
THE ASSET EXCHANGE LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



THE ASSET EXCHANGE LTD

COMPANY INFORMATION

Directors	Philip Knowles Alan Tomlin
Registered number	08679485
Registered office	77 Wollaston Way Burnt Mills Industrial Estate Basildon Essex SS13 1DJ
Independent auditors	Crowe UK LLP 55 Ludgate Hill London EC4M 7JW

THE ASSET EXCHANGE LTD

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THE ASSET EXCHANGE LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The Directors present their Strategic Report for The Asset Exchange Ltd (the "Company").

Principal activities

The Company sells cars, and provides finance on those cars, to consumers in the non-prime market who normally find it difficult to obtain such finance elsewhere. Lending decisions are based on a detailed review of a potential customer's affordability rather than solely relying on credit scoring. Vehicles are sold on Hire Purchase contracts over a term of between 36 and 60 months.

Covid-19

The COVID-19 pandemic that affected the market throughout the majority of 2020 and into 2021 had a significant impact on both businesses and individuals. As a forward thinking business we had in place the technology to react quickly to such a rapidly changing situation and as a result we were able to quickly and seamlessly transition our lending operation to working from home. The car sales element of our business rapidly moved from a collection model to a delivery one, meaning we were still able to service new customers without the need for customers to attend our premises, and we put in place strict COVID protocols in line with Government guidance in all our premises to ensure those employees who were essential and needed to work from our premises could do so safely. Our dedicated team have proven to be resilient, flexible and adaptable and deserve huge credit for the way in which they have performed throughout these unprecedented times.

A number of our customers were directly or indirectly affected by COVID during 2020 and 2021. As a responsible lender we immediately offered forbearance to such customers over and above that provided to customers during normal times, pre-empting the formal requirements of the FCA by some weeks. FCA guidance has been followed throughout and we have worked with our affected customers to ensure that their best interests have been served with positive outcomes during this difficult period. There was an expected initial impact on the cashflow of the Group in 2020 as customers took stock of the pandemic and the way in which it was likely to affect them, but it has been extremely pleasing to see just how resilient our customers have proved over the past 24 months. Additional checks were added in 2020 following the beginning of the COVID-19 pandemic to ensure new customers were not, and did not expect to be, affected financially by the pandemic. Underwriting affordability checks are regularly monitored and updated to reflect any changes in the economic climate that might affect customer affordability, such as increasing expenditure parameters to reflect expected cost of living increases during 2022. As a result the financial impact on the business as a direct result of COVID has been far lower than would have been expected at the outset. Outside of the National Lockdowns, our collections levels have actually outperformed normal levels as affected customers have on average chosen to catch-up on offered payment breaks.

Demand for our cars and finance remained strong throughout the pandemic, with sales limited not by demand but by the Board's decision to minimise risk and scale back operations while the true effects of the pandemic were assessed. Demand has remained strong as the Country has emerged from the pandemic. An unfortunate consequence of the pandemic is that new non-prime customers have been entering our market, and as a business we are well placed to serve these customers. In addition, the used car market remains buoyant with high levels of demand and strong pricing. While COVID-19 has provided significant challenges to the Business, it has provided a significant stress test and proven the resilience and adaptability of the Business model, our team and of our customers.

THE ASSET EXCHANGE LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Business review

Key performance indicators

	2021	2020
	£	£
Car sales turnover	£9.4m	£8.5m
Interest and fee turnover	£4.1m	£3.5m
Hire purchase loan book	£12.9m	£11.6m
EBITDA	£1.7m	£1.1m
Vehicles sold during the year on finance	1.195	1.136

The Group continued to grow its loan book during 2021, increasing it by 11% during the year. This growth on top of similar growth in 2020 and the strong underlying performance of the loan book resulted in a 17% increase in recognised interest and fee income. A combination of a 5% increase in sales volumes and the strengthening used car pricing resulted in a 11% increase in car sales turnover. While there remained some impact of the COVID-19 pandemic impacting the results for 2021, the majority of the impact was experienced and reflected in the 2020 Financial Statements. As such, EBITDA increased significantly by 55% from £1.1m to £1.7m.

Despite the ongoing uncertainties around the impact of COVID-19 on the sector during 2021, it was extremely pleasing that the Company was able to secure an additional £5m of new secured debt facilities, including £2m from a new provider, during the course of 2021.

