Company Registration No: 10270026

Aspen Bridging Limited

Annual Report and Financial Statements

For the year ended 31 January 2021

Aspen Bridging Limited

CONTENTS

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

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 Auditor
Birmingham
United Kingdom

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 2020/2021 started with an initial challenge as the UK entered a full lockdown due to the impact of Covid. The initial response of Aspen Bridging Limited was to tighten lending criteria and to roll out the remote lending operations processes that we had designed from the outset as our day to day operational model. As a result, Aspen was able to continue to operate and to lend despite the Government restrictions and the business continued to develop strong broker relationships and work with good business partners. By July 2020, Aspen were starting to operate at expected monthly business volumes again, largely returning to normal operating procedures and capacity whilst continuing to evolve the rigorous underwriting processes resulting in £43m (2020: £31m) total gross loan advances being made throughout the year. These loan advances related to 80 bridging loan facilities (2020: 57 loan facilities) with 53 loans (2020: 69 loans) being repaid before the year end. Whilst some competitors withdrew from the bridging market due to the Covid market uncertainties, Aspen continued to operate and offer loans which also improved 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. Whilst the Government restrictions make certain aspects of the market challenging, Aspen continues to see good levels of business and property transactions and a strong continued need for bridging loans to individuals and corporates in the property finance sector. Aspen continues to see this opportunity growing in the property finance sector in the coming years and the Company becoming a larger, well established, successful lender in this market. Aspen has developed and launched some new products including a light development product at the start of 2021 to complement the existing ones and these are increasing the demand for our products. The directors see these fourth year results as continuing to provide a promising platform for the future development and growth of the Company.

The Company's profit on ordinary activities after tax was £644,030 (2020: £976,307) and this is a positive step forward despite the challenging early half of 2020. The second half of the year finished strongly and consistently, with the Company achieving profit on a month by month basis. Key factors in the improved profitability are the improved collections and successful realisation of default loans during the year. The reduction of stage 3 provisions this year to £17,786 (2020: £727,635) relates to successful realisation of the default loans outstanding last year and the detailed movements are shown in note 9. Only 2 loans were just past due at 31 January 2021 and both of these have settled in full after the year end. These collection improvements and successful default loan realisations offset by growth in receivables have resulted in a provisioning charge in the year of £710,382 (2020: £712,656). The directors therefore consider the fourth year result to be satisfactory and no dividend will be payable (2020: £nil) leaving retained profits of £644,030 (2020: £976,307) 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 £34.1m (2020: £21.0m) and the group funding included in trade and other payables increased similarly to £32.0m (2020: £19.5m). 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. The onset of the Covid 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.

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's ability to repay. The impact of Covid and uncertainty regarding the evolution of Brexit and associated Government actions have raised further uncertainties which are discussed above and in note 1.2 to the accounts.

STRATEGIC REPORT (CONTINUED)

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Property bridging loans are for large amounts to a few individual borrowers so individual borrower concentration risk is quite high at this stage of the Company's development but the underlying securities are quite 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 and ongoing monitoring and evaluation, vary by geography and security property type.

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 S&U plc Group ("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.

The Company is also exposed to operational risk including the risk of not maintaining effective internal systems, organisation and staffing. During Covid increased use of technology and excellent application by our staff has helped the management of this systems risk and the Company has Cybersecurity measures in place which are regularly tested. Operations are led by highly experienced management teams with a strong communication, recognition and reward culture.

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. 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 and economic risk including Brexit and Covid risk (note 1.2) are also set out in the notes to the S&U Plc Group financial statements and in the principal risks and uncertainties set

STRATEGIC REPORT (CONTINUED)

STATEMENT OF GOING CONCERN (CONTINUED)

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.

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

23 April 2021

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2021.

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.

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 (2020: £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 carries 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

Although Deloitte LLP have been Group Auditors since 2000, the lead Audit Partner was changed nearly five years ago on the usual five-year rotational basis. The lead partner is therefore due to rotate after this year's audit and any reappointment of a new lead partner for Deloitte would only be for a maximum three year period until Deloitte themselves would be required to retire as auditors. The Audit Committee therefore concluded that it was in the interests of the Group that S&U Plc put its audit arrangements out to tender during late 2020/early 2021.

