Company Registration No: 10270026

Aspen Bridging Limited

Annual Report and Financial Statements

For the year ended 31 January 2020

Aspen Bridging Limited

CONTENTS

Aspen Bridging Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E H Ahrens
A M V Coombs
G D C Coombs
J E Coombs
C H Redford
M K Bhogal (appointed 1 October 2019)

COMPANY SECRETARY

C H Redford

REGISTERED OFFICE

2 Stratford Court
Cranmore Boulevard
Solihull
Birmingham
B90 4QT

BANKERS

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

SOLICITORS

DLA
Victoria Square House
Victoria Square
Birmingham
B2 4DC

AUDITOR

Deloitte LLP
Statutory Auditors
Birmingham
United Kingdom

Aspen Bridging Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The Company provides underwritten secured property bridging finance via brokers to the property bridging market.

BUSINESS REVIEW, RESULTS AND FUTURE DEVELOPMENTS

The Company started trading on 1 February 2017 providing underwritten property bridging finance via brokers to the property bridging market.

The financial year 2019/2020 was a successful third year for Aspen Bridging Limited as the business continued to develop strong broker relationships, increasing the online marketing presence, working with good business partners and continuing to evolve the rigorous underwriting processes resulting in £31m (2019: £23m) total loan advances being made throughout the year. These loan advances related to 57 bridging loan facilities (2019: 62 loan facilities) with 69 loans (2019: 40 loans) being repaid before the year end. The company gained an additional industry award during 2019 which when added to the two previous awards (2018) continues to reflect positively on the products and services being offered to the broker market. These awards also help the awareness by brokers of the company's continued growing profile and reputation in the bridging finance market and this bodes well for the Company's future development. In the light of the onset of the Covid-19 virus, government restrictions make current market conditions challenging. Aspen are using this period to further develop their product and likely future approach to the market where directors believe there may be increased opportunities available due to likely changes in market dynamics. The directors see these third year results as continuing to provide a promising platform for the future development and growth of the Company when market conditions allow.

The Company's profit on ordinary activities after tax was £976,307 (2019: £679,544) and this is a positive step forward from the previous year results for 2018/2019, The Company is achieving profit on a month by month basis as the income generated for each loan gets stronger through the life of the loan. The directors therefore consider the third year result to be satisfactory and no dividend will be payable leaving retained profits of £976,307 (2019: £679,554) to be transferred to reserves. The Company's principal balance sheet asset is its book debt, the value of which at year-end was over £21m (2019: £18m), and the directors consider the year-end balance sheet position to be satisfactory.

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES

There have been no material changes in the principal risks and uncertainties in the last reported year. After the year-end, the onset of the Covid-19 virus and the speculation surrounding it pose challenges for businesses and consumers in the UK. It is also a principal risk for Aspen, which has strategies in place and the skills, resilience and experience to meet those challenges. But they are unprecedented and the effect on the economy is unknown – reliable estimates of both scale and timing do not exist.

Consumer and Economic risks including the value of security

The Company is involved in the provision of secured credit to individuals and corporates. It is considered that the key material risk to which the Company is exposed is the credit risk inherent in amounts receivable from customers. This risk is principally controlled through our credit control policies supported by ongoing reviews for impairment. The value of amounts receivable from customers may also be subject to the risk of a severe downturn in the UK economy which might affect the value of the underlying security and/or the customer ability to repay. Whilst some political and economic uncertainties were beginning to dissipate following the General Election of last year and the confirmation of Brexit, the Coronavirus pandemic has raised further uncertainties which are discussed above and in note 1.2 to the accounts. Property Bridging Loans are for large amounts to a few individual borrowers so individual borrower concentration risk is quite high at this early stage of the Company's development but the underlying securities are well spread geographically. It is recognised that as the Company is only involved in Property Bridging Finance, there is an element of market concentration risk and within that to the values of the properties which are used as security. These economic and concentration risks are principally controlled through our credit control policies including loan to value limits that, based on significant analysis vary by geography and security property type and through ongoing monitoring and evaluation. There are no actual capital losses to date at this stage of the business development.

