AAL Holdings (UK) Ltd
9236618

Registered number: 02765920

# ASSET ADVANTAGE GROUP LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2019

# ASSET ADVANTAGE GROUP LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | J C G Eddy<br>P J Knight<br>A J Ramsay<br>M P M Olive |
| **Registered number** | 02765920 |
| **Registered office** | Matrix House<br>Basing View<br>Basingstoke<br>Hampshire<br>RG21 4DZ |
| **Independent auditors** | RSM UK Audit LLP<br>Davidson House<br>Forbury Square<br>Reading<br>Berkshire<br>RG1 3EU |

## ASSET ADVANTAGE GROUP LIMITED

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**Introduction**
The principal activity of the Group is the trading and leasing of equipment. Prior to 1 October 2018 this was also the principal activity of the Company. However, since that date, it has operated as the holding company for the Group. Throughout the year, the Group continued to have a presence in two separate, but related asset finance markets: the public sector market in which the Group retains a small historical portfolio of predominantly operating leases, and the SME market, where new business is transacted in the form of finance leases and hire purchase contracts written in the name of Asset Advantage Limited ("AAL"), a wholly owned subsidiary of the Group, and funded through a series of special purpose vehicles - the subsidiary companies.

The historic public sector portfolio is made up of operating leases funded through back-to-back head leases. The Group typically retained an investment in the residual value of the leased asset and as such, the majority of the value to the Group of this portfolio is realised at the end of the lease. Consequently, as this portfolio runs down, the residual value is realised either through a sale of the leased assets or through secondary rentals. In both scenarios, the portfolio historically provided cash to fund the growing SME new business portfolio. This historic portfolio is now nearly completely matured, and it is expected that there will be little or no value remaining at the end of the current financial year.

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

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

**Business review and key performance indicators**
The year ended 30 September 2019 saw the volumes of lending to SMEs by AAL continue to decline as competition in the market continued and resulted in a fall in the number of acceptable proposals received. However, indications were that competition in the market was easing as other funders withdrew from AAL's market. Consolidated revenues in continuing operations fell by £6.1m to £36.1m (from £42.2m in the year ended 30 September 2018). Gross profit in the year was £11.7m (down from £14.2m in 2017), a decrease of £2.5m.

The SME lending portfolio fell to £82.9m (compared to £93.4m at 30 September 2018) with £27.4m of new business being written in the year, a fall of £5.3m on the £32.7m written in the year ended 30 September 2018. As with previous years, this continuing decline reflects an increasingly competitive market, and a resulting fall in acceptable proposals, as well as customer worries about the economic climate. New business volumes for the SME loan product were £15.9m, comparable with the £15.8m written in the year ended 30 September 2018, whilst new business volumes in the more traditional equipment lease product fell by £5.5m from the £16.9m recorded in the year ended 30 September 2018.

The public sector lease portfolio has continued to run down and its contribution to revenues fell to £0.2m in the year ended 30 September 2019 (down £0.8m from the £1.0m recorded in the year ended 30 September 2018), and the portfolio's contribution to gross profit fell by £0.5m to £0.2m (from £0.7m in the previous year) reflecting the smaller number of assets. In addition to the impact of time on the public sector lease portfolio.

Against this reduction in revenue and gross profits, the year saw a reduction in administrative expenses for continuing operations of £2.8m in the year to £5.9m from the £8.7m recorded in the year ended 30 September 2018. Staff costs fell by £0.9m to £3.0m whilst the remaining drop resulted from reduced overhead expenditure and a smaller charge to bad debt in the year.

Whilst the results are disappointing, the directors are satisfied with the Group's performance in the current economic climate and that all KPIs (in particular revenue and net income) have been achieved. These have not been disclosed as they *include market sensitive information but the main KPIs for the business include:*

**Business review and key performance indicators (continued)**

Revenue and profit vs. budget
Bad debt as % of NBV
IRR% vs. target
Average IRR% by broker

The directors continue to monitor available funding for new business both in terms of facility sizes and number of lenders, to enable the continued progression and development of the business.

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

An increase in bad debt:
This could result from both internal and external factors. The principal internal factors would be a change in credit policy (encompassing not only credit underwriting, but also in products offered and markets). However, the credit policy has consistently resulted in low levels of bad debt year on year and therefore there are no plans to change it.

Similarly, the business is providing profitable products in a market that the directors believe is sufficiently large for the Group to continue to grow profits and portfolio size in the future and therefore there are no plans to change these. Although the directors have no influence over external factors such as a weakening economy, they have endeavoured to mitigate the risks through financing a broad mix of asset types, industry sectors, business types, demographics and by maintaining an average customer exposure of c. 0.2% of the portfolio. Furthermore, investment in IT systems enables us to produce comprehensive reporting packs facilitating regular and informed analysis of portfolio characteristics and trends.

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

The UK leaving the European Union:
*Brexit negotiations continue following the UK's decision to leave the EU in June 2016 and the triggering of Article 50 in* March 2017. The Company and Group have carefully considered a range of scenarios that arise from the risk of a potential no-deal Brexit. Given that the Group does not have direct exposure to non-UK markets, the key risk is a change within the macro-economic environment in which the Group operates. However as not all future events of conditions can be predicted, *and the terms on which the United Kingdom may withdraw from the European Union are not clear, it is difficult to evaluate* all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.

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

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

This report was approved by the board on 6 January 2020 and signed on its behalf.

**J C G Eddy**
Director

## ASSET ADVANTAGE GROUP LIMITED
## DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2019.

**Principal activities**

The principal activities of the Company and the Group are stated in the Strategic Report.

**Directors' responsibilities statement**
The directors are responsible for preparing the Directors' Report and Strategic 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

**Directors' confirmations**
In the case of each director in office at the date the Directors' Report is approved:

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

**Going concern**
The consolidated and Company financial statements have been prepared on a going concern basis which assumes that the Group and Company will have sufficient funds available to enable it to continue to trade for the foreseeable future as the directors are of the opinion that the operations will continue into the foreseeable future.

**Results and dividends**
The Group profit for the year, after taxation, amounted to £1,475,846 *(2018 - £695,066).* The Company loss for the year, after taxation, amounted to £50,945 *(2018 - £176,897).*

The directors have approved the dividends as set out in Note 22. Interim dividends totalling £500,000 were paid during the year (2018: £500,000) and there was no final or special dividend paid. There were no dividends outstanding at year-end.

**Directors**
The directors who served during the year and up to the date of signing the financial statements were

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

**Future Developments**

The Directors anticipate growth in the SME portfolio as we see a decrease in competition from other funders as they withdraw from the Group's operating environment. Concerns still exist regarding the current economic environment – both Brexit related and macro-economic, but the Directors feel that even with more robust underwriting criteria, new business volumes will grow in the next financial year.

The operating lease portfolio is not expected to make any material contribution to the Group's results from now on.

**Financial risk management**

Please refer to the Strategic Report and Note 4 for details of the Company's and Group's risk management policies.

