Company Registration No: 03773673

Advantage Finance Limited

Annual Report and Financial Statements

For the year ended 31 January 2021

Advantage Finance Limited

CONTENTS

Advantage Finance Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B A Burton
K Charlton
A M V Coombs
G D C Coombs
J Murdoch
C H Redford
A Tuplin
S Wilkinson
M Walker
D Sandiford
D Vessey
N Greensides
W Taylor
G Wheeler
J Downing

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 4DL

AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

INTERNAL AUDITOR

RSM Risk Assurance Services LLP
Hull
United Kingdom

Advantage Finance Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The Company's principal activity during the year continued to be the provision of hire purchase motor finance.

BUSINESS REVIEW, RESULTS, DIVIDENDS AND FUTURE DEVELOPMENTS

In the year Covid lockdowns temporarily closed dealerships and auction houses. The majority of employee's also had to make a very quick transition to home working. The initial Covid lockdown contributed to an initial 80% fall in loan transaction numbers (month after initial lockdown compared to month before initial lockdown), and FCA mandated customer repayment "holidays" were taken by nearly a third of the Company's customers. In these challenging unprecedented circumstances, the Company has delivered a very creditable result. Profit Before Tax is £17.2m (2020: £34.0m) on revenue of £79.5m (2020: £85.5m). Challenging market conditions due to Covid and a prudent tightening of underwriting criteria early last year saw transactions fall from 23,234 in 2019/20 to 15,600. Overall customer numbers stood at nearly 63,000 (2020: 64,000 and net receivables at £246.8m (2020: £280.8m). The net receivables include forward looking loan loss provisions of £92.5m (2020: £63.3m) with an income statement charge reducing profit of £36.0m (2020: £16.5m).

The Company's previous track record of 20 years of continuous profits growth has been built on three pillars, and remains unchanged by Covid.

First, its insistence that real profits are reflected in cash repayments from our customers. This year, despite the payment holidays which were taken by nearly a third of our customers the total cash collected was £180m against £196m last year.

This resulted in a monthly collection rate against contractual due of nearly 84% (2020: 94%) which, despite Covid, reflects the excellent relationships the Company has always enjoyed with its customers. In turn these depend upon the work the Company does on customer forbearance, income and expenditure analysis and consistent customer communications.

The second pillar for success depends upon the Company's ability to analyse and anticipate customer circumstances and to tailor finance products for them. This year has seen further strengthening of the underwriting procedures and the scorecard refined. This has enabled the Company to cautiously underwrite a record 1.5m number of loan applications during this year (2020: 1.4m), providing a solid platform for the selection of good quality customers in uncertain times.

The third pillar of the Company's success relates to its relationships with its introducer brokers - strengthened this year through the maintaining of the supply of credit throughout the various lockdowns and by carefully testing new products to cater for changing customer needs. These relationships continue to both improve the efficiency of the loan process and, together with continuous improvements in our underwriting should see a significant upturn in the Company's approval and transaction rates, thus increasing transactions growth, market share and debt yield in the future.

Dividends of £12,650,000 (2020: £12,600,000) were paid during the year. No final dividend is proposed (2020: no final dividend proposed).

Advantage Finance Limited

STRATEGIC REPORT (CONTINUED)

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES

Credit, Economic, and Concentration Risks

The Company is involved in the provision of consumer credit and 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 ability of customers to repay.

The impact of Covid and uncertainty regarding the evolution of Brexit have adversely impacted the economy during the past year and projected higher levels of unemployment may lead to more repayment delinquency. However, the Company has historically been resilient through adverse macro-economic conditions. Further, whilst economic risk has increased over the past year, the Covid vaccination programme, an increase in consumer saving of a reported £100bn over the past year, pent up demand and Government subsidies should help the economy recover strongly.

The Company is exposed to the non-prime motor sector and within that to the market risk of the values of used vehicles which are used as security. This risk is principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation.

Funding and Liquidity Risks

Funding and liquidity risk relates to the availability of sufficient borrowing facilities for the Company to meet its liabilities as they fall due. This funding and liquidity risk is managed at Group level and during the year ended 31 January 2021 this risk has decreased in line with the decrease in Group gearing. The Board is of the view that the gearing level remains conservative, especially for a lending organisation. This 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 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 consumer credit legislation which contains very detailed and highly technical requirements. The Company has procedures in place and employs dedicated compliance resource and specialist legal advisers to ensure compliance with this legislation. The Company directors are prominent members of the Finance and Leasing Association's committees and, through them, regularly liaise with the FCA. The Company also engages in regular "face to face" liaisons with the FCA.

Regulatory Risk is addressed by the constant review and monitoring of internal controls and processes, overseen by RSM, the Company's internal auditors. This process is buttressed by specific advice from Trade and other organisations and by RSM.

This year saw the appointment of Alan Tuplin, formerly Head of Credit, as Chief Risk Officer of Advantage. Alan has over 20 years of experience in non-prime motor-finance to bring to the role.

Conduct Risk

The Company is also exposed to conduct risk in that it could fail to deliver fair outcomes to its customers which in turn could impact the reputation and financial performance of the Company. The Company principally manages this risk through Company staff training and motivation (Advantage is an Investor in People) and through detailed monthly monitoring of customer outcomes for compliance and treating customers fairly. The Company has also appointed a 'Customer champion' in the past year.