STRATEGIC REPORT (CONTINUED)

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Funding and liquidity Risk

Funding and liquidity risk relates to the availability of sufficient borrowing facilities for the Company to meet its liabilities as they fall due. The Company is currently funded exclusively by inter company borrowing from its parent company S&U Plc so funding and liquidity risk is managed at Group level. Group funding risk is managed by ensuring that the Group has a variety of funding sources and by managing the maturity of borrowing facilities such that sufficient funding is available for the medium term. Compliance with Group banking covenants is monitored closely so that facilities remain available at all times. The Group's activities expose it to the financial risks of changes in interest rates and where appropriate the Group uses interest rate derivative contracts to hedge these exposures in bank borrowings.

Legal Risk

In terms of legal risk, the Company is subject to legislation including credit legislation which contains very detailed and highly technical requirements. The Company has procedures in place and has specialist legal and compliance advisers to ensure compliance with this legislation. The Company is also a member of two important trade body associations that provide guidance on compliance and regulation whilst also requiring very high standards of conduct by any member. Whilst the Property Bridging Loans provided by Aspen Bridging are unregulated, the company still has a registration with the FCA for Anti Money Laundering purposes and is required to ensure the loans being made are appropriate. The Company like other companies in the financial services sector therefore still has exposure to a reduction in earnings and/or value, through financial or reputational loss, from failing to comply with the laws and regulations. These risks are addressed by the constant review and monitoring of the Company's internal controls and processes. This constant review and monitoring are buttressed by special advice from lawyers and from trade and other organisations and by the work of our internal auditors. In addition the Company also manages this risk through staff training.

Other operational risks are endemic to any finance business. Rigorous procedures, detailed recovery plans and, above all, sound experience and commercial common sense provide the Company with the appropriate protection.

STATEMENT OF GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and inter company borrowings are set out in the financial statements. The Group have committed to continue to support the Company at this early stage of its development. In assessing the appropriateness of the going concern assumption, the directors are mindful of the need to effectively manage the Company's risks. The Company is part of the S&U Group and the Group's objectives, policies and processes for managing its capital are described in the notes to the S&U Plc Group financial statements. Details of the Group's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit risk, market risk and liquidity risk are also set out in the notes to the S&U Plc Group financial statements and in the principal risks and uncertainties set out above. In considering all of the above, the directors believe that the Company is well placed and has sufficient financial resources to manage its business risks successfully despite the uncertain economic outlook.

It should be recognised that since the end of the financial year in January 2020 the UK has been dealing with the challenges that Covid-19 has brought to all industries and sectors. Accordingly, Aspen has reacted with what is hoped are temporary measures to reduce risk such as lowering LTV and maximum loan size restrictions to protect the exposure. These measures along with our pre-existing ability to remotely work as a team mean we are conducting business as usual albeit on tighter criteria. Aspen also continues to be fully operational on the repayment of loans working alongside our partners such as our lawyers and agents whilst at the same time understanding the need for forbearance for some in the short term.

STRATEGIC REPORT (CONTINUED)

STATEMENT OF GOING CONCERN (CONTINUED)

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

APPROVAL OF STRATEGIC REPORT

This Strategic Report has been prepared for the Company in accordance with Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Approved by the Board of Directors and signed on behalf of the Board

Manjeet Bhogal

MK Bhogal

Director

28 April 2020

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2020.

DIRECTORS

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

EH Ahrens, AMV Coombs, GDC Coombs, JE Coombs, CH Redford, MK Bhogal.
MK Bhogal was appointed on 1 October 2019.

The Company has qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

DIVIDENDS

No dividends were paid during the year (2019: £nil).

CAPITAL STRUCTURE

Details of the issued share capital, together with details of the movements in the Company's issued shared capital during the year are shown in note 12. The Company has one class of ordinary share which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfers of securities or on voting rights.

INFORMATION PROVIDED TO THE AUDITORS

Each of the directors at the date of approval of this report confirms that

1. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

2. the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

POST BALANCE SHEET EVENTS

After the yearend, the onset of the Covid-19 virus and the speculation and restrictions surrounding it pose challenges for consumers in the UK. This has been considered in the going concern disclosures in the strategic report above. Aspen has strategies in place and the skills, resilience and experience to meet those challenges. But they are unprecedented and the full effect on the economy is unknown – fully reliable estimates of both scale and timing do not exist.