**Auditors**

The auditors, RSM UK Audit LLP were appointed on 5 September 2019, and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

*This report was approved by the board on 6 January 2020 and signed on its behalf.*

**J C G Eddy**
**Director**

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

### Opinion

We have audited the financial statements of Asset Advantage Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cashflows, the company statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

**Responsibilities of 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Perry Linton FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

20 January 2020

**ASSET ADVANTAGE GROUP LIMITED**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Note | 2019 Continuing £ | 2018 Continuing £ | 2018 Discontinued £ | 2018 Total £ |
|---|---|---|---|---|---|
| **Revenue** | 5 | **36,053,452** | *42,172,448* | *189,675* | *42,362,123* |
| Cost of sales | | **(24,321,971)** | *(28,012,944)* | *(14,286)* | *(28,027,230)* |
| **Gross profit** | | **11,731,481** | *14,159,504* | *175,389* | *14,334,893* |
| Administrative expenses | | **(5,854,096)** | *(8,712,814)* | *(452,418)* | *(9,165,232)* |
| **Operating profit/(loss)** | 6 | **5,877,385** | *5,446,690* | *(277,029)* | *5,169,661* |
| Finance costs | 9 | **(4,135,172)** | *(4,940,058)* | - | *(4,940,058)* |
| **Profit/(loss) before income tax** | | **1,742,213** | *506,632* | *(277,029)* | *229,603* |
| Income tax | 10 | **(266,367)** | *334,995* | - | *334,995* |
| **Profit/(loss) after income tax** | | **1,475,846** | *841,627* | *(277,029)* | *564,598* |
| Gain recognised on disposal after tax | 11 | - | - | *130,468* | *130,468* |
| **Profit/(loss) and total comprehensive income for the year** | | **1,475,846** | *841,627* | *(146,561)* | *695,066* |

*The notes on pages 16 to 40 form an integral part of these consolidated financial statements.*

All subsidiaries in the current year are 100% owned at the end of the year, and as such there are no amounts to be allocated to non-controlling interests.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Company Statement of Comprehensive Income.

REGISTERED NUMBER: 02765920

# ASSET ADVANTAGE GROUP LIMITED
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2019

| | Note | 2019 £ | 2018 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **387,265** | *425,425* |
| Other financial assets | 14 | **47,716,425** | *58,097,243* |
| Deferred tax assets | 15 | **23,703** | *12,993* |
| | | **48,127,393** | *58,535,661* |
| **Current assets** | | | |
| Inventories | 16 | **72,240** | *100,203* |
| Trade and other receivables | 17 | **1,228,364** | *2,064,673* |
| Other financial assets | 14 | **35,186,175** | *35,297,778* |
| Current tax receivables | | **-** | *209,467* |
| Cash and cash equivalents | 18 | **3,771,150** | *4,136,300* |
| | | **40,257,929** | *41,808,421* |
| **TOTAL ASSETS** | | **88,385,322** | *100,344,082* |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 19 | **36,673,632** | *42,170,702* |
| | | **36,673,632** | *42,170,702* |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **3,156,497** | *3,418,277* |
| Interest-bearing loans and borrowings | 19 | **28,380,818** | *35,622,862* |
| Current tax payables | | **66,288** | *-* |
| | | **31,603,603** | *39,041,139* |
| **TOTAL LIABILITIES** | | **68,277,235** | *81,211,841* |
| **NET ASSETS** | | **20,108,087** | *19,132,241* |
| **Equity** | | | |
| Ordinary shares | 21 | **589,224** | *589,224* |
| Capital redemption reserve | | **(392,756)** | *(392,756)* |
| Retained earnings | | **19,911,619** | *18,935,773* |
| **TOTAL EQUITY** | | **20,108,087** | *19,132,241* |

The notes on pages 16 to 40 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 9 to 40 were approved by the board of directors on 6 January 2020 and were signed on its behalf by:

**J C G Eddy**
**Director**

REGISTERED NUMBER: 02765920

# ASSET ADVANTAGE GROUP LIMITED
## COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2019

| | Note | 2019 £ | 2018 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | - | - |
| Investments | 24 | 5 | 5 |
| Deferred tax assets | 15 | - | - |
| | | 5 | 5 |
| **Current assets** | | | |
| Trade and other receivables | 17 | 9,524,904 | 10,421,416 |
| Cash and cash equivalents | 18 | 33,455 | 38,897 |
| Current tax receivables | | - | 299,855 |
| | | 9,558,359 | 10,760,168 |
| **TOTAL ASSETS** | | 9,558,364 | 10,760,173 |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 19 | - | 500,000 |
| | | - | 500,000 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 3,715,282 | 3,579,665 |
| Interest-bearing loans and borrowings | 19 | 500,000 | 800,000 |
| Current tax payables | | 13,519 | - |
| | | 4,228,801 | 4,379,665 |
| **TOTAL LIABILITIES** | | 4,228,801 | 4,879,665 |
| **NET ASSETS** | | 5,329,563 | 5,880,508 |
| **Equity** | | | |
| Ordinary shares | 21 | 589,224 | 589,224 |
| Capital redemption reserve | | (392,756) | (392,756) |
| Retained earnings | | | |
| At 1 October | | 5,684,040 | 6,360,938 |
| Loss for the year attributable to the owners | | (50,945) | (176,898) |
| Other changes in equity | | (500,000) | (500,000) |
| | | 5,133,095 | 5,684,040 |
| **TOTAL EQUITY** | | 5,329,563 | 5,880,508 |

The notes on pages 16 to 40 form an integral part of these consolidated financial statements.

The financial statements on pages 9 to 40 were approved and authorised for issue by the board of directors on 6 January 2020 and were signed on its behalf by:

**J C G Eddy**
**Director**

ASSET ADVANTAGE GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

| | Note | Ordinary shares | Capital redemption reserve | Retained earnings | Equity attributable to holders of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ |
| **As at 1 October 2017** | | **589,224** | **(392,756)** | **19,005,222** | **19,201,690** | **(264,515)** | **18,937,175** |
| Total comprehensive income for the year | | - | - | 430,551 | 430,551 | 264,515 | 695,066 |
| Dividends paid | 22 | - | - | (500,000) | (500,000) | - | (500,000) |
| **As at 30 September 2018** | | **589,224** | **(392,756)** | **18,935,773** | **19,132,241** | **-** | **19,132,241** |
| Total comprehensive income for the year | | - | - | 1,475,846 | 1,475,846 | - | 1,475,846 |
| Dividends paid | 22 | - | - | (500,000) | (500,000) | - | (500,000) |
| **As at 30 September 2019** | | **589,224** | **(392,756)** | **19,911,619** | **20,108,087** | **-** | **20,108,087** |

The notes on pages 16 to 40 form an integral part of these consolidated financial statements.

## ASSET ADVANTAGE GROUP LIMITED
## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2019

| | Note | *Ordinary shares* | Capital redemption reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **As at 1 October 2017** | | **589,224** | **(392,756)** | **6,360,938** | **6,557,406** |
| Total comprehensive loss for the year | | - | - | (176,898) | (176,898) |
| *Dividends paid* | 22 | - | - | (500,000) | (500,000) |
| **As at 30 September 2018** | | **589,224** | **(392,756)** | **5,684,040** | **5,880,508** |
| Total comprehensive loss for the year | | - | - | (50,945) | (50,945) |
| Dividends paid | 22 | - | - | (500,000) | (500,000) |
| **As at 30 September 2019** | | **589,224** | **(392,756)** | **5,133,095** | **5,329,563** |

The notes on pages 16 to 40 form an integral part of these consolidated financial statements.

