straight-line basis, over the term of the contract. Costs are charged to the maintenance accrual as incurred. On an annual basis management review the reasonableness of the total maintenance provision with reference to the number of assets on the fleet, and the average age of these assets. The legal provision is based on the expected costs still to be incurred.

At 1 July 2019 all cumulative interest on the management loan notes and deep discounted bonds was waived along with the right to future interest, as such under FRS 102 this requires to be treated as a financing transaction with the principal amount being discounted using a market interest rate of 8% based on the interest rate previously applied to the management loan notes and deep discounted bonds. This discount has been recognised as a capital contribution within other reserves. The discount will be unwound until the maturity of the loan notes in 2022, with the interest charge recognised in the Statement of Comprehensive Income.

4. Analysis of turnover

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

	2019 £	*2018 £*
Contract hire income	**49,216,317**	*35,491,999*
Operating lease income	**5,848,886**	*6,492,660*
Finance lease income	**138,418**	*211,632*
Interest on hire purchase contracts	**312,876**	*137,354*
Commission received as turnover	**863,950**	*763,062*
Sale of trailers and commercial vehicles	**30,405,365**	*24,730,677*
Spot rental of trailers and commercial vehicles	**3,413,768**	*2,438,672*
Refurbishment of trailers and commercial vehicles and workshop income	**1,265,583**	*1,021,546*
Miscellaneous income	**147,561**	*241,462*
	91,612,724	*71,529,064*

The proportion of turnover that is attributable to markets outside the United Kingdom is 2.2% (*2018 – 2.7%*). All customers are invoiced in Pounds Sterling.

Minimum lease payments receivable under operating and contract hire leases fall due as follows:

	2019 £	*2018 £*
Within one year	**40,385,568**	*35,383,397*
Between 1 – 2 years	**28,860,168**	*28,437,500*
Between 2 – 5 years	**24,665,820**	*31,058,953*
Over 5 years	**1,488,739**	*1,358,918*
	95,400,295	*96,238,768*

5. Other operating income

	2019 £	*2018 £*
Net rent receivable	-	*512,333*
Miscellaneous income	-	*29,294*
Legal settlement	-	*44,000*
	-	*585,627*

	2019	*2018*
6. Employees	**£**	*£*
Staff costs, including Directors' remuneration, were as follows:-		
Wages and salaries	**4,966,764**	*4,173,199*
Social security costs	**555,637**	*461,532*
Other pension costs	**257,163**	*128,315*
	5,779,564	*4,763,046*
The average monthly number of employees, including the Directors, during the year was as follows:	**No.**	*No.*
Selling and admin	**112**	*89*

The remuneration (excluding pension contributions) paid to key management personnel comprising the Group Directors and four *(2018:one)* trading Company Directors were £1,219,795 *(2018 - £617,330)*. The pension contributions for these individuals were £59,079 *(2018 - £67,919)*. The social security costs attributable to these individuals were £152,735 *(2018 - £77,699)*.

	2019	*2018*
7a. Operating profit	**£**	*£*
The operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**34,761,304**	*26,555,186*
Amortisation of intangible assets	**156,496**	*81,179*
Gain on disposal of fixed assets	**(148,248)**	*(22,956)*
Auditor's remuneration – audit fee	**60,225**	*64,560*
Auditor's remuneration – tax compliance	**31,411**	*35,473*
Operating lease rentals – land and buildings	**649,495**	*627,415*
Operating lease rentals – others	**17,457**	*577,599*
Defined contribution pension costs	**257,163**	*128,315*

7b. Parent Company loss for the year

The Company has taken advantage of the exemptions allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the Parent Company was £2,857,775 (*2018 loss of – £556,794*).

	2019	*2018*
8. Directors' remuneration	**£**	*£*
Directors' emoluments	**519,415**	*464,830*
Contributions to money purchase pension scheme	**52,479**	*67,227*
	571,894	*532,057*

Included in the total Directors' emoluments is £nil of benefits in kind *(2018 - £4,431).*

The remuneration of the highest paid director, including pension contributions, was £159,878 *(2018 - £140,000)*. Pension contributions to the highest paid director were £16,728 *(2018 - £36,232).*

	No.	*No.*
Number of Directors to whom retirement benefits are accruing under money purchase schemes:	**4**	*4*