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Other Operational Risks

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 borrowing facilities are set out in the financial statements. The S&U 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, liquidity risk and economic risk including Brexit and Covid 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 current 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.

SECTION 172 STATEMENT

The Directors confirm they have considered their obligations under S172 of the Companies Act 2006 including their duty to promote the success of the Company and how they have engaged with the following key stakeholders in the business:

Our Customers

The Company focuses on making the customer the heart of our business; and having respect for every customer and always treating customers fairly.

The Company has gained a significant understanding of the kind of simple hire purchase motor finance suitable for customers in lower-income and middle-income groups. Although decent, hardworking and well intentioned, some of these customers may have impaired credit records, which have seen them in the past unable to access rigid and inflexible "mainstream" finance products. The Company provides transparency, simplicity, clarity and suitability to both service and product, which these customers require.

As a result, the Company currently receives over 1.5m applications a year and has written over 190,000 customer loans since starting trading in 1999.

Of course, the Company serves an evolving motor market. Covid related lockdowns have seen new car sales fall from 2.3m in 2019 to 1.7m in 2020.

Overlying this have been environmental concerns and the Government's Green Agenda, which last year saw them announce a ban on the sales of new internal combustion engines ("ICE") accelerated from 2035 to 2030.

The year also saw a further decline in the public's appetite for new diesel engines that sales fell by 43.3% year on year according to the Society of Motor Manufacturers and Traders' (SMMT) statistics. Petrol vehicle new sales fell by 29% while those of electric and hybrid vehicles rose by 57.5%, albeit to just 252,129 of total new registrations of 1.7m vehicles.

Undoubtedly these trends will continue, although the shape of the UK's total "car park" will change more slowly. Electric Vehicle (EV) sales will undoubtedly rise as they become more affordable, battery life improves and infrastructure for charging is upgraded.

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Our Customers (continued)

The Company's current estimates predict that by 2030 new registrations of petrol vehicles will constitute about 20% of the market, diesel will be negligible whilst hybrid and electric sales will take 80% of the market, 30% of which will be EV.

However, these trends will have a lesser effect on the make-up of the UK's car park over the next decade. This is estimated to reach about 50m vehicles of which 30% will be EV. Although at present the older and higher income profile of EV buyers does not match that of the Advantage customer, as EVs enter the used car market over the next five years, the Company sees significant opportunities in EV finance.

Overall the UK used car market's resilience was demonstrated last year, when following dealer closures during the first Spring lockdown which reduced transactions to 20% of normal, the final quarter saw a return to levels of 140,000 finance transactions per month, higher than at any time in the past three years and causing the highest used car price growth in a decade.

The quality of our relationship with introducing brokers, dealers and our customers is based upon a continuous and relentless search for product and service improvement. Successful business is the result of a thousand small improvements rather than a very few revolutionary ones. In recognising the importance of its statutory obligations and relationship with the FCA in ensuring that customers are treated fairly, the Company's care for its customers has historically been central to its success. Thus, this year saw continued refinement of its already sophisticated underwriting scoring and affordability processes. A dedicated customer services department also came on stream in 2020.

The Company's success depends upon its proven ability to adapt to a changing economy and labour market and the impact they may have on our customers. Particularly during the Covid pandemic and the various associated employment, expense and payment "holiday" impacts this has brought, non-prime customers can find that their disposable incomes are more unpredictable. The Company's under-writing model has been constantly refined in light of over 20 years of customer service. We appreciate that the customers life journey evolves over their loan term. This demands that responsible lenders continually analyse repayment behaviour, and then use it, within the collections department, in dealing with and supporting our 63,000 customers.

The outcomes of this customer engagement are reflected in high customer satisfaction ratings, low levels of complaints and above all the Company's success over the last two decades.

Our Employees

The challenges caused by the Covid pandemic and the magnificent way our staff throughout have adapted to this, reflect the loyalty and "family ethos" of which we have always been proud. This loyalty has reciprocated by avoiding redundancy and the Government's furlough schemes. This year has also seen the setting up of staff chat rooms for those who may feel isolated at home. Those colleagues who feel in need of further support and counselling are able to access mental health services via the Company health scheme.

No staff member was made redundant or even furloughed. All but 25 now working in the Grimsby office, have successfully made the transition to home-working, a pattern likely to be at least partially adopted in the future.

We ensure that all staff receive appropriate initial training and regular re-training in the field and in areas of specialism. We encourage employees to gain professional qualifications where appropriate and external management training is also undertaken. As required by legislation, we confirm that as an organisation, we respect and recognise human rights in all aspects of our business.

The FCA Regulatory regime is centred on our Treating Customers Fairly. All employees within the Company are required to demonstrate appropriate knowledge and skills. Annual appraisals highlight areas of training needs for all employees and Advantage Finance is an accredited investor in people.

The Company's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of their employment. Suitable opportunities and training are offered to disabled persons in order to support their career development. It goes without saying that a Company based on a family ethos has no truck with discrimination of any kind – except of course on the basis of performance. People prosper and are promoted within the Company purely on merit.

