Registered number: 02765920

# ASSET ADVANTAGE GROUP LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2021

## ASSET ADVANTAGE GROUP LIMITED

### COMPANY INFORMATION

| | |
|---|---|
| **Directors** | J C G Eddy<br>P J Knight<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. The Company continues to operate 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. 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 2021 saw the volumes of lending to SMEs by AAL start to rise again and despite continued uncertainty in the wider market, new business volumes remained on par with budget. During the year consolidated revenues in operations fell by £8.0m to £21.8m (from £29.8m in the year ended 30 September 2020). Gross profit in the year was £7.5m (down from £9.8m in 2020), a decrease of £2.3m.

The SME lending portfolio fell to £65.4m (compared to £66.5m at 30 September 2020) with £28.0m of new business being written in the year, an increase of £9.4m on the £18.6m written in the year ended 30 September 2020. New business volumes for the SME loan product were £19.5m, compared to the £11.4m written in the year ended 30 September 2020. New business volumes in the more traditional equipment lease product increased by £1.3m to £8.5m from the £7.2m recorded in the year ended 30 September 2020.

The public sector lease portfolio has continued to run down and its contribution to gross profits fell to £40k in the year ended 30 September 2021 (down £95k from the £135k recorded in the year ended 30 September 2020) reflecting the smaller number of assets and 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 £1.3m in the year to £4.0m from the £5.3m recorded in the year ended 30 September 2020 as a result of Staff costs decreasing by £0.6m to £2.7m and a credit 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:

Covid-19:
Covid-19 has had a significant and adverse impact of several economies around the world, including the UK. It has impacted our operations, suppliers and customers, with the extent dependent on factors including, but not limited to, length of the UK and international lockdowns, extent of government interventions, severity of economic effects and speed of recovery, virus recurrence, employee absence, insolvency rates and unemployment levels.

Prolonged economic downturn could affect our growth of new business and could cause material bad debts if a significant number of our SME customers experience financial distress. In efforts to help our customers in these challenging times, a range of forbearance options have been offered including payment deferrals of varying durations. We remain in close contact with these customers to monitor their position and identify the most appropriate financing solutions for them.

Throughout the Covid-19 pandemic, the safety of our employees continued to be of key focus to the company. In line with government guidance, most of our employees continued to work from home with a gradual return encouraged from mid-July when all government restrictions were lifted. We have not made use of the Coronavirus Job Retention Scheme as none of our employees were furloughed during this period.

We continue to monitor the situation and modelling of Covid-19 scenarios to identify and evaluate financial impacts.

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. The Covid-19 outbreak is a very challenging time for many businesses and, in particular, for those customers in the hospitality and leisure industries. We continue to closely monitor the cash collections of rentals across the whole portfolio. Cash collections in the year have significantly improved in comparison to the material reductions in cash collection seen at the early stages of lockdown in the prior year. As a result, management have reduced the expected loss rates for loan receivables and lease receivables back to pre-Covid-19 levels based on their judgement as to the impact of Covid-19 on the receivables portfolio.

The directors 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.

**Principal risks and uncertainties (continued)**

The UK leaving the European Union:
Following the UK's decision to leave the EU the Company and Group have carefully considered a range of scenarios that arise from 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. We are yet to see any impact on the Group's and Company's performance.

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 21 June 2022 and signed on its behalf.

**J C G Eddy**
Director

## ASSET ADVANTAGE GROUP LIMITED
## DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2021.

**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 Strategic Report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
d. *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group* and Company will continue in business.

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

**Directors' 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.

The impact of Covid-19 pandemic has been assessed by the Directors, considering a wide range of information relating to present and future conditions, including the current financial position, future projections of cash flows and financial performance, funding headroom and the longer-term strategy of the business. 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 £564,888 *(2020: £793,380)*. The Company loss for the year, after taxation, amounted to £35,750 *(2020: £4,297)*.

The directors have approved the dividends as set out in Note 22. Interim dividends totalling £500,000 *(2020: £500,000)* and a special dividend of £1,000,000 *(2020: £1,000,000)* were paid during the year and there was no final 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 (resigned 16 June 2021)
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 continue to 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 will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 June 2022 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 2021 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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***

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 group's or the parent 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 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud the group audit engagement team:

- obtained an understanding of the nature of the industry sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are UK-adopted IAS and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, recalculate the revenue recognition calculation using the base contract terms to confirm that revenue is recognised in the correct accounting period, and reviewing a sample of transactions recognised either side of the year end to ensure that revenue has been recognised in the correct accounting period.

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.