In November 2021 the wider Group successfully negotiated a restructuring of the largest debt facility held by its largest lender and shareholders. Under the restructuring, a series of transactions was entered into whereby ultimately £19.7m of the largest debt facility of the Group has been prepaid and £19.7m of preference shares in the Group has been issued to the same debt lenders. The Board are confident that the restructured and significantly strengthened Group Balance Sheet with the elimination of the net liability position of the Group, and the significantly reduced interest costs moving forward, will put the Company in an excellent position to source further future funding to drive a profitable growth strategy over the next few years.

Principal risks and uncertainties

The Board and Management of the Company take a comprehensive approach to the management of risk. A detailed Risk Register is maintained and the Board consider key risk areas on a continual basis. The key risks affecting the business are credit risk, operational risk, financing and liquidity risks, legal and regulatory risk and the specific risks associated with COVID-19.

THE ASSET EXCHANGE LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Credit risk

Credit risk is associated with the risk of loss to the Company from the failure of customers to meet their contractual obligations under the Company's Hire Purchase Agreements.

The nature of the non-prime market is that some customers will, as a result of changing circumstances, be unable to fulfil their obligations under their Hire Purchase agreement with the Company. To minimise this risk, the underwriting process includes a number of detailed checks on affordability to ensure that a customer can afford the proposed loan over the term at the time the loan is taken out and that there are no indications that this will change in the foreseeable future. Furthermore, additional checks were added in 2020 following the beginning of the COVID-19 pandemic to ensure new customers were not, and did not expect to be, affected financially by the pandemic. Underwriting affordability checks are regularly monitored and updated to reflect any changes in the economic climate that might affect customer affordability, such as increasing expenditure parameters to reflect expected cost of living increases during 2022.

Where a customer does fail to maintain repayments after providing tailored forbearance, the Company's business model ensures that losses are minimised through its ability to recycle the underlying vehicles into a new Hire Purchase agreement with new customers, in the majority of cases.

Operational risk

Operational risk is associated with the risk of the business suffering loss from an inability to operate as planned due to issues with personnel, systems, premises, or other areas of its operations.

In order to minimise and mitigate these risks, the Board and Management regularly review operational risks and put in place various measures such as:

- ensuring staff have adequate training
- detailed policies and procedures are produced, maintained, updated and shared with all relevant staff
- regular backups of data - a Cloud based system allowing the business to operate effectively remotely if necessary, which was proven during the various COVID-19 related lockdowns
- multiple sites to ensure business continuity in the event of an issue with any particular premises
- arrangements with its fellow subsidiary car dealers for the regular supply of adequate vehicles to be able to sell on finance. A reduced supply of adequate vehicles to sell on finance will place a risk on sales growth for the Company.

The impact on the business of rising inflation in 2022 is uncertain on both the future demand and pricing of used vehicles. Our business model, systems and staff are agile enabling the business to react and adapt as circumstances change.

THE ASSET EXCHANGE LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Finance and Liquidity risk

Financing and Liquidity risks are associated with the Company's ability to meet its financial obligations as they fall due through cashflow generated by the operations and through external funding sources. Additionally, it relates to the Company's ability to carry out its growth plans to the extent that they are reliant on sourcing further third-party funding.

Management regularly monitor expected cash inflows, expenditure and funding facility availability to ensure it can meet its financial obligations and adjusts its growth plans and sales levels as necessary to fit with existing and anticipated funding facilities.

In November 2021 the wider Group successfully negotiated a restructuring of its largest debt facility with its largest lender and significant shareholders, and one effect of this was to significantly reduce the Group and Company's cash exposure to interest payments.

The Company continually monitors debt facility levels and looks to increase these from time to time to facilitate new lending to customers. In 2021 the Company entered into new facilities amounting to £5m of secured debt and is in advanced discussions to further increase existing and new facilities to facilitate growth in 2022. Strong relationships have been forged with a number of secured lenders, as demonstrated by these new facilities being agreed despite the COVID-19 pandemic and the associated uncertainties in the market, and this provides the Board with a strong level of confidence that future facilities can be secured in the future.

Legal and regulatory risk

As a responsible FCA authorised lender, the Company is regulated and as such ensures that it complies with all regulations and requirements of its permissions. The Company's Compliance Officer regularly meets with and reports to the Board, and the Business prioritises regular training, monitoring, feedback and re-training of staff as necessary, as well as regular reviews and updating of policies and procedures to ensure compliance with regulations and the requirements of treating customers fairly and ensuring positive outcomes for customers. The company is also sensitive to how the business impacts the environment, its customers, staff and local communities, and its governance. The board of the company has adopted an ESG policy which is being deployed throughout the group through an appointed subcommittee.