Our Employees (continued)

Formal reviews of performance take place and all operations are reviewed on a monthly basis. We encourage staff to make suggestions for constructive change within the Company.

Our Business Partners

Advantage Finance continuously seeks to nurture and improve key business relationships with our key introducing brokers, dealers and key suppliers.

Key actions taken demonstrating how we do this are set out in our strategic report above. The outcomes of these key actions are reflected in the positive feedback and high retention rates for our partners and in the steady, sustainable and successful growth of Advantage Finance in the past two decades.

Our Investors and Funding Partners

We are 100% owned by our parent Company S&U plc and funding is organised on a Group basis. S&U's significant family management shareholdings means an identity of interest between shareholders and the management of the Group and together with help from trusted advisers, the Group maintains close relationships with investors, analysts and also with long term funding partners. The outcomes of this funder engagement help the strong balance sheet and treasury position of the Group and Advantage.

Our regulators and other statutory bodies

Advantage Finance has a strong compliance culture which is overseen by management and the Audit Committee with help from our internal auditors RSM.

During the year, RSM have continued to provide internal audit services for Advantage Finance. An agreement, overseen by the Audit Committee, has now been entered into with RSM who will be responsible for regular internal audits of Advantage's Regulatory Controls, Customer Compliance, Risk Management and Governance Policy and Procedures.

Our Community and Our Environment

The Company does not exist in a vacuum. Our success depends upon our understanding of the customers we serve. Where this may not be the case, we have well established policies for any who may wish to complain, routed to our Customer Services Department. Our records demonstrate we enjoy high levels of customer satisfaction and 44 of only 74 complaints which reached the Financial Ombudsman Service in the year were decided in Advantage's favour (2020: 68 of 92 complaints were decided in the Company's favour). In the year to 31 January 2021 74% of complaints which reached the Financial Ombudsman Service were related to the satisfactory quality of the vehicle (2020: 71%) and therefore not related to operational issues within Advantage.

In July 2019 the Financial Reporting Council issued a joint statement with other regulators on how companies should report on the effect of their activities on climate change. This follows the Government's publication of its Green Finance Strategy which anticipates mandatory disclosures by 2022. However, there is an exemption for subsidiaries if disclosures are made within the Group accounts.

The Company is directly involved with the motor sector and the emissions it inevitably creates. Both for commercial and climate change reasons, the Board monitors the type and age of the vehicles. However, it has no direct control, nor should it have, over the customer's choice of vehicle and the view on economy, efficiency and the environment this choice implies. Currently about half of customers opt for diesel vehicles, whilst the proportion of fully electric vehicles, principally on the grounds of their significant cost, is at present negligible. These proportions will change over the next thirty years as we detail in our comments on the market in our Strategic Review.

In assessing the Advantage Finance engagements within our 6 stakeholder areas above, the directors have also ensured such engagements reflect Advantage's values, business model, key performance indicators and principal risks as set out in the strategic report above.

Advantage Finance Limited

STRATEGIC REPORT (CONTINUED)

Health and Safety and Diversity Policy

Advantage takes its responsibilities towards the health, safety and good working environment of its employees very seriously. It seeks to provide a congenial, safe and productive working environment. In the past year a new building has been refurbished for employees at Advantage which will improve and maximise space, ensure Covid safety and provide better break out areas.

It therefore goes without saying that in a Company where family values are so prized, and where staff turnover is so low, that workers are always treated fairly without any form of discrimination. Recruitment and promotion decisions, whilst reflecting the social and racial makeup of the areas in which we operate, are always based on ability and aptitude, not according to any racial or gender stereotypes.

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

DW Vessey

Director

23 April 2021

Advantage Finance Limited

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:
BA Burton, AMV Coombs, GDC Coombs, K Charlton, J Murdoch, CH Redford, A Tuplin,
S Wilkinson, M Walker, D Sandiford, D Vessey, N Greensides, W Taylor and G Wheeler.
J Downing was appointed as director on 6 May 2020.

Under article 14 of the Company's articles of association, 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

Dividends of £12,650,000 (2020: £12,600,000) were paid during the year. No final dividend is proposed.

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 16. 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.

EMPLOYEES AND FOSTERING BUSINESS RELATIONSHIPS

Advantage recognises the need to communicate with employees. Regular updates are sent out to each employee to keep employees informed of the progress of the business. Advantage also recognises the need to foster key business relationships and further details of how we engage with employees and key business partners are contained in our Section 172 statement within our strategic report.

INFORMATION PROVIDED TO THE AUDITOR'S

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/she ought to have taken as a director to make him/herself 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.

Advantage Finance Limited

DIRECTORS' REPORT (CONTINUED)

POST BALANCE SHEET EVENTS

S & U plc has recently extended the maturity on its £60m revolving credit facility from March 2023 to March 2024 and has also replaced the £25m term loan facility maturing in April 2022 with a £50m term loan facility with £25m maturing in March 2028 and £25m maturing in March 2029. After the year-end, there are still challenges arising from the impacts of Covid but the vaccination programme for helping to combat the Covid virus has accelerated in the UK and a route map out of lockdown announced by the Government. These have been considered in the going concern disclosures in the strategic report above.

