

Company Registration No: 10270026

Aspen Bridging Limited

Annual Report and Financial Statements

For the year ended 31 January 2022



Aspen Bridging Limited

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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

Mazars LLP
Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

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 2021/2022 started well and Aspen Bridging Limited achieved accreditation as a lender for the British Business Bank with the ability to operate as a lender within the CBILS support programme at the beginning of March 2021. The CBILS loans were all issued by August 2021 in addition to the Aspen Bridging Limited standard operating loan types. The business achieved record profits by the half year. During the second half of the financial year, the unlocking of the Government COVID restrictions in July 2021, the re-launching of the Aspen Bridging Limited standard loan products to the market and the normalisation of the standard loan acquisition channels all enabled the growth in the loan portfolio that led the business to achieve full year record PBT profits of £3.4m to 31 January 2022. After July 2021, Aspen started to operate at expected standard bridging monthly business volumes again, returning to normal operating capacity whilst continuing to evolve the rigorous underwriting processes resulting in £112m (2021: £43m) total gross loan advances being made throughout the year. These loan advances related to 111 standard bridging loan facilities and 24 CBILS loan facilities and therefore a total of 135 loan facilities for the year (2021: 80 loan facilities) with 102 loans (2021: 53 loans) being repaid before the year end. Aspen has continued to improve 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 ongoing future development. Whilst the Government restrictions made certain aspects of the market challenging in the early part of the year, 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. Since the unlocking of the COVID rules, the business has operated with a hybrid model combining office and home working to very good effect. Aspen continues to see this opportunity growing in the property finance sector in the coming years and the Company becoming a larger, well established and successful lender in this market. Aspen has developed and launched some new products including a Bridge-to-Let product at the end of 2021 to complement the existing ones and these are increasing the demand for our products. Aspen does all of its business in the UK and UK properties and any future impact of the Ukraine war is felt very likely to be limited. The directors see these fifth 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 £2,762,252 (2021: £644,030) and this is a positive step forward despite the challenges in early half of 2021. The second half of the year finished strongly and consistently, with the Company achieving a significant profit increase year on year overall. Key factors in the improved profitability are the ongoing improved collections/ repayments and successful realisation of default loans during the year. Only 2 loans remained in stage 3 as at 31 January 2022. These collection successes offset by growth in receivables have resulted in a provisioning charge in the year of £314,797 (2021: £710,382). The directors therefore consider the fifth year result to be satisfactory and no dividend will be payable (2021: £nil) leaving retained profits of £2,762,252 (2021: £644,030) to be transferred to reserves. The Company's principal balance sheet asset is its book debt, the value of which at year-end was £63.9m (2021: £34.1m) and the group funding included in trade and other payables increased similarly to £58.9m (2021: £32.0m). The directors consider the year-end balance sheet position to be satisfactory.

Please note the company uses financial and other key performance indicators such as new deal volumes and other alternative performance measures set out within this Strategic Report

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES

Since last year, Covid restrictions have been lifted and the more normalised environment poses less challenges for for businesses and consumers in the UK including for our business and our customers. Other than that, there have been no material changes in the principal risks and uncertainties in the last reported year.

STRATEGIC REPORT (CONTINUED)

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Customer 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.

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. 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.

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, the Association of Short Term Lenders ('ASTL') and the Financial Intermediary & Broker Association ('FIBA') 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.

STRATEGIC REPORT (CONTINUED)**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 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.

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



MK Bhogal

Director

13 May 2022

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2022.

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 (2021: £nil).

CAPITAL STRUCTURE

Details of the issued share capital, together with details of the movements in the Company's issued share 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

Mazzars 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 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



MK Bhogal

Director

13 May 2022

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 have elected to prepare the financial statements in accordance with applicable law and UK-adopted international accounting standards. 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 UK-adopted international accounting 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



MK Bhogal

Director

13 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN BRIDGING LIMITED**Report on the audit of the financial statements****Opinion**

We have audited the financial statements of Aspen Bridging Limited (the 'company') for the year ended 31 January 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 and financial statements, 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: Financial Conduct Authority ('FCA') regulations in respect of AML.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the existence and accuracy assertions), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Use of the audit 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.