	2019	*2018*
9. Interest (credit)/payable and similar charges	**£**	*£*
Interest payable on revolving credit facility	**5,450,743**	*3,761,213*
Interest on obligations under finance lease and hire purchase contracts	**1,138,617**	*1,096,489*
Interest payable to CS Capital Partners III L.P.	**1,091,656**	*2,067,012*
Accretion of management loan notes	**291,429**	*551,810*
Waived accreted interest on management loan notes	**(3,290,863)**	-
Waived accreted interest on deep discounted bonds	**(9,996,982)**	
Interest charge on financing transactions under FRS 102		
- Management loan notes	**136,919**	-
- Deep discounted bonds	**584,578**	-
	(4,593,903)	*7,476,524*

At 1 July 2019 all cumulative interest on the management loan notes and deep discounted bonds was waived along with the right to future interest, as such under FRS 102 this requires to be treated as a financing transaction with the principal amount being discounted using a market interest rate of 8% based on the interest rate previously applied to the management loan notes and deep discounted bonds. This discount has been recognised as a capital contribution within other reserves. The discount will be unwound until the maturity of the loan notes in 2022, with the interest charge recognised in the Statement of Comprehensive Income.

10. **Taxation**	**2019** £	*2018* £
The tax charge on the profit on ordinary activities for the year was as follows:-		
UK corporation tax	-	-
Deferred tax	-	-
	-	-

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

Factors affecting future tax charges

The Chancellor announced in the Budget on 3 March 2021, that there would be an increase in the top rate of corporation tax to 25% for companies generating taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023.

11. **Intangible fixed assets Group**	**Software** £	**Goodwill** £	**Total** £
Cost:			
At 1 January 2019	-	6,013,301	6,013,301
Additions	801,323	271,830	1,073,153
	801,323	6,285,131	7,086,454
Amortisation:			
At 1 January 2019	-	5,328,819	5,328,819
Amortised in the year	3,284	153,212	156,496
At 31 December 2019	3,284	5,482,031	5,485,315
Net Book Value:			
At 31 December 2019	798,039	803,100	1,601,139
At 31 December 2018	-	*684,482*	*684,482*

12. Tangible fixed assets

Group	Leasehold property £	Plant and machinery £	Equipment, fixtures and fittings £	Commercial vehicles £	Motor vehicles £	Computer equipment £	Total £
Cost:							
At 1 January 2019	544,560	406,173	348,022	223,992,938	546,889	158,448	225,997,030
Additions	283,731		194,032	46,931,711	129,940	22,256	47,561,670
Disposals	-	(264,429)	-	(32,463,143)	(179,937)	-	(32,907,509)
At 31 December 2019	828,291	141,744	542,054	238,461,506	496,892	180,704	240,651,191
Depreciation:							
At 1 January 2019	467,201	372,622	235,847	49,466,601	341,773	103,552	50,987,596
Charge for the year	29,447	7,274	219,663	34,417,811	42,715	44,394	34,761,304
Eliminated on disposals	-	(261,744)	-	(13,419,191)	(141,926)	-	(13,822,861)
At 31 December 2019	496,648	118,152	455,510	70,465,221	242,562	147,946	71,926,039
Net Book Value:							
At 31 December 2019	331,643	23,592	86,544	167,996,285	254,330	32,758	168,725,152
At 31 December 2018	*77,359*	*33,551*	*112,175*	*174,526,337*	*205,116*	*54,896*	*175,009,434*

Included within fixed assets are assets held under finance leases or hire purchase contracts with a net book value of £19,334,422 (*2018 - £27,368,521*). The depreciation charge for the year includes £4,993,355 (*2018 - £4,019,027*) in respect of assets leased under finance leases or under hire purchase contracts.

Included within fixed assets are assets held for use in operating leases and contract hire. The cost of these assets is £238,461,506 (*2018 - £223,992,938*) and the accumulated depreciation is £70,465,221 (*2018 - £49,466,601*).

Included in the commercial vehicles disposals are assets with a cost of £16,898,599 and accumulated depreciation of £7,436,922 which were transferred to stock.

13. Investments

Company

	Investments in subsidiary companies £
Cost:	
At 1 January 2019	**6,405,003**
Additions	**-**
Disposals	**-**
31 December 2019	**6,405,003**

On 24 October 2011 the Company acquired 100% of the share capital of a newly incorporated Company, Asset Alliance Finance Limited, in exchange for an initial consideration of £4,000,267. As the Company was acquired when it was incorporated, there were no assets and liabilities to be disclosed prior to acquisition. Costs in relation to the acquisition of £828,995 were capitalised.