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 as described below. All the information presented in these sections is incorporated 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.
- The business review and going concern statement are also set out in the Strategic Report
- Information on employee engagement and business relationships are also set out in the Strategic Report

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

DW Vessey

Director

23 April 2021

Advantage Finance Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the 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

DW Vessey

Director

23 April 2021

Advantage Finance Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANTAGE FINANCE LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Advantage Finance 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 23.

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.

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. These included the requirements set by the Financial Conduct Authority.

We discussed among the audit engagement team and relevant internal specialists such as tax, economics 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.

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 completeness and accuracy of identified management overlays, we challenged management's consideration of the future economic environment within their macroeconomic scenarios (in particular with regard to unemployment), we challenged the time period of the data set used to determine PD's, LGD's and provision rates, and we assessed the potential impact of Covid-19 on management's assessment of staging criteria and the impact on impairment provisions as part of our overall stand back assessment.
- Revenue recognition under IFRS 16: We obtained an understanding of the process and relevant controls around revenue recognition, we challenged the ongoing treatment of fees and charges arising on receivables from customers, and we challenged the level of directly attributable costs being deferred through management's model.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANTAGE FINANCE LIMITED (CONTINUED)

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 the Financial Conduct Authority and 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.

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

ADVANTAGE FINANCE LIMITED
INCOME STATEMENT
For the year ended 31 January 2021

	Note	2021 £000	2020 £000
Revenue		79,553	85,466
Cost of sales	3	(49,582)	(35,747)
Gross profit		29,971	49,719
Administrative expenses		(7,358)	(9,095)
Operating profit	5	22,613	40,624
Finance costs	6	(5,415)	(6,597)
Profit before tax		17,198	34,027
Taxation	7	(3,265)	(6,030)
Profit for the year		13,933	27,997

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 provided.

BALANCE SHEET
As at 31 January 2021

	Note	2021 £000	2020 £000
ASSETS			
Non Current Assets			
Property, plant and equipment	9	2,037	1,688
Right to use asset		385	35
Investments	10	-	-
Amounts receivable from customers	11	170,532	195,603
Deferred tax assets	15	60	60
		173,014	197,386
Current Assets			
Amounts receivable from customers	11	76,234	85,154
Trade and other receivables	12	960	1,234
Cash and cash equivalents		-	-
		77,194	86,388
Total Assets		250,208	283,774
LIABILITIES			
Current liabilities			
Bank overdrafts	13	(512)	(145)
Trade and other payables	14	(2,529)	(2,936)
Tax liabilities		(286)	(3,391)
Lease liabilities		(102)	(33)
Accruals and deferred income		(306)	(329)
Total current liabilities		(3,735)	(6,834)
Non current liabilities			
Trade and other payables	14	(140,000)	(172,000)
Lease liabilities		(302)	-
Total non current liabilities		(140,302)	(172,000)
Total liabilities		(144,037)	(178,834)
NET ASSETS		106,171	104,940
Equity			
Called up share capital	16	1	1
Profit and loss account		106,170	104,939
Total equity		106,171	104,940

The financial statements for Advantage Finance Limited (company registered no. 03773673) were approved by the Board of Directors on 23 April 2021.

Signed on behalf of the Board of Directors

D W Vessey

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 February 2019	1	89,924	89,925
Total comprehensive income for year	-	27,997	27,997
Cost of future share based payments	-	19	19
Tax charge on equity items	-	(401)	(401)
Dividends	-	(12,600)	(12,600)
At 31 January 2020	1	104,939	104,940
Total comprehensive income for year	-	13,933	13,933
Cost of future share based payments	-	3	3
Tax charge on equity items	-	(55)	(55)
Dividends	-	(12,650)	(12,650)
At 31 January 2021	1	106,170	106,171

CASH FLOW STATEMENT
For the year ended 31 January 2021

	Note	2021 £000	2020 £000
Net cash inflow from operating activities	17	13,388	12,718
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		94	44
Purchases of property, plant and equipment		(772)	(271)
Purchases of right to use asset		(427)	(5)
Net cash used in investing activities		(1,105)	(232)
Cash flows from financing activities			
Dividends paid		(12,650)	(12,600)
~~Net increase in overdraft~~		367	114
Net cash used in financing activities		(12,283)	(12,486)
Net decrease 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

Advantage Finance 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.

As discussed in the strategic report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this reasonable expectation, the directors have considered the current situation in respect of Covid-19 and, in particular, the potential for increased customer repayment difficulties and temporary challenges with asset recovery and realisation at potentially lower residual values as well as operational challenges. Increased repayment difficulties relate to potentially worse customer employment and/or health situations, potentially mitigated by government support and movement restrictions which lower customer outgoings, as well as being potentially mitigated by the forbearance and experience of our skilled staff. Asset recovery and realisation challenges relate mainly to government movement restrictions and the recently announced route map and easing of FCA repossession restrictions are likely to prove helpful mitigants in this respect. 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 sheets of both the Group and Advantage. 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 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 constant periodic rate of return on the net investment in the loans, which is akin to an effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Under IFRS 16, credit charge income should be recognised using the EIR. Acceptance fees charged to customers and any direct transaction cost are included in the calculation of the EIR.

