

# Information Brochure

The Asset Exchange Ltd

12% Secured Crowd Bond

\*Eligible for the Innovative Finance ISA

[www.crowdforangels.com](http://www.crowdforangels.com)



Information Brochure

# Disclaimer

Please read this important risk related information.

Investing in Crowd Bonds through Crowd for Angels (UK) Limited involves lending to companies and therefore your capital is at risk and interest payments are not guaranteed if the borrower defaults. It should be done only as part of a diversified portfolio. Crowd for Angels is targeted exclusively at investors who are sufficiently sophisticated to understand these risks and make their own investment decisions. You will only be able to invest via Crowd for Angels once you are authorised.

This document has been approved as a Financial Promotion by Crowd for Angels (UK) Limited (Company number: 03064807), which is authorised and regulated by the Financial Conduct Authority (Reference number: 176508). Investments made in companies listed on the Crowd for Angels platform are not covered by the Financial Services Compensation Scheme (FSCS).

The availability of any tax relief depends on the individual circumstances of each investor and may be subject to change in the future. If you are in any doubt about the availability of any tax reliefs, or the tax treatment of your investment, you should obtain independent tax advice before proceeding with your investment.



# Business overview



Trading under The Car Loan Centre brand, The Asset Exchange Ltd (AE) is an asset-backed lender which operates in the UK used car finance market, providing cars and car loans to borrowers who are unable to obtain vehicle finance through traditional lending sources. The company is regulated by the Financial Conduct Authority (FCA). AE's business model is unique as a lender first and foremost, but is supported by an online car supermarket. This enables the company to sell and finance cars nationwide and negates the need for multiple sales outlets to gain distribution.

Revenues are earned from car sales, fees and interest on loans. On the loans side, AE typically lends from £5,000 to £10,000 per customer over a 36 to 48 month time frame under Hire Purchase Agreements. It charges an annual interest

rate of 28%, with a typical APR of 56%. To date the company has advanced approximately £5 million to borrowers, with overall receivables of £8.6 million, and lends approximately £550,000 a month.

Underwriting is based on customer affordability, not on credit scoring, with the company looking at bank statements and assessing a customer's true affordability for entering into a Hire Purchase Agreement. If a customer defaults on an agreement AE can locate the vehicle (via a tracking device) and recover it back into its possession. The vehicle can then be resold on finance after it has passed the company's stringent quality assessments, negating the need to provide for significant bad debts.

# Key Management



Alan Tomlin qualified as a Chartered Accountant in 1985 following training at Deloitte. Appointed as the Financial Controller at Virgin Atlantic Airways he was responsible for establishing all accounting processes and procedures from launch and during his 9 years tenure ensured robust fiduciary control and credible relationships with regulators in a period of very significant growth. Alan moved to Virgin Rail Group, pre-launch, as Finance Director providing his expertise in financial planning and expertise to the Board.

He also negotiated the joint venture agreement with Stagecoach plc, negotiated contracts in excess of £2 billion for rolling stock and managed the migration of franchises from British Rail to the Virgin Rail Group. Approached for assistance with a loss making part of the Virgin group, The Trainline.com, Alan took over as CEO in 2001 and managed with acquisitions, and major reorganisation to turn around the business into substantial profit managing the sale of the business for £200 million.



Gareth Noonan is a co-founder and partner of Alwyne Capital, a boutique merchant bank focused on providing capital raising, M&A and restructuring advice to companies in the specialty finance, renewable energy and technology sectors. He has been an investment banker for over 15 years, with in-depth expertise and experience in leveraged and acquisition financing, M&A and restructuring across a broad range of industries.

Prior to founding Alwyne Capital, he was Managing Partner at Cohen & Company for four years, responsible for European investment banking and capital markets, with a focus on specialty finance and special situations. Before that he was a Managing Director at Merrill Lynch where he was responsible for European leveraged loan and high yield capital markets, Gareth worked in leveraged finance at Deutsche Bank in New York and London. He started his banking career at Wasserstein Perella in New York, prior to which he was an attorney for five years at White & Case.

# Crowd Bond Details

The Asset Exchange Limited is seeking up to £300,000 via a secured crowd bond offering 12% p.a., paid monthly, fixed for 18 months. The proceeds will be used to acquire vehicles for financing to customers under hire purchase agreements, and for normal trading operations.

Minimum investment target:	<b>£250,000</b>
Maximum investment target:	<b>£300,000</b>
Bond type:	<b>Secured crowd bond, monthly interest payments with principal repaid at maturity.</b>
IF-ISA eligibility:	<b>Yes</b>
Term:	<b>540 days (18 months)</b>
Interest rate:	<b>12% per annum</b>
Interest payment frequency:	<b>Every 30 days</b>
Security:	<b>The bond will be secured by hire purchase agreements and the underlying vehicles.</b>
LTV ratio:	<b>60%</b>
Minimum investment:	<b>£100</b>



## Security and Repayment

### How will the loan be repaid & what is my security?

The Asset Exchange will repay the crowd bond from its long-term financing. The company is currently embarking on raising £50 million over a three-year period, of which £17 million will be deployed in Year 1. AE currently is in discussions with potential financiers, 3 of which already have access to the AE data room for due diligence purposes. Various meetings have been held with all, and due diligence questions raised and answered from the 3 parties.

