Company Registration No: 03773673

Advantage Finance Limited

Annual Report and Financial Statements

For the year ended 31 January 2022

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

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

INTERNAL AUDITOR

RSM Risk Assurance Services LLP
6th Floor 25 Farringdon Street
London
EC4 4AB

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

Following a first ever dip in profits last year, as Covid stormed the economy, the company has produced a stunning come back performance. Profits Before Tax for the Year Ended 31 January 2022 is £43.7m compared against £17.2m in 2021. New loan transaction numbers, even in a market constrained by the supply of used cars are up by 26% on 2021. On revenue of £78.9m (2021: £79.5m), ROCE for the business was 19.4% (2021: 8.6%).

Whilst it is true that these results have benefitted from a much lower than normal impairment charge, this partly reflected a superb performance in collections as our loyal and conscientious customers both maintained and improved their repayments. Monthly live collections receipts reached a record £152.7m (2021: £138.5m), 10% up on 2021. These collections represented an average 93.21% of due payments received (2021: 83.26%) and the year finished on a remarkable 98.25% of due payments received in the month of January22 (January 21 month only: 90.30%). These results were made possible by Advantage's close and harmonious customer relations, responsible lending, the success of a new customer payment portal introduced last summer and, last but not least, by the professionalism and empathy of our customer facing teams.

Receivables quality was also bolstered by the strong used car values; this contributed to lower voluntary termination and bad debt numbers, and the losses arising from them were much lower than anticipated back in January 2021.

Although the company expects that new loan transactions will continue to grow this year, much will depend upon consumer confidence generally and the economic fall-out from the current crisis in Eastern Europe. The company's prognosis has therefore been sensibly prudent with a return to increased growth forecast for the final third of this financial year, when used car availability is expected to have gradually returned to more normal levels. For the longer term, a number of marketing and branding initiatives have been introduced. The Company will broaden the funnel of our new business, develop new affinity and consolidated partnerships and open direct channels to future customers. Refining our renowned underwriting ability, the company continues to help customers improve their credit ratings and to serve them with the kind of finance product which helps them do so. To this end the company has welcomed new credit reference providers and has partnered with digital specialists, as well as recruiting inhouse marketing expertise. Again, with an eye to the future, a working group has been set up to track the development of the electric vehicle market and the company expects to be able to introduce more of our customers to this market over the next few years. Although electric vehicles currently only comprise about 3.5% of the UK car parc, the market is growing strongly. Indeed 28% of new vehicles sold this year were either electric or plug in self-charge hybrids.

Dividends of £10,000,000 (2021: £12,650,000) were paid during the year. No final dividend is proposed (2021: no final dividend proposed).

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

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 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.

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 2022 this risk has remained stable in line with the Group gearing levels staying at a similar level. At 31 January 2022 the Group gearing level was 54.9% (2021: 54.6%). 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.

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.

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 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.

REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 our customers. Some of our 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 received just over 2 million applications in the Year Ended Jan 2022 (2021: 1.5m) and has written over 211,000 customer hire purchase agreements since starting trading in 1999.

With an eye to the future, a working group has been set up to track the development of the electric vehicle market and the company expects to be able to introduce more of our customers to this market over the next few years. Although electric vehicles currently only comprise about 3.5% of the UK car parc, the market is growing strongly. Indeed 28% of new vehicles sold this year were either electric or plug in self-charge hybrids.

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.

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. 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 62,000 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

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 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 67 of only 86 complaints which reached the Financial Ombudsman Service in the year were decided in Advantage's favour (2021: 44 of 74 complaints were decided in the Company's favour). In the year to 31 January 2022 56% of complaints which reached the Financial Ombudsman Service were related to the satisfactory quality of the vehicle (2021: 74%) 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.

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 2020 a new building was 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

3 May 2022

Advantage Finance Limited

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:
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, G Wheeler and J Downing.

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 £10,000,000 (2021: £12,650,000) 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

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.

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

3 May 2022

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 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.

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

Opinion

We have audited the financial statements of Advantage Finance 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.

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.

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

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.

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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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.

