Registered number: 08679485

THE ASSET EXCHANGE LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

Directors	Philip Knowles (resigned 27 August 2023) 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

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Business review

Key performance indicators

	2022	*2021*
	£	*£*
Car sales turnover	**£10.5m**	*£9.4m*
Interest and fee turnover	**£4.5m**	*£4.1m*
Hire purchase loan book	**£14.6m**	*£12.9m*
EBITDA	**£0.8m**	*£1.7m*
Vehicles sold during the year on finance(000' units)	**1.189**	*1.195*

The Company continued the steady growth of recent years during 2022. The Loan Book grew 13%, building on similar increases year on year over the last 4 years. Sales volumes were consistent with last year but the increasing used car prices and continued strong customer demand at those price levels resulted in a 12% increase in vehicle sale turnover. The growing book drove a 10% increase in interest and fee turnover, and this was despite the decision to reduce interest rates charged on new lending during the year, resulting in lower APRs for customers.

With growing Turnover along with the significantly reduced interest cost following the Group loan conversion to equity exercise in November 2021, resulted in a 12.2% increase in profit before tax.

During the course of 2022 the Company successfully extended its borrowing facilities with all existing lenders by a combined £3.5m. Additionally our largest shareholder continued to provide significant support to the Group, with funding of £2m in the second half of 2022 and a further capital injection of £2m in Q1 2023.

The increased borrowing facilities and capital injections from our largest shareholder allowed the company and group to ramp up sales during the second half of 2022 and demonstrate the Company and Group's ability to trade profitably with the group restructured balance sheet and ever growing loan book providing the foundation to accelerate this growth into 2023.

While the current economic environment is a challenge, with COVID-19 concerns being replaced with cost of living increases, it has been extremely positive to see continued high and increasing demand from our target customers, which has been reflected in our Book performance as evidenced, for example, by materially increased customer credit scores since pre-COVID. The pandemic demonstrated the resilience of our customer base and the ongoing demand for our product, and this continues to be reflected despite the current economic headwinds. As a responsible lender we continually assess the market, economic environment and the impact that has on our customers, and that has led us to tighten our affordability criteria and to lower our APR.

There has been a significant focus on the new Consumer Duty across the industry during 2022 and into 2023.

We have taken the opportunity to embrace the process of review and implementation and Management have undertaken a full review of our operations and in particular the end-to-end customer journey to identify any areas where we can improve the products and service offered to and experienced by customers, and in turn improve our overall business performance. We implemented some changes within the business to meet the requirements of the new Duty before the deadline, and have established a process of monitoring, identifying and actioning continued improvements if and when applicable.

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 and the increase in cost of living.

Credit risk

Credit risk is associated with the risk of loss to the company and Group 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 and adding additional affordability buffers to reflect cost of living increases during 2022 and into 2023.
Where a customer does fail to maintain repayments after providing tailored forbearance, the Group'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.

Opertational 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
- The ongoing issues around the supply of new cars in the market has had an impact on the levels of demand and pricing of used cars. Used car prices increased significantly during 2021 and early 2022. Since then they have broadly stabilised and indications in the market are that they are likely to remain so in the short to medium term. New car supply is coming back on stream and this may put some downward pressure on used car prices over time, though no significant corrections are expected. The resulting high levels of demand on used cars has increased the risk of possible supply issues and higher prices throughout all categories of used cars, placing potential pressure on car sales and margins. Relationships with multiple car auction houses, leasing companies and garages help to ensure adequate supply of cars and garage services without reliance on a small number of such suppliers.

Rising inflation during 2022 and into 2023 does impact certain costs to the business, and management are continuously monitoring this and exploring ways of mitigating the effects of inflation. Our business model, systems and staff are agile enabling the business to react and adapt as circumstances change.

Finance and Liquidity risk

Financing and Liquidity risks are associated with the company and Group'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 and Group'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 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's cash exposure to interest payments. This reduced interest exposure is reflected in the 2022 Financial Statements and is a key driver of the improved performance of the company and Group.