DIRECTORS' REPORT (CONTINUED)

INFORMATION PRESENTED IN OTHER SECTIONS

Certain information required to be included in the Director's Report can be found in other sections of the Annual Report and financial statements or in the Group Annual Report. All the information presented in these sections is incorporated by reference into this Director's Report by reference into this Director's Report and is deemed to form part of this report.

- The Company's principal risks and uncertainties are set out in the Strategic Report.
- The Company's likely future developments are also set out in the Strategic Report.

Approved by the Board of Directors and signed on behalf of the Board

Manjeet Bhogal

MK Bhogal

Director

28 April 2020

Aspen Bridging Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Manjeet Bhogal

MK Bhogal

Director

28 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN BRIDGING LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aspen Bridging Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 January 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 18

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN BRIDGING LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN BRIDGING LIMITED (CONTINUED)

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Kieren Cooper FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

28 April 2020

ASPEN BRIDGING LIMITED

INCOME STATEMENT
For the year ended 31 January 2020

	Note	2020 £	2019 £
Revenue		4,473,773	2,842,944
Cost of sales	3	(1,346,035)	(658,960)
Gross profit		3,127,738	2,183,984
Administrative expenses		(1,061,821)	(806,904)
Operating profit	5	2,065,917	1,377,080
Finance costs	6	(860,756)	(538,880)
Profit before tax		1,205,161	838,200
Taxation	7	(228,854)	(158,646)
Profit for the year		976,307	679,554

All activities derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME	2020 £	2019 £
Profit for the year	976,307	679,554
Total Comprehensive Profit for the year	976,307	679,554

BALANCE SHEET
As at 31 January 2020

	Note	2020 £	2019 £
ASSETS			
Non Current Assets			
Property, plant and equipment	8	40,159	46,868
		40,159	46,868
Current Assets			
Amounts receivable from customers	9	20,993,003	18,252,225
Trade and other receivables	10	171,147	59,153
Cash and cash equivalents		-	-
		21,164,150	18,311,378
Total Assets		21,204,309	18,358,246
LIABILITIES			
Current liabilities			
Current tax liabilities		(149,000)	(161,000)
Accruals and deferred income		(114,021)	(99,883)
Total current liabilities		(263,021)	(260,883)
Non current liabilities			
Trade and other payables	11	(19,527,690)	(17,660,072)
Total non current liabilities		(19,527,690)	(17,660,072)
Total liabilities		(19,790,711)	(17,920,955)
NET ASSETS		1,413,598	437,291
Equity			
Called up share capital	12	100	100
Profit and loss account		1,413,498	437,191
Total equity		1,413,598	437,291

The financial statements for Aspen Bridging Limited (company registered no. 10270026) were approved by the Board of Directors on 28 April 2020.

Signed on behalf of the Board of Directors

Manjeet Bhogal

MK Bhogal

Director

Aspen Bridging Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 31 January 2018	100	(242,363)	(242,263)
Total comprehensive income for year	-	679,554	679,554
At 31 January 2019	100	437,191	437,291
Total comprehensive income for year	-	976,307	976,307
At 31 January 2020	100	1,413,498	1,413,598

CASH FLOW STATEMENT
For the year ended 31 January 2020

	Note	2020 £	2019 £
Net cash outflow from operating activities	13	(1,858,613)	(6,381,397)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(9,005)	(25,651)
Net cash used in investing activities		(9,005)	(25,651)
Cash flows from financing activities			
Intercompany loan payable		1,867,618	6,407,048
Issue of new shares		-	-
Net cash from financing activities		1,867,618	6,407,048
Net (decrease)/ increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of year		-	-
Cash and cash equivalents at the end of year		-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2020

1. ACCOUNTING POLICIES

1.1 General Information

Aspen Bridging Limited is a private limited company and is limited by shares. The company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. All operations are situated in the United Kingdom.

1.2 Basis of preparation

As part of a listed group we elected to prepare our financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared under the historical cost convention. As discussed in the Strategic Report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As discussed in the strategic report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this reasonable expectation, the directors have considered the current situation in respect of Covid-19 and, in particular, the potential for increased customer repayment difficulties and temporary challenges with asset recovery and realisation at potentially lower residual values as well as operational challenges. Asset recovery and realisation challenges relate mainly to government movement restrictions. Operational challenges relate to the need to mobilise and support staff working from home, which has already been significantly mitigated by staff support and technology. The directors also considered the ongoing support of the Group and the strong balance sheet of the Group. The directors concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

There are no new standards which have been adopted by the Company this year which have a material impact on the financial statements of the Company. This follows the adoption of IFRS 9 in our accounts last year.