ASSET ADVANTAGE GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

| | Note | 2019<br>£ | *2018*<br>*£* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 25 | **6,588,693** | *6,504,099* |
| Income tax paid | | **-** | *(683,127)* |
| Interest paid | | **(4,135,172)** | *(4,940,058)* |
| **Net cash flows generated from operating activities** | | **2,453,521** | *880,914* |
| | | | |
| **Cash flows from investing activities** | | | |
| Disposal of investment in subsidiary net of cash disposed | 11 | **-** | *(80,842)* |
| Purchase of property, plant and equipment | | **(72,269)** | *(388,298)* |
| Proceeds from the sale of property, plant and equipment | | **292** | *533,121* |
| Increase in investments in other financial assets | | **(27,446,998)** | *(32,716,880)* |
| Receipts from other financial assets | | **37,939,419** | *40,879,023* |
| **Net cash generated from investing activities** | | **10,420,444** | *8,226,124* |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | | **42,364,270** | *32,479,529* |
| Repayment of loans and borrowings | | **(55,103,385)** | *(41,538,779)* |
| Dividends paid to equity holders of the parent | | **(500,000)** | *(500,000)* |
| **Net cash flows used in financing activities** | | **(13,239,115)** | *(9,559,250)* |
| | | | |
| Net decrease in cash and cash equivalents | | **(365,150)** | *(452,212)* |
| Cash and cash equivalents at beginning of year | | **4,136,300** | *4,588,512* |
| **Cash and cash equivalents at end of year** | | **3,771,150** | *4,136,300* |

The notes on pages 16 to 40 form an integral part of these consolidated financial statements.

## ASSET ADVANTAGE GROUP LIMITED
## COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2019

| | Note | 2019 | *2018* |
|---|---|---|---|
| | | £ | *£* |
| **Cash flows from operating activities** | | | |
| Cash generated from/(used in) operations | 25 | **1,344,074** | *532,287* |
| Income tax received | | - | *764,419* |
| Interest paid | | **(49,516)** | *(93,891)* |
| **Net cash generated from operations** | | **1,294,558** | *1,202,815* |
| **Cash flows from investing activities** | | | |
| Proceeds from the sale of property, plant and equipment | | - | *83,568* |
| ***Net cash flows generated from investing activities*** | | - | *83,568* |
| **Cash flows from financing activities** | | | |
| Repayment of loans and borrowings | | **(800,000)** | *(800,000)* |
| Dividends paid | | **(500,000)** | *(500,000)* |
| **Net cash used in financing activities** | | **(1,300,000)** | *(1,300,000)* |
| Net decrease in cash and cash equivalents | | **(5,442)** | *(13,617)* |
| Cash and cash equivalents at beginning of year | | **38,897** | *52,514* |
| **Cash and cash equivalents at end of year** | | **33,455** | *38,897* |

The notes on pages 16 to 40 form an integral part of these consolidated financial statements.

## 1. General information

Asset Advantage Group Limited (the 'Company') is a limited company incorporated and domiciled in the United Kingdom. The Company's registered office is at Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies').

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

## 2. Significant accounting policies

### 2.1 Basis of preparation

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

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

**Going concern**
The consolidated and Company financial statements have been prepared on a going concern basis which assumes that the Group and Company will have sufficient funds available to enable it to continue to trade for the foreseeable future as the directors are of the opinion that the operations will continue into the foreseeable future.

**Exemption from audit by parent guarantee**
Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ending 30 September 2019 have been taken by the subsidiary companies stated below:

| Company name | Registered number | Company name | Registered number |
|---|---|---|---|
| AA RV Limited | 07383482 | R A (No 10) Limited | 07327683 |
| Assetco Rentals (No.2) Limited | 03911424 | RA (No. 11) Limited | 08429945 |
| RV Investor (No 1) Limited | 06489289 | RA (No. 12) Limited | 08429964 |
| AAG Holdings (UK) Limited | 09236621 | RA (No. 13) Limited | 08725470 |
| AAL Holdings (UK) Limited | 09236618 | RA (No. 14) Limited | 08725490 |
| AAG Operations Limited | 09235397 | RA (No. 15) Limited | 08725182 |
| R A (No 3) Limited | 06476899 | RA (No. 16) Limited | 10375872 |
| R A (No 4) Limited | 06476894 | RA (No.17) Limited | 10375967 |
| R A (No 6) Limited | 07327662 | RA (No.18) Limited | 10375854 |
| R A (N0 7) Limited | 07327677 | RA (No.19) Limited | 10379735 |
| R A (No 8) Limited | 07327764 | RA (No.20) Limited | 10379643 |
| R A (No 9) Limited | 07327721 | | |

Under Section 479C of the Companies Act 2006, Asset Advantage Group Limited, being the ultimate parent undertaking of the above companies, has given a statutory guarantee of all the outstanding liabilities to which the companies are subject at 30 September 2019.

## 2. Significant accounting policies (continued)

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Asset Advantage Group Limited and its subsidiaries as at 30 September 2019. Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

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

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

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

### 2.3 Revenue

**Adoption of IFRS 15**

From 1 October 2018, the Group is required to adopt IFRS 15 Revenue from Contracts from Customers. The new standard requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.

Asset Advantage Group Limited's revenue comprises lease and loan income, provision of related fee based services and end of lease income.

- Lease income is outside of the scope of IFRS 15 and continued to be accounted for in accordance with IAS 17 Leases.
- Loan income is outside of the scope of IFRS 15 and continued to be accounted for in accordance with IFRS 9 as outlined in note 2.10 below.
- Lease arrangement fees are recognised in full on inception of the related lease. These relate to the upfront administrative cost of setting up each lease and therefore the inception of the lease is the point at which the performance obligation has been satisfied. The previous accounting policy has been considered to be consistent with IFRS 15.
- Other income consists of sales proceeds from the sale of underlying assets to a third party and lease income received after the completion of the minimum lease term.
    - Sales proceeds are recognised once control of the goods has been transferred, and thus the performance obligation has been satisfied. The previous accounting policy has been considered to be consistent with IFRS 15.
    - Lease income received after the minimum lease term are outside of the scope of IFRS 15 and therefore continued to be accounted for in accordance with IAS 17 Leases.

**Recognition**

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

**2. Significant accounting policies (continued)**

**2.3 Revenue (continued)**
**Recognition (continued)**

***Lease income***
Equipment lease income recognised in the year includes both the capital repayment and interest calculated on an actuarial basis under the term of the equipment lease arrangement with the customer. Amounts are recognised on a gross basis as the Group and Company act as the intermediate party and may recognise an income and expense in respect of the lease receivable.

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

***Loan income***
Loan revenue recognised in the year is the net interest received on customer repayments. This is on the basis that the loan receivables are not held for trading therefore these may be held at amortised cost.

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

***End of lease income***
At the end of the lease arrangement with the customer the Company sells the underlying assets to a third party on a mutually agreed date. Sale proceeds are recognised upon the transfer of risks and rewards. Any lease income received after the completion of the minimum lease term received in relation to leases is recognised in full in the month in which it falls due.