Covid-19 risk

The ongoing COVID-19 pandemic and the uncertainty over how it will develop over the coming months and years introduces a specific area of risk to the business. The business continuity planning in place pre-COVID-19 and the additional measures put into place to deal with the various lockdowns and other restrictions over the past 24 months have allowed the business to trade successfully throughout, and as such the Board and Management have confidence in the ability of the Business to adapt to any future lockdowns or other restrictions.

Should further lockdowns and restrictions be implemented in future, this will inevitably have an impact on some customers, and this could affect the cashflows of the business and other aspects of the business model as experienced during the pandemic to date. While the likelihood of such measures appears to be diminishing, they cannot at this stage be ruled out. The Board and Management continuously review the cashflows, funding and operations of the business to ensure that sufficient flexibility is in place to adequately cope with any such changes, and the experience gained to date provides confidence as to the likely effect of any future restrictions and the ability of the business and its customers to adapt accordingly.

THE ASSET EXCHANGE LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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



Alan Tomlin
Director



Philip Knowles
Director

Date: 20 May 2022

THE ASSET EXCHANGE LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

The Company sells cars, and provides finance on those cars, to consumers in the non-prime market who normally find it difficult to obtain such finance elsewhere. Lending decisions are based on a detailed review of a potential customer's affordability rather than solely relying on credit scoring. Vehicles are sold on Hire Purchase contracts over a term of between 36 and 60 months.

Directors

The directors who served during the year were:

Philip Knowles
Alan Tomlin

Going concern

The Directors have reviewed the Company's forecasts and projections and the wider ultimate Group position, its operational performance since the Balance Sheet date, and have taken into consideration the restructuring of the Group's largest debt facility in November 2021. The Board have also considered the ongoing impact of COVID-19 on the business, and with reference to the impact on performance experienced during the pandemic to date are confident that there will not be a material impact on the business moving forward. Taking these factors into consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue to pay its financial obligations and liabilities as they fall due for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

THE ASSET EXCHANGE LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Disclosure of information to auditors

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

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

Auditors

Under section 487(2) of the Companies Act 2006, Crowe UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



.....
Alan Tomlin
Director

Date: 20 May 2022



.....
Philip Knowles
Director

Date: 20 May 2022

THE ASSET EXCHANGE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSET EXCHANGE LTD

Opinion

We have audited the financial statements of THE ASSET EXCHANGE LTD (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSET EXCHANGE LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

THE ASSET EXCHANGE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSET EXCHANGE LTD (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This 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 those matters we are required to state to them in an Auditors' 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.



John Glasby (Senior Statutory Auditor)
for and on behalf of
Crowe UK LLP
55 Ludgate Hill
London
EC4M 7JW

20 May 2022

THE ASSET EXCHANGE LTD

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	3	13,516,442	12,016,139
Cost of sales		(10,005,372)	(8,743,913)
Gross profit		3,511,070	3,272,226
Administrative expenses		(1,836,115)	(2,180,804)
Operating profit	4	1,674,955	1,091,422
Interest payable and similar expenses	7	(1,307,420)	(851,143)
Profit before tax		367,535	240,279
Profit after tax		367,535	240,279
Retained earnings at the beginning of the year		108,646	(131,633)
		108,646	(131,633)
Profit for the year		367,535	240,279
Retained earnings at the end of the year		476,181	108,646


The notes on pages 14 to 23 form part of these financial statements.

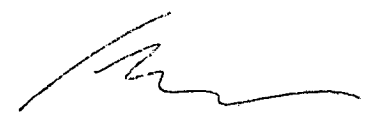
THE ASSET EXCHANGE LTD
REGISTERED NUMBER: 08679485

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	8		10,650		17,250
			<u>10,650</u>		<u>17,250</u>
Current assets					
Debtors	9	14,825,753		12,738,295	
Cash at bank and in hand		340,051		587,255	
		<u>15,165,804</u>		<u>13,325,550</u>	
Creditors: amounts falling due within one year	10	(8,688,425)		(10,255,359)	
Net current assets			<u>6,477,379</u>		<u>3,070,191</u>
Total assets less current liabilities			<u>6,488,029</u>		<u>3,087,441</u>
Creditors: amounts falling due after more than one year	11		(5,411,648)		(2,378,595)
Net assets			<u><u>1,076,381</u></u>		<u><u>708,846</u></u>
Capital and reserves					
Called up share capital	15		6,200		6,200
Share premium account	16		594,000		594,000
Profit and loss account			476,181		108,646
			<u><u>1,076,381</u></u>		<u><u>708,846</u></u>

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


Alan Tomlin
 Director


Philip Knowles
 Director

Date: 20 May 2022

Date: 20 May 2022

The notes on pages 14 to 23 form part of these financial statements.