The Group further strengthened its Balance Sheet during 2022 and into 2023 through securing a £2m additional loan from its largest shareholder in 2022 and an additional £2m investment by way of issue of preference shares in Q1 2023.

The company continually monitors debt facility levels and looks to increase these from time to time to facilitate new lending to customers. In 2022 the company entered into new facilities amounting to £3.5m of secured debt, and is in engaged with lenders to further increase existing and new facilities to facilitate growth in 2023. Strong relationships have been forged with a number of secured lenders, as demonstrated by these new facilities being agreed despite the backdrop of the COVID-19 pandemic, cost of living concerns 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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

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 retraining 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 has also put significant time and effort into implementing the new Consumer Duty principals over recent months and has made a number operational and compliance improvements as part of this process and will continue to do so over the coming months. Management have embraced the review and implementation process as an opportunity to drive positive changes for existing and future customers and for the business as a whole.

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, and a number of recommendations have been made and acted upon over the past 12 months.

External Economic Factors

The effects of the COVID-19 pandemic on the business appear to be largely over. The measures put in place to ensure the business could continue to operate effectively during the pandemic remain on standby should the situation change, but business has returned to normal over the last 12 months.

Our ability to trade and demand from customers was largely undiminished during the pandemic, proving a good test of the robustness of the business in the face of unprecedented challenges. Our book performance under the circumstances was extremely strong, adding further evidence of the resilience of our customer base and the effectiveness of our underwriting procedures. If anything have experienced a strengthening of our underlying book over the past 3 years, evidenced by improved loan book performance year on year. We continually monitor the pressures on our customers araising from the impact of the increasing cost of living expenditure. The company has been tightening its underwriting criterea to reflect such increasing customer cost pressures and has reduced its APR accordingly. The company continue to offer tailored forebearance to assist impactec customers

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

Alan Tomlin
Director

Date: 31st August 2023

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his report and the financial statements for the year ended 31 December 2022.

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 (resigned 27 August 2023)
Alan Tomlin

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.

DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Auditors

The auditors, Crowe UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

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Alan Tomlin
Director

Date: 31st August 2023

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

Opinion

We have audited the financial statements of The Asset Exchange Ltd for the year ended 31 December 2022 which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity, and notes to the financial statements, including 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 director's 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 director 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 directors are responsible for the other information contained within the annual report. 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.

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 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 Director's 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 director's 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 5, 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.

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.

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

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
Date: 31 August 2023

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	*2021* *£*
Turnover	3	**14,934,040**	*13,516,442*
Cost of sales		**(12,257,415)**	*(10,005,372)*
Gross profit		**2,676,625**	*3,511,070*
Administrative expenses		**(1,953,877)**	*(1,836,115)*
Operating profit	4	**722,748**	*1,674,955*
Interest payable and similar expenses	7	**(310,376)**	*(1,307,420)*
Profit before tax		**412,372**	*367,535*
Profit after tax		**412,372**	*367,535*
Retained earnings at the beginning of the year		**476,181**	*108,646*
		476,181	*108,646*
Profit for the year		**412,372**	*367,535*
Retained earnings at the end of the year		**888,553**	*476,181*

The notes on pages 16 to 26 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2022 £	*2021 £*	*2021 £*
Fixed assets					
Tangible assets	8		**4,050**		*10,650*
			4,050		*10,650*
Current assets					
Stocks	9	**198,742**		-	
Debtors	10	**18,406,455**		*14,825,753*	
Cash at bank and in hand	11	**131,111**		*340,051*	
		18,736,308		*15,165,804*	
Creditors: amounts falling due within one year	12	**(10,791,569)**		*(8,688,425)*	
Net current assets			**7,944,739**		*6,477,379*
Total assets less current liabilities			**7,948,789**		*6,488,029*
Creditors: amounts falling due after more than one year	13		**(6,460,036)**		*(5,411,648)*
Net assets			**1,488,753**		*1,076,381*
Capital and reserves					
Called up share capital	17		**6,200**		*6,200*
Share premium account	18		**594,000**		*594,000*
Profit and loss account			**888,553**		*476,181*
			1,488,753		*1,076,381*