David Allen (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

London

13 May 2022

INCOME STATEMENT
For the year ended 31 January 2022

	Note	2022 £	2021 £
Revenue		8,990,875	4,208,613
Cost of Sales	3	(1,819,815)	(1,388,030)
Gross Profit		7,171,060	2,820,583
Administrative expenses		(1,873,557)	(1,243,071)
Operating profit	5	5,297,503	1,577,512
Finance costs (net)	6	(1,883,575)	(764,020)
Profit before taxation		3,413,928	813,492
Taxation	7	(651,676)	(169,462)
Profit for the year attributable to equity holders		2,762,252	644,030

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 31/01/2022

	Note	2022 £	2021 £
ASSETS			
Non current assets			
Property, plant and equipment	8	29,640	35,213
Amounts receivable from customers	9	1,458,467	59,792
		<u>1,488,107</u>	<u>95,005</u>
Current Assets			
Amounts receivable from customers	9	62,420,848	34,084,236
Trade and other receivables	10	512,420	92,137
Cash and cash equivalents		-	-
		<u>62,933,268</u>	<u>34,176,373</u>
Total Assets		64,421,375	34,271,378
LIABILITIES			
Current liabilities			
Current tax Liabilities		(363,750)	(96,000)
Accruals		(362,525)	(145,271)
		<u>(726,275)</u>	<u>(241,271)</u>
Non current liabilities			
Trade and other payables		(58,875,220)	(31,972,479)
		<u>(58,875,220)</u>	<u>(31,972,479)</u>
Total liabilities		(59,601,495)	(32,213,750)
NET ASSETS		4,819,880	2,057,628
Equity			
Called up share capital		100	100
Profit and loss account		4,819,780	2,057,528
		<u>4,819,880</u>	<u>2,057,628</u>
Total equity		4,819,880	2,057,628

The financial statements for Aspen Bridging Limited (Company registered no. 10270026) were approved by the Board of Directors on 13 May 2022.

Signed on behalf of the Board of Directors



MK Bhogal

Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 31 January 2020	<u>100</u>	<u>1,413,498</u>	<u>1,413,598</u>
Total comprehensive income for year	-	644,030	644,030
At 31 January 2021	<u>100</u>	<u>2,057,528</u>	<u>2,057,628</u>
Total comprehensive income for year	-	2,762,252	2,762,252
At 31 January 2022	<u>100</u>	<u>4,819,780</u>	<u>4,819,880</u>

CASH FLOW STATEMENT
For the year ended 31 January 2022

	Note	2022 £	2021 £
Net cash used in operating activities	13	(26,886,815)	(12,430,577)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(15,926)	(14,212)
Net cash used in investing activities		<u>(15,926)</u>	<u>(14,212)</u>
Cash flows from financing activities			
Intercompany loans payable		26,902,741	12,444,789
Net cash from financing activities		<u>26,902,741</u>	<u>12,444,789</u>
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		<u>-</u>	<u>-</u>

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

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 UK-adopted international accounting standards.

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.

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. For loans which are classified as credit impaired (ie stage 3 assets under IFRS9), Aspen recognises revenue 'net' of the impairment provision and as required by IFRS 9.

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 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.

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

1. ACCOUNTING POLICIES (CONTINUED)

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

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, such as a major borrower financial problem or a known significant reduction in the value of our security, 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.

Assets in Aspen are written off once the asset has been repossessed and sold and there is no prospect of further legal or other debt recovery action. Where enforcement action is still taking place, loans are not written off.

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.

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.

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

1. ACCOUNTING POLICIES (CONTINUED)

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.

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

3. COST OF SALES

	2022	2021
	£	£
Loan loss provisioning charge	314,797	710,382
Other cost of sales	1,505,018	677,648
	<hr/>	<hr/>
Total cost of sales	<u>1,819,815</u>	<u>1,388,030</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2022	2021
	£	£
Directors' emoluments		
Salary	369,000	363,000
Pension	44,846	44,778
	<hr/>	<hr/>
	<u>413,846</u>	<u>407,778</u>

The emoluments of the highest paid director are £207,000 for the year (2021: £203,000) and the Company paid pension contributions on his behalf of £28,128 (2021: £28,128). Three of the directors are paid by other S&U plc Group companies and received no remuneration for their services to this company.