THE ASSET EXCHANGE LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	367,535	240,279
Adjustments for:		
Depreciation of tangible assets	6,600	6,350
Interest paid	1,307,420	851,143
(Increase) in debtors	(1,363,418)	(1,368,209)
(Decrease)/increase in creditors	(496,754)	276,760
(Decrease) in amounts owed to groups	(3,783,941)	(2,381,512)
Net cash generated from operating activities	(3,962,558)	(2,375,189)
Cash flows from investing activities		
Purchase of tangible fixed assets	-	(20,000)
Net cash from investing activities	-	(20,000)
Cash flows from financing activities		
Loan capital drawn	5,022,774	4,045,475
Loan interest and repayments	(1,307,420)	(1,268,556)
Net cash used in financing activities	3,715,354	2,776,919
Net (decrease)/increase in cash and cash equivalents	(247,204)	381,730
Cash and cash equivalents at beginning of year	587,255	205,525
Cash and cash equivalents at the end of year	340,051	587,255
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	340,051	587,255
	340,051	587,255

The notes on pages 14 to 23 form part of these financial statements.

THE ASSET EXCHANGE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

The Asset Exchange Ltd is a private limited company, limited by shares, domiciled in England and Wales, registration number 08679485. The registered office is 77 Wollaston Way, Burnt Mills Industrial Estate, Basildon, England, SS13 1DJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The Directors have reviewed the Company's forecasts and projections and the wider ultimate Group position, its operational performance since the Balance Sheet date, and have taken into consideration the restructuring of the Group's largest debt facility in November 2021. The Board have also considered the ongoing impact of COVID-19 on the business, and with reference to the impact on performance experienced during the pandemic to date are confident that there will not be a material impact on the business moving forward. Taking these factors into consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue to pay its financial obligations and liabilities as they fall due for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.3 Turnover

Turnover comprises income received under hire purchase contracts and for the sale of used motor vehicles and warranties.

Revenue on the sale of used motor vehicles and related warranty contracts are recognized at the point of sale. Interest and fee revenue that is received over the term of the hire purchase contract is recognized as it is earned under the terms of the hire purchase contract and where it has been received from the customer.

THE ASSET EXCHANGE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company has no operating leases. When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans to customers. The difference between the gross receivable and the present value of the receivable is disclosed as unearned finance lease income.

2.5 Finance lease income

Finance lease income is recognised as received over the term of the lease using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. When calculating the effective rate of interest, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance fees.

2.6 Operational lease rentals

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

2.7 Impairment

Loans to customers

At each balance sheet date, the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the customer or group of customers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, with it becoming probable that the debt will need to be restructured or written off.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at the original effective interest rate of that asset. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

2.8 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 ASSET EXCHANGE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 9 years Straight Line
Motor vehicles	- 3 years Straight Line
Fixtures and fittings	- 3 years Straight Line
Office equipment	- 3 years Straight Line
Computer equipment	- 3 years Straight Line

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 and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.9 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.

2.10 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.11 Creditors

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

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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

THE ASSET EXCHANGE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Financial instruments (continued)

or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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

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

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

3. Turnover

The turnover and profit before tax of the company for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

	2021 £	2020 £
Vehicle finance interest and fees	4,082,136	3,471,601
Car and warranty sales	9,434,306	8,544,538
	<u>13,516,442</u>	<u>12,016,139</u>

THE ASSET EXCHANGE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Auditor remuneration	13,750	13,750
Depreciation of tangible assets	6,600	6,350
	<u> </u>	<u> </u>

5. Staff Costs

The aggregate payroll costs for the Company were as follows:

	2021 £	2020 £
Wages and salaries	1,036,729	1,169,380
Social security costs	113,569	115,032
Cost of defined contribution scheme	65,591	36,235
	<u>1,215,889</u>	<u>1,320,647</u>

6. Directors remuneration

The aggregate payroll costs for Directors of the Company were as follows:

	2021 £	2020 £
Wages and salaries	170,361	165,750
Social security costs	23,139	20,282
Cost of defined contribution scheme	16,655	9,945
	<u>210,155</u>	<u>195,977</u>

The highest paid Director of the Company received remuneration of £120,000 (2020 - £102,000) and employer pension contributions of £6,840 (2020 - £6,120) attributable to the Company.