At the date of authorisation of these financial statements the directors anticipate that the adoption in future periods of any other Standards and interpretations which are in issue but not yet effective, will have no material impact on the financial statements of the Company.

1.3 Revenue recognition

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR) as per the requirements in IFRS 9. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Acceptance fees charged to customers and any direct transaction costs are included in the calculation of the EIR. Commission received from third party insurers for brokering the sale of title insurance products, for which the company does not bear any underlying insurance risk is recognised and credited to the income statement when the brokerage service has been provided.

1.4 Impairment and measurement of amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus direct transaction costs. After initial recognition the amounts receivable from customers are subsequently measured at amortised cost.

The directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is impaired only if there is objective evidence of credit impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower or group of

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Impairment and measurement of amounts receivable from customers (continued)

borrowers is experiencing financial difficulty, default or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. Under IFRS 9 for all stage 1 accounts which are not credit impaired, a further collective provision for expected credit losses in the next 12 months is calculated and charged to the income statement.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default (PD) and information regarding the likely eventual loss including recoveries (LGD). These assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

There are 3 classification stages under IFRS 9 for the impairment of amounts receivable from customers:

Stage 1: Not credit impaired and no significant increase in credit risk since initial recognition

Stage 2: Not credit impaired and a significant increase in credit risk since initial recognition

Stage 3: Credit impaired

For all loans in stages 2 and 3 a provision equal to the lifetime expected credit loss is taken In addition and in accordance with the provisions of IFRS 9 a collective provision for 12 months expected credit losses ("ECL") is recognised for the remainder of the loan book. 12 month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date.

PD/LGD calculations for expected loss impairment provisions have been developed for Aspen Bridging Limited in accordance with IFRS 9. Stage 1 expected losses are recognised on inception/initial recognition of a loan based on the probability of a customer defaulting in the next 12 months. If Aspen became aware of a significant adverse change in borrower or security circumstances during the life of the loan but the loan is not in default, then the loan is transferred to Stage 2. The Bridging product has a single repayment scheduled for the end of the loan term and if a bridging loan is not granted an extension or repaid and falls into default beyond the end of the loan term then this is deemed credit impaired and included in IFRS 9 Stage 3. Due mainly to the high values of property security attached to bridging loans, the bridging sector typically has lower credit risk and lower impairment than other credit sectors.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on the cost or valuation of property, plant and equipment in order to write such cost or valuation over the expected useful lives as follows;

Fixtures and Fittings	20% per annum straight line

1.6 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Taxation (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.7 Pensions

The Company offers a defined contribution pension scheme and the pension charge represents the amount payable by the Company for the financial year.

1.8 Financial Instruments

The Company's principal financial instruments are amounts receivable from customers and cash and these are stated at amortised cost less provision for any impairment.

1.9 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

There are no key accounting judgements which the directors have made in the process of applying the Company's accounting policies. The directors consider that the sources of estimation uncertainty which have the most significant effect on the amounts recognised in the financial statements are those inherent in the consumer credit markets in which we operate relating impairment as outlined in 1.4 above.

Measuring impairment in financial instruments is a key source of estimation uncertainty. The Company's impairment provision is dependent on management's forward looking judgements on areas such as interest rates and property prices. The company implemented IFRS 9 from 1 February 2018 by developing models to calculate expected credit losses in a range of economic scenarios. The key areas of judgement include setting modelling assumptions, weighting of economic scenarios, the criteria of determining significant deterioration in credit quality and the application of adjustments to model outputs.

2. SEGMENTAL ANALYSIS

All the Company's assets and liabilities, revenue and profit before tax are attributable to the provision of property bridging finance.

No geographical analysis is presented because all operations are situated in the United Kingdom.