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

Alan Tomlin
Director

Date: 31st August 2023

The notes on pages 16 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2022	**6,200**	**594,000**	**476,181**	**1,076,381**
Comprehensive income for the year				
Profit for the year	-	-	412,372	412,372
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	412,372	412,372
Total transactions with owners	-	-	-	-
At 31 December 2022	**6,200**	**594,000**	**888,553**	**1,488,753**

The notes on pages 16 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	6,200	594,000	108,646	708,846
Comprehensive income for the year				
Profit for the year	-	-	367,535	367,535
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	367,535	367,535
Total transactions with owners	-	-	-	-
At 31 December 2021	6,200	594,000	476,181	1,076,381

The notes on pages 16 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	*2021* *£*
Cash flows from operating activities		
Profit for the financial year	**412,372**	*367,535*
Adjustments for:		
Depreciation of tangible assets	**6,600**	*6,600*
Interest paid	**310,376**	*1,307,420*
(Increase)/decrease in stocks	**(198,742)**	*-*
(Increase) in debtors	**(1,848,696)**	*(1,363,418)*
(Decrease) in creditors	**(233,784)**	*(496,754)*
(Decrease) in amounts owed to groups	**(339,488)**	*(3,783,941)*
Net cash generated from operating activities	**(1,891,362)**	*(3,962,558)*
Cash flows from financing activities		
Other new loans	**1,992,798**	*5,022,774*
Interest paid	**(310,376)**	*(1,307,420)*
Net cash used in financing activities	**1,682,422**	*3,715,354*
Net (decrease) in cash and cash equivalents	**(208,940)**	*(247,204)*
Cash and cash equivalents at beginning of year	**340,051**	*587,255*
Cash and cash equivalents at the end of year	**131,111**	*340,051*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**131,111**	*340,051*
	131,111	*340,051*

The notes on pages 16 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 considered the financial position of the company and Group.

The Directors have reviewed the company and Group's forecasts and projections, its operational performance since the Balance Sheet date and the further funding investment from its largest shareholder during 2022 and the equity investment in the first quarter of 2023. The Balance Sheet of the Group has been further strengthened as a result of the capital injections from its largest shareholder and there is a clear positive trend in the results of the business over recent years. Taking these factors into consideration, the Directors have a reasonable expectation that the company and Group 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 recognised at the point of sale. Interest and fee revenue that is received over the term of the hire purchase contract is recognised as it is earned under the terms of the hire purchase contract and where it has been received from the customer.

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. 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.

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 Stocks

Inventories comprise stock of vehicles for sale and are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items

2.10 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.

2.11 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.

2.12 Creditors

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

2.13 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.

2. Accounting policies (continued)

2.13 Financial instruments (continued)

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 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.

	2022	*2021*
	£	£
Vehicle finance interest and fees	**4,459,274**	*4,082,136*
Car and warranty sales	**10,474,766**	*9,434,306*
	14,934,040	*13,516,442*

4. Operating profit

The operating profit is stated after charging:

	2022 £	*2021 £*
Auditor renumeration	**13,750**	*13,750*
Depreciation of tangible assets	**6,600**	*6,600*
Operating lease	**50,274**	*45,976*

5. Employees

Staff costs, including director's remuneration, were as follows:

	2022 £	*2021 £*
Wages and salaries	**1,075,001**	*1,036,729*
Social security costs	**100,386**	*113,569*
Pension costs	**72,325**	*65,691*
	1,247,712	*1,215,989*

The average monthly number of employees, including the director, during the year was as follows:

	2022 No.	*2021 No.*
Staff	**63**	*47*
Directors	**2**	*2*
	65	*49*

6. Directors renumeration

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

	2022	*2021*
	£	*£*
Wages and salaries	**153,000**	*170,361*
Social security costs	**19,424**	*23,139*
Pension costs	**9,180**	*16,655*
	181,604	*210,155*

The highest paid Director of the Company received remuneration of £80,000 (2021 - £120,000) and employer pension contributions of £4,800 (2021 - £6,840) attributable to the Company.