Further to a rigorous process, the Audit Committee have recommended to the Board the appointment of Mazars LLP as auditors at the forthcoming Annual General Meeting. The Audit Committee and the Board note Deloitte's long history as external auditors to the company and thanks all the staff and partners involved for their excellent service and rigorous work during that time.

POST BALANCE SHEET EVENTS

After the year-end, restrictions and Government actions associated with the Covid virus have continued to evolve and the challenges that brings for Aspen have 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.

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

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. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 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 accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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

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

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

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

Other information

The 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.

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

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the relevant provisions of the UK Companies Act 2006 and tax legislation.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Loan loss provisioning: We obtained an understanding of the process and relevant controls around impairment provisioning against amounts receivable from customers, we challenged the methodology used to derive PD and LGD assumptions, and we assessed the potential impact of Covid on management's assessment of staging criteria and the impact on impairment provisions.
- Revenue recognition: We obtained an understanding of the process and relevant controls around revenue recognition, we challenged the appropriateness of behavioural life assumptions used to determine revenue, and we challenged the ongoing treatment of fees and charges arising on receivables from customers.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as HMRC.

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.

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.

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

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.

K. J. Cooper

Kieren Cooper FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

23 April 2021

INCOME STATEMENT
For the year ended 31 January 2021

	Note	2021 £	2020 £
Revenue		**4,208,613**	4,473,773
Cost of Sales	3	**(1,388,030)**	(1,346,035)
Gross Profit		**2,820,583**	3,127,738
Administrative expenses		**(1,243,071)**	(1,061,821)
Operating profit	5	**1,577,512**	2,065,917
Finance costs (net)	6	**(764,020)**	(860,756)
Profit before taxation		**813,492**	1,205,161
Taxation	7	**(169,462)**	(228,854)
Profit for the year attributable to equity holders		**644,030**	976,307

All activities derive from continuing operations.

All activities derive from continuing operations.

Other Comprehensive Income' was £nil in the current year and prior year and therefore a statement of comprehensive income has not been presented.

BALANCE SHEET
As at 31 January 2021

	Note	2021 £	2020 £
ASSETS			
Non current assets			
Property, plant and equipment	8	**35,213**	40,159
Amounts receivable from customers	9	**59,792**	-
		95,005	40,159
Current Assets			
Amounts receivable from customers	9	**34,084,236**	20,993,003
Trade and other receivables	10	**92,137**	171,147
Cash and cash equivalents		**-**	-
		34,176,373	21,164,150
Total Assets		**34,271,378**	21,204,309
LIABILITIES			
Current liabilities			
Current tax Liabilities		**(96,000)**	(149,000)
Accruals and deferred income		**(145,271)**	(114,021)
		(241,271)	(263,021)
Non current liabilities			
Trade and other payables		**(31,972,479)**	(19,527,690)
		(31,972,479)	(19,527,690)
Total liabilities		**(32,213,750)**	(19,790,711)
NET ASSETS		**2,057,628**	1,413,598
Equity			
Called up share capital		**100**	100
Profit and loss account		**2,057,528**	1,413,498
Total equity		**2,057,628**	1,413,598

The financial statements for Aspen Bridging Limited (Company registered no. 10270026) were approved by the Board of Directors on 23 April 2021.

Signed on behalf of the Board of Directors

Manjeet Bhogal

MK Bhogal

Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2021

	Called up share capital £	Profit and loss account £	Total equity £
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
Total comprehensive income for year	-	644,030	644,030
At 31 January 2021	100	2,057,528	2,057,628

CASH FLOW STATEMENT
For the year ended 31 January 2021

	Note	2021 £	2020 £
Net cash used in operating activities	13	(12,430,577)	(1,858,613)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(14,212)	(9,005)
Net cash used in investing activities		(14,212)	(9,005)
Cash flows from financing activities			
Intercompany loans payable		12,444,789	1,867,618
Net cash from financing activities		12,444,789	1,867,618
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		-	-

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

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

In arriving at this reasonable expectation, the directors have considered the current situation in respect of Covid 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.