	2022	2021
Number of directors who are members of a defined contribution pension scheme	<hr/> 4 <hr/>	<hr/> 4 <hr/>
Average number of persons employed		
Management and administration	<hr/> 17 <hr/>	<hr/> 13 <hr/>
Staff costs during the year (including directors):	£	£
Wages and salaries	992,775	711,298
Social security costs	114,082	87,581
Other pension costs	59,784	54,280
	<hr/>	<hr/>
	<u>1,166,641</u>	<u>853,159</u>

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

5. OPERATING PROFIT

	2022 £	2021 £
Operating profit is stated after charging:		
Depreciation and amortisation:		
Owned assets	21,499	18,435
Staff Costs	<u>1,166,641</u>	<u>853,159</u>
 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	20,000	18,000
 Total audit fees	20,000	18,000
 Total	<u>20,000</u>	<u>18,000</u>

6. FINANCE COSTS

	2022 £	2021 £
 Interest payable	<u>1,883,575</u>	<u>764,020</u>

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

7. TAX

	2022 £	2021 £
Corporation tax at 19.0% based on the profit for the year	651,676	169,462
	<u>651,676</u>	<u>169,462</u>

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.

	2022 £	2021 £
Profit on ordinary activities before tax	3,413,928	813,492
Tax on profit on ordinary activities at standard rate of 19.0%	648,646	154,563
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	10,104	6,257
Adjustment in respect of prior period	(2,074)	8,642
Effects of other tax rates and temporary differences	(5,000)	-
	<u>651,676</u>	<u>169,462</u>
Total tax credit for the year	<u>651,676</u>	<u>169,462</u>

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The rate reduction to 17% was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax remains at 19%. The Finance Act 2021 confirms an increase of UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements.

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 2020	78,567	78,567
Additions	14,212	14,212
Disposals	(1,210)	(1,210)
As at 31 January 2021	91,569	91,569
Additions	15,926	15,926
Disposals	-	-
As at 31 January 2022	107,495	107,495
Accumulated depreciation		
At 1 February 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
Charge for the year	21,499	21,499
Eliminated on disposals	-	-
As at 31 January 2022	77,855	77,855
Net book value		
At 31 January 2022	29,640	29,640
At 31 January 2021	35,213	35,213

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

9. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2022 £	2021 £
Property bridging credit receivables	64,525,125	34,475,041
Less: Loan loss provision	(645,810)	(331,013)
Amounts receivable from customers	<u>63,879,315</u>	<u>34,144,028</u>
Analysed by future date due		
- Due within one year	62,420,848	34,084,236
- Due in more than one year	1,458,467	59,792
Amounts receivable from customers	<u>63,879,315</u>	<u>34,144,028</u>
Analysis of Security		
Loans secured on property	63,879,515	34,144,028
Other loans	-	-
Amounts receivable from customers	<u>63,879,515</u>	<u>34,144,028</u>
Analysis of overdue		
<u>Not impaired</u>		
Neither past due nor impaired	62,699,339	33,051,376
Past due up to 3 months but not impaired	-	-
Past due over 3 months but not impaired	-	-
<u>Impaired</u>		
Past due up to 3 months	1,179,977	1,092,652
Past due over 3 months and up to 6 months	-	-
Past due over 6 months or default	-	-
Amounts receivable from customers	<u>63,879,315</u>	<u>34,144,028</u>

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 £445,540 (2021: £313,227) 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 an 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 (2021: £nil).