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

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

Chartered Accountants and Statutory Auditor

London

3 May 22

ADVANTAGE FINANCE LIMITED
INCOME STATEMENT
For the year ended 31 January 2022

	Note	2022 £000	2021 £000
Revenue		78,898	79,553
Cost of sales	3	(21,071)	(49,582)
Gross profit		57,827	29,971
Administrative expenses		(9,750)	(7,358)
Operating profit	5	48,077	22,613
Finance costs	6	(4,395)	(5,415)
Profit before tax		43,682	17,198
Taxation	7	(8,407)	(3,265)
Profit for the year		35,275	13,933

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 2022

	Note	2022 £000	2021 £000
ASSETS			
Non Current Assets			
Property, plant and equipment	9	1,912	2,037
Right to use asset	9	314	385
Investments	10	-	-
Amounts receivable from customers	11	180,156	170,532
Deferred tax assets	15	80	60
		182,462	173,014
Current Assets			
Amounts receivable from customers	11	78,880	76,234
Trade and other receivables	12	1,118	960
Cash and cash equivalents		579	-
		80,577	77,194
Total Assets		263,039	250,208
LIABILITIES			
Current liabilities			
Bank overdrafts	13	-	(512)
Trade and other payables	14	(3,612)	(2,529)
Tax liabilities		(413)	(286)
Lease liabilities		(108)	(102)
Accruals and deferred income		(233)	(306)
Total current liabilities		(4,366)	(3,735)
Non current liabilities			
Trade and other payables	14	(127,000)	(140,000)
Lease liabilities		(227)	(302)
Total non current liabilities		(127,227)	(140,302)
Total liabilities		(131,593)	(144,037)
NET ASSETS		131,446	106,171
Equity			
Called up share capital	16	1	1
Profit and loss account		131,445	106,170
Total equity		131,446	106,171

The financial statements for Advantage Finance Limited (company registered no. 03773673) were approved by the Board of Directors on 3 May 2022.

Signed on behalf of the Board of Directors

D W Vessey

Advantage Finance Limited

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 February 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
Total comprehensive income for year	-	35,275	35,275
Cost of future share based payments	-	-	-
Tax charge on equity items	-	-	-
Dividends	-	(10,000)	(10,000)
At 31 January 2022	1	131,445	131,446

CASH FLOW STATEMENT
For the year ended 31 January 2022

	Note	2022 £000	2021 £000
Net cash inflow from operating activities	17	11,336	13,388
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		93	94
Purchases of property, plant and equipment		(300)	(772)
Purchases of right to use asset		(38)	(427)
Net cash used in investing activities		(245)	(1,105)
Cash flows from financing activities			
Dividends paid		(10,000)	(12,650)
Net (decrease)/increase in overdraft		(512)	367
Net cash used in financing activities		(10,512)	(12,283)
Net increase in cash and cash equivalents		579	-
Cash and cash equivalents at the beginning of year		-	-
Cash and cash equivalents at the end of year		579	-

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 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 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 and hire purchase interest income is then recognised using the EIR. Acceptance fees charged to customers and any direct transaction costs are included in the calculation of the EIR. For hire purchase agreements which are classified as credit impaired (i.e. stage 3 assets under IFRS 9), the company recognises revenue 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS. Revenue starts to be recognised from the date of completion of the loan – after completion hire purchase customers have a 14 day cooling off period during which they can cancel their loan.

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 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.

1. ACCOUNTING POLICIES (CONTINUED)

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

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.

Further to our historic observation of subsequent loan performance, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS 9 stage 3. This results in more of our net receivables being in stage 3 and the associated stage 3 loan loss provisions being higher than if we adopted a more prime customer receivables approach of 3 months or more in arrears. Our approach of 1 month or more in contractual arrears is based on our historic observation of subsequent loan performance after our customers fall 1 month or more in contractual arrears within our non-prime motor finance customer receivables book. 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 increased at 31 January 2021. However, if a customer's payment holiday finished more than 12 months ago and they are unimpaired 12 months later then an account will not be in Stage 2 as the customer's post-holiday payment record now indicates low credit risk at the reporting date. This is why the volume of customers in Stage 2 reduced at 31 January 2022. As we only have limited 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, inflation and used vehicle values which may affect the customers' future propensity to repay their loan. The macroeconomic overlay assessments for 31 January 2022 reflect that further to considering such external macroeconomic forecast data , management have judged that there is currently a more heightened risk of an adverse economic environment for our customers and the value of our motor finance security. To factor in such uncertainties, management has included an overlay for certain groups of assets to reflect this macroeconomic outlook, based on estimated unemployment, inflation and used vehicle price levels in future periods.