For lease agreements which are classified as credit impaired (i.e. stage 3 assets under IFRS 9), Advantage recognises revenue 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of 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.

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 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 and assumptions for estimating future cash flows are based upon observed historical data and updated to reflect current and future conditions. As required under IFRS 9, 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 IFRS9 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. All loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS 9 stage 3. The expected credit loss ("ECL") is the probability weighted estimate of credit losses.

A PD/LGD model was developed to calculate the expected loss impairment provisions 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. This is determined with reference to historical data updated for current and future conditions. If a loan falls one month or more in contractual arrears then this is deemed credit impaired and included in IFRS 9 Stage 3. There are some loans which are up to date with payments but the customer is in some form of forbearance and we deem this to be a significant increase in credit risk and so these loans are included in Stage 2. As a result of the uncertainty over the performance of customers who were granted a payment holiday as part of the Government and FCA support measures as a result of the Covid pandemic and have also either requested a second payment holiday or have had a previous payment delinquency, we have assessed these customers to have a significant increase in credit risk and they are therefore included in Stage 2. This is why the volume of customers in Stage 2 has increased at 31 January 2021. As we do not have historical data for such customers, we made an assumption on the loss rates associated with such customers by reference to relevant Stage 3 loss rates.

As required under IFRS 9 the expected impact of movements in the macroeconomy is also reflected in the expected loss model calculations. Assessments are made using forward looking external data regarding forecast future levels of employment, interest rates and used car values which may affect the customers' future propensity to repay their loan. The macroeconomic overlay assessments for 31 January 2021 and 31 January 2020 reflect that further to considering such external macroeconomic forecast data and current uncertainties around Covid impacts and the evolution of Brexit, management have judged that there is currently a more heightened risk of an economic downturn. To factor in such uncertainties, management has included an overlay for certain groups of assets to reflect this macroeconomic outlook, based on our estimated unemployment levels in future periods.

1. ACCOUNTING POLICIES (CONTINUED)

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

The directors consider that the sources of estimation uncertainty which have the most significant effect on the amounts recognised in the financial statements are relating to impairment provision. This is dependent on estimation uncertainty in forward-looking on areas such as interest rates, employment rates, and used car prices.

Other than the changes to the approach mentioned above, there were no significant changes to estimation techniques applied to the calculations used at 31 January 2021 and those used at 31 January 2020.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Certain freehold property is held at previous revalued amounts less accumulated depreciation as the Company has elected to use these amounts as the deemed cost as at the date of transition to IFRS under the transitional arrangements of IFRS 1.

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:

Leasehold Buildings	2% per annum straight line
Fixtures and Fittings	20% per annum straight line
Motor Vehicles	25% per annum reducing balance

1.6 Investments

Investments in subsidiaries are stated at cost less provision for any impairment.

1.7 Tax

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.

1.8 Pensions

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

1.9 Leases

Depreciation is charged on right to use assets to the income statement on a straight-line basis over the contractual life of the asset.

Rental costs under non IFRS 16 leases are charged to the income statement on a straight-line basis.

1.10 Share based payments

The Company participates in the S&U plc Group 2008 Discretionary Share Option Plan and the S&U plc Group 2010 Long Term Incentive Plan and issues share-based payments under these plans. The cost of these share based payments is based on the fair value of options granted as required by IFRS2. This cost is then charged to the income statement over the vesting period (normally three years) of the related share options with a corresponding credit to reserves. Full disclosure of share based payments made under these plans is contained in the S&U plc Group Annual Report and Accounts for year ended 31 January 2021.

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In preparing these financial statements, the Company has made judgements, estimates and assumptions which affect the reported amounts within the current and next financial year. Actual results may differ from these estimates.

Estimates and judgements are regularly reviewed based on past experience, expectations of future events and other factors.

Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Significant increase in credit risk for classification in Stage 2

The Company's transfer criteria determine what constitutes a significant increase in credit risk, which results in a customer being moved from Stage 1 to Stage 2. As a result of the uncertainty over the performance of customers who were granted a payment holiday as part of the Government and FCA support measures and have also either requested a second payment holiday or have had a previous payment delinquency, we have assessed these customers to have a significant increase in credit risk and they are therefore included in Stage 2.

Key sources of estimation uncertainty

The directors consider that the sources of estimation uncertainty which have the most significant effect on the amounts recognised in the financial statements are those inherent in the consumer credit markets in which we operate relating to impairment as outlined in 1.4 above. In particular, the Company's impairment provision is dependent on estimation uncertainty in forward-looking on areas such as interest rates, employment rates, and used car prices.

The Company implemented IFRS 9 from 1 February 2018 by developing models to calculate expected credit losses in a range of economic scenarios. These models involve setting modelling assumptions, weighting of economic scenarios, the criteria of determining significant deterioration in credit quality and the application of adjustments to model outputs. We have outlined assumptions in our expected credit loss model in the current year. Reasonable movement in these assumptions might have a material impact on the impairment provision value.