Mayulee Pinkerton

Mayulee Pinkerton CA (Senior Statutory Auditor)
*For and on behalf of RSM UK Audit LLP, Statutory Auditor*
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Date: 21/06/22

## ASSET ADVANTAGE GROUP LIMITED
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 SEPTEMBER 2021

| | Note | 2021<br>£ | *2020*<br>*£* |
|---|---|---|---|
| **Revenue** | 5 | **21,792,183** | *29,760,309* |
| Cost of sales | | **(14,332,047)** | *(19,963,181)* |
| **Gross profit** | | **7,460,136** | *9,797,128* |
| Administrative expenses | | **(4,047,880)** | *(5,274,249)* |
| **Operating profit** | 6 | **3,412,256** | *4,522,879* |
| Finance costs | 9 | **(2,709,834)** | *(3,475,517)* |
| **Profit before income tax** | | **702,422** | *1,047,362* |
| Income tax | 10 | **(137,534)** | *(253,982)* |
| **Profit and total comprehensive income for the year** | | **564,888** | *793,380* |

The notes on pages 18 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.

# ASSET ADVANTAGE GROUP LIMITED
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2021

| | Note | 2021 £ | *2020 £* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **262,698** | *338,279* |
| Right of Use Assets | 20 | **949,765** | *1,129,474* |
| Other financial assets | 13 | **39,815,386** | *37,826,889* |
| Deferred tax assets | 14 | **15,136** | *-* |
| | | **41,042,985** | *39,294,642* |
| **Current assets** | | | |
| Inventories | 15 | **961** | *24,938* |
| Trade and other receivables | 16 | **813,914** | *1,073,600* |
| Other financial assets | 13 | **25,548,378** | *27,131,326* |
| Cash and cash equivalents | 17 | **1,791,348** | *5,699,155* |
| | | **28,154,601** | *33,929,019* |
| **TOTAL ASSETS** | | **69,197,586** | *73,223,661* |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 18 | **28,871,437** | *27,169,477* |
| Lease liabilities | 20 | **932,676** | *1,091,932* |
| Deferred tax liability | 14 | **-** | *9,850* |
| | | **29,804,113** | *28,271,259* |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **949,082** | *2,505,899* |
| Interest-bearing loans and borrowings | 18 | **19,720,998** | *22,627,583* |
| Lease Liabilities | 20 | **190,545** | *216,115* |
| Current tax payables | | **186,282** | *221,127* |
| | | **21,046,907** | *25,570,724* |
| **TOTAL LIABILITIES** | | **50,851,020** | *53,841,983* |
| **NET ASSETS** | | **18,346,566** | *19,381,678* |
| **Equity** | | | |
| Ordinary shares | 21 | **539,969** | *589,224* |
| Capital redemption reserve | | **(343,501)** | *(392,756)* |
| Retained earnings | | **18,150,098** | *19,185,210* |
| ***TOTAL EQUITY*** | | **18,346,566** | *19,381,678* |

The notes on pages 18 to 40 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 11 to 40 were approved by the board of directors on 21 June 2022 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 2021

| | Note | 2021 £ | *2020 £* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments | 23 | **5** | *5* |
| | | **5** | *5* |
| **Current assets** | | | |
| Trade and other receivables | 16 | **5,612,752** | *8,292,708* |
| Cash and cash equivalents | 17 | **25,611** | *27,682* |
| | | **5,638,363** | *8,320,390* |
| **TOTAL ASSETS** | | **5,638,368** | *8,320,395* |
| **EQUITY AND LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **3,413,102** | *4,495,129* |
| Tax payable | | **35,750** | *-* |
| **TOTAL LIABILITIES** | | **3,448,852** | *4,495,129* |
| **NET ASSETS** | | **2,189,516** | *3,825,266* |
| **Equity** | | | |
| Ordinary shares | 21 | **539,969** | *589,224* |
| Capital redemption reserve | | **(343,501)** | *(392,756)* |
| Retained earnings | | **1,993,048** | *3,628,798* |
| **TOTAL EQUITY** | | **2,189,516** | *3,825,266* |

The notes on pages 18 to 40 form an integral part of these consolidated financial statements.

The financial statements on pages 11 to 40 were approved and authorised for issue by the board of directors on 21 June 2022 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 2021

| | Note | Ordinary shares | Capital redemption reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Balances at 1 October 2019** | | **589,224** | **(392,756)** | **19,891,830** | **20,088,298** |
| Profit and total comprehensive income for the year | | - | - | 793,380 | 793,380 |
| Dividends paid | 22 | - | - | (1,500,000) | (1,500,000) |
| **As at 30 September 2020** | | **589,224** | **(392,756)** | **19,185,210** | **19,381,678** |
| Profit and total comprehensive income for the year | | - | - | 564,888 | 564,888 |
| Buy back of 'C' Class Shares | | (49,255) | 49,255 | (100,000) | (100,000) |
| Dividends paid | 22 | - | - | (1,500,000) | (1,500,000) |
| **As at 30 September 2021** | | **539,969** | **(343,501)** | **18,150,098** | **18,346,566** |