On 22 December 2015 the Company acquired 100% of the share capital of Forest Asset Finance Limited in exchange for an initial consideration of £1,339,734, which consisted of a cash payment of £400,000 for the shares of the Company, a cash payment of £489,724 for the working capital, loan notes issued of £450,000 and C shares issued of £10. The acquisition also included as deferred consideration of £150,000 which was paid in 2019. Costs in relation to the acquisition of £86,007 were capitalised.

On 23 March 2016 the investment in Forest Asset Finance Limited was sold to Asset Alliance Finance Limited. Asset Alliance Finance Limited issued 1,000,010 £1 Ordinary shares to Asset Alliance Group Holdings Limited as consideration of £1,575,741 for the investment in Forest Asset Finance Limited.

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Asset Alliance Finance Limited	Ordinary	100%	Intermediary holding Company

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

	Aggregate of share capital and reserves £	Profit £
Asset Alliance Finance Limited	**9,577,829**	**8,317,723**

14. Stocks

	Group 2019 £	Group 2018 £
Raw materials and consumables	**21,378**	*21,378*
Work in progress	**143,390**	*109,529*
Finished goods and goods for resale	**8,143,109**	*3,680,009*
	8,307,877	*3,810,916*

Raw materials and finished goods amounting to £26,707,154 (*2018 - £21,144,149*) were recognised in cost of sales.

15. Debtors: amounts falling due after more than one year

	Group 2019 £	*Group 2018 £*
Net receivable under hire purchase Contracts	**2,032,632**	*1,112,365*
Net receivable under finance leases	**2,328,489**	*2,734,060*
	4,361,121	*3,846,425*

Minimum lease payments recoverable under hire purchase agreements and finance leases fall due as follows:

	Group 2019 £	*Group 2018 £*
Within one year	**1,210,191**	*990,026*
Between 1 – 2 years	**1,727,901**	*824,374*
Between 2 – 5 years	**1,802,286**	*1,919,366*
Over 5 years	**830,934**	*1,102,685*
	5,571,312	*4,836,451*

Payments receivable under hire purchase agreements and finance leases are repayable in monthly instalments, over periods of 12 months to 84 months.

Interest rates vary depending on the length of the lease.

16. Debtors: amounts falling due within one year	**Group 2019 £**	**Company 2019 £**	*Group 2018 £*	*Company 2018 £*
Trade debtors	**6,671,578**	**-**	*7,591,943*	*-*
Other debtors	**133,250**	**-**	*1,294,797*	*-*
Amounts owed by Group undertakings	**-**	**671**	*-*	*671*
Prepaid expenses and accrued income	**2,239,746**	**-**	*1,023,956*	*-*
Net receivable under hire purchase contracts	**827,965**	**-**	*523,693*	*-*
Net receivable under finance leases	**382,226**	**-**	*466,333*	*-*
	10,254,765	**671**	*10,900,722*	*671*

17. Cash and cash equivalents	**Group 2019 £**	**Company 2019 £**	*Group 2018 £*	*Company 2018 £*
Cash at bank and in hand	**1,719,460**	**218**	*1,312,878*	*218*
Revolving credit facility	**(151,521,705)**	**-**	*(140,138,463)*	*-*
	(149,802,245)	**218**	*(138,825,585)*	*218*

The revolving credit facility is shown as a creditor falling due within one year as it has a renewal term date of December 2020.

18. Creditors: amounts falling due within one year	**Group 2019 £**	**Company 2019 £**	*Group 2018 £*	*Company 2018 £*
Trade creditors	**2,002,847**	**-**	*3,118,225*	*-*
Other creditors	**369,197**	**-**	*779,230*	*-*
Amounts owed to Group undertakings	**-**	**1,974,981**	*-*	*1,820,326*
Amounts owed to related parties – deferred consideration	**-**	**-**	*150,000*	*150,000*
Amounts owed to Directors	**-**	**-**	*124*	*-*
Other taxes and social security	**888,196**	**-**	*177,011*	*-*
VAT creditor	**349,264**		*-*	*-*
Accruals and deferred income	**6,064,249**	**4,740**	*8,163,786*	*4,655*
Net obligations under finance leases and hire purchase contracts	**11,214,489**	**-**	*13,108,614*	*-*
Revolving credit facility	**151,521,705**	**-**	*-*	*-*
	172,409,947	**1,979,721**	*25,496,990*	*1,974,981*