**2.4 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carryingamount.

**2.5 Taxation**

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

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

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

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

**2. *Significant accounting policies (continued)***

**Deferred Tax (continued)**

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

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

**2.6 Property, plant and equipment**

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Statement of Comprehensive Income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

| | |
|---|---|
| Leasehold improvement | - Life of lease |
| Fixtures and fittings | - 5 years |
| Office equipment | - 2 years |
| Computer software and equipment | - 2 years |
| Vehicles | - 3 years |

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

**Assets under leasing arrangements:**

Assets held for leasing that are financed under hire purchase (HP) or sale of receivables contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and depreciated over the shorter of the lease term (which typically range between 3 to 5 years) and the economic useful life of the assets. Depreciation on these assets is provided under the annuity method. In all cases assets are depreciated down to their estimated residual value.

**2.7 Investments**

Investments in the Company separate financial statements are initially measured at cost.

**2. *Significant accounting policies (continued)***

**2.8 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

**2.9 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group enters into equipment leases with its customers, earning a fixed interest rate over the duration of the financing arrangement. Interest earned on gross lease receivables is credited to the Statement of Comprehensive Income, calculated on an actuarial basis. The net difference between gross lease receivables outstanding and unrecognised interest receivable is included within current assets as finance lease receivables.

**2.10 Financial instruments**

**Adoption of IFRS 9**

From 1 October 2018, the Group is required to adopt IFRS 9 Financial Instruments, replacing IAS 39. IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology, and general hedge accounting.

***i. Financial assets***

Financial assets held by Asset Advantage Group Limited relate to leases and loans provided to customers as well as cash, prepayments and other receivables. Under IFRS 9 loans continue to be measured at amortised cost as they were previously under IAS 39, therefore there was no impact on adoption. Leases (other than for derecognition and impairment), are not within scope of IFRS 9 and continue to be accounted for under IAS 17 Leases.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The Group's previous accounting policy for impairment of its financial asset portfolio was in line with an expected credit loss model, taking into account the risk of non-recovery of the whole portfolio based on current and historic portfolio performance. There was therefore no impact on adoption of IFRS 9.

***ii. Financial liabilities***

IFRS 9 only impacts financial liabilities designated as fair value through profit or loss and those held at amortised cost for which modifications have been made. However no such modifications have occurred. All of Asset Advantage Group Limited's financial liabilities are measured at amortised cost using the effective interest method. There have been no modifications made, therefore financial liabilities have continued to be measured at the same bases as was previously adopted under IAS 39.

**Initial recognition and subsequent measurement**

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

## 2. Significant accounting policies (continued)

### 2.10 Financial instruments (continued)

**i. Financial assets**

***(a) Loans and receivables***

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

**(b) Trade and other receivables**

Trade and other receivables are measured at fair value, typically transaction price and subsequently measured at amortised cost, less any impairment.

***(c) 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.

**Impairment of financial assets**

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

**ii. Financial liabilities**

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

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

**(a) Interest bearing loans and borrowings**

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

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

**(b) Trade and other payables**

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

## 2. Significant accounting policies (continued)

### 2.11 Inventories

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

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

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

### 2.12 Share capital

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

### 2.13 Dividends

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

### 2.14 Pension scheme

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

### 2.15 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The Company is not affected by the new standards given its principal activity will become that of a holding company.

**IFRS 16 Leases**

The new leasing standard will be adopted with effect from 1 October 2019.

IFRS 16 replaces IAS 17, introducing a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

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

We intend to apply the modified retrospective basis when adopting the standard, meaning that the carrying amount of the initial right-of-use assets will equal the respective lease liabilities for all leases entered into before 1 October 2019; therefore, no restatement of prior years is required. The impact of the change in accounting standard on each line item in the financial statements will be provided.

If we had implemented IFRS 16 on 1 October 2018, using estimated discount rates based on lease specific incremental borrowing rates, the impact of applying the modified retrospective basis would be as follows:

**2. Significant accounting policies (continued)**

**2.15 Standards issued but not yet effective (continued)**
**IFRS 16 Leases (continued)**

***Income statement***
Administrative expenses would be broadly consistent, as a result of the lease expense of £260k being replaced by an increase in depreciation on the right-of-use asset and finance costs at the same rate.

***Balance sheet***
At 30 September 2019, a right-of-use asset of approximately £1.2m would be recognised as a non-current asset, along with a lease liability of £1.3m

***Cash flow statement***
The lease payments would be reclassified from operating activities to finance activities.

**3. Significant accounting judgments and estimates**

**3.1Judgments**
No significant judgements were required to be made.

**3.2 Estimates**
A general provision is made in respect of the leases and loans which have not been specifically identified as impaired to take into account the risk of non-recovery. This has been calculated by taking into account both historic performance of the portfolio and current economic conditions. Any provision for bad debts is set against the existing portfolio balance.

**4. Capital and financial risk management**

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

**4.2 Capital management**
The Group's objective is to maintain a strong capital base to support its operations in line with relevant forecasts whilst providing a return to its shareholders. The capital base for these purposes comprises total equity at 30 September 2019 amounting to £20.1m (2018: £19.1m) as well as interest-bearing loans and borrowings amounting to £65.1m gross (2018: £77.8m) funding a portfolio of receivables due under equipment.

**4.3 Liquidity and interest rate risks**
This year saw the Group borrow at both fixed and floating interest rates in order to access larger liquidity pools and benefit from the lower interest rates that these carry. However, as at 30 September 2019, only £500,000 of the Group's drawn facilities were on a floating rate basis and the interest rate on this drawing had been fixed to maturity.

The Group's policy on funding capacity is to ensure that there is always long-term funding in place. The Group endeavours to have committed borrowing facilities in place in excess of forecast gross borrowing requirements for a minimum of the next 12 months. At 30 September 2019 the Group's principal committed borrowing facilities totalled £104m (2018: £160m).

The contractual maturities of the Group's and Company's facilities are detailed in Note 12 below along with the Group's committed facilities.

## 5. Revenue

The following is an analysis of the Group's revenue for the year by class of business.

| Continuing operations | 2019 £ | *2018 £* |
|---|---|---|
| Lease income | **27,191,652** | *33,337,180* |
| Loan income | **4,466,560** | *4,396,867* |
| End of lease income | **3,973,450** | *3,980,912* |
| Fee income | **421,790** | *457,489* |
| | **36,053,452** | *42,172,448* |
| **Discontinued operations** | | |
| Insurance commission | - | *189,675* |

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

All revenue arose in the United Kingdom.