Stage 2 loss rates

Historically the Company had very low value of receivables in the stage 2 and as a result no significant experience in the payment performance of customers in this stage. Directors have made an assumption on the level of loss rate applied to stage 2 receivables. If the loss rate applied decreased by 3% it would result in a decrease in the impairment provision by £996k.

Stage 3 loss rates

~~Due to the uncertainty over the impact of Covid-19 on the performance of customers in stage 3, Directors~~ have changed one of the staging criteria for stage 3 agreements, increasing the loss rates for customers who have requested and were granted a payment holiday. Applying the same loss rates as customers who have not had a payment holiday would decrease the impairment provision by £2,480k.

Macroeconomic overlay

The Company considers four probability-weighted scenarios in relation to unemployment rate: base, upside, downside and severe scenarios. The weighted average increase in the unemployment rate over the next four years is 2%. Due to the current uncertainty in relation to the ongoing Covid-19 global pandemic and the recently agreed Brexit trade agreement the choice of scenarios and weightings are subject to a significant degree of estimation and the Company uses external data to help this process. An increase by 0.5% in the weighted average unemployment rate would result in an increase in the impairment loss by £743k. A decrease by 0.5% would result in a decrease in the impairment loss by £743k.

2. SEGMENTAL ANALYSIS

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

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

3. COST OF SALES

	2021 £000	2020 £000
Loan loss provisioning charge	35,995	16,507
Other cost of sales	13,587	19,240
	49,582	35,747

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments	2021 £000	2020 £000
Salary	1,550	2,002
Pension and salary supplement in lieu	95	122
Social security	229	650
	1,874	2,774

The emoluments of the highest paid director are £326,666 for the year (2020: £464,260) including benefits received and receivable under long term incentive schemes of £42,784 (2020: £55,674), and the Company paid pension contributions on their behalf and salary supplement in lieu of £10,000 (2020: £10,000). Five of the directors exercised share options under long term incentive schemes during the year (2020: 6) and the highest paid director exercised 2,667 share options under long term incentive schemes during the year (2020: 2667). 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	11	12
Average number of persons employed		
Management and administration	166	153

Staff costs during the year (including directors):	£000	£000
Wages and salaries	5,521	6,084
Social security costs	561	503
Other pension costs	285	272
	6,367	6,859

5. OPERATING PROFIT

	2021 £000	2020 £000
Operating profit is stated after charging:		
Depreciation and amortisation:		
Owned assets	339	320
Right to use asset	77	17
Staff costs	6,367	6,859
Profit on sale of fixed assets	(10)	-

	2021 £000	2020 £000
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	95	75
Total audit fees	**95**	**75**
Audit related assurance services	21	21
Total non audit fees	**21**	**21**
Total	**116**	**96**

6. FINANCE COSTS

	2021 £000	2020 £000
Interest payable	5,415	6,597

7. TAX

	2021 £000	2020 £000
Corporation tax at 19.00% (2020: 19.00%) based on the profit for the year	3,320	6,124
Deferred tax (note 15)	(55)	(94)
	3,265	6,030

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.

7. TAX (CONTINUED)

	2021 £000	2020 £000
Profit on ordinary activities before tax	17,198	34,027
Tax on profit on ordinary activities at standard rate of 19.00% (2020: 19.00%)	3,267	6,465
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	4	4
Effects of other tax rates and timing differences	(32)	(430)
Adjustment in respect of prior years	26	(9)
Total tax charge for the year	3,265	6,030

The main rate of corporation tax was reduced from 20% to 19% with effect from 1 April 2017, therefore the tax rate applicable to the current period is a rate of 19.0% (2020: 19.0%). In the budget announcement on 3 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%.

8. DIVIDENDS

	2021 £000	2020 £000
Ordinary dividend paid in the year of £12,650 per share (2020: £12,600 per share)	12,650	12,600

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
Cost or valuation				
At 1 February 2019	1,227	411	1,160	2,798
Additions	33	103	135	271
Disposals	(4)	(127)	(34)	(165)
At 1 February 2020	1,256	387	1,261	2,904
Additions	455	187	130	772
Disposals	-	(157)	(164)	(321)
As at 31 January 2021	1,711	417	1,227	3,355
Accumulated depreciation				
At 1 February 2019	136	184	697	1,017
Charge for the year	51	72	197	320
Eliminated on disposals	(1)	(87)	(33)	(121)
At 1 February 2020	186	169	861	1,216
Charge for the year	86	80	173	339
Eliminated on disposals	-	(73)	(164)	(237)
As at 31 January 2021	272	176	870	1,318
Net book value				
At 31 January 2021	1,439	241	357	2,037
At 31 January 2020	1,070	218	400	1,688

10. INVESTMENTS

	2021 £	2020 £
Shares in subsidiary companies - cost and carrying value		
At the start and end of the year	2	2

Interests in subsidiaries

The principal subsidiaries of the Company, which are wholly owned directly by the Company, operate in Great Britain and are incorporated in England and Wales.

