

The Asset Exchange Ltd

Audited Report of the Directors and Financial Statements

For the year ended 31 December 2020



The Asset Exchange Ltd

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The Asset Exchange Ltd
Company Information

Directors Alan Tomlin
 Gareth Noonan (resigned 20 March 2020)
 P Knowles

Company Number 08679485

Registered Office 77 Wollaston Way
 Burnt Mills Industrial Estate
 Basildon
 England
 SS13 1DJ

The Asset Exchange Ltd
Directors' Report 31 December 2020

The directors present their report and audited financial statements for the year ended 31 December 2020.

Principal activities

Principal activity of the Company during the financial year was of car finance and sales.

Directors

The directors who served the company throughout the year were as follows:

Alan Tomlin

Gareth Noonan (resigned 20 March 2020)

Philip Knowles

Going Concern

The Directors have reviewed the Company's forecasts and projections and the wider ultimate Group position, its operational performance since the Balance Sheet date, and have taken into consideration the funding facilities entered into in 2021 to date and the restructuring of the Group's largest debt facility. £8.5m of new facilities have been secured during 2020 and 2021, the majority during the period of the COVID-19 pandemic, and £5m of that since the Balance Sheet date. The Board have also considered the ongoing impact of COVID-19 on the business, and with reference to the impact on performance experienced during the pandemic to date are confident that there will not be a material impact on the business moving forward. Taking these factors into consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue to pay its financial obligations and liabilities as they fall due for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Disclosure of information to auditor

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

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

Statement of director's responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

The Asset Exchange Ltd
Directors' Report 31 December 2020

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.


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

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

Qualifying third party indemnity provisions

At the date of approval of this report, a qualifying third party indemnity provision was in place, or had been in place during the year, for the benefit of all the directors.

Signed on behalf of the board



Alan Tomlin
Director
Date approved: 5 November 2021



Philip Knowles
Director

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

Principal Activities

The Company sells cars, and provides finance on those cars, to consumers in the non-prime market who normally find it difficult to obtain such finance elsewhere.

Lending decisions are based on a detailed review of a potential customer’s affordability rather than solely relying on credit scoring. Vehicles are sold on Hire Purchase contracts over a term of between 36 and 60 months.

COVID-19

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

A number of our customers have been directly or indirectly affected by COVID during 2020 and into 2021. As a responsible lender we immediately offered forbearance to such customers over and above that provided to customers during normal times, pre-empting the formal requirements of the FCA by some weeks. FCA guidance has been followed throughout and we have worked with our affected customers to ensure that their best interests have been served with positive outcomes during this difficult period. There was an expected initial impact on the cashflow of the Company as customers took stock of the pandemic and the way in which it was likely to affect them, but it has been extremely pleasing to see just how resilient our customers have proved over the past 18 months, and as a result the financial impact on the business as a direct result of COVID has been far lower than would have been expected at the outset. Outside of the National Lockdowns, our collections levels have actually outperformed normal levels as affected customers on average have chosen to catch-up on offered payment breaks.

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

The Asset Exchange Ltd

Strategic Report

Business review

Key performance Indicators

	31st December 2020	31st December 2019
Car sales turnover	£8.5m	£10.1m
Interest and fee turnover	£3.5m	£2.6m
Hire purchase loan book value	£11.6m	£10.3m
EBITDA	£1.1m	£0.9m
Vehicles sold on finance during the year	1,136	1,251

Despite the impacts of COVID-19 the Company was able to grow its Hire Purchase loan book by 13% in 2020. This growth, coupled with the growth achieved in 2019 resulted in a 36% increase in recognised interest and fee income. The uncertainty around the effects of the pandemic during 2020 led to the Board deciding to minimise risk and reduce sales levels from April 2020 onwards as the Business took stock of the situation and its likely effects, and this in turn reduced car sale turnover. Despite this, EBITDA increased 19% to £1.1m in 2020.

Prior to the outbreak of the COVID-19 pandemic, the Company successfully arranged a £2.5m loan facility with a new third party lender. In addition, and despite the pandemic and its restrictions, an additional £1m facility with a second lender was arranged in May 2020. It is testament to the performance of the Business throughout the pandemic that in 2021 a further lender has provided a £2m facility, and the two lenders that came on board in 2020 have extended their facilities by a combined £3m.

Subsequent to the end of the year in review, in November 2021 the wider Group successfully negotiated a restructuring of the largest debt facility held by its largest lender and shareholders. The Board are confident that the restructured and significantly strengthened Group Balance Sheet, and the significantly reduced interest costs moving forward, will put the Group and therefore the Company in an excellent position to source further future funding to drive its growth strategy over the next few years.