3. COST OF SALES

	2020	2019
	£	£
Loan loss provisioning charge	712,656	206,316
Other cost of sales	633,379	452,644
	1,346,035	658,960

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2020	2019
Directors' emoluments	£	£
Salary	316,990	291,000
Pension	41,694	38,537
	358,684	329,537

The emoluments of the highest paid director are £196,000 for the year (2019: £193,833) and the Company paid pension contributions on his behalf of £27,384 (2019: £25,937). Three of the directors are paid by other S&U plc Group companies and received no remuneration for their services to this company.

	2020	2019
Number of directors who are members of a defined contribution pension scheme	4	3
Average number of persons employed		
Management and administration	10	6
Staff costs during the year (including directors):	£	£
Wages and salaries	623,932	465,826
Social security costs	71,733	50,992
Other pension costs	49,224	40,768
	744,889	557,586

5. OPERATING PROFIT

	2020	2019
	£	£
Operating profit is stated after charging:		
Depreciation and amortisation:		
Owned assets	15,714	13,912
Staff Costs	744,889	557,586
The analysis of auditor's remuneration is as follows;		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	15,500	14,500
Total audit fees	**15,500**	**14,500**
Total non audit fees	**-**	**-**
Total	**15,500**	**14,500**

Aspen Bridging Limited

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For the year ended 31 January 2020

6. FINANCE COSTS

	2020	2019
	£	£
Interest payable	860,756	538,880

7. TAX

	2020	2019
	£	£
Corporation tax at 19.0% based on the profit for the year	228,854	158,646
	228,854	158,646

The actual tax charge for the current and the previous year differs to the standard rate for the reasons set out in the following reconciliation.

	2020	2019
	£	£
Profit on ordinary activities before tax	1,205,161	838,200
Tax on profit on ordinary activities at standard rate of 19.0%	228,981	159,258
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	19	1,742
Adjustment in respect of prior period	(146)	(2,354)
Total tax credit for the year	228,854	158,646

The main rate of corporation tax was reduced from 20% to 19% with effect from 1 April 2017, therefore the tax rate applicable to the current period is a rate of 19.0% (2019: 19.0%). In the budget announcement on 11th March 2020 the government indicated that 19% will also now be the rate of corporation tax moving forward.

8. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings £	Total £
Cost or valuation		
At 1 February 2018	44,341	44,341
Additions	25,651	25,651
Disposals	(430)	(430)
As at 31 January 2019	69,562	69,562
Additions	9,005	9,005
Disposals	-	-
As at 31 January 2020	78,567	78,567
Accumulated depreciation		
At 1 February 2018	8,868	8,868
Charge for the year	13,912	13,912
Eliminated on disposals	(86)	(86)
As at 31 January 2019	22,694	22,694
Charge for the year	15,714	15,714
As at 31 January 2020	38,408	38,408
Net book value		
At 31 January 2020	40,159	40,159
At 31 January 2019	46,868	46,868

9. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2020 £	2019 £
Property Bridging credit receivables	21,949,006	18,620,598
Less: Loan loss provision	(956,003)	(368,373)
Amounts receivable from customers	20,993,003	18,252,225
Analysed by future date due		
- due within one year	20,993,003	17,877,034
- due in more than one year	-	375,191
Amounts receivable from customers	20,993,003	18,252,225
Analysis of security		
Loans secured on property	20,993,003	18,252,225
Other loans	-	-
Amounts receivable from customers	20,993,003	18,252,225
Analysis of overdue		
Not impaired		
Neither past due nor impaired	15,616,334	14,402,186
Past due up to 3 months but not impaired	-	-
Past due over 3 months but not impaired	-	-
Impaired		
Past due up to 3 months	1,321,220	2,390,520
Past due over 3 months and up to 6 months	-	-
		167,429
Past due over 6 months or default	4,055,449	1,292,090
Amounts receivable from customers	20,993,003	18,252,225

The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered and partial provisions of £228,368 (2019: £130,979) made on those loans currently assessed to have more difficult maturity exits with overall credit quality considered to be good. £727,635 relates to stage 3 (2019: £237,576) which is impaired – past due or default. The above analysis of when loans are due is based upon original contract terms which are not rescheduled although a two-month extension at the option of the lender is built into the contracts. This option is only utilised when a delayed but firm exit from the bridging loan can be reasonably forecast. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2019: £nil).