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

9. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

	Not credit Impaired	Not credit Impaired	Credit Impaired		
	Stage 1: Subject to 12 months ECL £	Stage 2: Subject to lifetime ECL £	Stage 3: Subject to lifetime ECL £	Total Provision £	Amounts Receivable £
As at 31 January 2022					
Property bridging finance	(445,540)	-	(200,269)	(645,810)	64,525,125
Total	(445,540)	-	(200,269)	(645,810)	64,525,125
	Stage 1: Subject to 12 months ECL £	Stage 2: Subject to lifetime ECL £	Stage 3: Subject to lifetime ECL £	Total Provision £	Amounts Receivable £
As at 31 January 2021					
Property bridging finance	(313,227)	-	(17,786)	(331,013)	34,475,041
Total	(313,227)	-	(17,786)	(331,013)	34,475,041

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 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
Net transfers and changes in credit risk	(305,397)	-	182,483	(122,913)
New loans originated	437,710	-	-	437,710
Total impairment charge to income statement	132,313	-	182,483	314,797
Utilised provision on write-offs	-	-	-	-
At 31 January 2022	<u>445,540</u>	<u>-</u>	<u>200,269</u>	<u>645,810</u>

Aspen Bridging Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 January 2021****10. TRADE AND OTHER RECEIVABLES**

	2022	2021
	£	£
Amounts owed from other group undertakings	-	-
Prepayments and accrued income	512,420	92,137
	<u>512,420</u>	<u>92,137</u>

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

	2022	2021
	£	£
Amounts owed to other group undertakings	<u>58,875,220</u>	<u>31,972,479</u>

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

12. CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Authorised, called up, allotted and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Aspen Bridging Limited

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

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

	2022 £	2021 £
Profit before tax	3,413,928	813,492
Tax paid	(383,926)	(222,462)
Depreciation on plant, property and equipment	21,499	18,435
Loss on disposal of plant, property and equipment	-	723
Increase in amounts receivable from customers	(29,735,287)	(13,151,025)
(Increase)/decrease in trade and other receivables	(420,283)	79,010
Increase in accruals	217,254	31,250
Net cash from operating activities	<u>(26,886,815)</u>	<u>(12,430,577)</u>

14. CONTINGENT LIABILITIES

The Company has entered into cross-guarantee arrangements with respect to the loans and bank overdrafts of certain of other group companies. Any further exposure under these cross guarantee arrangements other than the amount owing to other group undertakings in note 11 is remote.

15. 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 2022 the Company owed £58,875,220 (2021: £31,972,479) to other group undertakings for funding and £nil for administrative expenses (2021: £nil).

16. 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.

17. FINANCIAL COMMITMENTS

Capital commitments

At 31 January 2022 and 31 January 2021 the Company had no capital commitments contracted but not provided for.

18. PENSION SCHEMES

The Company made contributions of £59,784 (2021: £54,280) to defined contribution pension schemes during year ended 31 January 2022.

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

19. 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 2022 was estimated to be 17% (2021: 18%). The average effective interest rate on financial liabilities of the Company at 31 January 2022 was estimated to be 4% (2021: 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.

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 2022 the Group gearing level was 55% (2021: 55%) 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

19. 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	No fixed maturity date	Total
At 31 January 2022	£	£	£	£	£	£
Financial assets	62,420,848	1,458,467	-	-	-	63,879,315
Other assets	-	-	-	-	542,060	542,060
Total assets	62,420,848	1,458,467	-	-	542,060	64,421,375
Shareholder's funds	-	-	-	-	(4,819,880)	(4,819,880)
Intercompany loans	-	-	(25,000,000)	-	(33,875,220)	(58,875,220)
Other liabilities	-	-	-	-	(726,275)	(726,275)
Total liabilities and shareholder's funds	-	-	(25,000,000)	-	(39,421,375)	(64,421,375)
Cumulative gap	62,420,848	63,879,315	38,879,315	38,879,315	-	-
	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	No fixed maturity date	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	-	-	-	-	(34,271,378)	(34,271,378)
Cumulative gap	34,084,236	34,144,028	34,144,028	34,144,028	-	-

Aspen Bridging Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2021

19. FINANCIAL INSTRUMENTS (CONTINUED)

	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	No fixed maturity date	Total
At 31 January 2022	£	£	£	£	£	£
Trade and other payables	-	-	-	-	-	-
Accruals and deferred income	362,525	-	-	-	-	362,525
Tax liabilities	363,750	-	-	-	-	363,750
Intercompany loans	-	-	25,000,000	-	33,875,220	58,875,220
At 31 January 2022	726,275	-	25,000,000	-	33,875,220	59,601,495

	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	No fixed maturity date	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