Secured creditors	**162,736,194**	**-**	*13,108,614*	*-*

19. Creditors: amounts falling due after more than one year

	Group 2019 £	Company 2019 £	*Group 2018 £*	*Company 2018 £*
Revolving credit facility	-	-	*140,138,463*	-
Net obligations under finance leases and hire purchase contracts	**9,031,297**	-	*15,244,115*	-
Management loan notes	**3,503,283**	**3,503,283**	*7,449,434*	*7,449,434*
Amounts owed to related parties	**14,957,310**	-	*27,904,654*	-
	27,491,890	**3,503,283**	*190,736,666*	*7,449,434*

At 1 July 2019 Asset Alliance Group Holdings Limited entered into an agreement with the holders of the management loan notes waiving all accreted and future interest in respect of the management loan notes. As such, the management loan notes are an interest free loan and are required to be treated as a financing transaction under FRS 102. Therefore, the principal amount of £4,450,000 has been discounted to is present value as at 1 July 2019 using a discount rate of 8%, which was the previous interest rate applied to the management loan notes. The discounted amount recognised as a capital contribution within other reserves will be unwound by charging interest to the Statement of Comprehensive Income until the management loan notes mature in December 2022, when the £4,450,000 principal amount is payable (2018: principal and accreted interest payable in December 2022).

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

	Group and Company 2019 £
Discounted principal	**3,503,283**
Interest charge in 1 year	**290,771**
Interest charge in 1-2 years	**314,905**
Interest charge in 2-5 years	**341,041**
Principal	**4,450,000**

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

19. Creditors: amounts falling due after more than one year

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

	Company 2019 £
Discounted principal	**14,957,310**
Interest charge in 1 year	**1,241,449**
Interest charge in 1-2 years	**1,344,489**
Interest charge within 2-5 years	**1,456,081**
Principal	**18,999,329**

The repayment profile of the total creditors falling due after one year is as follows:

Analysed as:	Group 2019 £	Company 2019 £	*Group 2018 £*	*Company 2018 £*
Repayable in between one and two years	**5,681,185**	**-**	*6,698,222*	*-*
Repayable in between two and five years	**21,810,705**	**3,503,283**	*184,038,444*	*7,449,434*
	27,491,890	**3,503,283**	*190,736,666*	*7,449,434*
Secured creditors	**9,031,297**	**-**	*155,382,578*	*-*

Secured loans
HSBC has an Unlimited Multilateral Guarantee dated 9 February 2012 given by ATE Truck & Trailer Sales Limited, Asset Alliance Group Holdings Limited, Asset Alliance Finance Limited and Asset Alliance Limited.

Within ATE Truck & Trailer Sales Limited, RBS Invoice Financing Limited hold a charge over any right, title or interest in all land; a fixed charge over the intellectual property including all fee royalties and other rights and a floating charge over all property or undertakings of the Company.

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

Securities are held by various funders in respect of the assets purchased under finance leases and hire purchases by Asset Alliance Ltd.

RBS Invoice Finance has a fixed and floating charge over the assets of Asset Alliance Leasing Limited.

20. Hire purchases and finance leases

Minimum lease payments under hire purchases and finance leases fall due as follows:-

	Group 2019 £	*Group 2018 £*
Within one year	**11,214,489**	*13,108,614*
Between 1 – 2 years	**5,681,185**	*6,698,222*
Between 2 – 5 years	**3,350,112**	*8,545,893*
	20,245,786	*28,352,729*

21. Provisions

	Group 2019 £	*Group 2018 £*
At 1 January	**207,625**	*213,485*
Payments made in the year	**-**	*(5,860)*
At 31 December	**207,625**	*207,625*

In May 2018, as the result of a court action brought by the Health and Safety Executive, the Group was fined in relation to a fatal accident that happened on site in 2013. The size of the original penalty was successfully appealed in April 2018 with the penalty being reduced from £475,000 to £200,000.

22. **Share capital**	**Group and Company 2019 £**	*Group and Company 2018 £*
Allotted, called up and fully paid		
1 *(2018 - 1)* Deferred share at £1 each	**1**	*1*
64,655 *(2018 – 64,655)* A shares at 1p each	**647**	*647*
25,000 *(2018 – 25,000)* B shares at 1p each	**250**	*250*
11,323 *(2018 – 11,323)* C shares at 1p each	**113**	*113*
16,164 *(2018 - 16,164)* D shares at 1p each	**162**	*162*
	1,173	*1,173*

The rights attached to the A shares are as follows:

a) these shares carry the right to vote at general meetings of the Company;
b) these shares carry the right to a dividend; and
c) these shares carry the right to capital on a distribution (including on wind up).