Principal Risks and Uncertainties

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

Credit Risk

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

The nature of the non-prime market is that some customers will, as a result of changing circumstances, be unable to fulfil their obligations under their Hire Purchase agreement with the Company. To minimise this risk, the underwriting process includes a number of detailed checks on affordability to ensure that a customer can afford the proposed loan over the term at the time the loan is taken out and that there are no indications that this will change in the foreseeable future. Furthermore, additional checks were added in 2020 following the beginning of the COVID-19 pandemic to ensure new customers were not, and did not expect to be, affected financially by the pandemic.

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

Operational Risk

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

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

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

Financing and Liquidity risks

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

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

Subsequent to the year end, in November 2021 the wider Group successfully negotiated a restructuring of its largest debt facility with its largest lender and significant shareholders. One effect of this was to significantly reduce the Group's cash exposure to interest payments, and the related positive impact on the Company's cashflows.

The Company continually monitors debt facility levels and looks to increase these from time to time to facilitate new lending to customers. In 2020 the Company entered into new facilities amounting to £3.5m of secured debt, and an additional £5m has been secured in the first 10 months of 2021. Strong relationships have been forged with a number of secured lenders, as demonstrated by these new facilities being agreed despite the COVID-19 pandemic and the associated uncertainties in the market, and this provides the Board with a strong level of confidence that future facilities can be secured in the future.

The Asset Exchange Ltd

Strategic Report

Legal and regulatory risks

As a responsible FCA authorised lender, the Company is regulated and as such ensures that it complies with all regulations and requirements of its permissions. The Company's Compliance Officer regularly meets with and reports to the Board, and the Business prioritises regular training, monitoring, feedback and re-training of staff as necessary, as well as regular reviews and updating of policies and procedures to ensure compliance with regulations and the requirements of treating customers fairly and ensuring positive outcomes for customers.

COVID-19 risks

The ongoing COVID-19 pandemic and the uncertainty over how it will develop over the coming months and years introduces a specific area of risk to the business. The business continuity planning in place pre-COVID-19 and the additional measures put into place to deal with the various lockdowns and other restrictions over the past 18 months have allowed the business to trade successfully throughout, and as such the Board and Management have confidence in the ability of the Business to adapt to any future lockdowns or other restrictions.

Further lockdowns and restrictions will inevitably have an impact on some customers, and this could affect the cashflows of the business and other aspects of the business model as experienced during the pandemic to date. The Board and Management continuously review the cashflows, funding and operations of the business to ensure that sufficient flexibility is in place to adequately cope with any such changes, and the experience gained to date provides confidence as to the likely effect of any future restrictions and the ability of the business and its customers to adapt accordingly.

Signed on behalf of the board



Alan Tomlin
Director
5 November 2021

The Asset Exchange Ltd

Independent Auditors Report 31 December 2020

Independent Auditor's Report to the Members of The Asset Exchange Ltd

Opinion

We have audited the financial statements of The Asset Exchange Ltd for the year ended 31 December 2020 which comprise Income Statement, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

The Asset Exchange Ltd

Independent Auditors Report 31 December 2020

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

The Asset Exchange Ltd
Independent Auditors Report 31 December 2020

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



John Glasby
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

5 November 2021

The Asset Exchange Ltd
Income Statement for the year ended 31 December 2020

	<u>Notes</u>	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover	2	12,016,139	12,673,321
Cost of Sales		<u>(8,743,913)</u>	<u>(10,116,542)</u>
Gross profit		3,272,226	2,556,779
Administrative expenses		<u>(2,180,804)</u>	<u>(1,751,801)</u>
Operating Profit	3	1,091,422	804,978
Interest payable and similar charges	4	<u>(851,143)</u>	<u>(471,749)</u>
Profit on Ordinary Activities Before Taxation		240,279	333,229
Tax on profit on ordinary activities		<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		<u><u>240,279</u></u>	<u><u>333,229</u></u>

The Asset Exchange Ltd
Statement of Financial Position as at 31 December 2020

	<u>Notes</u>	31 December 2020 £	31 December 2019 £
Fixed Assets			
Tangible assets	7	<u>17,250</u>	<u>3,600</u>
		17,250	3,600
Current Assets			
Debtors: amounts falling due within one year	8	3,327,544	2,923,351
Debtors: amounts falling due after one year	8	9,410,752	8,093,003
Cash at bank & in hand		<u>587,254</u>	<u>205,525</u>
		13,325,550	11,221,879
Creditors: amounts falling due within one year	9	<u>(10,255,359)</u>	<u>(10,269,653)</u>
Net current assets		3,070,191	952,226
Total assets less current liabilities		<u>3,087,441</u>	<u>955,826</u>
Creditors: amounts falling due after one year	10	<u>(2,378,595)</u>	<u>(487,260)</u>
Net assets		<u>708,846</u>	<u>468,566</u>
Capital and reserves			
Called up share capital	11	6,200	6,200
Share premium account	11	594,000	594,000
Profit & loss account		<u>108,646</u>	<u>(131,634)</u>
Equity shareholders' funds		<u>708,846</u>	<u>468,566</u>