The crowd bond will be secured against hire purchase agreements and the underlying vehicles to a value amounting to 165% of the issued bond amount. For example, if the minimum £250,000 is raised, £412,500 of future receivable will be set aside as security. Security is maintained and topped up at the end of each month for repayment and defaults. So if a customer defaults on an AE hire purchase agreement, AE will remove it and replace it with another live agreement, to ensure the level of security is maintained.



Investment Brochure

## What You Could Earn

Loan Amount	Monthly Gross Interest	Annual Gross Interest	Total Repayment
£1,000	£10	£120	£1,180
£5,000	£50	£600	£5,900
£10,000	£100	£1,200	£11,800
£25,000	£250	£3,000	£29,500

# Financials

Please note that any forward looking statements, including financial forecasts, are not a reliable indicator of future performance.

Year End: December	Prior Year	Jan 17/Dec 17	Jan 18/Dec 18	Jan 19/Dec 19
Sales	£6,684,000	£9,597,000	£24,282,000	£49,133,000
Cost of Sales	-£3,929,000	-£6,522,000	-£16,481,000	-£32,380,000
Gross profit	£2,755,000	£3,075,000	£7,802,000	£16,753,000
Overheads	-£2,593,000	-£2,831,000	-£3,823,000	-£5,778,000
Pre-tax profit/loss	-£501,000	-£759,000	£2,320,000	£7,808,000

## Notes:

\*Interest expense for each year commencing with the Prior Year are: £-663,800, £-1,003,200, £-1,658,300 and £-3,166,700 respectively. Please note that any forward looking statements, including financial forecasts, are not a reliable indicator of

# About Crowd for Angels

Crowd for Angels is an FCA regulated crowdfunding platform that funds companies through the issue of both shares and bonds to investors. Our goal is to bring innovative and appealing products to investors and to provide funding for companies throughout their growth cycle

Our investors get the opportunity to invest in shares in a tax efficient manner through the use of SEIS/EIS tax relief and through Crowd Bonds that can be held in a tax free\* IF-ISA wrapper. We never charge our investors any fees and companies looking for investment only pay if the funding is a success.

Crowd for Angels performs extensive up front checks on every one of the companies which pitches on our platform. This including verifying details of their directors' backgrounds, the company's finances and their business plan, among many other areas. Everything that you see in a live company's pitch has been exactly checked by us, and we require evidence for every

claim that a company makes in their pitch.

Only 8 out of 100 companies to apply to pitch on our platform make it through this rigorous vetting process – we will only place a pitch on our platform if we believe that the company is trustworthy, reliable, has true potential and we would consider investing in ourselves (indeed, for many pitches we've

done just that).

while we don't endorse any pitch on our platform, every company which has their pitch placed has gone through a rigorous due diligence process, helping you to feel confident in your investment.



# Frequently Asked Questions

## **Who are Crowd for Angels?**

Crowd for Angels is an FCA regulated UK crowdfunding platform that raises funds for companies through the issue of shares and crowd bonds to investors in a tax efficient manner. We have helped raise several million pounds for UK companies and continue to help companies through their growth cycle.

## **How can The Asset Exchange Ltd afford the 12% rate?**

The company model charges customers an annual interest rate of 28% with a typical APR of 56% and therefore can afford the 12% interest rate being offered.

## **What security do investors have?**

The Asset Exchange Ltd crowd bond will be secured by hire purchase agreements and the underlying vehicles. With future receivables amounting to 165% of the issued Bond amount.

## **Does Crowd for Angels charge investors any fees?**

We do not charge investors a fee.

## **Where are investor's money kept before completion?**

Investor monies are directly deposited into a specifically designated 'client account' at NatWest Bank.

## **Is the Asset Exchange crowd bond eligible for inclusion in the IF-ISA?**

Yes, we are authorised as an ISA Manager by HMRC.

## **Is Crowd for Angels covered by the Financial Services Compensation Scheme?**

Investments made in companies listed on the Crowd for Angels platform are not covered by the Financial Services Compensation Scheme (FSCS).

# Risk Factors

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Risks involved in subscribing to The Asset Exchange's crowd bond include but are not limited to:

## **Crowd bonds specific risks**

The "crowd bonds" available through Crowd for Angels, such as that offered by Asset Exchange, are often referred to as "high-yield" bonds. These are debt securities which have not been graded by any credit rating agency and have been issued by companies with lower or no credit ratings. As a result they represent a higher risk for the investor, so tend to offer higher interest payments than other debt securities.

## **Default risk**

Crowd bonds have a higher risk of default than rated debt instruments. This means that the issuer of these bonds is more likely to fail to meet payments of interest and principal and may have a higher risk of insolvency. This means a greater risk of loss of your capital or investing without any returns.

## **Security may be insufficient to cover capital**

Crowd bonds offered via the Crowd for Angels site will normally be secured against assets of the company, as described in the individual company pitches. Independent valuations of those assets may be inaccurate, the prices of assets held as security may fluctuate and it may be difficult to realise any security within a reasonable time or at all. While crowd bonds may be secured, this does not mean that repayment of interest or principal is guaranteed.

## **Illiquidity**

Crowd bonds will typically have a maturity of between 1-5 years but may be for longer. You may have no rights or be unable to cash them in early or sell them at any price as they are unlikely to be sold or dealt with on any investment exchange or public market and there will be no secondary market for them



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