The notes on pages 18 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 2021**

| | Note | Ordinary shares | Capital redemption reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **As at 1 October 2019** | | **589,224** | **(392,756)** | **5,133,095** | **5,329,563** |
| Loss and total comprehensive loss for the year | | - | - | (4,297) | (4,297) |
| Dividends paid | 22 | - | - | (1,500,000) | (1,500,000) |
| **As at 30 September 2020** | | **589,224** | **(392,756)** | **3,628,798** | **3,825,266** |
| Loss and total comprehensive loss for the year | | - | - | (35,750) | (35,750) |
| Buy back of 'C' Class Shares | | (49,255) | 49,255 | (100,000) | (100,000) |
| Dividends paid | 22 | - | - | (1,500,000) | (1,500,000) |
| **As at 30 September 2021** | | **539,969** | **(343,501)** | **1,993,048** | **2,189,516** |

The notes on pages 18 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 2021**

| | Note | 2021<br>£ | *2020*<br>*£* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 24 | **1,393,062** | *6,103,880* |
| Income tax paid | | **(221,127)** | *(66,289)* |
| Interest paid | | **(2,709,834)** | *(3,475,517)* |
| **Net cash flows generated from operating activities** | | **(1,537,899)** | *2,562,074* |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(15,452)** | *(53,133)* |
| Proceeds from the sale of property, plant and equipment | | **-** | *-* |
| Increase in investments in other financial assets | | **(27,974,890)** | *(19,281,381)* |
| Receipts from other financial assets | | **28,627,792** | *35,673,978* |
| **Net cash generated from investing activities** | | **637,450** | *16,339,464* |
| | | | |
| **Cash flows from financing activities** | | | |
| Payment for buy-back of shares | | **(100,000)** | *-* |
| Proceeds from loans and borrowings | | **23,334,402** | *15,077,317* |
| Repayment of loans and borrowings | | **(24,741,760)** | *(30,550,850)* |
| Dividends paid to equity holders of the parent | | **(1,500,000)** | *(1,500,000)* |
| **Net cash flows used in financing activities** | | **(3,007,358)** | *(16,973,533)* |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(3,907,807)** | *1,928,005* |
| Cash and cash equivalents at beginning of year | | **5,699,155** | *3,771,150* |
| **Cash and cash equivalents at end of year** | | **1,791,348** | *5,699,155* |

The notes on pages 18 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 2021**

| | Note | 2021 £ | 2020 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from/ (used in) operations | 24 | 1,597,930 | 2,011,867 |
| Income tax paid | | - | (13,519) |
| Interest paid | | - | (4,121) |
| **Net cash generated from operations** | | 1,597,930 | 1,994,227 |
| | | | |
| **Cash flows from financing activities** | | | |
| Payment for buy-back of shares | | (100,000) | - |
| Repayment of loans and borrowings | | - | (500,000) |
| Dividends paid | | (1,500,000) | (1,500,000) |
| **Net cash used in financing activities** | | (1,600,000) | (2,000,000) |
| | | | |
| Net decrease in cash and cash equivalents | | (2,070) | (5,773) |
| Cash and cash equivalents at beginning of year | | 27,682 | 33,455 |
| **Cash and cash equivalents at end of year** | | 25,612 | 27,682 |

The notes on pages 18 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, and provision of loans to SME customers. Information on the Group's ultimate controlling party is presented in Note 26. Information on other related party relationships of the Group is provided in Note 25.

## 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 in conformity with the requirements of 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.

The Group made a profit of £564,888 in the year (2020: £793,380) and as at the 30 September 2021 had net current assets of £7.1m (2020: £8.4m), and total net assets of £18.3m (2020: £19.4m). The Company made a loss of £35,750 in the year (2020: loss of £4,297) and as at the 30 September 2021 had net current assets of £2.2m (2020: £3.8m), and total net assets of £2.2m (2020: £3.8m)

The impact of Covid-19 pandemic has been assessed by the Directors, considering a wide range of information relating to present and future conditions, including the current financial position, future projections of cash flows and financial performance, funding headroom and the longer-term strategy of the business. 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 2020 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 | | |

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

**Exemption from audit by parent guarantee (continued)**

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 2021.

### 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 2021. 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

**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.

***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 Group 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. Significant accounting policies (continued)

### 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 carrying amount.

### 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.

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 |

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

**2.6 Property, plant and equipment (continued)**

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 on a straight line basis.

**2.7 Investments**

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

**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**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - The purchaser had the ability to right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - The purchaser had the ability of right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output;

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.

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

**2.9 Leases (continued)**

**i. As a Lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the Statement of Financial Position.

Building Leases

The Group leases land and buildings for its office space. The lease of office space runs for a period of 10 years.

Other Leases

The group leases vehicles and office equipment, with lease terms of three years. As such other right of use assets have been depreciated straight line over 3 years.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

**2.10 Financial instruments**

**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. When it becomes apparent that a customer will not be able to make up any arrears and return to making payments as per their agreement, or when arrears have exceeded 90 days (whichever is sooner), the agreement is terminated and the net book value of the agreement is moved to the non-performing loans ("NPL") portfolio. Once transferred to the NPL portfolio, an assessment is made of the likely recovery, risks to any recovery and the expected time to any recovery to determine its fair value. A provision is then taken so that the carrying cost of the NPL is equal to its fair value. Where the fair value is less than the net book value at termination, the difference is taken to the statement of other comprehensive income.