## 6. Operating profit/(loss)

The operating profit is stated after charging:

| Continuing operations | 2019 £ | *2018 £* |
|---|---|---|
| Depreciation of leased assets (note 13) | **18,399** | *170,381* |
| Depreciation of own use assets (note 13) | **57,642** | *87,653* |
| Depreciation of leasehold property (note 13) | **34,285** | *17,791* |
| Services provided by the Company's auditors: | | |
| - Fees payable for the audit | **75,500** | *139,700* |
| - Fees payable for other services - tax compliance | - | *89,500* |
| - Fees for other services - tax advisory services | - | *134,250* |
| Operating leases (rent) | **213,632** | *213,949* |
| Employee expenses (note 7) | **3,047,160** | *3,907,254* |
| Facility fees | **591,135** | *944,013* |
| Marketing expenses | **62,051** | *327,978* |
| Bad debt expense | **565,134** | *1,418,946* |
| **Discontinued operations** | | |
| Employee expenses (note 7) | - | *329,121* |
| Depreciation of own use assets | - | *1,591* |
| Other expenses | - | *121,707* |

## 7. Employee information

All employees are employed by the Company, however all employees are seconded to Asset Advantage Limited and therefore all expenses in relation to employees are recognised in Asset Advantage Limited.

| Continuing operations | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 2,633,938 | 3,394,671 |
| Social security costs | 329,554 | 440,237 |
| Other pension costs | 83,668 | 72,346 |
| | 3,047,160 | 3,907,254 |

| Staff Numbers | 2019 | 2018 |
|---|---|---|
| | Number | Number |
| Operations | 4 | 4 |
| Administration | 32 | 35 |
| | 36 | 39 |

| Discontinued operations | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Wages and salaries | - | 292,472 |
| Social security costs | - | 30,496 |
| Other pension costs | - | 6,153 |
| | - | 329,121 |

| Staff Numbers | 2019 | 2018 |
|---|---|---|
| | Number | Number |
| Administration | - | 5 |

The above staff numbers are the average number of employees within the Group during the year. The Group operates a defined contribution retirement benefit plan for all qualifying employees. The total expense recognised for the plan in the year was £83,668 (2018: £78,499).

## 8. Directors' remuneration

Retirement benefits are accruing to three (2018: three) directors under a defined contribution pension scheme. The directors are considered to be the key management. No share option schemes are operated.

| Continuing operations | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Aggregate emoluments | 1,227,335 | 1,790,710 |
| Company contributions to a defined contribution pension scheme | 31,178 | 27,518 |
| | 1,258,513 | 1,818,228 |

| Highest paid director | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Total emoluments | 588,160 | 763,160 |
| Company contributions to a defined contribution pension scheme | 13,290 | 12,390 |
| | 601,450 | 775,550 |

Directors received no remuneration from discontinued operations in the year ended 30 September 2019 (2018: £nil).

## 9. Finance costs

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Interest bearing loans | 627,013 | 889,348 |
| Lease financing arrangements | 3,505,466 | 3,949,097 |
| Hire purchase and sale of receivables contracts | 2,693 | 101,613 |
| | 4,135,172 | 4,940,058 |

## 10. Income tax

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| *Current tax* | | |
| UK Corporation tax on profits for the year | 263,527 | (203,573) |
| Adjustment in respect of prior years | 13,551 | (283,300) |
| **Total current tax** | 277,078 | (486,873) |
| *Deferred tax* | | |
| Origination and reversal of timing differences | (1,749) | 383,391 |
| Adjustment in respect of prior years | (8,962) | (231,513) |
| **Total deferred tax** | (10,711) | 151,878 |
| **Income tax** | 266,367 | (334,995) |

The total tax charge (2018: credit) is lower (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Factors affecting tax charge for the year | | |
| Profit before taxation – continuing operations | 1,742,213 | 506,632 |
| Loss before taxation – discontinued operations | - | (277,029) |
| | 1,742,213 | 229,603 |
| Tax on profits at an average rate of 19% (2018: 19%) | 331,020 | 43,624 |
| Effects of: | | |
| Expenditure not deductible for tax purposes | 2,592 | 927 |
| Unrelieved tax losses carried forward | - | 82,628 |
| Tax losses brought forward | (71,834) | - |
| Adjustment in respect of prior years | 4,589 | (514,810) |
| Unrelieved tax losses on disposal of discontinued operation | - | 52,636 |
| Total tax charge/(credit) for the year | 266,367 | (334,995) |

**Factors that may affect future tax charges**
The Finance Act 2016, included legislation to further reduce the main rate of corporation tax in the UK to 17% from 1 April 2020 and was substantively enacted on 6 September 2016.

These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

**11. Discontinued operations**

In September 2018, the Group sold its investment in Advantage Risk Solutions Limited, its insurance brokerage subsidiary. Whilst the client base had continued to grow and revenues increase, management felt that this was not at a level that would provide either a wider product offering to the Group's core clients or a material addition to the Group's revenues.

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Non-cash consideration received | - | *192,534* |
| Cash disposed of | - | *(80,842)* |
| ***Net assets disposed (other than cash)*** | | |
| Trade and other receivables | - | *(178,239)* |
| Trade and other payables | - | *197,015* |
| | - | *18,776* |
| ***Net assets disposed (including cash)*** | - | *(62,066)* |
| **Gain on disposal of discontinued operations** | - | *130,468* |

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Results of discontinued operations** | | |
| Revenue | - | *189,675* |
| Expenses other than finance costs | - | *(466,705)* |
| | - | *(277,030)* |
| Gain from selling discontinued operations | - | *130,468* |
| **Loss for the year** | - | *(146,562)* |

**12. Financial instruments**

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

The table below sets out the gross contractual maturities of the Group's and Company's financial instruments. For the majority of borrowings and receivables, the fair values are not materially different to their carrying amounts since the interest receivable or payable in these agreements is close to current market rates. All other classes of financial instruments do not require fair value assessment as these are short-term financial instruments for which the carrying amount accurately reflects their fair value.

## 12. Financial instruments (continued)

**Group**
**Year ended 30 September 2019**

| **Fixed rate** | **Within one year** | **1 - 2 years** | **2 -3 years** | **3 - 4 years** | **4 - 5 years** | **Total** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| *Loans and receivables - gross* | 35,997,044 | 26,859,238 | 16,933,161 | 9,033,557 | 3,118,454 | 91,941,454 |
| Trade and other receivables | 1,188,364 | - | - | - | - | 1,188,364 |
| Receivables due from related parties (see Note 27) | 40,000 | - | - | - | - | 40,000 |
| Cash and cash equivalents | 3,771,150 | - | - | - | - | 3,771,150 |
| Interest-bearing loans and borrowings | (30,570,344) | (20,680,647) | (11,636,201) | (4,979,231) | (1,716,003) | (69,582,426) |
| Trade and other payables | (3,156,497) | - | - | - | - | (3,156,497) |
| | **7,269,717** | **6,178,591** | **5,296,960** | **4,054,326** | **1,402,451** | **24,202,045** |

| **Floating rate** | **Within one year** | **1 - 2 years** | **2 -3 years** | **3 - 4 years** | **4 - 5 years** | **Total** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| Bank and third party loans | **(500,000)** | - | - | - | - | **(500,000)** |

**Year ended 30 September 2018**

| **Fixed rate** | **Within one year** | **1 - 2 years** | **2 -3 years** | **3 - 4 years** | **4 - 5 years** | **Total** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| Loans and receivables - gross | 59,462,442 | 42,740,393 | 26,046,210 | 12,061,035 | 3,182,151 | 143,492,231 |
| Trade and other receivables | 2,024,673 | - | - | - | - | 2,024,673 |
| Receivables due from related parties (see Note 27) | 40,000 | - | - | - | - | 40,000 |
| Cash and cash equivalents | 4,136,300 | - | - | - | - | 4,136,300 |
| Interest-bearing loans and borrowings | (24,491,935) | (17,424,565) | (10,182,145) | (5,420,657) | (1,443,335) | (58,962,637) |
| Trade and other payables | (3,418,277) | - | - | - | - | (3,418,277) |
| | 37,753,203 | 25,315,828 | 15,864,065 | 6,640,378 | 1,738,816 | 87,312,290 |

| **Floating rate** | **Within one year** | **1 - 2 years** | **2 -3 years** | **3 - 4 years** | **4 - 5 years** | **Total** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| Bank and third party loans | (11,115,000) | (4,450,000) | (2,150,000) | (900,000) | (200,000) | (18,815,000) |