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, are 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.

1. ACCOUNTING POLICIES (CONTINUED)

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

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 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 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. Property bridging loans are secured on the properties and the main financial impact arising from either Covid or Brexit would be if there was a significant fall in the relevant property prices. Property prices have remained strong during the pandemic helped by Government support and there is a wide range of market forecasts for future property prices which results in some estimation uncertainty. However, Aspen use a conservative approach to valuations and LTVs which reduces this inherent property price risk.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

3. COST OF SALES

	2021	2020
	£	£
Loan loss provisioning charge	710,382	712,656
Other cost of sales	677,648	633,379
Total cost of sales	1,388,030	1,346,035

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021	2020
Directors' emoluments	£	£
Salary	363,000	316,990
Pension	44,778	41,694
	407,778	358,684

The emoluments of the highest paid director are £203,000 for the year (2020: £196,000) and the Company paid pension contributions on his behalf of £28,128 (2020: £27,384). Three of the directors are paid by other S&U Plc Group companies and received no remuneration for their services to this company.

	2021	2020
Number of directors who are members of a defined contribution pension scheme	4	4
Average number of persons employed		
Management and administration	13	10
Staff costs during the year (including directors):	£	£
Wages and salaries	711,298	623,932
Social security costs	87,581	71,733
Other pension costs	54,280	49,224
	853,159	744,889

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

5. OPERATING PROFIT

	2021	2020
	£	£
Operating profit is stated after charging:		
Depreciation and amortisation:		
Owned assets	18,435	15,714
Staff Costs	853,159	744,889

	2021	2020
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	18,000	15,500
Total audit fees	**18,000**	**15,500**
Total non audit fees	-	-
Total audit fees	**18,000**	**15,500**

6. FINANCE COSTS

	2021	2020
	£	£
Interest payable	764,020	860,756

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

7. TAX

	2021	2020
	£	£
Corporation tax at 19.0% based on the profit for the year	169,462	228,854
	169,462	228,854

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.

	2021	2020
	£	£
Profit on ordinary activities before tax	813,492	1,205,161
Tax on profit on ordinary activities at standard rate of 19.0%	154,563	228,981
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	6,257	19
Adjustment in respect of prior period	8,642	(146)
Total tax credit for the year	169,462	228,854

The Finance (No.2) Bill 2015 provided that the tax rate reduced to 19% with effect from 1 April 2017 and in the budget announcement on 3rd March 2021 the Government indicated that 19% will also now be the rate of corporation tax moving forward until April 2023 when it is planned to increase to 25%.

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

8. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings	Total
	£	£
Cost or valuation		
At 1 February 2019	69,562	69,562
Additions	9,005	9,005
Disposals	-	-
As at 31 January 2020	78,567	78,567
Additions	14,212	14,212
Disposals	(1,210)	(1,210)
As at 31 January 2021	91,569	91,569
Accumulated depreciation		
At 1 February 2019	22,694	22,694
Charge for the year	15,714	15,714
Eliminated on disposals	-	-
As at 31 January 2020	38,408	38,408
Charge for the year	18,435	18,435
Eliminated on disposals	(487)	(487)
As at 31 January 2021	56,356	56,356
Net book value		
At 31 January 2021	35,213	35,213
At 31 January 2020	40,159	40,159

9. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2021	2020
	£	£
Property bridging credit receivables	34,475,041	21,949,006
Less: Loan loss provision	(331,013)	(956,003)
Amounts receivable from customers	34,144,028	20,993,003
Analysed by future date due		
- Due within one year	34,084,236	20,993,003
- Due in more than one year	59,792	-
Amounts receivable from customers	34,144,028	20,993,003
Analysis of Security		
Loans secured on property	34,144,028	20,993,003
Other loans	-	-
Amounts receivable from customers	34,144,028	20,993,003
Analysis of overdue		
Not impaired		
Neither past due nor impaired	33,051,376	15,616,334
Past due up to 3 months but not impaired	-	-
Past due over 3 months but not impaired	-	-
Impaired		
Past due up to 3 months	1,092,652	1,321,220
Past due over 3 months and up to 6 months	-	-
Past due over 6 months or default	-	4,055,449
Amounts receivable from customers	34,144,028	20,993,003

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 stage 1 provisions of £313,227 (2020: £228,368) made on those loans currently assessed to have more difficult maturity exits with overall credit quality considered to be good. 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 (2020: £nil).