Upon receipt of funds under an NPL, the balance is reduced by that amount. The fair value of all NPL is then reassessed at each month-end such that the net of the NPL cost and the related provision equals the fair value of the NPL or the outstanding cost of the NPL – whichever is smaller.

Only when all avenues of recovery are eliminated, and no further recovery is expected, is the balance of the NPL cost written off and the applicable provision reversed.

**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.

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

**(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.

**2.11 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.

**3. Significant accounting judgments and estimates**

**3.1 Judgments**

No significant judgements were required to be made.

**3.2 Estimates**

At the balance sheet date, the directors consider the expected credit loss provisions a key source of estimation uncertainty which, depending on a number of factors, could result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

The calculation of the Group's expected credit loss provision under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates, the most significant of which, we have determined to be a significant increase in credit risk and forward-looking information.

Whilst there is a great deal of upheaval and uncertainty in the macro-economic environment, the Group's historical performance, which encompasses underwriting policies covering 14 years and a total of circa. £350m in customer advances, indicates that there is very little correlation between the performance of its portfolio and the underlying macro-economic environment – in particular the impact of boom-and-bust cycles of the economy. As a result, the Group's loss given default ("LGD") remains unchanged.

However, one area of significant concern to the Group is the probability of default ("PD"). The PD was considered within multiple scenarios, including, "no changes to PD", "doubled PD" and "increased PD in certain sectors". In the prior year, uncertainty around potential future lockdowns, when the restrictions would be fully eased and a lack of certainty regarding the level of any future government support for SMEs, the Group initially believed that the probability of default had significantly increased. However as we have continued through the pandemic, we have not found this to be the case. Thus, we have reduced our expected loss rates back to standard expectation after increasing it in 2020.

**3. Significant accounting judgments and estimates (continued)**

**3.2 Estimates (continued)**

In line with IFRS 9, the Group recognises a lifetime expected credit loss (Stage 2) for its lease portfolio. The loan portfolio recognises a 12-month expected credit loss (Stage 1), unless there has been a reduction in the credit worthiness of the loan agreement, in which case it is moved to Stage 2. The Group assumes that any loan that has arrears in excess of 90 days has seen a reduction in its credit worthiness.

At 30 September 2021 the Group's expected credit loss provision was £0.9m (30 September 2020: £1.6m) and represents 1.5% of the amounts receivable (2020: 2.6%). Due to the remaining uncertainty regarding the outcome of Covid-19 and its impact on the global economy, management consider that this expected loss allowance, while representing management's best estimate of the future outcome, may be required to be updated in future periods depending on actual circumstances. However, any updates are not anticipated to result in a material change in the next 12 months.

**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 (described in more detail in Note 3.2 above) 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 2021 amounting to £18.3m (2020: £19.4m) as well as interest-bearing loans and borrowings amounting to £48.6m gross (2020: £49.8m) funding a portfolio of receivables due under equipment.

**4.3 Liquidity and interest rate risks**

The Group has traditionally borrowed at fixed interest rates only and matched these to its fixed rate lending.

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 2021 the Group's principal committed borrowing facilities totalled £94m (2020: £103m).

The contractual maturities of the Group's and Company's facilities are detailed in Note 11 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.

| | **2021** | *2020* |
|---|---|---|
| | **£** | *£* |
| Lease income | **15,220,109** | *20,686,979* |
| Loan income | **3,992,431** | *4,347,757* |
| End of lease income | **2,277,226** | *4,368,976* |
| Fee income | **302,417** | *356,597* |
| | **21,792,183** | *29,760,309* |

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

All revenue arose in the United Kingdom.

## 6. Operating profit

The operating profit is stated after charging:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Depreciation of leased assets (note 12) | - | 12,325 |
| Depreciation of own use assets (note 12) | 57,319 | 54,954 |
| Depreciation of leasehold property (note 12) | 33,714 | 34,425 |
| Depreciation of Right of Use Assets (note 20.1) | 197,616 | 214,946 |
| Services provided by the Company's auditors: | | |
| - Fees payable for the audit | 72,000 | 72,495 |
| - Fees payable for other services – tax advisory | - | 7,000 |
| Operating leases (rent) | - | - |
| Employee expenses (note 7) | 2,703,425 | 3,299,019 |
| Facility fees | 191,821 | 185,007 |
| Marketing expenses | 66,794 | 34,209 |
| Bad debt (credit)/expense | (373,207) | 189,515 |

## 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.

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 2,306,993 | 2,699,164 |
| Redundancy costs | 13,567 | 154,722 |
| Social security costs | 301,695 | 353,712 |
| Other pension costs | 81,170 | 91,421 |
| | 2,703,425 | 3,299,019 |

**Staff Numbers**

| | 2021 | 2020 |
|---|---|---|
| | Number | Number |
| Operations | 2 | 4 |
| Administration | 25 | 29 |
| | 27 | 33 |

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 £81,170 (2020: £91,421).

## 8. Directors' remuneration

Retirement benefits are accruing to two (2020: three) directors under a defined contribution pension scheme. The directors are considered to be the key management. No share option schemes are operated.