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 2022 and those used at 31 January 2021.

Assets in our secured loan receivables book 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. Where the asset is no longer present then another indicator used to determine whether the loan should be written off is the lack of any receipt for 12 months from that customer.

1. ACCOUNTING POLICIES (CONTINUED)

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 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

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. However, if a customer's payment holiday finished more than 12 months ago and they are unimpaired 12 months later then an account will not be in stage 2 as the customer's post holiday payment record now indicates low credit risk at the reporting date.

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 inflation 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.

Macroeconomic overlay

For this overlay, the company considers four probability-weighted scenarios in relation to unemployment rate: base, upside, downside and severe scenarios as follows:

	Base	Upside (30% increase)	Downside (30 % decrease)	Severe (50% increase)	Weighted
Weighting	50%	5%	40%	5%	
Q1 2022	3.80%	2.66%	4.94%	5.70%	4.29%
Q1 2023	4.20%	2.94%	5.46%	6.30%	4.75%
Q1 2024	4.60%	3.22%	5.98%	6.90%	5.20%
Q1 2025	5.00%	3.50%	6.50%	7.50%	5.65%

Inflation rates have not previously been factored into the macroeconomic overlay but at 31 January 2022 we have included them due to the extraordinary increases currently forecast for the next 12 months period and the potential impact on our customers and their repayments. The company considers four probability-weighted scenarios in relation to inflation rate: base, upside, downside and severe scenarios as follows:

	Base	Upside (30% increase)	Downside (30 % decrease)	Severe (50% increase)	Weighted
Weighting	50%	5%	40%	5%	
Q1 2022	5.70%	3.99%	7.41%	8.55%	6.44%
Q1 2023	5.20%	3.64%	6.76%	7.80%	5.88%
Q1 2024	2.10%	1.47%	2.73%	3.15%	2.37%
Q1 2025	1.60%	1.12%	2.08%	2.40%	1.81%

An increase by 0.5% in the weighted average unemployment rate would result in an increase in the impairment loss by £856,687. A decrease by 0.5% would result in a decrease in the impairment loss by £856,687. An increase by 0.5% in the weighted average inflation rate would result in an increase in the impairment loss by £401,572. A decrease by 0.5% would result in a decrease in the impairment loss by £401,572.

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

	2022 £000	2021 £000
Loan loss provisioning charge	3,805	35,995
Other cost of sales	17,266	13,587
	21,071	49,582

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments	**2022** **£000**	**2021** **£000**
Salary	1,883	1,550
Pension and salary supplement in lieu	98	95
Social security	234	229
	2,215	1,874

The emoluments of the highest paid director are £344,254 for the year (2021: £326,666). 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	11	11
Average number of persons employed		
Management and administration	175	166

Staff costs during the year (including directors):	**£000**	**£000**
Wages and salaries	6,738	5,521
Social security costs	605	561
Other pension costs	294	285
	7,637	6,367

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 January 2022

5. OPERATING PROFIT

	2022 £000	2021 £000
Operating profit is stated after charging:		
Depreciation and amortisation:		
Owned assets	319	339
Right to use asset	110	77
Staff costs	7,637	6,367
Profit on sale of fixed assets	13	(10)

	2022 £000	2021 £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	108	95
Total audit fees	**108**	**95**

6. FINANCE COSTS

	2022 £000	2021 £000
Interest payable	4,395	5,415

7. TAX

	2022 £000	2021 £000
Corporation tax at 19.00% (2021: 19.00%) based on the profit for the year	8,427	3,320
Deferred tax (note 15)	(20)	(55)
	8,407	3,265

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 £000	2021 £000
Profit on ordinary activities before tax	43,682	17,198
Tax on profit on ordinary activities at standard rate of 19.00% (2020: 19.00%)	8,299	3,267
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	87	4
Effects of other tax rates and timing differences	63	(32)
Adjustment in respect of prior years	(42)	26
Total tax charge for the year	8,407	3,265

7. TAX (continued)

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% (2021: 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 will increase to 25% which has been substantively enacted.