**12. Financial instruments (continued)**

**Company**
**Year ended 30 September 2019**

| *Fixed rate* | Within one year | 1 - 2 years | 2 -3 years | 3 - 4 years | 4 - 5 years | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Trade and other receivables | 9,484,904 | - | - | - | - | 9,484,904 |
| Receivables due from related parties (see Note 27) | 40,000 | - | - | - | - | 40,000 |
| Cash and cash equivalents | 33,455 | - | - | - | - | 33,455 |
| Trade and other payables | (3,715,282) | - | - | - | - | (3,715,282) |
| | **5,843,077** | - | - | - | - | **5,843,077** |

| **Floating rate** | Within one year | 1 - 2 years | 2 -3 years | 3 - 4 years | 4 - 5 years | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Bank and third party loans | **(500,000)** | - | - | - | - | **(500,000)** |

**Year ended 30 September 2018**

| **Fixed rate** | Within one year | 1 - 2 years | 2 -3 years | 3 - 4 years | 4 - 5 years | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Trade and other receivables | 10,381,416 | - | - | - | - | 10,381,416 |
| Receivables due from related parties (see Note 27) | 40,000 | - | - | - | - | 40,000 |
| Cash and cash equivalents | 38,897 | - | - | - | - | 38,897 |
| Trade and other payables | (3,587,182) | - | - | - | - | (3,587,182) |
| | 6,873,131 | - | - | - | - | 6,873,131 |

| **Floating rate** | Within one year | 1 - 2 years | 2 -3 years | 3 - 4 years | 4 - 5 years | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Bank and third party loans | (800,000) | (500,000) | - | - | - | (1,300,000) |

## 13. Property, plant and equipment

| Group | Leased Assets Other fixed assets | Leased Assets Plant and machinery | Leased Assets Vehicles | Own use Leasehold improvements | Own use Fixtures and Fittings | Own Use Computer software and equipment | Own Use Office equipment | Own Use Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| *Cost* | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| At 1 October 2017 | 60,817 | 2,124,987 | 953,037 | 171,836 | 101,703 | 486,973 | 21,149 | 4,629 | 3,925,131 |
| *Additions* | - | - | - | 325,824 | 50,063 | 11,828 | 583 | - | 388,298 |
| Disposals | - | (2,124,987) | (322,495) | (171,836) | - | (8,742) | - | - | (2,628,060) |
| At 30 September 2018 | 60,817 | - | 630,542 | 325,824 | 151,766 | 490,059 | 21,732 | 4,629 | 1,685,369 |
| Additions | - | - | - | 2,275 | - | 3,757 | 10,287 | 55,950 | 72,269 |
| Disposals | - | - | - | - | (1,095) | - | - | - | (1,095) |
| **At 30 September 2019** | **60,817** | **-** | **630,542** | **328,099** | **150,671** | **493,816** | **32,019** | **60,579** | **1,756,543** |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 October 2017 | 40,565 | 1,698,867 | 877,103 | 171,836 | 74,612 | 403,212 | 17,820 | 4,629 | 3,288,644 |
| Depreciation charge | 6,760 | 132,144 | 31,477 | 17,791 | 20,534 | 65,807 | 2,903 | - | 277,416 |
| Disposals | - | (1,831,011) | (295,270) | (171,836) | - | (7,999) | - | - | (2,306,116) |
| At 30 September 2018 | 47,325 | - | 613,310 | 17,791 | 95,146 | 461,020 | 20,723 | 4,629 | 1,259,944 |
| Depreciation charge | 6,758 | - | 11,641 | 34,285 | 17,306 | 28,281 | 4,143 | 7,912 | 110,326 |
| Disposals | - | - | - | - | (992) | - | - | - | (992) |
| **At 30 September 2019** | **54,083** | **-** | **624,951** | **52,076** | **111,460** | **489,301** | **24,866** | **12,541** | **1,369,278** |
| **Net book value** | | | | | | | | | |
| At 1 October 2017 | 20,252 | 426,120 | 75,934 | - | 27,091 | 83,761 | 3,329 | - | 636,487 |
| At 30 September 2018 | 13,492 | - | 17,232 | 308,033 | 56,620 | 29,039 | 1,009 | - | 425,425 |
| **At 30 September 2019** | **6,734** | **-** | **5,591** | **276,023** | **39,211** | **4,515** | **7,153** | **48,038** | **387,265** |

**13. Property, plant and equipment (continued)**

| Company | Leased Assets Plant and *machinery* | Leased Assets Vehicles | Own use Leasehold improvements | Own use Fixtures and fittings | Own Use Computer software and equipment | Own Use Office equipment | Own Use Vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | £ | £ | £ | £ | £ | £ | £ | £ |
| At 1 October 2017 | 2,124,987 | 322,495 | 171,836 | 101,703 | 486,973 | 21,149 | 4,629 | 3,233,772 |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | (2,124,987) | (322,495) | - | - | (7,192) | - | - | (2,454,674) |
| Transfers | - | - | (171,836) | (101,703) | (479,781) | (21,149) | (4,629) | (779,098) |
| At 30 September 2018 | - | - | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - |
| **At 30 September 2019** | - | - | - | - | - | - | - | - |
| **Accumulated depreciation** | | | | | | | | |
| At 1 October 2017 | 1,698,869 | 295,270 | 171,836 | 74,612 | 403,213 | 17,820 | 4,629 | 2,666,249 |
| Depreciation charge | 132,144 | - | - | - | - | - | - | 132,144 |
| Disposals | (1,831,013) | (295,270) | - | - | - | - | - | (2,126,283) |
| Transfers | - | - | (171,836) | (74,612) | (403,213) | (17,820) | (4,629) | (672,110) |
| At 30 September 2018 | - | - | - | - | - | - | - | - |
| Depreciation charge | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - |
| **At 30 September 2019** | - | - | - | - | - | - | - | - |
| **Net book value** | | | | | | | | |
| At 1 October 2017 | 426,118 | 27,225 | - | 27,091 | 83,760 | 3,329 | - | 567,523 |
| At 30 September 2018 | - | - | - | - | - | - | - | - |
| **At 30 September 2019** | - | - | - | - | - | - | - | - |

## 14. Other financial assets

| | Group 2019 £ | *Group 2018 £* |
|---|---|---|
| **Non-current assets** | | |
| Loan receivables (see Note 14.1) | **22,618,234** | *23,174,703* |
| Finance lease receivables (see Note 14.2) | **25,098,191** | *34,922,540* |
| | **47,716,425** | *58,097,243* |

| | Group 2019 £ | *Group 2018 £* |
|---|---|---|
| **Current assets** | | |
| Loan receivables (see Note 14.1) | **14,489,559** | *11,944,571* |
| Finance lease receivables (see Note 14.2) | **20,696,616** | *23,338,395* |
| Investments in residual values | - | *14,812* |
| | **35,186,175** | *35,297,778* |