The rights attached to the B shares are as follows:

a) these shares do not carry the right to vote at general meetings of the Company;
b) these shares do not carry the right to a dividend; and
c) these shares carry the right to capital on a distribution (including on wind up) after the A and C shares have received the Return Target.

The rights attached to the C shares are as follows:

a) these shares do not carry the right to vote at general meetings of the Company;
b) these shares carry the right to a dividend; and
c) these shares carry the right to capital on a distribution (including on wind up).

The rights attached to the D shares are as follows:

a) these shares carry the right to vote at general meetings of the Company;
b) these shares do not carry the right to a dividend; and
c) these shares do not carry the right to capital on a distribution (including on wind up).

The deferred share holds no rights.

The original share capital issued in 2012 was £1. This was converted to a deferred share in 2012.

23. Reserves

Profit and loss account

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

Other Reserves

The other reserves includes the capital contribution in respect of the interest free management loan notes.

24. Commitments under operating leases

Group

The Group's commitments for future minimum lease payments under non-cancellable operating leases were as set out below:

	Land and buildings 2019 £	**Other 2019 £**	*Land and buildings 2018 £*	*Other 2018 £*
Operating leases which expire:				
Not later than one year	**350,800**	**2,628**	*350,800*	*2,973*
Later than one year and not later than 5 years	**373,083**	**-**	*637,217*	*2,628*
More than 5 years	**-**	**-**	*41,667*	*-*
	723,883	**2,628**	*1,029,684*	*5,601*

25. Transactions in which the Directors have an interest

Asset Alliance Group Holdings Limited

During the year, the loan notes of 3 of the Directors (*2018: 3*) accreted in value by: £80,762 (*2018: £152,919*), £80,762 (*2018: £152,919*) and £26,921 (*2018:£50,973*).

The cumulative accreted amount was subsequently waived on 1 July 2019 by the holders of the management loan notes. The total interest waived per director was £945,172, £945,172 and £315,057 respectively.

At the year end, the undiscounted value of the management loan notes attributable to the above 3 Directors (*2018: 3*) was: £1,200,000 (*2018: £2,064,410*), £1,200,000 (*2018: £2,064,410*), and £400,000 (*2018: £688,136*).

26. Related party transactions

As permitted under FRS 102, transactions with other companies in the Group have not been disclosed under related party transactions.

26. Related party transactions (continued)

Asset Alliance Group Holdings Limited

Included in amounts owed to related parties is £nil *(2018: £150,000)* owed to two members of key management in respect of the Company's acquisition of Forest Asset Finance Limited in December 2015. This amount was paid during the year.

During the year, the loan notes to two members of key management accreted in value by a total of £22,222 *(2018: £42,080)*. The cumulative accreted amount was subsequently waived on 1 July 2019 by the holders of the management loan notes. The total interest waived in respect of key management was £140,290.

At the year end, the undiscounted value of the management loan notes attributable to two members of key management was £450,000 *(2018: £568,068)*.

During the year, the loan notes to a former director and current shareholder accreted in value by £80,762 *(2018: £152,919)*. The accreted amount was subsequently waived on 1 July 2019 by the holder of the management loan note. The total interest waived was £945,172. At the year end, the value of the management loan note was £1,200,000 *(2018: £2,064,410)*.

Asset Alliance Finance Limited

The total bonds issued accreted by £1,091,657 (*2018:* £2,067,012) in the year. At 1 July 2019 all cumulative and future interest was waived, resulting in £9,996,982 being waived. The total balance due to CS Capital Partners III L.P. at 31 December 2019 is £18,999,329 (*2018:* £27,904,654). The reduction in accretion and subsequent balance is due to the agreement put in place to waive accreted and future interest in respect of the deep discounted bonds.

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

27. Ultimate controlling party

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

28. Commitments to buy stock

	2019 £	*2018 £*
Group		
Contracted for but not provided in the financial statements	**1,815,062**	*2,236,062*

29. Pension commitment

The Group operates a defined contribution scheme. The assets of the scheme are held separately from the Group in an independently administered fund. The pension cost and charge represents contributions payable by the Group to the new fund in the year and amounted to £257,163 (*2018 - £128,315*). Contributions of £nil were payable to the fund at 31 December 2019 (*2018 - £nil*).

30. Post balance sheet events

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

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

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

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