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Aggregate emoluments | 1,205,151 | 1,375,235 |
| Company contributions to a defined contribution pension scheme | 31,215 | 34,793 |
| | 1,236,366 | 1,410,028 |

**8. Directors' remuneration (continued)**

| Highest paid director | **2021** | *2020* |
|---|---|---|
| | **£** | *£* |
| Total emoluments | **641,110** | *641,110* |
| Company contributions to a defined contribution pension scheme | **15,045** | *14,145* |
| | **656,155** | *655,255* |

**9. Finance costs**

| | **2021** | *2020* |
|---|---|---|
| | **£** | *£* |
| Interest bearing loans | - | *4,121* |
| Lease financing arrangements | **2,643,166** | *3,390,540* |
| Leased asset costs | **66,668** | *80,856* |
| | **2,709,834** | *3,475,517* |

**10. Income tax**

| | **2021** | *2020* |
|---|---|---|
| | **£** | *£* |
| *Current tax* | | |
| UK Corporation tax on profits for the year | **148,013** | *221,157* |
| Adjustment in respect of prior years | **14,508** | *(729)* |
| **Total current tax** | **162,521** | *220,428* |
| *Deferred tax* | | |
| Origination and reversal of timing differences | **(24,987)** | *2,858* |
| Adjustment in respect of prior years | - | *31,029* |
| Impact of change in tax rates | - | *(333)* |
| **Total deferred tax** | **(24,987)** | *33,554* |
| **Income tax** | **137,534** | *253,982* |

The total tax charge is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained as follows:

| | **2021** | *2020* |
|---|---|---|
| | **£** | *£* |
| Factors affecting tax charge for the year | | |
| Profit before taxation – continuing operations | **702,422** | *1,047,362* |
| Tax on profits at an average rate of 19% (2020: 19%) | **133,460** | *198,999* |
| *Effects of:* | | |
| Expenditure not deductible for tax purposes | **(10,434)** | *24,985* |
| Impact in change in tax rates | | *(333)* |
| Tax losses brought forward | | - |
| Adjustment in respect of prior years | **14,508** | *30,331* |
| Total tax charge for the year | **137,534** | *253,982* |

## 11. 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.

## 11. Financial instruments (continued)

**Group**
**Year ended 30 September 2021**

| Fixed rate | Within one year<br>£ | 1 - 2 years<br>£ | 2 -3 years<br>£ | 3 - 4 years<br>£ | 4 - 5 years<br>£ | > 5 years<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|---|
| Loans and receivables - gross | 31,490,195 | 20,743,715 | 14,232,162 | 6,636,467 | 2,932,616 | - | 76,035,155 |
| Trade and other receivables | 813,914 | - | - | - | - | - | 813,914 |
| Receivables due from related parties (see Note 25) | 150,000 | - | - | - | - | - | 150,000 |
| Cash and cash equivalents | 1,791,348 | - | - | - | - | - | 1,791,348 |
| Interest-bearing loans and borrowings | (21,720,813) | (14,833,070) | (9,968,719) | (4,248,754) | (1,697,281) | - | (52,468,637) |
| Lease Liabilities | (245,927) | (226,111) | (211,883) | (211,883) | (211,883) | (201,532) | (1,309,219) |
| Trade and other payables | (949,082) | - | - | - | - | - | (949,082) |
| | **11,329,635** | **5,684,534** | **4,051,560** | **2,175,830** | **1,023,452** | **(201,532)** | **24,063,479** |

**Year ended 30 September 2020**

| Fixed rate | Within one year<br>£ | 1 - 2 years<br>£ | 2 -3 years<br>£ | 3 - 4 years<br>£ | 4 - 5 years<br>£ | > 5 years<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|---|
| Loans and receivables - gross | 32,481,308 | 20,550,325 | 13,216,323 | 7,245,591 | 1,609,898 | - | 75,103,445 |
| Trade and other receivables | 1,073,600 | - | - | - | - | - | 1,073,600 |
| Receivables due from related parties (see Note 25) | 150,000 | - | - | - | - | - | 150,000 |
| Cash and cash equivalents | 5,699,155 | - | - | - | - | - | 5,699,155 |
| Interest-bearing loans and borrowings | (24,640,262) | (15,357,513) | (8,375,537) | (4,159,082) | (488,823) | - | (53,021,217) |
| Lease Liabilities | (261,143) | (237,178) | (223,300) | (211,883) | (211,883) | (423,765) | (1,569,152) |
| Trade and other payables | (2,505,899) | - | - | - | - | - | (2,505,899) |
| | 11,996,759 | 4,955,634 | 4,617,486 | 2,874,626 | 909,192 | (423,765) | 24,929,932 |