### 14.1 Loan receivables

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

Age of receivables that are past due but not impaired:

| **Loans** | Group 2019 £ | *Group 2018 £* |
|---|---|---|
| Less than 30 days | **73,889** | *60,045* |
| 31 - 60 days | **65,812** | *26,115* |
| 61 - 90 days | **32,513** | *29,830* |
| 91 - 120 days | **1,495** | *21,298* |
| Greater than 120 days | - | *5,788* |
| Total | **173,709** | *143,076* |

### 14.2 Finance lease receivables

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

**14.2 Finance lease receivables (continued)**

*Amounts receivable under finance leases:*

**Minimum lease payments**

| | **Group 2019 £** | *Group 2018 £* |
|---|---|---|
| Less than 1 year | **21,040,395** | *29,612,743* |
| More than 1 year but less than 5 years | **28,094,424** | *40,734,767* |
| | **49,134,819** | *70,347,510* |
| Less: Unearned finance income | **(3,340,012)** | *(12,086,575)* |
| **Present value of minimum lease payments receivable** | **45,794,807** | *58,260,935* |

***Present value of minimum lease payments***

| | **Group 2019 £** | *Group 2018 £* |
|---|---|---|
| Less than 1 year | **20,696,616** | *23,338,395* |
| More than 1 year but less than 5 years | **25,098,191** | *34,922,540* |
| | **45,794,807** | *58,260,935* |
| Less: Unearned finance income | - | - |
| **Present value of minimum lease payments receivable** | **45,794,807** | *58,260,935* |

An allowance amount of £1,171,467 (2018: £1,150,407) has been raised for the potential uncollectable lease and loan payments, which occur as a result of customers' inability to meet their obligations under the agreements. Specific provisions of £3,626,416 (2018: £3,340,552) have been raised against agreements which have gone into default through non-payment and under which the customer is being pursued for repayment in full.

The finance lease receivables at the end of the year include receivables due on impaired agreements (net of impairment charge) but there are no unguaranteed residual values of assets leased under equipment leases.

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

Age of receivables that are past due but not impaired:

| **Leases** | **Group 2019 £** | *Group 2018 £* | **Company 2019 £** | *Company 2018 £* |
|---|---|---|---|---|
| Less than 30 days | **146,536** | *150,629* | **227** | *1,806* |
| 31 - 60 days | **99,295** | *107,648* | **137** | *8,463* |
| 61 - 90 days | **24,620** | *49,740* | **240** | *7,773* |
| 91 - 120 days | **8,532** | *10,129* | **89** | *300* |
| Greater than 120 days | **13,767** | *24,376* | **3,603** | *3,223* |
| Total | **292,750** | *342,522* | **4,296** | *21,565* |

### 14.2 Finance lease receivables (continued)

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

### 15. Deferred tax assets

| | **Group 2019 £** | *Group 2018 £* | **Company 2019 £** | *Company 2018 £* |
|---|---|---|---|---|
| At 1 October | **12,993** | *164,865* | - | *141,336* |
| Credit/(charge) for the year | **10,710** | *(383,385)* | - | *(372,849)* |
| Adjustments in respect of prior years | - | *231,513* | - | *231,513* |
| Impact of unrecognised deferred tax | - | - | - | - |
| **At 30 September** | **23,703** | *12,993* | - | - |
| Deferred taxation can be analysed as follows: | | | | |
| Accelerated capital allowances | **23,703** | *12,993* | - | - |
| **Provision for deferred taxation** | **23,703** | *12,993* | - | - |

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

### 16. Inventories

| | **Group 2019 £** | *Group 2018 £* |
|---|---|---|
| Finished goods | **72,240** | *100,203* |

Included in the cost of sales amount are inventories amounting to £62,390 (2018: £222,241) that have been expensed in the current year.

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

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

## 17. Trade and other receivables

| | Group 2019 £ | *Group 2018 £* | Company 2019 £ | *Company 2018 £* |
|---|---|---|---|---|
| Trade receivables | 502,908 | *709,932* | 890 | *100,425* |
| *Amounts owed by Group undertakings* | - | - | 9,481,618 | *10,259,827* |
| Other receivables | 40,000 | *40,000* | 40,000 | *40,000* |
| Prepayments | 685,456 | *1,314,741* | 2,396 | *21,164* |
| | 1,228,364 | *2,064,673* | 9,524,904 | *10,421,416* |

Amounts owed by Group undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

## 18. Cash and cash equivalents

| | Group 2019 £ | *Group 2018 £* | Company 2019 £ | *Company 2018 £* |
|---|---|---|---|---|
| Cash at bank and in hand | 3,771,150 | *4,136,300* | 33,455 | *38,897* |

## 19. Interest-bearing loans and borrowings

| | Group 2019 £ | *Group 2018 £* | Company 2019 £ | *Company 2018 £* |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Amounts due under lease financing arrangements | 36,649,699 | *34,470,702* | - | - |
| Bank and third party loans | - | *7,700,000* | - | *500,000* |
| Net obligations under hire purchase and sale of receivable contracts | 23,933 | - | - | - |
| | 36,673,632 | *42,170,702* | - | *500,000* |

| | Group 2019 £ | *Group 2018 £* | Company 2019 £ | *Company 2018 £* |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Amounts due under lease financing arrangements | 27,864,632 | *24,491,935* | - | - |
| Bank and third party loans | 500,000 | *11,115,000* | 500,000 | *800,000* |
| Net obligations under hire purchase and sale of receivable contracts | 16,186 | *15,927* | - | - |
| | 28,380,818 | *35,622,862* | 500,000 | *800,000* |

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

During the year the Group repaid its wholesale revolving credit facility and variable funding notes issued by an SPV under a funding agreement with Commerzbank. It replaced this borrowing with an increased block funding facility with an existing funder.

## 20. Trade and other payables

| | Group 2019 £ | *Group 2018 £* | Company 2019 £ | *Company 2018 £* |
|---|---|---|---|---|
| Trade payables | **238,228** | *520,025* | **64,975** | *81,199* |
| Amounts owed to Group undertakings | - | - | **2,929,760** | *2,797,961* |
| Other taxation and social security | **150,278** | *84,101* | **150,278** | *84,101* |
| Value added tax payable | **570,269** | *616,404* | **570,269** | *616,404* |
| Other payables | **1,254,506** | *1,359,722* | - | - |
| Accruals and deferred income | **943,216** | *838,025* | - | - |
| | **3,156,497** | *3,418,277* | **3,715,282** | *3,579,665* |

Amounts owed to Group undertakings and related parties are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

## 21. Ordinary share capital

| | 2019 £ | *2018 £* |
|---|---|---|
| **Group and Company** | | |
| **Authorised shares** | | |
| Ordinary 'A' shares of £1 each | **50,000** | *50,000* |
| Ordinary 'B' shares of £1 each | **50,000** | *50,000* |
| Bonus Issue 'A' shares of £1 each | **450,000** | *450,000* |
| Ordinary 'C' shares of £1 each | **50,000** | *50,000* |
| | **600,000** | *600,000* |

| **Ordinary shares issued and fully paid** | **No.** | *£* |
|---|---|---|
| At 1 October 2018 | **589,224** | *589,224* |
| **At 30 September 2019** | **589,224** | *589,224* |