Subsidiary	**Principal activity**
Advantage Motor Finance Limited (03773678)	Dormant
Communitas Finance Limited (05344125)	Dormant

10. INVESTMENTS (CONTINUED)

The Company has not prepared consolidated financial statements as it is a wholly-owned subsidiary of S&U plc, a company registered in England and Wales, and the ultimate parent company which prepares consolidated financial statements. This exemption has been taken in accordance with section 405 of the Companies Act 2006.

11. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2021 £000	2020 £000
Credit receivables	339,349	344,131
Less: Loan loss provision	(92,583)	(63,374)
Amounts receivable from customers	246,766	280,757
Analysed by future date due		
- due within one year	76,234	85,154
- due in more than one year	170,532	195,603
Amounts receivable from customers	246,766	280,757
Analysis of security		
Loans secured on vehicles under hire purchase agreements	242,040	275,744
Other loans	4,726	5,013
Amounts receivable from customers	246,766	280,757
Analysis of overdue		
Not impaired		
Neither past due nor impaired	203,551	234,481
Past due up to 3 months but not impaired	-	-
Impaired		
Past due up to 3 months	29,219	34,106
Past due up to 6 months	5,717	4,173
Past due over 6 months or default	8,279	7,997
Amounts receivable from customers	246,766	280,757

The credit risk inherent in amounts receivable from customers is reviewed as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good with the exception of 6,298 Covid impacted payment deferral customers who although not in arrears at 31 January 2021 were assessed from a review of internal data to have a significant increase in credit risk. Under IFRS9 therefore these customers although not in arrears are included in stage 2 at 31 January 2021 with an increased impairment provision (2020: N/A).

11. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

	Not Credit Impaired		Impaired		
As at 31 January 2021	**Stage 1: Subject to 12 months ECL £'000**	**Stage 2: Subject to lifetime ECL £'000**	**Stage 3: Subject to lifetime ECL £'000**	**Total Provision £'000**	**Amounts Receivable £'000**
Credit receivables	(14,367)	(12,759)	(65,457)	(92,583)	339,349

	Not Credit Impaired		Credit Impaired		
As at 31 January 2020	**Stage 1: Subject to 12 months ECL £'000**	**Stage 2: Subject to lifetime ECL £'000**	**Stage 3: Subject to lifetime ECL £'000**	**Total Provision £'000**	**Amounts Receivable £'000**
Credit receivables	(13,375)	(51)	(49,948)	(63,374)	344,131

Loan loss provisions	**Stage 1: Subject to 12 months ECL £'000**	**Stage 2: Subject to lifetime ECL £'000**	**Stage 3: Subject to lifetime ECL £'000**	**Total Provision £'000**
At 1 February 19 IFRS 9	12,685	71	45,089	57,845
Net transfers and changes in credit risk	(5,333)	(42)	7,709	2,334
New loans originated	6,248	30	7,895	14,173
Total impairment charge to income statement	**915**	**(12)**	**15,604**	**16,507**
Amounts netted off against revenue for stage 3 assets	-	-	7,292	7,292
Utilised provision on write-offs	(225)	(8)	(18,037)	(18,270)
At 31 January 2020 IFRS 9	13,375	51	49,948	63,374

11. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

Loan loss provisions	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000
At 1 February 20 IFRS9	13,375	51	49,948	63,374
Net transfers and changes in credit risk	(4,825)	11,502	16,406	23,083
New loans originated	5,992	1,219	5,701	12,912
Total impairment charge to income statement	**1,167**	**12,721**	**22,107**	**35,995**
Amounts netted off against revenue for stage 3 assets	-	-	8,891	8,891
Utilised provision on write-offs	(175)	(13)	(15,489)	(15,677)
At 31 January 2021 IFRS9	14,367	12,759	65,457	92,583

12. TRADE AND OTHER RECEIVABLES

	2021 £000	2020 £000
Other debtors	162	490
Prepayments and accrued income	798	744
	960	1,234

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.

13. BANK OVERDRAFTS

	2021 £000	2020 £000
Bank overdrafts – due within one year	512	145

The bank overdraft is secured by a cross-guarantee from the parent company S&U plc and all S&U plc Group companies (see note 18).

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

14. TRADE AND OTHER PAYABLES

	2021 £000	2020 £000
Trade creditors	257	335
Amounts owed to other group undertakings	139,971	171,984
Other creditors	2,301	2,617
	142,529	174,936

Other than £155m of intercompany payables due after more than one year (2020: £160m) the amounts owed to group undertakings have no fixed maturity date.

15. DEFERRED TAX

	Accelerated tax depreciation	Share Based Payments	Total
	£000	£000	£000
At 1 February 2019	(85)	452	367
(Debit)/credit to income	(9)	85	94
Credit to equity	-	(401)	(401)
At 1 February 2020	(76)	136	60
(Debit)/credit to income	(1)	56	55
Debit to equity	-	(55)	(55)
At 31 January 2021	(77)	137	60

A deferred tax asset has been recognised on the basis that the Company has been historically profitable and the asset can be utilised in the future.