**11. Financial instruments (continued)**

**Company**
**Year ended 30 September 2021**

| Fixed rate | Within one year | 1 - 2 years | 2 -3 years | 3 - 4 years | 4 - 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Trade and other receivables | 5,612,752 | - | - | - | - | - | 5,612,752 |
| Receivables due from related parties (see Note 25) | 150,000 | - | - | - | - | - | 150,000 |
| Cash and cash equivalents | 25,611 | - | - | - | - | - | 25,611 |
| Trade and other payables | (3,413,102) | - | - | - | - | - | (3,413,102) |
| | **2,375,261** | - | - | - | - | - | **2,375,261** |

**Year ended 30 September 2020**

| Fixed rate | Within one year | 1 - 2 years | 2 -3 years | 3 - 4 years | 4 - 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Trade and other receivables | 8,292,708 | - | - | - | - | - | 8,292,708 |
| Receivables due from related parties (see Note 25) | 150,000 | - | - | - | - | - | 150,000 |
| Cash and cash equivalents | 27,682 | - | - | - | - | - | 27,682 |
| Trade and other payables | (4,495,129) | - | - | - | - | - | (4,495,129) |
| | 3,975,261 | - | - | - | - | - | 3,975,261 |

## 12. Property, plant and equipment

Group

| | Leased Assets Other fixed assets | 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 2019 | 60,817 | 630,542 | 328,099 | 150,671 | 493,816 | 32,019 | 60,579 | 1,756,543 |
| Additions | - | - | - | - | 48,904 | 4,229 | - | 53,133 |
| Disposals | - | - | - | - | (831) | - | - | (831) |
| At 30 September 2020 | 60,817 | 630,542 | 328,099 | 150,671 | 541,889 | 36,248 | 60,579 | 1,808,845 |
| Additions | - | - | - | - | 14,498 | 954 | - | 15,452 |
| Disposals | (60,817) | (630,542) | - | (79,446) | (232,852) | (16,647) | (4,629) | (1,024,933) |
| **At 30 September 2021** | **-** | **-** | **328,099** | **71,225** | **323,535** | **20,555** | **55,950** | **799,364** |
| **Accumulated depreciation** | | | | | | | | |
| At 1 October 2019 | 54,083 | 624,951 | 52,076 | 111,460 | 489,301 | 24,866 | 12,541 | 1,369,278 |
| Depreciation charge | 6,734 | 5,591 | 34,425 | 13,264 | 22,738 | 6,936 | 12,016 | 101,704 |
| Disposals | - | - | - | - | (416) | - | - | (416) |
| At 30 September 2020 | 60,817 | 630,542 | 86,501 | 124,724 | 511,623 | 31,802 | 24,557 | 1,470,566 |
| Depreciation charge | - | - | 33,714 | 10,796 | 26,078 | 3,832 | 16,613 | 91,033 |
| Disposals | (60,817) | (630,542) | - | (79,446) | (232,852) | (16,647) | (4,629) | (1,024,933) |
| **At 30 September 2021** | **-** | **-** | **120,215** | **56,074** | **304,849** | **18,987** | **36,541** | **536,666** |
| **Net book value** | | | | | | | | |
| At 1 October 2019 | 6,734 | 5,591 | 276,023 | 39,211 | 4,515 | 7,153 | 48,038 | 387,265 |
| At 30 September 2020 | - | - | 241,598 | 25,947 | 30,266 | 4,446 | 36,022 | 338,279 |
| **At 30 September 2021** | **-** | **-** | **207,884** | **15,151** | **18,686** | **1,568** | **19,409** | **262,698** |

## 13. Other financial assets

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| **Non-current assets** | | |
| Loan receivables (see Note 13.1) | **25,920,441** | *21,562,917* |
| Finance lease receivables (see Note 13.2) | **13,894,945** | *16,263,972* |
| | **39,815,386** | *37,826,889* |

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| **Current assets** | | |
| Loan receivables (see Note 13.1) | **13,597,676** | *11,807,654* |
| Finance lease receivables (see Note 13.2) | **11,950,702** | *15,323,672* |
| | **25,548,378** | *27,131,326* |

### 13.1 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 11 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 2021 £ | *Group 2020 £* |
|---|---|---|
| Less than 30 days | **84,930** | *72,026* |
| 31 - 60 days | **79,866** | *57,539* |
| 61 - 90 days | **27,702** | *38,659* |
| 91 - 120 days | **17,121** | *36,986* |
| Greater than 120 days | **-** | *11,829* |
| Total | **209,619** | *217,039* |

### 13.2 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.

Amounts receivable under finance leases:

**Minimum lease payments**

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| Less than 1 year | 14,458,800 | *17,885,423* |
| More than 1 year but less than 5 years | 15,595,109 | *18,278,342* |
| | 30,053,909 | *36,163,765* |
| Less: Unearned finance income | (4,208,262) | *(4,576,121)* |
| **Present value of minimum lease payments receivable** | 25,845,647 | *31,587,644* |

**Present value of minimum lease payments**

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| Less than 1 year | 11,950,702 | *15,323,672* |
| More than 1 year but less than 5 years | 13,894,945 | *16,263,972* |
| | 25,845,647 | *31,587,644* |
| Less: Unearned finance income | - | - |
| **Present value of minimum lease payments receivable** | 25,845,647 | *31,587,644* |