THE ASSET EXCHANGE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Interest payable and similar expenses

	2021 £	2020 £
Other loan interest payable	1,307,420	851,143
	<u>1,307,420</u>	<u>851,143</u>

8. Tangible fixed assets

	Leasehold improvement £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2021	25,902	2,700	4,275	9,213	620,000	662,090
At 31 December 2021	<u>25,902</u>	<u>2,700</u>	<u>4,275</u>	<u>9,213</u>	<u>620,000</u>	<u>662,090</u>
Depreciation						
At 1 January 2021	25,902	2,700	4,275	9,213	602,750	644,840
Charge for the year on owned assets	-	-	-	-	6,600	6,600
At 31 December 2021	<u>25,902</u>	<u>2,700</u>	<u>4,275</u>	<u>9,213</u>	<u>609,350</u>	<u>651,440</u>
Net book value						
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,650</u>	<u>10,650</u>
At 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,250</u>	<u>17,250</u>

THE ASSET EXCHANGE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Debtors

	2021 £	2020 £
Due after more than one year		
Trade debtors	10,315,198	9,410,752
	<u>10,315,198</u>	<u>9,410,752</u>
Due within one year		
Trade debtors	2,656,975	2,236,248
Amounts owed by group undertakings	1,251,742	527,739
Other debtors	36,300	12,228
Prepayments and accrued income	565,538	551,328
	<u>14,825,753</u>	<u>12,738,295</u>

10. Creditors: Amounts falling due within one year

	2021 £	2020 £
Other loans - secured	3,292,742	1,303,022
Trade creditors	99,501	72,804
Amounts owed to group undertakings	4,907,447	7,967,385
Other taxation and social security	324,435	509,179
Accruals and deferred income	64,300	402,969
	<u>8,688,425</u>	<u>10,255,359</u>

Secured loans are secured against certain hire purchase agreements included in trade and other receivables. A Debenture is in place over the remaining assets of the Company and Group in relation to a secured loan held in the parent company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021 £	2020 £
Other loans - secured	5,015,924	1,992,210
Other loans - unsecured	395,724	386,385
	<u>5,411,648</u>	<u>2,378,595</u>

Secured loans are secured against certain hire purchase agreements included in trade and other receivables. A Debenture is in place over the remaining assets of the Company and Group in relation to a secured loan held in the parent company.

12. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>340,051</u>	<u>587,255</u>

Financial assets measured at fair value through profit or loss comprise...

13. Finance Leases as Lessor

	Gross investment 2021 £	Present value of minimum lease payments 2021 £	Gross investment 2020 £	Present value of minimum lease payments 2020 £
Within one year	6,649,526	2,633,525	6,078,093	2,236,247
Within 1 - 5 years	14,083,150	10,315,198	13,795,445	9,410,752
	<u>20,732,676</u>	<u>12,948,723</u>	<u>19,873,538</u>	<u>11,646,999</u>

THE ASSET EXCHANGE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Reconciliation of minimum lease payments to net investment

The lease payments made by the lessees are split into their capital component and their interest component. The interest component of the payment is recognised in profit and loss as finance income. The amount of the net investment in a finance lease is determined as follows:

	2021 £	2020 £
	-	-
Minimum lease payments	20,732,676	19,873,538
Unguaranteed residual value	-	-
Unearned finance income	(7,783,953)	(8,226,539)
Net Investment(present value of minimum lease payments)	12,948,723	11,646,999

15. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
6,200 (2020 - 6,200) Ordinary Shares shares of £1.00 each	6,200	6,200

16. Reserves

Share premium account

Share Premium account £594,000 (2020 £594,000)

17. Post balance sheet events

Subsequent to the year end in February 2022 the Company extended an existing secured debt facility by a further £0.5m.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. Related party

The company has taken advantage of the exemption available in FRS 102 not to disclose related party transactions with group entities. The following balances were (owed to)/due from other Group companies at the year end:

	2021 £	2020 £
CLC Car Sales (South East) Ltd	(4,843,930)	(7,967,384)
CLC Car Sales (North West) Ltd	1,251,741	501,775
CLC Franchise Ltd	25,928	25,928
	<u>(3,566,261)</u>	<u>(7,439,681)</u>

19. Ultimate parent company

The immediate and ultimate parent company is Asset Exchange Holdings Limited, a company registered in England and Wales whose registered address is 77 Wollaston Way, Burnt Mills Industrial Estate, Basildon, England, SS13 1DJ.