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

## 22. Dividends paid and proposed

| **Group and Company** | 2019 £ | *2018 £* |
|---|---|---|
| **Ordinary 'A'** | | |
| Interim Dividends paid; £0.61 per share (2018: £0.61 per share) | **30,000** | *30,000* |
| **Ordinary 'B'** | | |
| Interim Dividends paid; £2.03 per share (2018: £2.03 per share) | **100,000** | *100,000* |
| **Bonus Issue 'A'** | | |
| Interim Dividends paid £0.61 per share (2018: £0.61 per share) | **270,000** | *270,000* |
| **Ordinary 'C'** | | |
| Interim Dividends paid £2.03 per share (2018: £2.03 per share) | **100,000** | *100,000* |
| **Balance of dividends paid on equity capital** | **500,000** | *500,000* |

## 23. Non-controlling interests

| | 2019 | *2018* |
|---|---|---|
| | £ | *£* |
| Balance at 1 October | - | *(264,515)* |
| Share of loss for the year | - | *-* |
| Disposal of subsidiary | - | *264,515* |
| **Balance at 30 September** | - | *-* |

## 24. Investments

**Company**

| | **Investments in subsidiary companies** |
|---|---|
| | £ |
| **Cost or valuation** | |
| At 1 October 2017 | 1,000,078 |
| Additions | 300,000 |
| Disposals | (1,300,073) |
| At 30 September 2018 | 5 |
| Additions | - |
| Disposals | - |
| **At 30 September 2019** | **5** |
| | |
| **Impairment** | |
| At 1 October 2017 | (430,000) |
| Disposals | 430,000 |
| At 30 September 2018 | - |
| Impairment | - |
| **At 30 September 2019** | - |
| | |
| **Net book value** | |
| At 30 September 2018 | 5 |
| **At 30 September 2019** | **5** |

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

**24. Investments (continued)**

| Name | Principal activities | Location of registered office | % equity interest 2019 % | 2018 % |
|---|---|---|---|---|
| *AAG Holdings (UK) Limited* | *Holding company* | *England* | **100** | *100* |
| AAG Operations Limited | Holding company | England | **100** | *100* |
| AAL Holdings (UK) Limited | Holding company | England | **100** | *100* |
| AARV Limited | Leasing & trading of equipment | England | **100** | *100* |
| Asset Advantage Limited | Leasing & trading of equipment | England | **100** | *100* |
| Asset Co Rentals No2 Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A (No 3) Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A (No 4) Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A (No 6) Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A (N0 7) Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A (No 8) Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A (No 9) Limited | Leasing & trading of equipment | England | **100** | *100* |
| R A *(No 10) Limited* | *Leasing & trading of equipment* | *England* | **100** | *100* |
| RA (No. 11) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No. 12) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No. 13 ) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No. 14) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No. 15) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No.16) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA *(No.17) Limited* | *Leasing & trading of equipment* | *England* | **100** | *100* |
| RA (No.18) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No.19) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RA (No.20) Limited | Leasing & trading of equipment | England | **100** | *100* |
| RV Investor No 1 Limited | Leasing & trading of equipment | England | **100** | *100* |

**25. Cash inflows from operations**

**Group**

| | 2019 £ | 2018 £ |
|---|---|---|
| Profit before tax - continuing operations | **1,742,213** | *506,632* |
| Loss before tax - discontinued operations | **-** | *(277,029)* |
| **Profit before income tax including discontinued operations** | **1,742,213** | *229,603* |
| *Adjusted for:* | | |
| Depreciation | **110,326** | *277,416* |
| Profit on disposal of Property, plant and equipment | **(189)** | *-* |
| Finance costs | **4,135,172** | *4,940,058* |
| | **5,987,522** | *5,447,077* |
| Decrease in inventory | **27,963** | *168,680* |
| Decrease in trade and other receivables | **1,035,065** | *1,286,602* |
| Decrease in trade and other payables | **(461,857)** | *(187,083)* |
| Net loss on sale of non-current assets | **-** | *(211,177)* |
| Net cash generated from operations | **6,588,693** | *6,504,099* |

**25. Cash inflows from operations (continued)**

**Company**

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Loss before tax | **(71,524)** | *(391,091)* |
| *Adjusted for:* | | |
| Depreciation | - | *132,144* |
| Disposal of property, plant and equipment | - | *(193,051)* |
| Loss on disposal of investment | - | *671,022* |
| Finance costs | **49,516** | *93,891* |
| | **(22,008)** | *312,915* |
| Decrease in inventory | - | *135,857* |
| Decrease in trade and other receivables | **1,196,365** | *359,460* |
| Increase/(decrease) in trade and other payables | **169,717** | *(275,945)* |
| Net cash generated from operations | **1,344,074** | *532,287* |

**26. Operating lease arrangements**

**Group as lessee**

During the current year the Group has commercial leases for the rental of the building. The commitments on this lease are as below.

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

| Operating lease commitments — Group as lessee | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Within one year | **211,883** | *145,478* |
| After one year but not more than 5 years | **847,530** | *847,530* |
| More than 5 years | **622,595** | *834,478* |
| | **1,682,008** | *1,827,486* |

**Group as lessor**

*The Group has operating leases on assets that are leased to customers. Rental income on these assets is treated as* lease income and included in revenue. There are no contingent rentals.

| Operating lease commitments — Group as lessor | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Within one year | - | *18,000* |
| After one year but not more than 5 years | - | - |
| | - | *18,000* |

**27. Related parties**

The Group financial statements include the financial statements of the subsidiaries listed in the table in Note 24. All subsidiaries are situated at the Company's registered address which is as per Note 1: General Information. Additionally, Asset Advantage Funding 1 Limited, a special purpose funding vehicle registered in England, is considered a related party in accordance with IFRS 10.

Balances and transactions within the Group have been eliminated upon consolidation and thus are not disclosed in this note. However for the Company financial statements, disclosure is required for transactions and balances with related parties.

**Company**
**Related party transactions**

| | **2019** | *2018* |
|---|---|---|
| | **£** | *£* |
| **Amounts owed by related parties** | | |
| - Subsidiaries | **9,481,618** | *10,259,827* |
| - J. C. G. Eddy | **40,000** | *40,000* |
| **Amounts owed to related parties** | | |
| - Subsidiaries | **2,929,760** | *2,797,961* |
| **Expenses incurred by AAG** | | |
| - Subsidiaries | **-** | *450,828* |

The loan to J. C. G. Eddy is unsecured, interest-free and repayable on demand.

As per Note 7, all employees are employed by the Company, however all employees are seconded to Asset Advantage Limited and therefore all expenses in relation to employees are recognised in Asset Advantage Limited.

During the year ended 30 September 2018, Property, Plant and Equipment with a net book value of £111,625 was transferred to Asset Advantage Limited from Asset Advantage Group Limited. The Property, plant and equipment was transferred at net book value.

**Key management expenses and transactions**

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

**28. Controlling party**

The ultimate controlling party of Asset Advantage Group Limited is J C G Eddy, who is also a director of Asset Advantage Group Limited.