The allowance for expected credit loss relating to loan and finance lease receivables at 30 September 2021 was £896,952 (2020: £1,551,787). Specific provisions of £2,526,485 (2020: £2,930,099) 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 ageing is as below.*

### 13.2 Finance lease receivables (continued)

Age of receivables that are past due but not impaired:

| Leases | Group 2021 £ | *Group 2020 £* | Company 2021 £ | *Company 2020 £* |
|---|---|---|---|---|
| Less than 30 days | **60,971** | *87,034* | **5,100** | *227* |
| 31 - 60 days | **20,632** | *57,230* | - | *38* |
| 61 - 90 days | **11,088** | *33,376* | **406** | *31* |
| 91 - 120 days | **8,582** | *28,103* | - | *31* |
| Greater than 120 days | **7,735** | *38,398* | - | *362* |
| Total | **109,008** | *244,141* | **5,506** | *689* |

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.

## 14. Deferred tax

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| At 1 October | **(9,850)** | *23,703* |
| (Charge) / credit for the year | **24,986** | *(2,857)* |
| Adjustments in respect of prior years | - | *(31,029)* |
| Impact of change in tax rates | - | *333* |
| **At 30 September** | **15,136** | *(9,850)* |
| Deferred taxation can be analysed as follows: | | |
| Accelerated capital allowances | **15,136** | *(9,850)* |
| **Provision for deferred taxation** | **15,136** | *(9,850)* |

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.

## 15. Inventories

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| Finished goods | **961** | *24,938* |

Included in the cost of sales amount are inventories amounting to £23,977 (2020: £56,264) 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.

## 16. Trade and other receivables

| | Group 2021 £ | *Group 2020 £* | Company 2021 £ | *Company 2020 £* |
|---|---|---|---|---|
| Trade receivables | 319,073 | *537,164* | 1,950 | *754* |
| Amounts owed by Group undertakings | - | - | 5,460,802 | *8,141,954* |
| Other receivables | 152,950 | *150,000* | 150,000 | *150,000* |
| Prepayments | 341,891 | *386,436* | - | - |
| | **813,914** | *1,073,600* | **5,612,752** | *8,292,708* |

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

## 17. Cash and cash equivalents

| | Group 2021 £ | *Group 2020 £* | Company 2021 £ | *Company 2020 £* |
|---|---|---|---|---|
| Cash at bank and in hand | 1,791,348 | *5,699,155* | 25,611 | *27,682* |

## 18. Interest-bearing loans and borrowings

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| **Non-current liabilities** | | |
| Amounts due under lease financing arrangements | 28,871,437 | *27,169,477* |

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| **Current liabilities** | | |
| Amounts due under lease financing arrangements | 19,720,998 | *22,627,583* |

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.

## 19. Trade and other payables

| | Group 2021 £ | *Group 2020 £* | Company 2021 £ | *Company 2020 £* |
|---|---|---|---|---|
| Trade payables | **193,872** | *298,374* | **41,664** | *49,035* |
| Amounts owed to Group undertakings | - | - | **3,069,385** | *3,036,674* |
| Other taxation and social security | **106,222** | *138,647* | **106,222** | *138,647* |
| Value added tax payable | **195,831** | *1,270,773* | **195,831** | *1,270,773* |
| Other payables | **23,394** | *256,024* | - | - |
| Accruals and deferred income | **429,763** | *542,081* | - | - |
| | **949,082** | *2,505,899* | **3,413,102** | *4,495,129* |

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

## 20. Leases

### 20.1 Right of Use Assets

| Group and Company | Right of Use - Buildings | Right of Use – Office equipment | Right of Use – Motor Vehicles | Total |
|---|---|---|---|---|
| **Cost** | £ | £ | £ | £ |
| At 1 October 2020 | 1,454,948 | 48,079 | 127,972 | 1,630,999 |
| Additions* | - | 11,158 | 21,819 | 32,977 |
| Disposals | - | (19,685) | (40,046) | (59,731) |
| **At 30 September 2021** | **1,454,948** | **39,552** | **109,745** | **1,604,245** |
| **Accumulated depreciation** | | | | |
| At 1 October 2020 | 409,155 | 37,043 | 55,327 | 501,525 |
| Depreciation charge | 145,415 | 11,030 | 41,171 | 197,616 |
| Disposals | - | (19,685) | (24,976) | (44,661) |
| **At 30 September 2021** | **554,570** | **28,388** | **71,522** | **654,480** |
| **Net book value** | | | | |
| At 1 October 2020 | 1,045,793 | 11,036 | 72,645 | 1,129,474 |
| ***At 30 September 2021*** | **900,378** | **11,164** | **38,223** | **949,765** |

*Additions to right-of-use assets include modifications to existing lease agreements.