8. DIVIDENDS

	2022 £000	2021 £000
Ordinary dividend paid in the year of £10,000 per share (2021: £12,650 per share)	10,000	12,650

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000	Right to Use £000
Cost or valuation					
At 1 February 2020	1,256	387	1,261	2,904	57
Additions	455	187	130	772	427
Disposals	-	(157)	(164)	(321)	-
At 1 February 2021	1,711	417	1,227	3,355	484
Additions	77	71	152	300	38
Disposals	-	(154)	(152)	(306)	-
As at 31 January 2022	1,788	334	1,227	3,349	522
Accumulated depreciation					
At 1 February 2020	186	169	861	1,216	22
Charge for the year	86	80	173	339	77
Eliminated on disposals	-	(73)	(164)	(237)	-
At 1 February 2021	272	176	870	1,318	99
Charge for the year	109	61	149	319	109
Eliminated on disposals	-	(86)	(114)	(200)	-
As at 31 January 2022	381	151	905	1,437	208
Net book value					
At 31 January 2021	1,439	241	357	2,037	385
At 31 January 2022	1,407	183	322	1,912	314

10. INVESTMENTS

	2022 £	2021 £
Shares in subsidiary companies - cost and carrying value		
At the start and end of the year	1	2

10. INVESTMENTS (continued)

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

Registered office address: 2 Stratford Court, Solihull, B90 4QT

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

	2022 £000	2021 £000
Credit receivables	350,517	339,349
Less: Loan loss provision	(91,481)	(92,583)
Amounts receivable from customers	259,036	246,766
Analysed by future date due		
- due within one year	78,880	76,234
- due in more than one year	180,156	170,532
Amounts receivable from customers	259,036	246,766
Analysis of security		
Loans secured on vehicles under hire purchase agreements	254,933	242,040
Other loans	4,103	4,726
Amounts receivable from customers	259,036	246,766
Analysis of overdue		
Not impaired		
Neither past due nor impaired	223,193	203,551
Past due up to 3 months but not impaired	-	-
Impaired		
Past due up to 3 months	23,957	29,219
Past due up to 6 months	3,943	5,717
Past due over 6 months or default	7,943	8,279
Amounts receivable from customers	259,036	246,766

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 1,369 vulnerable or Covid impacted payment deferral customers who although not in arrears at 31 January 2022 were assessed from a review of internal data to have a significant increase in credit risk (2021 6,298). Under IFRS9 therefore these customers although not in arrears are included in stage 2 at 31 January 2022 with an increased impairment provision.

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 2022	**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	(22,129)	(2,769)	(66,583)	(91,481)	350,517

	Not Credit Impaired		Credit 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

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 2020 IFRS 9	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 IFRS 9	14,367	12,759	65,457	92,583

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 February2021 IFRS9	14,367	12,759	65,457	92,583
Net transfers and changes in credit risk	(2,839)	(7,462)	(2,757)	(13,058)
New loans originated	10,774	112	5,977	16,863
Total impairment charge to income statement	**7,935**	**(7,350)**	**3,220**	**3,805**
Amounts netted off against revenue for stage 3 assets	-	-	10,197	10,197
Utilised provision on write-offs	(173)	(2,640)	(12,291)	(15,104)
At 31 January 2022 IFRS9	22,129	2,769	66,583	91,481

12. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Other debtors	22	162
Prepayments and accrued income	1,096	798
	1,118	960

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

	2022 £000	2021 £000
Bank overdrafts – due within one year	-	512

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).

14. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Trade creditors	490	257
Amounts owed to other group undertakings	126,932	139,971
Other creditors	3,190	2,301
	130,612	142,529

15. DEFERRED TAX

	Accelerated tax depreciation	Shadow Share Options	Total
	£000	£000	£000
At 1 February 2020	(76)	136	60
(Debit)/credit to income	(1)	56	55
Credit to equity	-	(55)	(55)
At 1 February 2021	(77)	137	60
Credit to income	-	20	20
Debit to equity	-	-	-
At 31 January 2022	(77)	157	80

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.