16. CALLED UP SHARE CAPITAL

	2021 £000	2020 £000
Authorised, called up, allotted and fully paid 1,000 Ordinary shares of £1 each	1	1

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

	2021 £000	2020 £000
Profit before tax	17,198	34,027
Tax paid	(6,425)	(6,350)
Depreciation on property, plant and equipment	339	320
Depreciation on right to use asset	77	17
(Profit)/Loss on disposal of property, plant and equipment	(10)	-
Decrease/(increase) in amounts receivable from customers	33,991	(21,947)
Decrease/(increase) in trade and other receivables	274	(274)
Increase/(decrease) in trade and other payables	(32,407)	7,025
Increase/(decrease) in accruals and lease liabilities	348	(119)
Cost of future share based payments	3	19
Net cash inflow from operating activities	13,388	12,718

18. CONTINGENT LIABILITIES

The Company has entered into cross-guarantee arrangements with respect to the loans and bank overdrafts of certain of other group companies. The maximum exposure under this arrangement at 31 January 2021 was £97,500,000 (2020: £118,500,000).

19. RELATED PARTY TRANSACTIONS

The Company paid dividends to its parent company S&U plc of £12,650,000 (2020: £12,600,000). During the current and preceding years the Company was recharged by other group undertakings for various administrative expenses incurred on behalf of Advantage Finance Limited. At 31 January 2021 the Company owed £139,970,455 (2020: £171,984,207) to other group undertakings and was owed £nil by other group undertakings (2020: £nil).

Colin Burton Handyman is considered to be a related party due to directors' interests in the business. The total value of purchases in the year from Colin Burton Handyman is £11,829 (2020: £0). The year end balance is nil (2020: nil).

20. 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.

21. FINANCIAL COMMITMENTS

Capital commitments

At 31 January 2021 and 31 January 2020 the Company had no capital commitments contracted but not provided for.

22. PENSION SCHEMES

The Company made contributions of £269,937 (2020: £263,140) to a defined contribution pension scheme and there are £22,414 of outstanding contributions at 31 January 2020 (31 January 2020: £22,128).

23. FINANCIAL INSTRUMENTS

The Company's principal financial instruments are amounts receivable from customers, cash, bank overdrafts and bank loans.

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 criteria at the time of underwriting a new credit facility and continuous monitoring of the collection process. The hire purchase debts are secured by the financed vehicle.

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 27% (2020: 28%). The average effective interest rate on financial liabilities of the Company at 31 January 2020 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 within glasses guide and cap limits. As per confirmations 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 plc 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 Group financial statements. There is considered to be no material interest rate risk in cash, trade and other receivables and trade and other payables.

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's;

- profit for the year ended 31 January 2021 would decrease by £0.5million (2020: decrease by £0.6million). This is mainly attributable to the Company's exposure on its variable rate borrowings.

- total equity would decrease by £0.4million (2020: decrease by £0.5million). This is mainly attributable to the Company's exposure on its variable rate borrowings.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's;

- profit for the year ended 31 January 2021 would decrease by £1.0million (2020: decrease by £1.2million). This is mainly attributable to the Company's exposure on its variable rate borrowings.

- total equity would decrease by £0.8million (2020: decrease by £1.0million). This is mainly attributable to the Company's exposure on its variable rate borrowings.

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.

23. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management (continued)

External capital requirements are imposed by the FCA on Advantage Finance itself. Throughout the year the Company has maintained a capital base greater than this requirement.

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.

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	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets	76,234	52,820	117,712	-	-	246,766
Other assets	-	-	-	-	3,442	3,442
Total assets	76,234	52,820	117,712	-	3,442	250,208
Shareholder's funds	-	-	-	-	(106,171)	(106,171)
Bank overdrafts and loans	(512)	-	-	-	-	(512)
Other liabilities	-	(25,000)	(72,500)	(42,500)	(3,525)	(143,525)
Total liabilities and shareholder's funds	(512)	(25,000)	(72,500)	(42,500)	(109,696)	(250,208)
Cumulative gap	75,722	103,542	148,754	106,254	-	-

	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	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets	85,154	59,487	136,116	-	-	280,757
Other assets	-	-	-	-	3,017	3,017
Total assets	85,154	59,487	136,116	-	3,017	283,774
Shareholder's funds	-	-	-	-	(104,940)	(104,940)
Bank overdrafts and loans	(145)	-	-	-	-	(145)
Other liabilities	-	-	(69,000)	(103,000)	(6,689)	(178,689)
Total liabilities and shareholder's funds	(145)	-	(69,000)	(103,000)	(111,629)	(283,774)
Cumulative gap	85,009	144,496	211,612	108,612	-	-

23. FINANCIAL INSTRUMENTS (CONTINUED)

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

At 31 January 2021	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	512	-	-	-	-	512
Trade and other payables	-	2,529	-	-	-	2,529
Tax liabilities	-	286	-	-	-	286
Accruals and deferred income	-	408	105	105	92	710
Intercompany loans	-	25,000	72,500	42,500	-	140,000
At 31 January 2021	512	28,223	72,605	42,605	92	144,037

At 31 January 2020	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	145	-	-	-	-	145
Trade and other payables	-	2,936	-	-	-	2,936
Tax liabilities	-	3,391	-	-	-	3,391
Accruals and deferred income	-	362	-	-	-	362
Intercompany loans	-	-	69,000	103,000	-	172,000
At 31 January 2020	145	6,689	69,000	103,000	-	178,834