7. Interest payable and similar expenses

	2022	*2021*
	£	*£*
Other loan interest payable	**310,376**	*1,307,420*
	310,376	*1,307,420*

8. Tangible fixed assets

	Leasehold improvements £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2022	**25,902**	**2,700**	**4,275**	**9,213**	**620,000**	**662,090**
At 31 December 2022	**25,902**	**2,700**	**4,275**	**9,213**	**620,000**	**662,090**
Depreciation						
At 1 January 2022	**25,902**	**2,700**	**4,275**	**9,213**	**609,350**	**651,440**
Charge for the year on owned assets	-	-	-	-	**6,600**	**6,600**
At 31 December 2022	**25,902**	**2,700**	**4,275**	**9,213**	**615,950**	**658,040**
Net book value						
At 31 December 2022	-	-	-	-	**4,050**	**4,050**
At 31 December 2021	-	-	-	-	*10,650*	*10,650*

9. Stocks

	2022 £	*2021 £*
Finished goods and goods for resale	**198,742**	-
	198,742	-

Stock relates to cars purchased using a stocking loan facility

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Debtors

	2022 £	2021 £
Due after more than one year		
Trade debtors	**11,606,616**	*10,315,198*
	11,606,616	*10,315,198*
Due within one year		
Trade debtors	**3,008,519**	*2,656,975*
Amounts owed by group undertakings	**2,983,747**	*1,251,742*
Other debtors	**24,697**	*36,300*
Prepayments and accrued income	**782,876**	*565,538*
	18,406,455	*14,825,753*

11. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	**131,111**	*340,051*
	131,111	*340,051*

12. Creditors: Amounts falling due within one year

	2022 £	2021 £
Other loans	**4,237,152**	*3,292,742*
Trade creditors	**128,357**	*99,501*
Amounts owed to group undertakings	**6,299,964**	*4,907,447*
Other taxation and social security	**117,483**	*324,435*
Accruals and deferred income	**8,613**	*64,300*
	10,791,569	*8,688,425*

Other 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.

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

	2022 £	*2021* *£*
Other loans - secured	**6,460,036**	*5,015,924*
Other loans - unsecured	**-**	*395,724*
	6,460,036	*5,411,648*

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.

14. Financial instruments

	2022 £	*2021* *£*
Financial assets		
Financial assets measured at fair value through profit or loss	**131,111**	*340,051*

15. Finance Leases as Lessor

	Grosss investment 2022 £	Present value of minimum lease payments 2022 £	*Gross investment 2021* *£*	*Present value of minimum lease payments 2021* *£*
Within one year	**7,505,944**	**3,176,511**	*6,649,526*	*2,633,525*
Within 1 - 5 years	**15,504,919**	**11,605,616**	*14,083,150*	*10,315,198*
	23,010,863	**14,782,127**	*20,732,676*	*12,948,723*

16. 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:

	2022 £	*2021* *£*
	-	-
Minimum lease payments	**23,010,863**	*20,732,676*
Unguaranteed residual value	-	-
Unearned finance income	**(8,228,736)**	*(7,783,953)*
Net Investment(present value of minimum lease payments)	**14,782,127**	*12,948,723*

17. Share capital

	2022 £	*2021* *£*
Authorised, allotted, called up and fully paid		
6,200 *(2021 - 6,200)* Ordinary Shares shares of £1.00 each	**6,200**	*6,200*

18. Reserves

Share premium account

Share Premium account £594,000 (2021 £594,000)

19. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	*2021* *£*
Not later than 1 year	**145,000**	*145,000*
Later than 1 year and not later than 5 years	**182,722**	*327,082*
	327,722	*472,082*

20. 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:

	2022	*2021*
	£	*£*
CLC Car Sales (South East) Ltd	**(6,299,946)**	*(4,843,930)*
CLC Car Sales (North West) Ltd	**2,983,747**	*1,251,741*
CLC Franchise Ltd	**25,928**	*25,928*
	(3,290,271)	*(3,566,261)*

21. 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.