### 20.2 Lease Liabilities

The following tables show the discounted lease liabilities included in the Group statement of financial position and a maturity analysis of the contractual undiscounted lease payments:

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| Non-current lease liabilities | **932,676** | *1,091,932* |
| Current Lease liabilities | **190,545** | *216,115* |
| **Total lease liabilities** | **1,123,221** | *1,308,047* |

**20.2 Lease Liabilities (continued)**

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| **Maturity Analysis** | | |
| Less than one year | **243,115** | *261,143* |
| One to five years | **858,947** | *884,243* |
| More than five years | **201,534** | *413,414* |
| **Total undiscounted lease liabilities** | **1,303,596** | *1,558,800* |

**Amounts recognised in the Group statement of comprehensive income:**

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| Interest on lease liabilities | **66,668** | *76,654* |
| Depreciation expense of right-of-use assets | **197,616** | *214,946* |

**Amounts recognised in the statement of cash flows:**

| | Group 2021 £ | *Group 2020 £* |
|---|---|---|
| Total cash outflow for leases | **266,517** | *289,621* |

In May 2022 the Group relocated to new office space within the same building. The existing lease was assigned to a new tenant and a new 10 year lease taken out on the new premises. The net impact on the accounts is an increase in right of use assets of £0.2m, a reduction in fixed assets of £0.2m of fixed assets, and a loss on disposal of £0.3m.

## 21. Ordinary share capital

| | 2021 £ | *2020 £* |
|---|---|---|
| **Group and Company** | | |
| **Authorised shares** | | |
| Ordinary 'A' shares of £1 each | **500,000** | *500,000* |
| Ordinary 'B' shares of £1 each | **50,000** | *50,000* |
| Ordinary 'C' shares of £1 each | - | *50,000* |
| | **550,000** | *600,000* |

| **Ordinary shares issued and fully paid** | **No.** | *£* |
|---|---|---|
| At 1 October 2020 | **589,224** | *589,224* |
| Class C share buy-back | **(49,255)** | *(49,255)* |
| **At 30 September 2021** | **539,969** | *539,969* |

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 | 2021 | *2020* |
|---|---|---|
| | £ | *£* |
| **Ordinary 'A'** | | |
| Interim Dividends paid: £0.40 per share (2020: £0.60 per share) | **200,000** | *300,000* |
| Special Dividends paid: £20.33 per share (2020: £20.33 per share) | **1,000,000** | *1,000,000* |
| **Ordinary 'B'** | | |
| Interim Dividends paid: £2.17 per share (2020: £2.00 per share) | **216,667** | *100,000* |
| **Ordinary 'C'** | | |
| Interim Dividends paid: £1.66 per share (2020: £2.00 per share) | **83,333** | *100,000* |
| **Balance of dividends paid on equity capital** | **1,500,000** | *1,500,000* |

## 23. Investments

| *Company* | *Investments* in subsidiary companies £ |
|---|---|
| **Cost or valuation** | |
| At 1 October 2019 | 5 |
| Additions | - |
| Disposals | - |
| At 30 September 2020 | 5 |
| Additions | - |
| Disposals | - |
| **At 30 September 2021** | **5** |
| **Impairment** | |
| At 1 October 2019 | - |
| Disposals | - |
| At 30 September 2020 | - |
| Impairment | - |
| **At 30 September 2021** | **-** |
| **Net book value** | |
| *At 30 September 2020* | 5 |
| **At 30 September 2021** | **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.

## 23. Investments (continued)

| Name | Principal activities | Location of registered office | % equity interest 2021 % | 2020 % |
|---|---|---|---|---|
| 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 (NO 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 |

## 24. Cash inflows from operations

**Group**

| | 2021 £ | 2020 £ |
|---|---|---|
| Profit before tax | 702,422 | 1,047,362 |
| *Adjusted for:* | | |
| Depreciation | 288,649 | 316,650 |
| Loss on disposal of Property, plant and equipment | - | 416 |
| Finance costs | 2,709,834 | 3,475,517 |
| | 3,700,905 | 4,839,945 |
| Decrease in inventory | 23,977 | 47,302 |
| Decrease in trade and other receivables | 234,698 | 188,318 |
| (Decrease)/Increase in trade and other payables | (2,566,518) | 1,028,315 |
| Net cash generated from operations | 1,393,062 | 6,103,880 |

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

**Company**

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Loss before tax | - | *(5,268)* |
| *Adjusted for:* | | |
| Finance costs | - | *4,121* |
| | - | *(1,147)* |
| Decrease in trade and other receivables | **2,679,957** | *1,232,196* |
| Increase in trade and other payables | **(1,082,027)** | *780,818* |
| Net cash generated from operations | **1,597,930** | *2,011,867* |

**25. Related parties**

The Group financial statements include the financial statements of the subsidiaries listed in the table in Note 23. All subsidiaries are situated at the Company's registered address which is as per Note 1: General Information.

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**

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Amounts owed by related parties** | | |
| - Subsidiaries | **5,460,802** | *8,141,954* |
| - J. C. G. Eddy | **150,000** | *150,000* |
| **Amounts owed to related parties** | | |
| - Subsidiaries | **3,069,385** | *3,036,674* |

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

**Key management expenses and transactions**

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

**26. 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.