Director's Responsibilities:

The financial statements on pages 11 to 20 were approved by the board of directors and authorised for issue on 5 November 2021 and are signed on its behalf by:



Alan Tomlin
Director



Philip Knowles
Director

The Asset Exchange Ltd
Statement of Cash Flows for the year ended 31 December 2020

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Cash flows from operating activities		
Profit for the financial year	240,279	333,229
Adjustments for:		
Depreciation of tangible assets	6,350	119,647
Interest paid	851,143	471,749
(Increase)/decrease in debtors	(1,368,209)	(6,564,229)
Increase in creditors	276,760	299,991
Increase/(decrease) in amounts owed to groups	(2,381,512)	5,906,462
Net cash generated from operating activities	(2,375,189)	566,849
Cash flows from Investing activities		
Purchase on tangible fixed assets	(20,000)	-
Net cash outflows from investing activities	(20,000)	-
Cash flows from financing activities		
Loan capital drawn	4,045,475	-
Loan interest and repayments	(1,268,556)	(492,042)
Net cash inflows/(outflows) from investing activities	2,776,919	(492,042)
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	381,729	74,807
Cash and cash equivalents at end of the year	205,525	130,718
Cash and cash equivalents at end of the year	<u>587,254</u>	<u>205,525</u>
Cash and cash equivalents at end of the year comprise		
Cash at bank and in hand	<u>587,254</u>	<u>205,525</u>

The Asset Exchange Ltd
Notes to the financial statements for the year ended 31 December 2020

Statutory Information

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

The presentation currency is £ sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

1. Accounting Policies

Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with the FRS 102 Financial Reporting Standard.

Going Concern

The Directors have reviewed the Company's forecasts and projections and the wider ultimate Group position, its operational performance since the Balance Sheet date, and have taken into consideration the funding facilities entered into in 2021 to date and the restructuring of the Group's largest debt facility. £8.5m of new facilities have been secured during 2020 and 2021, the majority during the period of the COVID-19 pandemic, and £5m of that since the Balance Sheet date. The Board have also considered the ongoing impact of COVID-19 on the business, and with reference to the impact on performance experienced during the pandemic to date are confident that there will not be a material impact on the business moving forward. Taking these factors into consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue to pay its financial obligations and liabilities as they fall due for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Turnover

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

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

Lease classification

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

Finance lease income

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

The Asset Exchange Ltd

Notes to the financial statements for the year ended 31 December 2020

Operating lease rentals

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

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight line basis over the assets expected useful lives, as follows:

Purchased Computer Software

Over 3 years Straight Line

Impairment

Loans to customers

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

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

Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

The Asset Exchange Ltd**Notes to the financial statements for the year ended 31 December 2020****2. Turnover**

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

	Year ended 2020 £	Year ended 2019 £
Vehicle Finance Interest and Fees	3,471,601	2,550,690
Car and Warranty Sales	8,544,538	10,122,631
	<u>12,016,139</u>	<u>12,673,321</u>

3. Operating profit

The operating profit is stated after charging:

	Year ended 2020 £	Year ended 2019 £
Auditor's remuneration	13,750	12,500
Depreciation of tangible assets	6,350	119,646
Operating Lease	-	27,034

4. Interest payable and similar charges

	Year ended 2020 £	Year ended 2019 £
Other Debt Forgiveness	-	(150,000)
Interest on loans	851,143	621,749
	<u>851,143</u>	<u>471,749</u>

5. Staff Costs

The aggregate payroll costs for the Company were as follows:

	Year ended 2020 £	Year ended 2019 £
Wages and salaries	1,169,380	957,429
Social security costs	115,032	96,614
Contributions to defined contribution pension schemes	36,235	33,280
	<u>1,320,647</u>	<u>1,087,323</u>

The Asset Exchange Ltd
Notes to the financial statements for the year ended 31 December 2020

6. Directors remuneration

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

	Year ended 2020 £	Year ended 2019 £
Wages and salaries	165,750	198,448
Social security costs	20,282	22,475
Contributions to defined contribution pension schemes	9,945	10,890
	<u>195,977</u>	<u>231,813</u>

The highest paid Director of the Company received remuneration of £102,000 (2019 - £120,000) and employer pension contributions of £6,120 (2019 - £7,200) attributable to the Company.