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2020

9. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

Analysis of loan loss provision and amounts receivable from customers (capital)

	Not Credit Impaired		Credit Impaired		
As at 31 January 2020	**Stage 1: Subject to 12 months ECL £**	**Stage 2: Subject to lifetime ECL £**	**Stage 3: Subject to lifetime ECL £**	**Total Provision £**	**Amounts Receivable £**
Property bridging finance	(228,368)	-	(727,635)	(956,003)	21,949,006
Total	(228,368)		(727,635)	(956,003)	21,949,006

As at 31 January 2019	Not Credit Impaired		Credit Impaired		
	Stage1: Subject to 12 months ECL £	**Stage 2: Subject to lifetime ECL £**	**Stage 3: Subject to lifetime ECL £**	**Total Provision £**	**Amounts Receivable £**
Property bridging finance	(130,797)	-	(237,576)	(368,373)	18,620,598
Total	(130,797)	-	(237,576)	(368,373)	18,620,598

The above tables are prepared on an IFRS9 basis. In accordance with the transitional provisions of the standard comparatives have not been restated.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2020

Loan loss provisions	Stage 1: Subject to 12 months ECL	Stage 2: Subject to lifetime ECL	Stage 3: Subject to lifetime ECL	Total Provision
At 1 February 2018	-	-	162,057	162,057
Net transfers and changes in credit risk	1,906	-	23,256	25,162
New loans originated	128,891	-	52,263	181,154
Total impairment charge to income statement	**130,797**	**-**	**75,519**	**206,316**
Utilised provision on write-offs	-	-	-	-
At 31 January 2019	130,797	-	237,576	368,373
Net transfers and changes in credit risk	(206,197)	-	583,283	377,086
New loans originated	303,768	-	31,802	335,570
Total impairment charge to income statement	**97,571**	**-**	**615,085**	**712,656**
Utilised provision on write-offs	-	-	(125,026)	(125,026)
At 31 January 2020	228,368	-	727,635	956,003

10. TRADE AND OTHER RECEIVABLES

	2020 £	2019 £
Amounts owed from other group undertakings	-	-
Prepayments and accrued income	171,147	59,153
	171,147	59,153

All the above amounts fall due within one year. The carrying value of trade and other receivables is not materially different to their fair value.

11. TRADE AND OTHER PAYABLES

	2020 £	2019 £
Amounts owed to other group undertakings	19,527,690	17,660,072

The amounts owed to other group undertakings on which interest is payable (note 6) have no fixed maturity date.

12. CALLED UP SHARE CAPITAL

	2020	2019
	£	£
Authorised, called up, allotted and fully paid		
100 Ordinary shares of £1 each	100	100

13. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FROM OPERATING ACTIVITIES

	2020	2019
	£	£
Profit before tax	1,205,161	838,200
Tax (paid)/received	(240,854)	58,354
Depreciation on plant, property and equipment	15,714	13,912
Loss on disposal of plant, property and equipment	-	344
Increase in amounts receivable from customers	(2,740,778)	(7,411,828)
(Increase)/decrease in trade and other receivables	(111,994)	40,159
Increase in accruals and deferred income	14,138	79,462
Net cash inflow from operating activities	(1,858,613)	(6,381,397)

14. RELATED PARTY TRANSACTIONS

The Company paid no dividends to its parent company S&U Plc during the year. During the current year the Company was recharged by other group undertakings for various administrative expenses incurred on behalf of Aspen Bridging Limited. At 31 January 2020 the Company owed £19,527,690 (2019: £17,660,072) to other group undertakings for receivables funding and £nil for administrative expenses (2019: £nil).

15. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling party is S&U Plc, a company incorporated in England. This is the largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up. Copies of the Group financial statements of S&U plc may be obtained from its registered office at 2 Stratford Court, Cranmore Boulevard, Solihull B90 4QT.

16. FINANCIAL COMMITMENTS

Capital commitments
At 31 January 2020 and 31 January 2019 the Company had no capital commitments contracted but not provided for.

17. PENSION SCHEMES

The Company made contributions of £49,224 (2019: £40,768) to defined contribution pension schemes and there are no outstanding contributions at 31 January 2020.

18. FINANCIAL INSTRUMENTS

The Company's principal financial instruments are amounts receivable from customers.