Shadow share options are long term share based incentive instruments which will be settled in cash when exercised based on future share price and require achieving certain performance targets and are subject to continued employment conditions.

16. CALLED UP SHARE CAPITAL

	2022 £000	2021 £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

	2022 £000	2021 £000
Profit before tax	43,682	17,198
Tax paid	(8,301)	(6,425)
Depreciation on property, plant and equipment	319	339
Depreciation on right to use asset	110	77
(Profit)/loss on disposal of property, plant and equipment	13	(10)
(Increase)/decrease in amounts receivable from customers	(12,270)	33,991
(Increase)/decrease in trade and other receivables	(158)	274
Decrease in trade and other payables	(11,917)	(32,407)
Increase/(decrease) in accruals and lease liabilities	(142)	348
Cost of future share based payments	-	3
Net cash inflow from operating activities	11,336	13,388

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. Any further exposure under these cross guarantee arrangements other than the amount owing to other group undertakings in note 14 is remote.

19. RELATED PARTY TRANSACTIONS

The Company paid dividends to its parent company S&U plc of £10,000,000 (2021: £12,650,000). During the current and preceding year's the Company was recharged by other group undertakings for various administrative expenses incurred on behalf of Advantage Finance Limited. The Company also recharged other group undertakings for various administrative expenses incurred on their behalf. The net value of these administrative expenses (including interest payable on inter company loan) was £977,495 (2021:£2,255,671). At 31 January 2022 the Company owed £126,931,831 (2021: £139,970,455) to other group undertakings and was owed £nil by other group undertakings (2021: £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 £927 (2021: £11,829). 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 2022 the Company had £122,707 capital commitments contracted but not provided for (2021: £nil).

22. PENSION SCHEMES

The Company made contributions of £287,008 (2021: £269,937) to a defined contribution pension scheme and there are £24,477 of outstanding contributions at 31 January 2022 (31 January 2021: £22,414).

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 2022 was estimated to be 25% (2021: 27%). 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 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 2022 would decrease by £0.6million (2021: decrease by £0.5million). This is mainly attributable to the Company's exposure on its variable rate borrowings.

- total equity would decrease by £0.6million (2021: 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 2022 would decrease by £1.1million (2021: decrease by £1.0million). This is mainly attributable to the Company's exposure on its variable rate borrowings.

- total equity would decrease by £1.1million (2021: 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 2022 the Group gearing level was 54.9% (2021: 54.6%) 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	No fixed maturity date	Total
At 31 January 2022	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets	78,880	56,108	124,048	-	-	259,036
Other assets	-	-	-	-	4,003	4,003
Total assets	78,880	56,108	124,048	-	4,003	263,039
Shareholder's funds	-	-	-	-	(131,446)	(131,446)
Bank overdrafts and loans	-	-	-	-	-	-
Lease Liabilities	(108)	(111)	(116)	-	-	(335)
Other liabilities	-	-	(77,000)	(50,000)	(4,258)	(131,258)
Total liabilities and shareholder's funds	(108)	(111)	(77,116)	(50,000)	(135,704)	(263,039)
Cumulative gap	78,772	134,769	181,701	131,701	-	-

	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	**£'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)
Lease Liabilities	(102)	(96)	(206)	-	-	(404)
Other liabilities	-	(25,000)	(105,000)	-	(13,121)	(143,121)
Total liabilities and shareholder's funds	(614)	(25,096)	(105,206)	-	(119,292)	(250,208)
Cumulative gap	75,620	103,344	115,850	115,850	-	-

23. FINANCIAL INSTRUMENTS (CONTINUED)

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

At 31 January 2022	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	-	-	-	-	-	-
Trade and other payables	-	3,612	-	-	-	3,612
Tax liabilities	-	413	-	-	-	413
Accruals and deferred income	-	233	-	-	-	233
Lease Liabilities	-	108	111	116	-	335
Intercompany loans	-	-	-	77,000	50,000	127,000
At 31 January 2022	-	4,366	111	77,116	50,000	131,593

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	-	306	-	-	-	306
Lease Liabilities	-	102	96	206	-	404
Intercompany loans	-	-	25,000	105,000	10,000	140,000
At 31 January 2021	512	3,223	25,096	105,206	10,000	144,037