There were 11 loans which comprised £676,641 of the overall stage 3 provision at 31 January 2020. £1.3m of losses crystallised on these loans during the year due to delays in property sales and additional default interest charged and not recovered, which therefore helped cause the £710,382 provisioning charge in the income statement and utilised the stage 3 provision down to £17,786.

9. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

As at 31 January 2021	Not credit Impaired Stage 1: Subject to 12 months ECL £	Not credit Impaired Stage 2: Subject to lifetime ECL £	Credit Impaired Stage 3: Subject to lifetime ECL £	Total Provision £	Amounts Receivable £
Property bridging finance	(313,227)	-	(17,786)	(331,013)	34,475,041
Total	(313,227)	-	(17,786)	(331,013)	34,475,041

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

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

9. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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 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
Net transfers and changes in credit risk	(225,295)	-	607,738	382,443
New loans originated	310,154	-	17,786	327,940
Total impairment charge to income statement	**84,859**	-	**625,524**	**710,383**
Utilised provision on write-offs	-	-	(1,335,373)	(1,335,373)
At 31 January 2021	313,227	-	17,786	331,013

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	£	£
Amounts owed from other group undertakings	-	-
Prepayments and accrued income	92,137	171,147
	92,137	171,147

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

	2021	2020
	£	£
Amounts owed to other group undertakings	31,972,479	19,527,690

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

12. CALLED UP SHARE CAPITAL

	2021	2020
	£	£
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

	2021 £	2020 £
Profit before tax	813,492	1,205,161
Tax paid	(222,462)	(240,854)
Depreciation on plant, property and equipment	18,435	15,714
Loss on disposal of plant, property and equipment	723	-
Increase in amounts receivable from customers	(13,151,025)	(2,740,778)
Decrease/(increase) in trade and other receivables	79,010	(111,994)
Increase in accruals and deferred income	31,250	14,138
Net cash from operating activities	(12,430,577)	(1,858,613)

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 2021 the Company owed £31,972,479 (2020: £19,527,690) to other group undertakings for funding and £nil for administrative expenses (2020: £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 2021 and 31 January 2020 the Company had no capital commitments contracted but not provided for.

17. PENSION SCHEMES

The Company made contributions of £54,280 (2020: £49,224) to defined contribution pension schemes and there are no outstanding contributions at 31 January 2021.

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 at 31 January 2021 was estimated to be 18% (2020: 18%). The average effective interest rate on financial liabilities of the Company at 31 January 2021 was estimated to be 4% (2020: 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 2021 the Group gearing level was 55% (2020: 66%) 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.

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

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 2021	**£**	**£**	**£**	**£**	**£**	**£**
Financial assets	34,084,236	59,792	-	-	-	34,144,028
Other assets	-	-	-	-	127,350	127,350
Total assets	34,084,236	59,792	-	-	127,350	34,271,378
Shareholder's funds	-				(2,057,628)	(2,057,628)
Intercompany loans	-	(31,972,479)	-	-	-	(31,972,479)
Other liabilities	-	-	-	-	(241,271)	(241,271)
Total liabilities and shareholder's funds	-	(31,972,479)	-	-	(2,298,899)	(34,271,378)
Cumulative gap	**34,084,236**	**2,171,549**	**2,171,549**	**2,171,549**	-	-

	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**	-	-

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 January 2021

18. FINANCIAL INSTRUMENTS (CONTINUED)

	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 2021	£	£	£	£	£	£
Trade and other payables	-	-	-	-	-	-
Accruals and deferred income	-	145,271	-	-	-	145,271
Tax liabilities	-	96,000	-	-	-	96,000
Intercompany loans	-	-	31,972,479	-	-	31,972,479
At 31 January 2021	-	241,271	31,972,479	-	-	32,213,750

	Non interest bearing	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