The Company's business objectives rely on maintaining a well spread customer base of carefully controlled quality by applying strong emphasis on good credit management, both through strict lending and valuation criteria at the time of underwriting a new credit facility and continuous monitoring of the proposed exit and collection process. The property bridging debts are secured by the property.

The table on the next page analyses the Company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

The average effective interest rate on financial assets of the Company was estimated to be 18% (2019: 18%). The average effective interest rate on financial liabilities of the Company at 31 January 2020 was estimated to be 4% (2019: 4%).

Currency and credit risk

The Company has no material exposure to foreign currency risk. The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4. It should be noted that the credit risk at the individual customer level is limited by strict adherence to credit control rules which are regularly reviewed. The credit risk is also mitigated by ensuring that the valuation of the security at origination of the loan is rigorously assessed and is within loan to value limits. As confirmation required under IFRS 8, no individual customer contributes more than 10% of the revenue for the Company. Company trade and other receivables and cash are considered to have no material credit risk as all material balances are due from highly rated banking counterparties.

Interest rate risk

The Company is part of the S&U Group whose activities expose it to the financial risks of changes in interest rates and where appropriate the Group uses interest rate derivative contracts to hedge these exposures in bank borrowings in accordance with disclosures made in the S&U Plc financial statements. There is considered to be no material interest rate risk in cash, trade and other receivables and trade and other payables.

Capital risk management

The Company is part of the S&U Group and the Board of Directors of S&U Plc assess the capital needs of the Group on an ongoing basis and approve all capital transactions. The Group's objective in respect of capital risk management is to maintain a conservative group gearing level with respect to market conditions, whilst taking account of business growth opportunities in a capital efficient manner. At 31 January 2020 the group gearing level was 66% (2019: 65%) which the directors consider to have met their objective.

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities are considered to be not materially different from their book values. No assets or liabilities are held on the balance sheet at fair value.

18. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The Company's liquidity risk is shown in the following tables which measure the cumulative liquidity gap.

	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Non interest bearing	Total
At 31 January 2020	£	£	£	£	£	£
Financial assets	20,993,003	-	-	-	-	20,993,003
Other assets	-	-	-	-	211,306	211,306
Total assets	20,993,003	-	-	-	211,306	21,204,309
Shareholder's funds	-	-	-	-	(1,413,598)	(1,413,598)
Intercompany loans	-	(19,527,690)	-	-	-	(19,527,690)
Other liabilities	-	-	-	-	(263,021)	(263,021)
Total liabilities and shareholder's funds	-	(19,527,690)	-	-	(1,676,619)	(21,204,309)
Cumulative gap	20,993,003	1,465,313	1,465,313	1,465,313	-	-

	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Non interest bearing	Total
At 31 January 2019	£	£	£	£	£	£
Financial assets	17,877,034	375,191	-	-	-	18,252,225
Other assets	-	-	-	-	106,021	106,021
Total assets	17,877,034	375,191	-	-	106,021	18,358,246
Shareholder's funds	-	-	-	-	(437,291)	(437,291)
Intercompany loans	-	(17,660,072)	-	-	-	(17,660,072)
Other liabilities	-	-	-	-	(260,883)	(260,883)
Total liabilities and shareholder's funds	-	(17,660,072)	-	-	(698,192)	(18,358,246)
Cumulative gap	17,877,034	592,153	592,153	592,153	-	-

18. FINANCIAL INSTRUMENTS (CONTINUED)

The gross contractual cash flows payable under financial liabilities are analysed as follows;

	Repayable on Demand	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Total
At 31 January 2020	£	£	£	£	£	£
Trade and other payables	-	-	-	-	-	-
Accruals and deferred income	-	114,021	-	-	-	114,021
Tax liabilities	-	149,000	-	-		149,000
Intercompany loans	-	-	19,527,690	-	-	19,527,690
At 31 January 2020	-	263,021	19,527,690	-	-	19,790,711

	Repayable on Demand	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Total
At 31 January 2019	£	£	£	£	£	£
Trade and other payables	-	99,883	-	-	-	99,883
Accruals and deferred income	-	161,000	-	-	-	161,000
Intercompany loans	-	-	17,660,072	-	-	17,660,072
At 31 January 2019	-	260,883	17,660,072	-	-	17,920,955