7. Tangible Fixed Assets

	Furniture & Fittings & Equipment £	Motor Vehicles £	Leasehold Improvements £	Computer Software £	Total £
Cost					
At 1 January 2020	13,488	2,700	25,902	600,000	642,090
Additions	-	-	-	20,000	20,000
At 31 December 2020	<u>13,488</u>	<u>2,700</u>	<u>25,902</u>	<u>620,000</u>	<u>662,090</u>
Depreciation					
At 1 January 2020	13,488	2,700	25,902	596,400	638,490
Charge for the year	-	-	-	6,350	6,350
At 31 December 2020	<u>13,488</u>	<u>2,700</u>	<u>25,902</u>	<u>602,750</u>	<u>644,840</u>
Net Book Amount					
At 31 December 2020	-	-	-	17,250	17,250
At 31 December 2019	-	-	-	3,600	3,600

8. Debtors

	31 December 2020 £	31 December 2019 £
<u>Amounts falling due within one year</u>		
Trade and other receivables – within one year	2,236,247	2,239,540
Amounts Owed by Group Undertakings	527,703	173,970
Prepayments and accrued income	551,328	497,575
Other debtors	12,266	12,266
	<u>3,327,544</u>	<u>2,923,351</u>
<u>Amounts falling due after one year</u>		
Trade and other receivables – after one year	<u>9,410,752</u>	<u>8,093,003</u>

The Asset Exchange Ltd
Notes to the financial statements for the year ended 31 December 2020

9. Creditors – amounts falling due within one year

	31 December 2020 £	31 December 2019 £
Trade creditors	72,704	37,547
Other taxes & social security costs	509,143	75,469
Amounts owed to Group undertakings	7,967,384	9,385,160
Other loans - secured	1,303,021	176,299
Other creditors	100	100
Accrued expenses	403,007	595,078
	<u>10,255,359</u>	<u>10,269,653</u>

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

10. Creditors – amounts falling due after one year

	31 December 2020 £	31 December 2019 £
Other loans - secured	1,992,210	111,630
Other loans - unsecured	386,385	375,630
	<u>2,378,595</u>	<u>487,260</u>

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

11. Share capital

	31 December 2020 £	31 December 2019 £
Allotted, called up and fully paid: Ordinary Shares of £1 each	<u>6,200</u>	<u>6,200</u>
Share Premium	<u>594,000</u>	<u>594,000</u>

The Asset Exchange Ltd**Notes to the financial statements for the year ended 31 December 2020**

12. Related Party

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

	31 December 2020	31 December 2019
	£	£
CLC Car Sales (South East) Limited	(7,967,384)	(9,385,160)
CLC Car Sales (North West) Limited	501,775	148,042
CLC Franchise Limited	25,928	25,928

13. Ultimate Parent Company

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

14. Average number of employees

During the year the average number of employees was 56 (2019: 49).

15. Operating Lease Commitments

At the reporting date the Company had outstanding commitments for future minimum lease payments, which fall as follows:

	31 December 2020	31 December 2019
	£	£
Within one year	-	24,665
Between two and five years	-	-
	<u>-</u>	<u>24,665</u>

The Asset Exchange Ltd

Notes to the financial statements for the year ended 31 December 2020

16. Finance Leases as Lessor

	31 December 2020: Gross Investment £	31 December 2020: Present Value of minimum lease payments £	31 December 2019: Gross Investment £	31 December 2019: Present Value of minimum lease payments £
Within one year	6,078,093	2,236,247	4,926,950	2,239,540
Within 1 to 5 years	13,795,445	9,410,752	15,087,270	8,093,003
	<u>19,873,538</u>	<u>11,646,999</u>	<u>20,014,220</u>	<u>10,332,543</u>

Reconciliation of minimum lease payments to net investment

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

	31 December 2020 £	31 December 2019 £
Minimum lease payments	19,873,538	20,014,220
Unguaranteed residual value	-	-
Gross investment	<u>19,873,538</u>	<u>20,014,220</u>
Unearned finance income	<u>(8,226,539)</u>	<u>(9,681,677)</u>
Net investment (present value of minimum lease payments)	<u>11,646,999</u>	<u>10,332,543</u>

17. Post Balance Sheet Events

Subsequent to the year end in January 2021 the Company extended an existing secured debt facility by £1.5m. In May 2021 the Company entered into a new loan facility of £2m with a new lender and extended another existing facility by an additional £1.5m. In total £5m of new facilities have been entered into in 2021 to date.